



Statkraft's sustainability strategy

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Statkraft aims to be one of the world's leading renewables companies by 2025. An enabler of the strategy is the way in which Statkraft operates, which is reflected in the company's long-standing commitment to sustainability. At the same time legal requirements and stakeholder expectations are increasing. Investors, customers and other stakeholders are more often requesting information about Statkraft's approach, targets and performance on sustainability. New legal requirements include mandatory sustainability reporting, transparency and annual targets and action plans. Therefore, Statkraft has further developed the company's sustainability strategy.

Statkraft's sustainability strategy encompasses the company's approach to the UN Sustainable Development Goals (SDGs) and three material topics: Climate, Biodiversity and Human Rights. A full list of targets related to these three topics can be found in the appendix. In addition, the company has targets and activities for other related areas such as health and safety, sustainable supply chain, HR and business ethics. These are covered in more depth in separate documents.

Statkraft's approach to sustainability

Through its activities, Statkraft aims to create value for society, the environment and the company. The company's sustainability approach is embedded into its processes. This is reflected in The Statkraft Way, the company's management system which sets the direction for how the company works. Policies and other governing documents are reviewed and updated as laws, expectations and challenges evolve.

The company takes guidance from relevant international frameworks and guidelines, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Statkraft complies with existing EU Directives for its European activities and follows the IFC Performance Standards for its international investments and new construction projects. The company is a participant in the UN Global Compact.

Statkraft's Key Performance Indicators (KPIs) include sustainability topics, such as health and safety, business ethics, environment and sustainable supply chain. Group KPIs are regularly reviewed by Corporate Management and the Board of Directors as part of the corporate performance reporting process. Sustainability topics are also included in Corporate Audit's annual plan and work.

Statkraft reports annually in accordance with the Global Reporting Initiative (GRI) standards on its performance on all material sustainability issues and discloses information on its website.

UN's Sustainable Development Goals in Statkraft

The UN's Sustainable Development Goals are the world's most important to-do-list and a blueprint to achieve a more sustainable future for everyone by 2030. Statkraft recognises the importance of businesses in contributing to the realisation of the SDGs, and has assessed its impact on all 17 SDGs, following international good practice. The company has decided to focus particularly on seven goals¹. These are goals which the company is

¹ The SDGs are tightly interlinked and even with a particular focus on 7 goals, Statkraft will continue to work across sustainability topics and thus across the majority of the SDGs. An example of this is SDG12 – Responsible consumption and production, which is an important enabler for reducing the company's total material footprint.

well-positioned to contribute to, and which Statkraft regards as particularly important to address. There are both opportunities and dilemmas related to sustainability and the company seeks to understand and manage these.

Statkraft has identified three levels of action for embedding sustainability throughout the organisation: its overarching commitment, its core business functions, and the way in which it operates. These levels are outlined in the SDG framework below.



These seven SDGs constitute an overall framework for sustainability-related work in Statkraft, including development of new projects as well as operations. The framework is complemented with concrete targets, commitments and actions for each of the goals. Statkraft's approach to the three material topics, climate, biodiversity and human rights, are outlined in the following chapters.

Climate

Climate change is one of the greatest challenges of our time. The Paris Agreement and the Glasgow Climate Pact set ambitious targets for reducing greenhouse gas emissions to a level which limits global warming to 2°C, and to pursue efforts to limit the increase to 1.5°C. To achieve this significant changes in the energy sector will be required, and strengthened focus on rapid transition from fuel-based to renewable energy sources is needed.

Statkraft's asset portfolio and growth strategy are consistent with an energy sector development path that will make it possible to reach the Paris agreement targets. Statkraft has already today one of the lowest GHG emissions per kWh among large European based power generators² and all further growth will be in renewable energy.

As an overall climate ambition, Statkraft is committed to a power sector pathway compatible with a 1.5°C global warming target. Its 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. Statkraft has through its core business and strategy a large positive contribution to climate change mitigation. Statkraft aims to maximise this contribution through its growth targets.

² European carbon factor, PWC (December 2020)

Related to its business activities, Statkraft has direct and indirect emissions of greenhouse gases. The company is targeting carbon neutrality for its Scope 1 and Scope 2 emissions by 2040. Statkraft also aims to reduce emissions from its supply chain, and will encourage suppliers to contribute to this effort. A list of climate targets can be found in the appendix.

Statkraft annually reports its climate related actions and ambitions to the Carbon Disclosure Project (CDP) and in the Annual Report. Alignment with the Taskforce on Climate related Financial Disclosure (TCFD) is included as part of the Sustainability Statement in the Annual Report. Statkraft also follows regulatory development closely to ensure its reporting is according to current standards.

Biodiversity

There is increasing awareness of loss of biodiversity and its importance for nature and our way of living. Scientific evidence reveals a nature crisis, where species extinction rates are accelerating, and ecosystems are deteriorating. Loss of biodiversity and negative impact on nature is now ranked among the most prominent risks to humanity.

There are strong links between loss of biodiversity and climate change. Climate change is among the greatest threats to biodiversity, for example by rising temperatures. To mitigate climate change, there is a need for replacing fossil energy sources with renewable energy. This means utilising natural resources, and inevitably impact on the environment. Hydropower plants impact the natural flow of rivers, while wind and solar power plants require land take.

The fundamental question is whether these impacts are acceptable given the positive benefits of renewable energy. In Statkraft's markets national authorities aim to balance environmental impact and utilisation of natural resources through concessions for renewable energy. The company integrates the concession requirements in its operations.

Statkraft's impact on biodiversity varies with the type of activity and the respective site. Its primary biodiversity impacts relate to aquatic ecosystems, birds, bats and bees, use of land, red-listed species and terrestrial animals.

The baseline for Statkraft's approach to biodiversity can be found in the mitigation hierarchy, which says that the earlier an impact is mitigated, the more feasible and less costly the mitigation action is. As an overall ambition Statkraft is committed to mitigating its impact on biodiversity in a responsible way, to continuously improving the understanding of its impact and reporting this transparently. This will enable the company to identify relevant mitigation measures. Statkraft has four cross-cutting focus areas to increase biodiversity efforts:

1. Streamline and disclose biodiversity performance data
2. Understand our impact and evaluate relevant mitigation measures
3. Leverage biodiversity networks internally and externally
4. Increase awareness and knowledge

Decided actions within each of these focus areas are outlined in the appendix.

Human rights

Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. In the transition towards a net-zero carbon economy, there is also a need for a just transition taking into account the impact on people and communities.

Statkraft is committed to respecting human rights and continuously works to embed this in the way the company does business.

Statkraft regularly conducts human rights due diligences of its activities, to identify and assess human rights risks. This is in line with international guidelines and is required in upcoming regulations, e.g. the Norwegian Transparency Act and EU's Corporate Sustainability Due Diligence directive. The aim is to identify the company's *salient issues*, i.e. the most severe potential and actual human rights impacts based on an assessment of risks to people.

A corporate-level human rights due diligence was concluded in 2020, and the salient issues identified were:

- Community impact & social license
- Peoples' health, safety and security
- Labour conditions in the workplace
- Decent work in our supply chain
- Management systems for human rights and responsible business conduct

Based on the results from 2020 and the improvement potential, a set of priority areas going forward has been identified. Particular focus will be given to indigenous and tribal peoples' rights and supply chain workers' conditions.

Whilst working conditions in the supply chain is a vast and complex topic throughout operations, the topic of **indigenous and tribal peoples' rights** is highly specific to each construction project. In situations where projects affect or otherwise impact vulnerable groups, such as indigenous and tribal peoples, impacts shall be assessed in line with company commitments and upcoming legal requirements. Statkraft seeks to take these impacts into account early in the process, including the required resources and setting aside sufficient time given the specific circumstances.

Related to **supply chain workers' conditions**, the following shall apply:

- Living wage: Statkraft guarantees a living wage for all employees and will require the same for site-based workers. Statkraft is committed to promoting living wages in the supply chain based on the principle of leverage³.
- Working hours: Statkraft will comply with national working hour regulations and ILO recommended limits and is committed to promoting adherence to such standards in the supply chain based on the principle of leverage.

Statkraft's Corporate Management's commitment statement on human rights outlines the company's commitment to respect human rights and is published on its [web sites](#).

Implementation of the strategy

The sustainability strategy is currently being implemented and embedded in the company's processes. A corporate implementation project has been established to improve and systematise Statkraft's performance on sustainability, facilitate delivery of the targets and actions in the sustainability strategy, as well as prepare for new legal requirements.

³ Statkraft recognises that the extent of its leverage varies, i.e. Statkraft has stronger ability to influence conditions on its sites than further down in the supply chain.

Statkraft continuously works to improve and develop its sustainability approach. More information about Statkraft's approach to sustainability can be found in the annual report and the company web pages.

Appendix

List of sustainability strategy targets

Below is an overview of Statkraft's sustainability targets for the three material topics: Climate, Biodiversity and Human Rights. The company also has targets and activities for other related areas such as health and safety, sustainable supply chain, HR and business ethics. These are covered in more depth in separate documents.

	Ambition	Targets / actions	SDG
Climate	Statkraft commits to a power sector pathway compatible with a 1.5°C global warming target.	Carbon neutral by 2040, <50 gCO ₂ /kWh by 2025 and <35 gCO ₂ /kWh by 2030 (scope 1 and 2)	13
		Develop 9 GW renewable energy (hydro, wind, solar) by 2025 (from 2019 baseline)	7
		100 % of investments in renewable energy	7, 11, 13
		District heating: Renewable share of 98% by 2030	11
		EV100: 100 % share of electric/hybrid personal and light commercial vehicles by 2030. For Norway, all new cars from 01.01.2021 will as a main rule be EVs (including hybrids)	13
		100 % of electricity purchased certified from renewable sources	13
		Comprehensive overview of travel related emissions. Increase awareness among employees, including full transparency of travel emissions per employee	13
		Reduce emissions from the supply chain. Engage with and set requirements to suppliers that contribute to reduce supply chain emissions	13
		Compensate all residual emissions with quotas giving additionality	13
Biodiversity	Statkraft is committed to mitigating its impact on biodiversity in a responsible way, to continuously improving the understanding of its impact and reporting this transparently.	Define and execute a new baseline for biodiversity reporting, built around material topics, and streamline reporting procedures	15
		Develop Annual Action Plans per Portfolio: <ul style="list-style-type: none"> Project/asset-specific (impact assessments, material topics, relevant measures) Portfolio-wide (strategy for portfolio, R&D initiatives and innovative solutions) 	15
		Investigate our footprint in the supply chain and how to leverage our position to drive improvements	15
		Explore ways to measure biodiversity impact, incl. net zero impact	15
		Identify and participate in relevant external initiatives, e.g. standard setting initiatives to measure biodiversity impact	15
		Establish technology-centric cross-country and cross-BA biodiversity specialist networks to enhance knowledge sharing	15

		Develop and rollout group-wide knowledge program to cover our interaction with biodiversity and dilemmas for our operations	15
		Develop and execute a communication plan to leverage biodiversity performance data and activities on web pages, presentation material and similar	15
Human Rights	Statkraft is committed to respecting human rights and continuously work to embed this in the way we do business.	Statkraft guarantees a living wage for all employees and will require the same for site-based workers	8
		Statkraft is committed to promoting living wages in the supply chain based on the principle of leverage	8
		Statkraft will comply with national working hour regulations and ILO recommended limits and is committed to promoting adherence to such standards in the supply chain based on the principle of leverage	8
		Statkraft will introduce a standalone commitment statement on human rights	8, 16