

The Nordkraft Group:

Environmental, social and corporate governance report



Environmental, social and corporate governance at the Nordkraft Group

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1. About Nordkraft

Nordkraft is an energy group that focuses on the development, construction, production and distribution of pure renewable energy. The Group also has shareholdings in power-sales and other energy-related businesses.

Renewable energy production comes from reservoir-fed hydropower plants, small-scale hydropower plants and wind power. The company operates the power distribution grid in Narvik, Ballangen and north Tysfjord, as well as Veggen in the municipality of Evenes.

The Group's history can be traced back to 1913, when the first hydropower plant was commissioned at Håkvikdalen in Narvik. Throughout its history the Group has primarily been in public ownership. For a few years in the 2000s, the Danish energy company Energi E2 (which later became Dong Energy) came on board as an owner. The Danish owner's expertise resulted in a focus on wind power. In 2016, the Swedish company Jämtkraft acquired a stake in the parent company.

To help achieve new national targets for the expansion of renewable energy production in the period leading up to 2020, investments were made in wind power (Nygårdsfjellet wind farm in two stages) and several small-scale hydropower plants, primarily in Troms and Nordland, but also further south in Norway.

In 2013, the Group celebrated its centenary – and looked forward to a new era. With several years of low and falling power prices forecast, a new strategy was drawn up to make the company's revenues less dependent on the price of electricity.

The provision of third-party operator services to power plant owners wishing to outsource the staffing and day-

to-day running of their power plants therefore became a new focus area. Together with an emphasis on efficient operations and the company's capital structure, this provided a platform for further solid growth.

As a result of the new strategy, the small-scale hydropower plants and the Nygårdsfjellet wind farm were sold, with Nordkraft signing agreements to operate the power plants for the new owners. Although the wind power projects have also been sold, Nordkraft is undertaking the construction work on behalf of the new owners and will operate the completed wind farms.

On 1 January 2018, Nordkraft Nett took over the power distribution grid in Ballangen and the northern part of Tysfjord. As part of the deal, the company also acquired a further 21 employees, a separate division in Ballangen and agreements to operate and construct power plants for Ballangen Energi. On the same date, Kraftinor merged with SKS Kraftsalg to form Polar Kraft, with the objective of becoming the largest electricity supplier in Northern Norway. Nordkraft holds a 33 per cent stake in the merged company.

Thanks to these measures, the stream of stable revenues from operating services, the construction of power plants for third parties and power distribution activities increased.

The Group also launched a number of new focus areas in 2018. In partnership with content providers, fibre-optic networks were installed in large parts of Narvik. Focusing on infrastructure and the establishment of solid framework conditions, work also started locally to survey and prepare sites for power-intensive business activities such as data processing centres.

2. Organization

Nordkraft is a vertically integrated power company with core business in development, production, distribution and power sales.

The group consists of three business areas:

- Production
- Power grid
- Project

The group's operations are mainly in Northern Norway, but the group also operates hydro power plants in Trøndelag and in western Norway. The company's head office is located in Narvik. Nordkraft AS is owned by Narvik municipality (50,01 %), Jämtkraft AB (28,0 %), Troms Kraft AS (5,33 %) and Hålogaland Kraft AS (16,66 %).

Corporate management

Chief Executive Officer: Eirik Frantzen
 Finance Director: Bjørn Carlsen
 Chief Financial Officer: Anett Kristensen
 Section Manager Staff: Sverre Mogstad
 Section Manager Project: Jon Ingebrigtsen
 Section Manager Production: Marius Larsen
 Section Manager Power grid: Robert Utheim

3. Visions, values and strategy

In position to seize opportunities

Strategy 2017 – 2020

Main challenges	Strategic implications
Potential for better operation Improved operation cannot be purchased directly.	Efficient operation Sizing, standardization, simplification, scalability, operation and maintenance.
Continually high financial risk High lending and crossing mortgages.	Capital structure Liquidity and optimization, structure, collateral, gearing and new investments.
Capacity for more activity Critical mass on operational capabilities.	Operatorial and large-scale operations Construction, partnership, station operator and standardization.
Possess options that may have value Time window 2021.	Project development Construction risk, selection, project management.
On the right track But still missing business sense in some aspects..	Culture and management Live according to our values, management models, One company – One culture.

4. Corporate responsibility

Nordkraft is responsible for the societal consequences that follow from the group's business and aims to run the business in a sustainable and ethically responsible way.

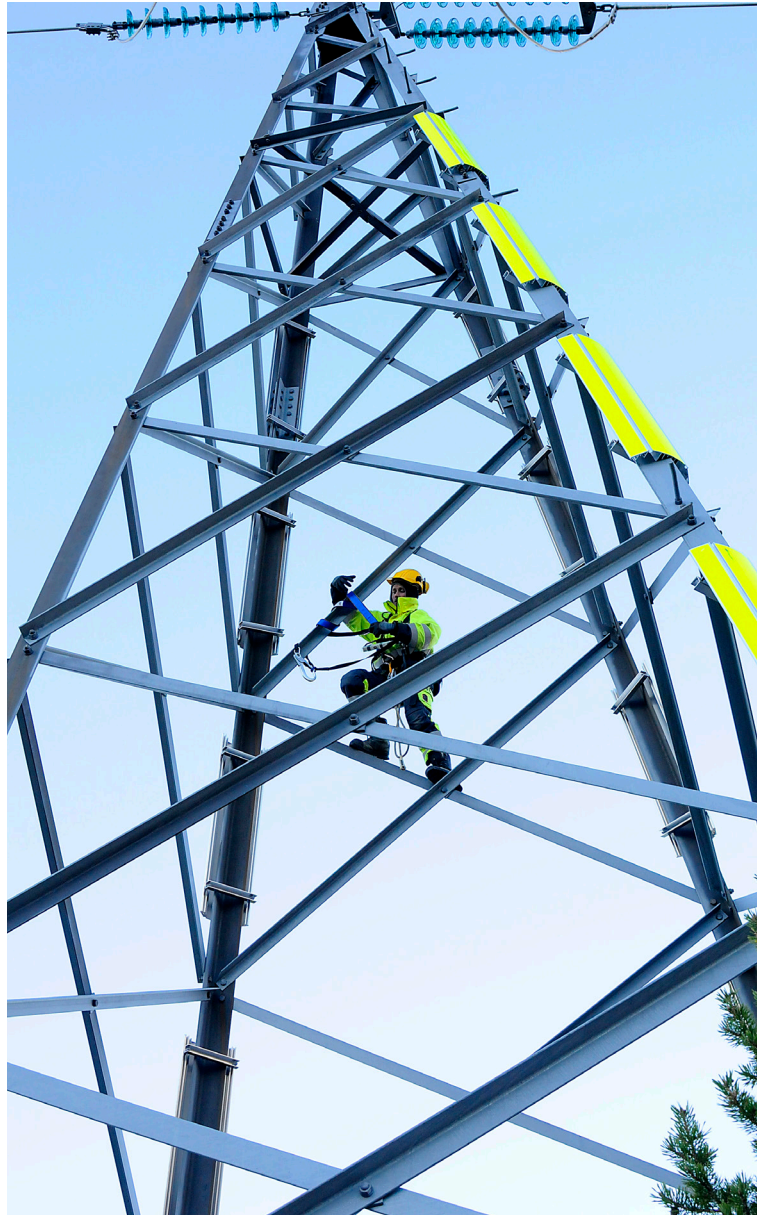
Human rights, labour rights, the external environment and anti-corruption are important, and our focus is on ensuring that projects have sound and good practices and that ethical and environmental requirements are imposed on our suppliers.

Nordkraft has a long and good tradition as a social actor, and works hard to manage the mandate in a responsible and sustainable manner.

In order to succeed, we work in a structured and systematic manner on corporate responsibility issues and integrate this work in relevant processes in the company, such as project development and operation of our assets.

Corporate responsibility is an integrated part of Nordkraft's management system, Nordkraft Standard. The management system facilitates structured and coordinated handling of the company's corporate responsibility, and the system is regularly evaluated to adapt it to new expectations and challenges.

Descriptions on how Nordkraft safeguards our corporate responsibility for different areas can be found in governing documents.



5. Whistle-blower principles

The following principles apply to handling notification concerning critical circumstances

- All notifications must be taken seriously.
- All notifications must be processed immediately.
- Anonymous notification will be processed.
- Anonymous sources may be as valuable as open sources.
- The processing of the notice is confidential.
- The notification system should be used without fear of consequences, or reprisals.
- The notifier shall receive feedback within a reasonable period of time that the conditions for the notification are processed in Nordkraft.
- The accused person is also entitled to protection when notified and until the case has been processed.



6. Environment, health and safety

Nordkraft works systematically with health, safety and environment to ensure a health-promoting workplace for all employees, and aims to create a developing and inclusive environment.

Our main safety goal:

Every day all Nordkraft employees should come home unharmed from work. Responsibility has a high priority, and Nordkraft has a O-vision regarding injury or loss of people, environment and facilities.

The strategy for achieving the goal of zero serious work-related injuries implies that proper attitudes and a good security culture are rooted in all aspects of the organization.

Safety has the highest priority, and Nordkraft focuses on accident prevention and preventing personal injuries, as well as procedures for monitoring and reporting unwanted incidents. The knowledge from these incidents shall continually make us learn to further prevent accidents. Guidelines and principles are stated in their own HSE

policy.

Caring for the external environment is a natural part of Nordkraft's social responsibility and is an important means of ensuring efficient resource utilization and good operation. Some of Nordkraft's businesses are also subject to strict requirements for the external environment through laws and regulations, as well as through conditions related to received licenses.

Hydroelectric power plants and wind farms produce environmentally friendly and renewable power, and it is in everyone's interest that resources are exploited in the best possible way. Nordkraft affects the external environment mainly through activities related to the development, operation and maintenance of hydro-power, grid operations and wind power. There is a focus on routines to prevent and minimize direct environmental damage. When planning new facilities, nature and environment are taken into account as far as possible, and according to structural regulations.

7. Human Rights, diversity gender equality

Nordkraft AS focuses on equal opportunities for employment, competence development, advancement and other working conditions regardless of gender, age, ethnicity,

philosophy of life and other factors that may seem discriminatory.

8. Business ethics

Nordkraft has as its main goal to create the greatest possible shareholder values on behalf of its owners, but the means for achieving these goals must be exercised with the correct ethical standard for both the company and the individual.

advantages, whether directly or indirectly, for business or private gain, whether for ourselves or for others.

To ensure that this standard has the same content for the entire company and its employees, a policy has been developed for what this means to us.

We do not give or receive bribes or other improper



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