

Performance and Internal Governance Report

Devoll Hydropower Sh.A. (DHP)



2024



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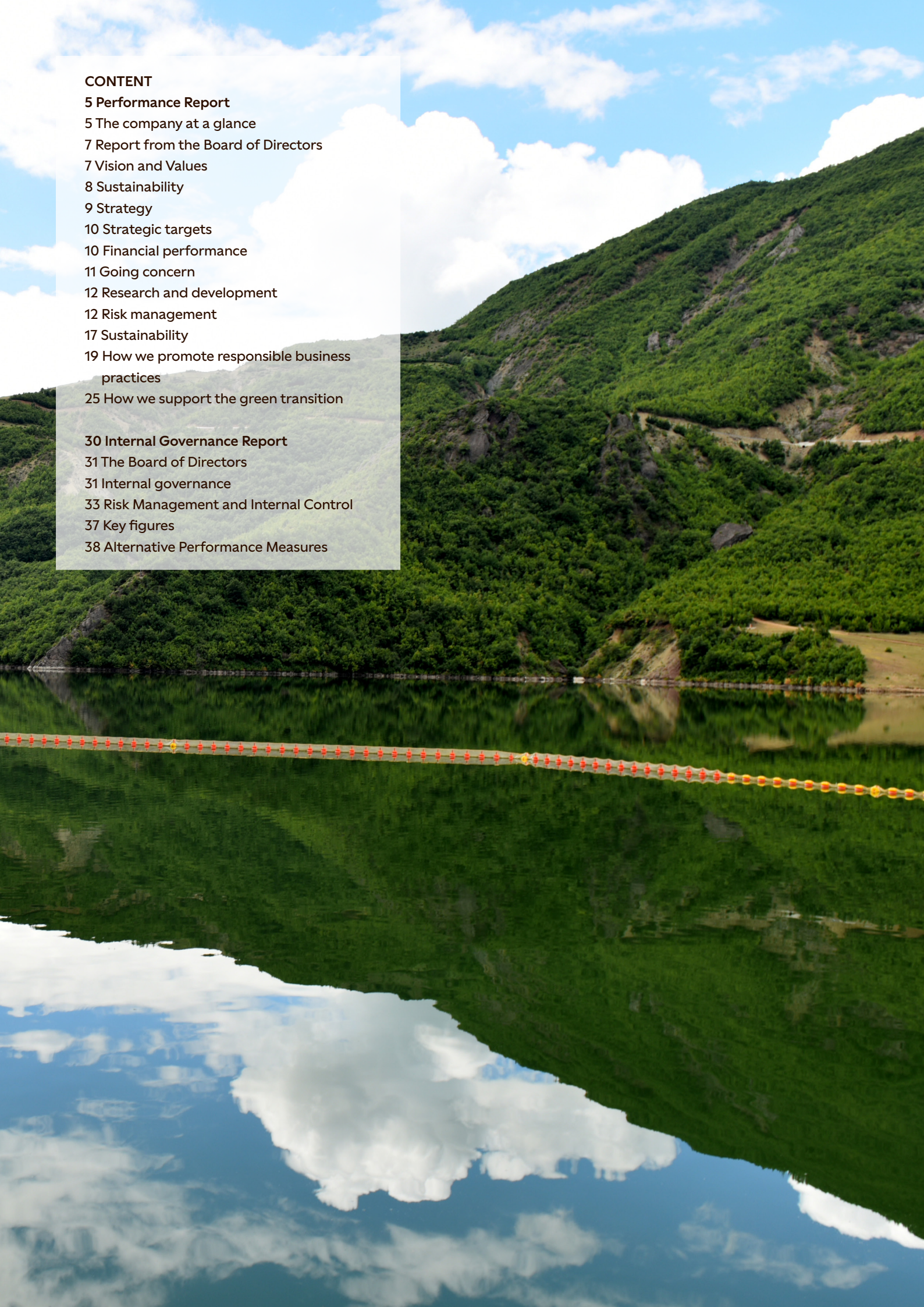
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STATKRAFT'S VISION:

Renew the way the world is powered

We have always believed in a better kind of power. Power that renews itself, and in turn, renews the world. Power that creates a positive and sustainable future for people, communities, industries, and our environment. It's the clean, renewable energy we've been pioneering for over a century, and the energy our world needs more than ever before. Through our expertise, we've seen the value it delivers and the good it can do. Now it's our job to make sure it powers the world.





Performance Report

The company at a glance

Devoll Hydropower Sh.A. (DHP) is an Albanian registered company, owned by Statkraft Markets B.V., a company registered in the Netherlands, part of the Norwegian Statkraft Group. In line with a Concession Agreement, DHP is responsible for the implementation and operation of the Devoll Hydropower Project along the Devoll River, in southeast Albania. The Concession Agreement is based on a BOOT model and was signed with the Government of Albania on 19.12.2008, approved by the Albanian Parliament through the Law no. 10083, dated 23.02.2009, amended.

DHP operates two large scale hydropower plants (Banja and Moglice) with a combined capacity of approximately 269 MW, producing renewable, environmentally friendly energy. DHP is also an energy trader in the local and regional energy market.

Banja HPP started commercial operation in 2016, while Moglice HPP started commercial operations in 2020. DHP is assessing how to further optimise the current assets and the hydrological potential of the Devoll river within the rights of the Concession Agreement.

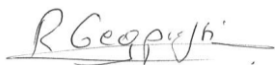
DHP has its offices in Tirana, with site offices at both hydropower plants, Banjë and Moglicë. Devoll Hydropower Project is the largest private investment in renewable energy in Albania in the last 30 years.

Annual Report 2024

Starting from the year 2020, DHP publishes its annual financial statement and PERFORMANCE AND INTERNAL GOVERNANCE REPORT on the DHP website. Each year, DHP submits these documents to the Albanian National Business Center.

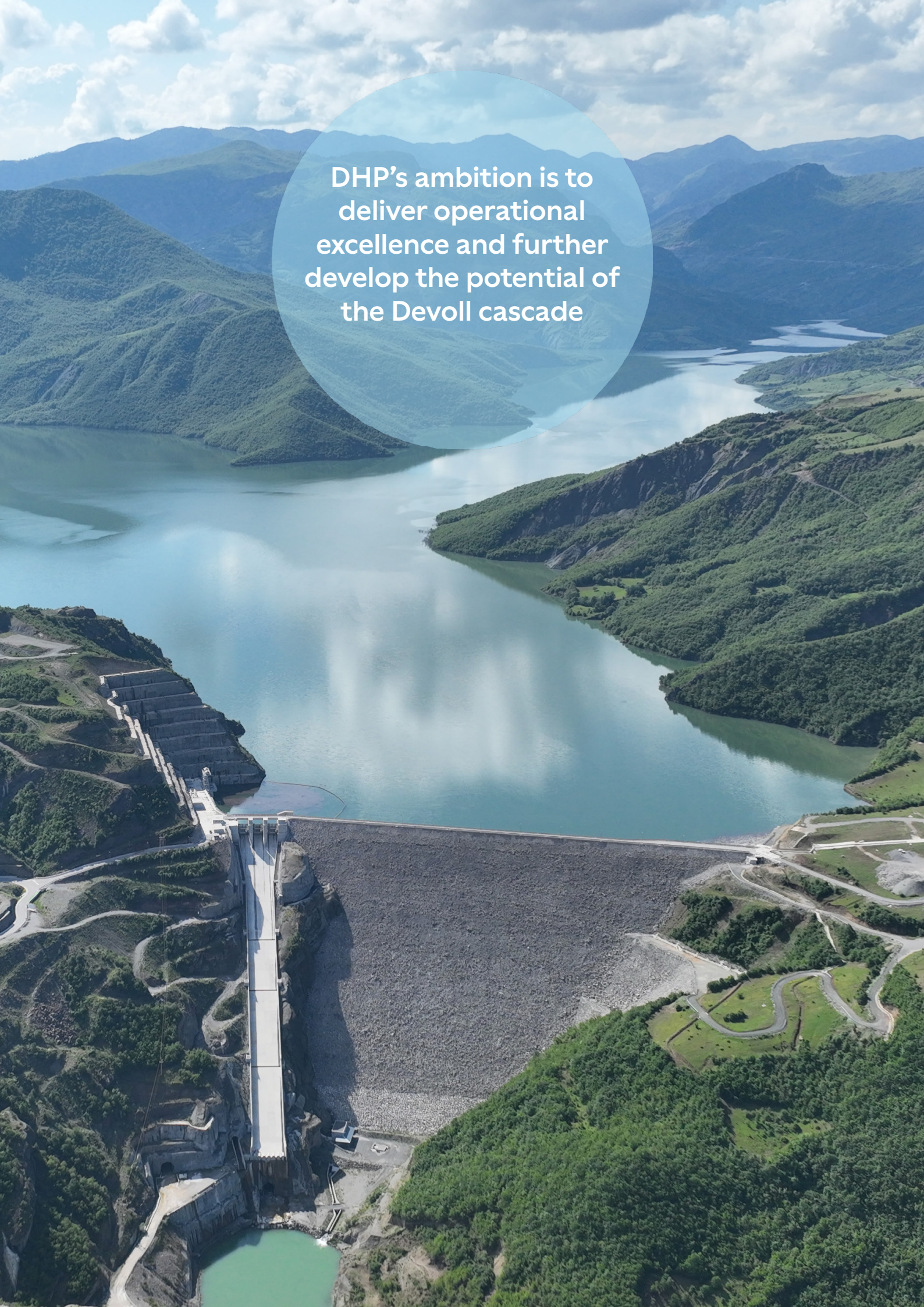
DHP emphasizes transparent communication with all stakeholders. The information the company provides to its owner and other stakeholders shall provide enough details to permit an evaluation of the company's underlying values and risk exposure.

The Performance and Internal Governance Report has been prepared also in accordance with articles no. 17 and no. 19 of Law on Accounting and financial statements no. 25/2018, dated 10.05.2018. The Report has been approved by the company's Board of Directors.



Rigela Gegprifti

Chief Executive Officer

An aerial photograph of a large dam and reservoir. The dam is a long, grey concrete structure with a spillway on the left. The reservoir is a large body of water, reflecting the sky and surrounding green hills. The landscape is mountainous with lush green vegetation. A semi-transparent blue circle is overlaid on the upper part of the image, containing white text.

DHP's ambition is to
deliver operational
excellence and further
develop the potential of
the Devoll cascade

Report from the Board of Directors

In 2024 the European energy prices saw a decline from the extreme prices the preceding years. However, for most of the year the prices were on a higher level than before the start of the energy crisis in 2021.

DHP has a strong commitment to sustainability and continuously works to improve the sustainability performance to adhere to new laws and increasing stakeholder expectations. Caring for people is at the core of the company culture. Everyone should return home safely from work. In 2024 no serious injuries were recorded in our activities in Albania. Strengthening the safety culture and the safety performance – within DHP and among subcontractors – continues to be top priority of the company.

Hydrology in the Devoll river catchment has been very challenging throughout 2024, with a notable reduction of water inflow in our reservoirs compared to the historical recorded inflows. This has resulted in a considerable reduction of the generated volumes of electricity. Notwithstanding, active energy management has resulted in good performance of our assets.

VISION

Renew the way the world is powered

We have always believed in a better kind of power.
Power that renews itself, and in turn, renews the world.
Power that creates a positive and sustainable future for people, communities, industries, and our environment.

It is the clean, renewable energy we have been pioneering for over a century, and the energy the world needs more than ever before.

Through our expertise we have seen the value this energy delivers and the good it can do. Now it is our job to make sure it powers the world.

VALUES

DHP has integrated Statkraft's values. Our values govern Statkraft's actions and provide guidance for the employees. These values apply to all employees and others who represent Statkraft.

We act responsibly by caring and taking ownership. We are considerate, always aware of how our work will impact our colleagues, customers, society and the environment.

We grow together by being team players and learning from success and failure. We are one Statkraft. We bring our expertise, recognise the value of diversity and learn from every situation.

We make an impact by finding better ways and creating progress and value. We take on the challenge, focus on what matters and deliver solutions that drive positive change.

SUSTAINABILITY

The field of sustainability is evolving faster than ever, and international ambitions are increasing. The need to ensure both a green and a just transition has become even more apparent during 2024 and the legal landscape is changing fundamentally in response to this. Particularly important is the EU's Corporate Sustainability Reporting Directive (CSRD) and the first set of European Sustainability Reporting Standards (ESRS) which set the standard from fiscal year 2024 not only for new reporting, but also new ways of implementing, integrating and improving internal practices and processes.

Ambitions and targets

Statkraft's sustainability strategy was updated in 2024. This was done in alignment with the annual strategy update, linking the business and sustainability aspects of the strategy closer together. The Sustainability Strategy focuses on four key areas: climate action, circularity, biodiversity and human rights. These focus areas are chosen to reflect both external trends and material topics for Statkraft's operations. Climate action is central to the company's overall vision. Statkraft seeks to contribute to this through the deployment of renewable energy and by responsibly managing its climate footprint, its impact on nature and by adopting a more circular mindset. Also, for the world to transition to a greener future, the way there needs to be just, and the company has an important responsibility to respect human rights as part of the change ahead.

At the same time, our business conduct must be sustainable and responsible – and we will actively contribute to the achievement of the UN Sustainable Development Goals (SDGs).

We mainly contribute to a sustainable future through:

- our core business – by delivering renewable energy
- our business practices – by acting in a sustainable and responsible manner

To maximise our contribution, we seek to understand our impact, implement measures where needed and make follow-up an integrated part of our daily business.

Our impact can be positive or negative. Being honest about both dimensions, and continuously seeking to improve how we do things is central in Statkraft's approach to sustainability.

Statkraft's overall commitment for health and safety is to have a workplace without injury or harm. This commitment is closely followed up through a group-wide improvement programme; 'Powered by Care'.

Statkraft is committed to high standards of business conduct. There is 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 company's level of compliance prevention is high, with additional resources put in place to respond to growth activities.

Sustainability management

In its work on sustainability, DHP complies with the Albanian laws and regulations and 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 is a participant in the UN Global Compact.

Statkraft's Code of Conduct sets out DHP's fundamental principles for responsible behaviour. Suppliers are expected to meet the requirements in Statkraft's Supplier Code of Conduct.

Through its global activities and operations, Statkraft aims to create value for society, the environment, and the company. Acting responsibly is one of the core values of the company. At the same time, Statkraft recognises that this ambition may also give rise to dilemmas. The company seeks to understand and manage such dilemmas through a risk-based approach, carefully balancing various needs, and embedding such considerations into Statkraft's business processes. With all business activities, Statkraft takes a precautionary approach to environmental matters. This means that Statkraft conducts risk assessments and implements mitigating actions where needed.

Key DHP sustainability performance in 2024 include:

- Operation of Banja hydropower plant - 72 MW installed capacity of renewable energy
- Operation of Moglice HPP plant – 197 MW installed capacity of renewable energy
- Continued the Feasibility Study for the PS Moglice Extension Project
- Statkraft has continued to identify and assess potential adverse impacts on human and labour rights in Statkraft's supply chains, including continued discussions with strategic suppliers
- Statkraft aims to develop a more diverse and inclusive (D&I) workplace and has established three KPIs (key performance indicators) to promote and ensure long-term value creation.
- Continued high focus towards health, safety, security and environment (HSSE) through implementing the 'Powered by care' program
- Continued focus on anti-corruption and business ethics with quarterly dilemma discussions, trainings and e-learning programme for all employees

STRATEGY

Market development

Statkraft has built a strong position as Norway's largest power producer, the largest producer of renewable energy in Europe and a significant player in other international markets.

Through a deep understanding of the market trends, competitive landscape and internal capabilities and constraints, Statkraft's strategy aims to find and seize the opportunities arising from the energy transition – creating value by enabling a net-zero future and renewing the way the world is powered.

The world is in an era of extraordinary change. The global energy transition is moving faster year by year, driven by economic competitiveness and supported by climate policies and energy security agendas. COP28 in Dubai committed to tripling renewable energy globally by 2030, and policy measures like the EU Net Zero Industry Act and the US Inflation Reduction Act have significantly contributed to push for an accelerated energy transition. Meanwhile, significant changes in geopolitical and market conditions over the last years have in many ways created a more challenging environment for the renewable energy industry in the short and medium term. European power prices have come down faster and steeper than the industry expected, with lower price expectations for the next five years. Technology costs have increased, particularly in hydrogen and offshore wind where markets have also progressed slower than expected. Higher geopolitical tension and increased focus on security are adding additional uncertainty to the pace and scope of the energy transition. This new era is expected to be longlasting, where political and geopolitical development will play a more prominent role in shaping the strategic context of the renewable energy industry.

Despite these global challenges, the long-term fundamental trends of the energy transition have been robust. Statkraft expects massive growth in renewables globally towards both 2030 and 2050, with a future power system dominated by solar and wind power. As the share of variable renewable energy grows and carbon-intensive energy sources are phased out, weather-dependent power generation drives the need for more and different kinds of flexibility solutions to balance the future power system. Meanwhile, energy markets are becoming increasingly complex and uncertain both in the short and medium term, leading to an increased demand for green power supply and tailored energy solutions. Additionally, decarbonisation solutions beyond electrification and green power production are needed to reach an energy system with net-zero emissions. Statkraft's strategy builds on these trends and the company's competitive advantages in the quest to be a leading international renewable energy company.

Statkraft's competitive position

Statkraft is the largest producer of renewable energy in Europe and has a strong presence in other international markets. Statkraft's key competitive advantages emerge from the company's understanding of the market, industrial competence in development and ownership of power generating assets and the ability to apply these strengths across the value chain.

Responsible renewable energy company

Statkraft has a reputation as a responsible renewable energy company and is seen as a competent partner with high credibility in business ethics. Statkraft seeks to develop and operate renewable projects in a sustainable way for the environment and the societies in which it operates.

Unique and large flexible portfolio

The strong competence in optimising profitability with an integrated energy management, operations and maintenance processes, makes DHP as part of Statkraft group an excellent owner of flexible hydropower.

Financial solidity

Statkraft has a strong financial foundation and has demonstrated the ability to make solid returns in changing markets. DHP as part of Statkraft group will have a high focus on cost optimisation as the company continues to operate.

Strategic priorities for DHP

Provide clean flexibility – leveraging hydropower

The need for flexibility in the energy market is rising, providing a unique advantage for Statkraft as a flexible hydropower generator with strong market expertise. Statkraft will continue to provide clean flexibility – leveraging its strong hydropower portfolio. DHP is engaged with stakeholders to find solutions which balance environmental and societal needs with profitability. DHP is assessing the development of a large-scale pumped-storage hydropower plant, in the frame of the existing concession, the PS Moglice Extension Project.

DHP ambition for 2030

DHP aspires to be a strong renewables company, with sustainable, ethical and safe operations. The aim shall be to:

- Be a reliable renewable power producer with an operational excellence of both Banja and Moglicë HPPs, compliant with local and international standards
- Be a proactive participant in trading activities, sale of electricity in SEE and other relevant markets. Continue with bilateral agreements in Albania and seek to secure additional long-term bilateral agreements
- Further develop the hydropower potential of the Devoll cascade, especially through the development of the PS Moglice Extension Project
- Contribute to energy diversification in Albania by exploring investment opportunities in renewable energy sources

STRATEGIC TARGETS

The Board of Directors has set financial and non-financial targets for DHP. The main targets are listed in the table below. The performance related to several of the targets will be assessed over a longer time horizon.

Caring for people is at the core of DHP's activities and DHP works continuously towards the goal of zero injuries. There were no serious injuries in 2024.

DHP has zero tolerance for corruption and unethical practices in all activities, and there were zero serious compliance incidents in 2024.

Assessing environmental risks is part of DHP's daily risk management procedures and practices and there were no serious environmental incidents in 2024.

AMBITION	TARGET	STATUS 2024
HSE and sustainability		
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	0
Prevent corruption and unethical practices in all activities	Zero serious compliance incidents	0
Deliver climate-friendly, renewable power and taking responsible environmental measures	Zero serious environmental incidents	0

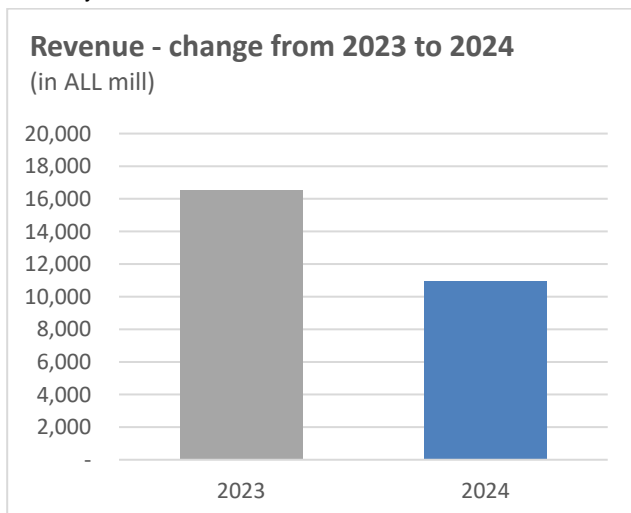
FINANCIAL PERFORMANCE

In 2024, DHP gross revenue decreased due to reduced energy prices and lower production due to unfavourable hydrology.

The total electricity production in 2024 was 449 681 MWh, a reduction of more than 30% compared to the last relatively normal hydrological year of 2021, due to unfavourable hydrology.

The Company's equity at the end of 2024 was ALL 75 944 556 thousand, corresponding to 97% of total assets.

All underlying items are alternative performance measures, see the chapter "Alternative Performance Measures" for purpose, definition and statement of all items. Elements from the statement of comprehensive income after the operating profit are analysed in accordance with the financial statements.

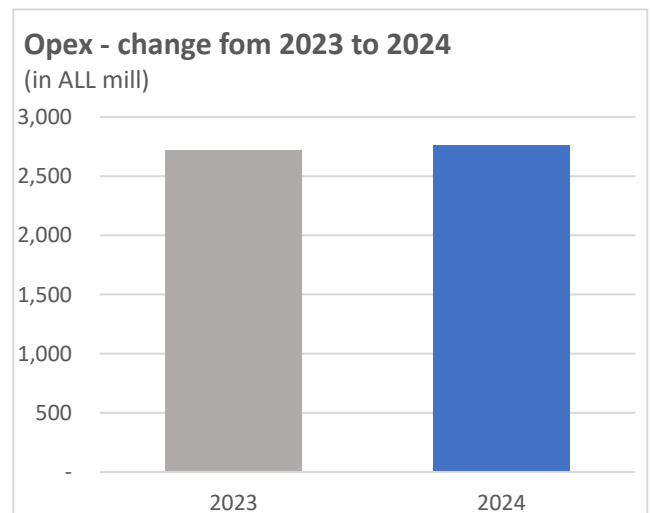


Net operating revenues

DHP revenues are generated through spot sales and market activities. The fundamental basis for DHP revenues comprises of power prices, energy optimization and generation. The generation revenues are optimized through financial power trading and DHP engages in energy related trading activities. Net operating revenue is a combination between domestic sales and export.

Operating expenses

The operating expenses in 2024 are in the same level as in 2023.



Financial items

Financial items comprise mainly net foreign exchange losses. The net negative effect was mainly a result of a strengthening of ALL against EUR.

Tax expense

During 2024 DHP's assets have been in full operations, with Moglicë HPP starting operations in 2020, whereas Banja HPP has started operation on 2016.

DHP has recorded a loss for the year 2024 of ALL 14 692 795 thousand mainly due to the impairment amount of the assets of ALL 19 140 888 thousand. Current year income tax expense was ALL 690 394 thousand.

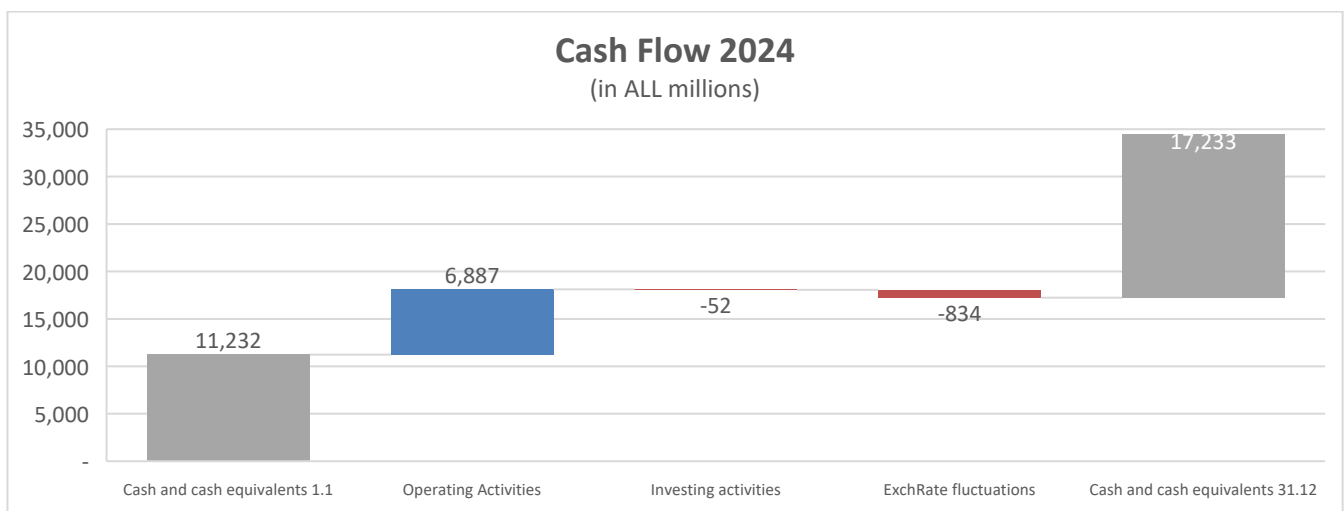
Cash flow

Cash flow from operating activities was ALL 6 886 585 thousand. The increase was primarily due to impairment and changes in other taxes and addition provisions on Taxes.

In addition, strengthening of ALL vs EUR gave an impact of ALL (833 651) thousand.

Cash flow from investing and financing activities were not significant.

At the end of the year, cash and cash equivalents amounted to ALL 17 233 089 thousand.



Important events in 2024

- Unfavourable hydrological conditions in the Devoll river valley with considerable reduction of water inflow in Banja and Moglice reservoirs, resulting in reduced volume of electricity generated by the hydropower plants
- Impairment of related to property, plant and equipment
- Reduced energy prices experienced in the markets where DHP operates compared to 2022 and 2023
- Full year of operations for both Banja and Moglice HPPs.
- Conducting the Feasibility Study of the PS Moglice Extension Project (pumped-storage hydropower project)

Group financial strength and rating

Statkraft is rated by Standard & Poor's and Fitch, and in 2024 holds a credit rating of A (stable outlook) from Standard & Poor's and A- (negative outlook) from Fitch. Statkraft remains committed to the rating target of A- from Standard & Poor's and BBB+ from Fitch.

GOING CONCERN

In accordance with the International Financial Reporting Standards (IFRS), the Board of Directors confirms that the annual financial statements have been prepared on the assumption that the company is a going concern, and that it is appropriate to assume this.

RESEARCH AND DEVELOPMENT (R&D)

The R&D activities will provide knowledge and solutions for ongoing operations.

Concerning hydropower, the R&D activities will support optimised operation and maintenance and increased flexibility. R&D will play a vital role in understanding the future energy landscape, including how climate effects will impact operations and markets across all technologies. In this landscape, social science research is becoming more important. Hence, we seek new knowledge on customer and society's behaviour to improve our understanding on challenges in the interface between the society and Statkraft group.

In this regard, an innovative R&D project was implemented in Albania at Banja HPP reservoir by Statkraft Renewables Albania Shpk. The Banja Floating Solar Plant consists of 4 floating units with solar panels installed on a floating membrane with a combined installed capacity of 2 MWp. This project was completed in 2022 and is currently generating renewable energy in Albania.

RISK MANAGEMENT

DHP is exposed to risks throughout the value chain. The most important risks are related to market prices, financial risk, HSSE and operating activities.

Risk management is an integrated part of DHP's governance model. The Company has a risk-based approach to target setting, prioritisations and follow-up of the business and staff areas. The day to day risk management is a line responsibility. The Company's overall risks are reviewed and followed up by the Company Management and are reported to the Board of Directors.

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Operational risk

All processes throughout the value chain are exposed to operational risk. The operational risk is highest within execution of investment projects, operation and maintenance activities and market operations. This may result in:

- Injury to employees, contractors or third parties
- Social and environmental impact
- Compliance breaches
- Damage and losses related to own and third-party production plants and other assets
- Weakened reputation
- Economic loss

DHP's commitment to safety, sustainability and responsible business practices is the foundation for all activities. DHP has high attention on executing development activities and operations in a responsible manner and to prevent financial loss. A solid business culture is the foundation of continuously improving a robust system of prevention and control. Ensuring that business development activities are in accordance with international standards has high priority.

Operational risk is managed through procedures and controls of activities and processes, by design of technical solutions, competence development and in various types of contingency plans. Furthermore, DHP has a comprehensive system for registering and reporting risks, hazardous conditions, undesirable incidents, damages and injuries. Such cases are continuously analysed to prevent and limit any negative consequences, and to ensure that causes are followed up and necessary measures are implemented.

DHP's infrastructure and applications are exposed to cybercrime and other external threats and the company's procedures, competencies and systems are continuously improved to strengthen the resilience against such incidents.

DHP carries out systematic risk assessments. Implementing risk management in the early stages of business and project development is an important success factor.

The possible financial consequences of the total operational risk, as well as significant individual risks, are key drivers to the Company's overall risk profile. DHP has insurance coverage for all significant cases of operational damages or injuries.

Energy market risk

Statkraft is exposed to significant market risk from its power generation and market operations activities:

- Both power prices and generation volumes are impacted by weather conditions, consumption and transmission conditions in the energy markets.
- Power prices are also affected by fuel prices such as gas, coal and oil, in addition to the price of carbon emission quotas, support schemes, demand growth and the introduction and development of new technologies.

The uncertainty and outlook in energy markets and power price volatility is continuously monitored and analysed to ensure optimal energy management, market operations and profitable investments.

Statkraft manages market risk in the energy markets by entering into positions in the markets for power and related products, either financially or through bilateral contracts. The increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft places significant emphasis on identifying the relationships between the various markets. The Group's hedging strategies are regulated by defined limits on the positions' volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk. The portfolio is constantly adjusted in relation to updated expectations of future prices and the company's own generation capacity.

Statkraft's activities in energy trading and services consist of both trading with standard products on energy exchanges and sale of services or products adapted to the individual customer. Risk is handled through mandates covering energy products, geographical areas and duration. A risk management function ensures objectivity in the assessment and handling of risk.

Financial risk

Financial risk associated with foreign currencies, interest rates, liquidity and funding are coordinated and managed centrally at group level.

DHP's activities in Albania are exposed to currency risk, as the energy trading activities are conducted mainly in EUR, and some of the activities / liabilities in the country are conducted in ALL. These risks have been more evident in the latest years, during which exchange rates between EUR and ALL have changed significantly.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The limits for energy contracts entered into, are stipulated for the individual counterparty using an internal credit rating. The counter-parties are allocated to different categories. The internal credit rating is based on financial key figures (in-house score model / expert opinion), external ratings and default probabilities bought from external providers.

Bilateral contracts are subject to limits for each counterparty with regards to volume, amount and duration. The counterparty risk for these contracts is considered to be very low.

The individual counterparty exposure and limit are monitored continuously and reported regularly to the Corporate Management. An overall counterparty exposure is reported for all relevant legal entities, in addition to being assessed at Group level and included in the Group risk management.

Almost all of the Company's customers have been transacting with the Company for many years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a related party or third-party customer, their geographic location, trading history with the Company and existence of previous financial difficulties.

Regulatory and country risk

DHP's activities in Albania are influenced by framework conditions such as fees, terms for concession, grid regulations and requirements stipulated by Ministry of Infrastructure and Energy (MIE). Risk of regulatory changes may lead to penalties, restrictions and/or loss of opportunities affecting project implementation and DHP's generation, costs and revenues. DHP puts substantial efforts in analysing what could be the potential effect in the areas that it is operating and is continually taking mitigation actions.

DHP's is also directly exposed to framework conditions such as tax levels, license terms and public regulation. Risk of possible changes in the political landscape may lead to a more challenging business environment which would be translated in not reaching deadlines accompanied with financial costs. Therefore, DHP emphasizes the importance of following the development of these factors and it is taking measures in close coordination with stakeholder management.

A common risk assessment process has been implemented to ensure a comprehensive and proactive management of business risk. The risk assessment covers political and regulatory aspects, social development, security, compliance, tax regime and corporate legislation. DHP strictly follows Statkraft standards and has implemented a system to ensure compliance in all activities and has zero tolerance for corruption. DHP is an active energy trader in the region, thus directly exposed to changes in the regional energy trade framework, especially changes on energy import / export duties.


DHP continuously monitors the development of the energy market in the region as to adapt to the respective developments, in line with Statkraft requirements and practices. The company regularly carries out risk assessments for the regional developments.

Climate risk


The transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with the potential to have a significant impact on Statkraft's revenues. Even if Statkraft's portfolio and strategy are well adapted to a low-carbon future, the company still has significant exposure to various climate-driven transition risks.

Statkraft is impacted by climate change directly, as the average output of renewable power plants can change and the probability of extreme weather events that challenge the physical integrity of the plants will increase. Statkraft is also exposed to market changes that are driven by political measures to reduce emissions from the power sector and other industrial sectors. This exposure comes primarily from measures that impact the power price and thus Statkraft's income. Subsidies for renewable capacity may lead to overcapacity and lower prices, while increased cost of emissions will lead to higher power prices. Direct measures to phase out fossil fuels will also have a price impact, as the market balance will be changed. There is also risk associated with Statkraft's own emissions, as regulations may increase the cost of these emissions. Changed customer preferences driven by increased public awareness of the climate challenge can also impact Statkraft.

Climate change is assessed as an integrated part of Statkraft's risk management activities as a driver to the relevant risk factors such as in power price forecasts, operating activities and investment decision.



Renewable energy is critical for decarbonising our society and enabling a net-zero future. As a leading international renewable energy company, Statkraft aspires to drive a green and just energy transition. We do this through our strategy to grow renewable energy.



Sustainability

2024

Sustainability

HOW WE MANAGE SUSTAINABILITY

Renew the way the world is powered

Renewable energy is critical for decarbonising our society and enabling a net-zero future.

As a leading international renewable energy company, Statkraft aspires to drive a green and just energy transition. We do this through our strategy to grow renewable energy.

Statkraft's strategic direction is built on the fundamental drivers behind continued growth in demand for renewable energy, and energy systems with increased need for flexibility. Our strategic sustainability areas contribute to the green energy transition through increasing the efficiency and prolonging the lifetime of existing clean energy assets (hydropower), ensuring growth in solar power, wind power and battery storage, developing new energy solutions important for reaching climate targets and enabling effective energy markets.

DHP as part of Statkraft group is committed to combatting climate change through its core business, providing renewable energy from hydropower and exploring new energy solutions. DHP's business strategy is based on the premise of safe, ethical and responsible operations.

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.

Governance

To act responsibly is one of our core values. The fundamental principles for responsible behaviour are described in our Code of Conduct of Statkraft group which is approved by the Board of Directors. The Code applies to all companies in the Statkraft Group and all individuals who work for them. Our business partners are expected to adhere to standards consistent with Statkraft's 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.

There is also a system for registration and follow-up of non-compliance with external and internal requirements. The system facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the Company.

Stakeholder dialogue

DHP aims to have an open dialogue on sustainability issues with stakeholders impacted by our activities. Important stakeholders in these conversations include government officials, local and regional authorities, local communities, employees, customers, suppliers, research institutions, non-governmental organizations, voluntary organizations and the media.

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

- Conducting consultations with stakeholders affected directly or indirectly by our project activities
- Organising open public consultation meetings
- Establishing an efficient and transparent grievance mechanism for projects under construction and in operation
- Promoting sustainable improvements through active participation in industry associations and initiatives

Responsible supply chain management

Statkraft has a strong commitment to responsible business practices and this commitment extends to our supply chain. Our Supplier Code of Conduct is a part of all contracts. It is based on internationally recognised standards, including requirements to respect human rights, health and safety, labour rights, working conditions, environment, privacy and freedom of expression, and prohibited business practices. Suppliers are expected to meet these requirements throughout their relationship with DHP. Suppliers are informed about the Supplier Code of Conduct during the procurement process, and it forms part of all contracts.

DHP has a wide variety of suppliers ranging from large international companies to smaller, local suppliers in different industry categories. To manage the most important risks in the supply chain, DHP has adopted a risk-based approach to pre-qualification and contracting with suppliers. Thresholds are set both globally and locally to concentrate the effort where the risks in the supply chain are the highest. The main objective is to ensure that only companies which meet DHP's standards become suppliers. All suppliers are integrity checked in Dow Jones Risk Center tool.

When we discover an adverse impact linked to procurement of products or services, we engage in dialogue with the supplier to stop, mitigate and rectify the situation. In addition, we reassess our supplier relationship and consider if it should be terminated.

DHP's contribution

We aspire to be a leading international renewable energy company by 2030 – creating value by enabling a net-zero future.

Most global greenhouse gas emissions are energy-related. This means that it is critical to increase the production of energy from climate-friendly renewable sources to reach global emissions targets. Furthermore, electrification based on renewable energy is a key element to combat climate change. DHP is part of the solution for a clean energy world.

DHP's activities contribute in different ways to global, national and local economies. 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. Contribution from our activities comes also as direct employment, our global and local procurement activities, R&D and social investments. Our approach to responsible business conduct contributes to the promotion of good business practices. We also seek to share knowledge about renewable energy, energy systems, climate change and environmental issues.

DHP's power generation is from renewable sources (hydro). Hydropower has many advantages, including high efficiency, low operating costs, longevity, high flexibility and low carbon intensity. The large water reservoirs enable storage and electricity production even in periods of reduced or low inflow. This gives flexibility in energy production.

The development and operation of hydropower plants facilitate multiple uses of watercourses and infrastructure for example irrigation, drinking water supply, transportation and recreation. In addition, the use of reservoirs for flood control becomes even more important as the climate changes.

Statkraft's 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 Board of Directors 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 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.

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.

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.

HOW WE PROMOTE RESPONSIBLE BUSINESS PRACTICES

Health and Safety

AMBITION	TARGET	STATUS
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	0 
Comments on performance <ul style="list-style-type: none"> There were no serious injuries in 2024. The Powered by Care programme and the efforts to continually improve health and safety performance and culture will continue to have a high focus going forward. Key elements include HSSE (Health, Safety, Security and Environment) leadership, Life-Saving Rules for high-risk activities, an improved framework for HSSE management, improved HSE requirements for procurement, introduction and implementation of Authority to stop unsafe work card from CEO, enhanced HSSE in Projects, and clear effective HSSE requirements. 		
Key initiatives <ul style="list-style-type: none"> Provide leadership and drive cultural change at all levels. Encourage and measure management and employee engagement. Strengthen the focus on high-risk activities and preventative measures. Provide training to build the required competence. Ensure learning and sharing from high-risk potential incidents. 		

Our approach

Caring for people is at the core of DHP's culture and we work continuously towards our goal of zero injuries. DHP has a programme to implement improvements within health and safety across the organisation, called "Powered by Care". Statkraft's Corporate Management clearly demonstrates their commitment to a workplace without injury and harm as communicated through their "Powered by Care" commitment statement.

Key risks

Health and safety risks arise from DHP's activities in construction projects, operations and maintenance of power plants and other facilities, from our presence in various geographical locations, from travel and other business activities. The predominant high-risk areas are related to personnel injuries from workplace accidents. Activities related to driving, working at heights, lifting operations, energised systems, heavy mobile equipment, ground works and working in confined spaces are considered to have highest risk.

Status 2024

There were no serious injuries in 2024.

In 2024, the Lost Time Injury rate (LTI rate) was 0 among DHP employees and DHP's contractors.

The Total Recordable Injury Rate (TRI rate) in 2024 among DHP employees and DHP contractors was 0.

Sick leave

Sick leave in DHP is at a stable low level in 2024, which is below the target of 3.5%.

Health and Safety Improvement Programme

In 2024, the 'Powered by Care' programme focused on:

Leadership and commitment

In 2024, 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.

Continuous improvement

An annual management review of Statkraft's performance and activities related to HSSE has been performed and the recommendations have been integrated in HSSE plans. Collaboration takes place within and across business areas to share and learn from incidents, health and safety programmes and best practices.

Health


We have dedicated initiatives that focus on health and well-being. These include flexible work arrangements, pulse surveys to check status, promoting resources and tools related to mental health, a mental health awareness week and various webinars focusing on mental and physical health. The new Statkraft HSS vision specifically includes a health section to signal and anchor the responsibility, 'A safe and healthy workplace without injury or harm'.

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.

Security and emergency response

AMBITION	TARGET	STATUS
Actively prevent harm to people and assets through a systematic approach	Implementation of identified supporting initiatives	
Comments on performance <ul style="list-style-type: none"> DHP is on track with the implementation of security regulations and improved information security awareness. Increased focus on security, in line with national statutory requirements 		
Key initiatives <ul style="list-style-type: none"> Key measures planned for 2024 are continued implementation of national security regulations, and further strengthening of the Company's IT/cyber security capabilities. A comprehensive effort launched to develop and harmonise a corporate framework for personnel security 		

Our approach

DHP has a comprehensive approach and follows international good practice for security management. Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. Security matters are addressed through a risk-based approach. DHP has well established relationships with both local and global security companies, and participates in national and international networks to ensure an up-to-date understanding of security risks. Information security is a high priority and DHP follows international good practice for information security management.

The aim is to build and continually improve a strong information security culture that ensures the confidentiality, integrity and availability of DHP's information. During 2024, DHP experienced a positive trend in information security awareness.

Key risks

DHP assesses security risks by analysing threats, vulnerabilities and consequences. Conducting security risk assessments is a line responsibility, supported by the Corporate Security & Emergency Response unit and the Corporate Information Security unit. DHP uses a wide range of measures to reduce security risks. Sudden changes in a security situation will trigger immediate measures.

Emergency preparedness


DHP capability to handle serious and unwanted emergency events is a constant priority. A group requirement on Emergency Response Management was introduced in 2017, to ensure a common approach to emergency response across the company. DHP emergency response is based on the use of dedicated and temporary teams. This approach aims to enable DHP to handle emergencies at local and strategic levels.

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

Status 2024

To ensure high awareness and to mitigate behavioural risk, Statkraft group regularly conduct awareness workshops and dilemma training relating to information security for all business areas and countries, including Albania.

Human rights

AMBITION	TARGET	STATUS
We ensure high ethical standards and respect human rights in all business activities.	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.	
Comments on performance <ul style="list-style-type: none"> Key achievements in 2024 include strengthened focus on human rights in key processes. 		
Key Initiatives <ul style="list-style-type: none"> Update and continuously improve human rights requirements, aligning with international developments and integrate in key processes. Awareness training on salient human rights for selected DHP teams 		

Our approach

DHP, as part of Statkraft group, is committed to respect human rights in all aspects of our operations and in relationships with our business partners. This is clearly expressed in Statkraft's Code of Conduct, approved by Statkraft's 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.

Key risks

Statkraft's updated human rights impact assessment has identified four key priority areas with the highest risks. This is where we should focus our human rights efforts:

- Community relations and social licence
- Health, safety and security, including privacy
- Labour conditions in the workplace (Statkraft internal)
- Decent work in our supply chain

Status 2024

Human rights initiatives

In 2024, we continued to embed our commitment to respect human rights in key processes and have prioritised efforts related to salient human rights issues.

Consultations

In 2024, consultations and engagement with central and local stakeholders, continued. For Moglicë hydropower plant, agreements on mitigating measures and compensation for extra activities continue to be implemented even after the completion of the construction phase.

The company maintains a regular dialogue with community representatives for its projects and operates a Grievance Redress Mechanism to address grievances / complaints.

Sharing knowledge

DHP has an open cooperation with a wide range of domestic and international stakeholders in sharing its knowledge and practices in the planning, implementation and operation of the Banja and Moglice hydropower plants.

Awareness campaigns on projects activities are carried out as per the respective project's needs.

Labour practices

Key initiatives

- Continued implementation of people development including targeted leadership development activities.
- Unconscious bias training for all leaders in Statkraft and strengthened mechanisms to avoid bias in Statkraft's people processes.
- Key activities planned for 2024 include working actively to increase the number of women in management positions.
- Safe working from home practices, including hybrid work model
- Implementation of diversity and inclusion (D&I) awareness and competence building initiatives
- Tracking of inclusion index that measures employees' experience of inclusion at work

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".

In Statkraft, all employees have an important role to play in achieving our ambition to lead the transition to renewable energy. Statkraft is committed to a working environment characterised by equality, diversity and mutual respect.

DHP supports and respects internationally recognized labour rights including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination with respect to employment and occupation. DHP also works towards the realization of these rights as part of our supply chain management.

Key risks

It is of key importance for DHP to attract, develop, and retain people and competence to meet our target and strategy.

Both in 2024 and moving forward it is critical for Statkraft to attract, develop and retain the workforce needed to deliver on our strategy and to lead the transition to renewable energy.

Status 2024

Through Pulse surveys DHP's employees provide feedback regularly and influence how DHP can deliver on the commitment to have a great and inclusive employee experience. Pulse surveys were conducted in Q2 and Q4 2024.

People development

In 2024, we have continued to implement measures to maintain a high level of employee engagement and further strengthen people development. Examples of this include continued efforts to strengthen the competence of leaders to motivate, develop and increase the performance of their teams. Different leadership development initiatives were implemented during 2024, targeted to different groups and learning objectives. Further efforts to build and expand on leadership development will be continued in 2025.

In addition to initiatives aimed at leaders, DHP also has a continuous focus on learning activities that are tailored to the development needs of employees across the Company. Statkraft offers many internal courses, webinars and seminars. In 2024, Statkraft continued to learn from pilots on agile project methods and develop training as an offering to all employees.

Initiatives to further develop new skills and competencies will be prioritised in 2025.

Workforce diversity and inclusion

DHP seeks to increase diversity and foster inclusion. We believe this provides new perspectives and ideas that foster innovation that meet the needs of our customers and society. The commitment to diversity and inclusion relates to all aspect of diversity i.e. gender, nationality, educational background, age and mind set. We have a clear commitment to equal treatment and zero tolerance for discrimination, bullying and harassment are core tenets of Statkraft group people policies.

Moving forward, we will continue to develop these diversity and inclusion (D&I) measures, and the attraction and development of a diverse and highly competent workforce will continue to be a key priority in 2025.

At the end of 2024, DHP had approximately 40 employees. DHP had employees representing 3 different nationalities. The percentage of women in DHP was 32.5%.

Business ethics

AMBITION	TARGET	STATUS
To prevent corruption and unethical practices in all activities	Zero serious compliance incidents	●
	On schedule implementation of the compliance measures	●
Comments on performance <ul style="list-style-type: none"> Roll out of the compliance programme is on-track, including implementation of planned measures related to training, culture building and risk mitigation in critical business processes. Key achievements in 2024 include an in-depth group-wide Business Ethics and Compliance risk assessment conducted across all locations, rolling out a new round of mandatory e-learning, and a fraud awareness campaign. 		
Key initiatives <ul style="list-style-type: none"> Regular communication and culture building activities, and training rolled out to all employees on business ethics, through interactive e-Learning modules and class-room training. Regular review of internal controls in key business processes to ensure adequate handling of business ethics risks. Compliance programme rolled out. Strengthening compliance resources in the line. 		

Our approach

DHP, as part of the Statkraft Group, is committed to high standards of business conduct. The Code of Conduct of Statkraft group sets out the key expectations to all employees, and our strict requirements are in line with international good practice. Business ethics is a line responsibility, supported by a central compliance function. We have a comprehensive compliance programme in place covering the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law. The 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.

Key risks

Statkraft conducts regular risk assessments on anti-corruption for the whole Group and annually for all business areas. The risk management process is more extensive for high risk locations and projects, and always involves a combination of local expertise and central compliance resources. The methodology for risk assessment is regularly reviewed.

The main corruption risks relate to transaction processes, procurement and payment processes, the use of agents and intermediaries, government permitting processes, and local stakeholder management. The risks typically vary depending on technology and type of business activity in question. These nuances are reflected in the risk maps of the different business units.

Status 2024

Training and communication

DHP ensures that all employees are familiar with the principles set out in the Code of Conduct and internal business ethics rules. Classroom & online training sessions were conducted during 2024, and e-learning was completed by all new employees. Business ethics topics have been included in leadership and Group events through the year.

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

Due diligence of business partners

DHP as part of Statkraft group has clear, detailed procedures for handling risks related to third parties. This includes a policy for background checks, contract clauses and monitoring conducted for high-risk contracts. All high-risk business partners (including all agents) are reviewed by the Compliance Unit. The integrity reviews include assessments of the ownership structure (incl. beneficial owners), connections to politically exposed persons and reputational risks associated with the counterparty. Work has been carried out to further combine integrity review requirements into the procurement process, system, and training.

Fraud prevention and internal controls

Statkraft has specific focus on fraud prevention in the procurement, accounting, tax and treasury processes. In 2024, Statkraft continued work to assess the fraud risks and to establish mitigating measures in additional processes, as the revenue process and within IT. Several processes and areas are in scope going forward, selected through a risk-based approach for the group.

Several initiatives continued in 2024 to further strengthen internal procedures and controls related to compliance. There were also further developments in the Fraud Prevention System, including adjustments to existing controls in financial processes. Corporate-wide projects on fraud prevention were executed and reinforced controls will be implemented in 2024 as a part of continued development of the Finance and Fraud Analytics tool.

Personal data protection

In 2024, Statkraft continued various new initiatives to further strengthen our privacy and personal data protection program:

- 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
- we have taken part in several collaborative activities with other Corporate Staffs to raise awareness about personal data protection and privacy
- 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

Handling of reported concerns

DHP has in place practices and procedures related to whistleblowing. Whistleblowing can be made, in written or verbally, through any communication means. These procedures are based on the Statkraft Way and are aligned with the Law no. 60/2016 on “*Whistle-blowers protection*”.

Reports can be made through various channels such as email, phone, or via a dedicated whistleblowing channel which has a built-in function safeguarding the anonymity of the reporter. The whistleblowing channel is also available to external users via Statkraft’s website (www.statkraft.com / www.statkraft.al).

The reported concerns are assessed based on the evaluation of the nature and severity of the case and followed up according to established procedures. Some reported concerns are closed after an initial evaluation by Corporate Audit, and some are followed up further by line management and/or Corporate Audit. In some cases, an internal investigation is deemed necessary to clarify the facts and initiate possible actions. Corporate Audit is responsible for executing these investigations efficiently, objectively and in accordance with internal procedures.

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.

DHP has in operation Public Information Offices to provide information related to its activities and is operating also a Grievance Redress Mechanism to address complaints from the local communities / individuals.

HOW WE SUPPORT THE GREEN TRANSITION

Environmental and Social Management

The DHP Environment and Social Management (ESM) program comprises all social and environmental mitigation measures for the Devoll Hydropower Project. These measures for Banja and Moglice HPPs are implemented in the frame of the Environmental and Social Management Plan for Operations (ESMP-O) and other Special projects integrated in the frame of the ESM activities. The measures are implemented within key interfaces and closely aligned with the operation of the plants. The ESM follows an Environmental and Social Impact Assessment (ESIA) conducted for the Devoll Hydropower Project and the Environmental and Social Management Plan (2013) in place during the project's implementation phase.


ESM is composed of three key components, Environment, Resettlement & Social Development and Community Liaison. The program is implemented through the ESMP-O, which is a follow up of the ESMP. The plans outline DHP's commitments to the environment and Project Affected Households/Persons in relation to mitigating project impacts and promoting project development opportunities in the Devoll Valley. The ESMP is publicly disclosed since October 2013 and is accessible through the DHP website and a DHP Public Information Office at the Banja hydropower plant.

The DHP ESM program aims to comply with International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability. The aim is toward ensuring that the ESM programs are implemented in a way that all Project Affected Households and Communities have restored or preferably improved living standards as a result of the project and as a consequence become project beneficiaries.

ESM Goals:

- Identify and mitigate environmental and social project impacts and stimulate sustainable development opportunities
- Assist displaced people to improve their livelihoods and standards of living or at least to restore them to pre-project levels
- Conduct environmental mitigation measures to minimize project impacts on the natural environment and develop environmental infrastructure services to avoid negative effects to both the project and its key stakeholders

Biodiversity

AMBITION	TARGET	STATUS
Deliver climate-friendly, renewable power and taking responsible environmental measures	Zero serious environmental incidents on biodiversity	
Comments on performance <ul style="list-style-type: none"> • DHP had no serious environmental incidents in 2024. The Company undertook a broad range of initiatives, either required by the energy or environmental authorities or voluntarily, aimed at monitoring / preserving biodiversity. • Key achievement for 2024 on implementation of environmental mitigation measures in Banja and Moglice HPP areas is the completion of the afforestation of a considerable area. Also, the monitoring of environmental indicators focused on water quality of the Devoll river and the reservoirs of Banja and Moglice. 		
Key initiatives <ul style="list-style-type: none"> • Enhanced tracking and communication of performance of the systematic handling of biodiversity, e.g. aquatic ecology monitoring and submission of results to respective authorities, upon request. • Increased understanding of our impacts on biodiversity, and adequate handling in project development and operation. • Key measures planned for 2024 are the monitoring of water quality in the Devoll river and Banja / Moglice reservoirs to monitor the development and compare with baseline data. • Completed implementation of the afforestation program. • Sharing of knowledge related to environmental and social programs with third parties, such as universities and schools. 		

Our approach

DHP is committed to managing the impacts on biodiversity caused by the Company's activities in a responsible manner and pays special attention to monitoring of environmental parameters on water quality and aquatic biodiversity. Also, special focus was dedicated to the implementation of an extensive afforestation program.

Key risks

Globally the biggest risk to biodiversity is the fragmentation and degradation of species' habitats. In a global assessment report published in 2019, the UN 'Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services' stated that this is a bigger threat to biodiversity than climate change.

All power generation affects biodiversity and the environment. DHP impact on biodiversity comes from our main hydro power generation activities. Hydropower modifies the living condition of aquatic species. To assess environmental risks related to biodiversity is part of DHP risk management procedures and practices and integrated in the ESMP / ESMP-O.

Status 2024

Afforestation Program

In the project area have been implemented afforestation projects in an area of more than 870 Ha with the planting of mainly forest species and fruit trees during the whole implementation phase of the afforestation projects, extended in several years. In all of these afforested areas, the Afforestation Projects have been successfully implemented and handed over to the respective Municipalities.

Water Quality and Aquatic Biodiversity monitoring

No significant negative effects are identified on the environment.

Climate action

Key priorities at Group level

- Scale renewable energy
- Defining targets and actions to decarbonize own operations and supply chains, to reach net-zero

Our approach

Climate change is one of the greatest challenges the world is currently facing. Through our core business activities DHP contributes to increasing the generation of power from renewable energy sources. DHP primary contributions to a more sustainable energy system are through our operations in renewable energy and associated market activities. DHP's electricity generation from the hydropower plants of Banja and Moglicë is certified by the Albanian Energy Regulator Entity with Guarantees of Origin as electricity from renewable sources.

Key risks

Changes in weather patterns will also impact the value of DHP assets directly, as it will impact the annual generation of the power plants and the value of the flexibility the plants can provide. Hydropower plants are particularly exposed to climate change. More extreme weather can also challenge the physical integrity of our infrastructure. As the lifetime of important components like dams, waterways and turbines is long, changing weather patterns must be considered both in greenfield investments and in upgrades and refurbishments. Commercially, changes in precipitation levels will impact the output of the plants, and more extreme weather patterns can increase the value of flexibility and storage capacity.

Status 2024

Renewable energy

In 2024, Statkraft remains Europe's largest producer of renewable energy. In 2024 Statkraft's had GHG emission intensity (scope 1 and 2 market-based) of power generation, of 14.7 g CO₂eq/kWh, significantly below sector average.

In addition, Statkraft aims for the following emission targets globally: Ambition: By 2040: Net-zero GHG emissions (scope 1, 2 and 3, market-based). Measurable outcome targets: By 2030: GHG emission intensity (scope 1 and 2, market-based) less than 20 g CO₂eq/kWh.

Green Transition Scenarios

Statkraft's analysts presented an updated comprehensive analysis in 2024 of the global energy market towards 2050. Statkraft's Green Transition Scenarios 2025 provides expected scenarios of global energy system towards 2050.

Amidst a new global security situation and more fragmented political landscape, a rapid transition of the energy sector will continue globally, pushed forward by renewable cost declines as well as climate and energy security concerns. In all our scenarios renewables are poised to replace fossil fuels, albeit at different rates and to different extents.

The European transition continues in a more geopolitical tense world, but with a changed set of drivers. Even in the Delayed Transition Scenario, a massive transition will happen driven by clean tech cost declines. But stronger policy push is needed to reach the EU climate targets in the Green Transition Scenario.

Greenhouse gas emissions continue to rise, as the world faces the already severe consequences of climate change. 2024 and 2023 are among the hottest on record, as global temperatures breached the threshold of 1.5°C during each of the past 13 months. In 2024 there were several cases of record high temperatures, fires and extreme weather events around the world.

Despite strong global climate ambitions, greenhouse gas emissions from fossil fuel combustion reached a record high in 2023, up by 1.1% from 2022. In 2023 was witnessed the global expansion of coal and gas-fired power plants in parts of the world, and at the same time, the unprecedented growth in renewables. Emissions declined in the US and the EU in 2023, comprising 21% of global emissions, whereas emissions increased in India and China, resulting in 39% of global emissions. According to the IPCC, CO₂ emissions must reach net-zero by mid-century to stay within the global carbon budget as defined by the Paris Agreement.


Climate change and market operations

DHP's hydropower plants have large reservoirs which can store water across seasons and years. A key element of the daily energy management process is forecasts for future inflow and any uncertainty related to this. Such estimates are based on historical observations over several decades. Time series will however have to be adjusted for climate change to provide a good basis for estimating future inflow. For DHP, understanding how the climate is changing is therefore important in our daily operations.

Regulatory framework and emission reduction potential

Climate policies have a large impact on DHP. Climate and energy policies are increasingly interlinked. DHP as part of Statkraft group follows national, European and global climate policy development closely to assess the impact of such policies. Understanding the development of renewable energy and related technologies is also critical, as this will impact the pace of energy transition and DHP commercial position. Statkraft thus invests significant resources in market analysis, to have a robust basis for investment and operation decisions.

Water management

AMBITION	TARGET	STATUS
Statkraft to be recognised as a company with a responsible water management practice	Implementation of identified supporting initiatives	
Comments on performance <ul style="list-style-type: none"> DHP optimizes water use while continually improving its environmental and economic performance. In the context of climate change, adapting the water storage capacity of hydropower reservoirs contributes to reducing floods and droughts in regulated river basins. Key achievements in 2024 include responsible operations every day and particularly in extreme situations, where we aim to contribute to reducing the impacts of major flood events in Albania. Knowledge and efficiency in integrated water resource management has evolved. 		
Key initiatives <ul style="list-style-type: none"> Ensure adequate handling and systematic follow-up of water levels, flow limits and specific operating rules put forth in the concession. Demonstrate responsible water management under shifting climate conditions. This implies planning for potential extreme situations in both wet and dry years, and still be able to fulfil our concession requirements. 		

Our approach

Responsible and optimal water resource management requires the capacity to analyse significant volumes of data, and to predict weather conditions as accurately as possible in order to create value for society in a sustainable manner. These complex tasks require close collaboration between different experts in hydrology, meteorology, market analysis and production planning. Our activities cover four areas: increasing resource use efficiency, maintaining flexibility, operational water management and water quality management.

By using water for renewable power generation, DHP is playing an important role in managing this common resource. Water management is governed through laws and concessions taking into account social, economic and environmental 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.

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.

Status 2024

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.

Hydrology in the Devoll river catchment has been very challenging throughout the year 2024, with a considerable reduction of water inflow in our reservoirs compared to the historical recorded inflows, resulting in a notable reduction of the generated volumes of electricity in the year.

An environmental monitoring programme with focus on water quality monitoring in the Devoll River and Banja and Moglice reservoirs is currently on-going, in cooperation with the Agriculture University of Tirana.

Improved knowledge

Statkraft group aims to be a driving force in hydropower R&D. Better planning and optimization tools developed through R&D projects increasingly enable Statkraft to better handle long-term changes in weather patterns and extreme weather conditions.

An aerial photograph of a large concrete dam and its reservoir. The reservoir is a deep green color, reflecting the sky and the surrounding landscape. The dam is a long, grey structure with a road on top. In the background, there are rolling hills and mountains under a clear blue sky. A semi-transparent blue circle is overlaid on the center of the image, containing white text.

Renewable energy can
power every industry,
every business, every
community, every home.
It can power progress.
It can power possibilities.



Internal
Governance
Report

2024

The Board of Directors

Simen Braein

Chair of the board, since November 2022.

Michelle Funes

Board Member, member since November 2022.

Qiong Chen

Board Member, member since November 2022.

Internal Governance

Efficient and transparent management and control of the business forms the basis for creating long-term value for the owner, employees, other stakeholders and society in general, and as a result, contributes to sustainable and lasting value creation. Open and accessible communication from the company ensures that the Company maintains a good relationship with society in general and with all stakeholders affected by the company's activities.

ACTIVITIES

The objective of DHP, through cooperation with other group companies, is to plan, engineer, construct and operate energy facilities, conduct physical and financial energy trading, and perform related operations. DHP is registered in Albania and its management structure is based on Albanian company legislation. DHP is also subject to the Energy Regulatory Entity (ERE) associated with the company's license obligations.

EQUITY

DHP share capital totals ALL 86 890 000 thousand divided among 86 890 shares of ALL 1 000 000 each. The company's shares are owned by Statkraft Markets B.V., part of Statkraft Group. DHP share premium totals ALL 9 690 thousand.

Capital increases are processed through the enterprise meeting of Statkraft Markets B.V.

The Board of Directors maintains a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. DHP investments are financed through any new equity contributed by the owner.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

DHP engages in transactions with companies within Statkraft group. All transactions are based on regular commercial terms and principles.

The instructions to the Board of Directors state that neither board members nor the CEO may participate in the processing or resolution of issues that are of substantial personal or financial interest to them or their related parties. Any persons in such a situation must, on their own initiative, disclose any interest they or their related parties may have in the resolution of an issue. The same follows from the Group's ethical guidelines.

BOARD OF DIRECTORS

The Company is governed and supervised by a Board of Directors composed of 3 members, for a term of 3 (three) years, renewable.

The Members of the Board of Directors are appointed by the Sole Shareholder, Statkraft Markets B.V.

The Board of Directors elects from its members one Chairman who shall preside over and steer the debate during the meetings of the Board of Directors. The term of the Chairman of the Board of Directors shall be 3 (three) years. In case of any vacancy of any of the Board of Directors members, the Board of Directors shall replace the vacant member by resolution approved by the Board of Directors, until the next General Meeting of Shareholders.

The Board of Directors has the power to appoint the Chief Executive Officer.

As part of the Statkraft Group, DHP applies the arm's length principle to intragroup transactions, in line with best practice guidelines, unless legally required in order to apply other pricing mechanisms.

THE SCOPE OF THE BOARD OF DIRECTORS

The Board of Directors usually meets as a minimum four times a year. The Chair of the Board of Directors may request holding board meetings as often as is required.

The Board of Directors provides directives to Chief Executive Officer in respect to implementation of business policies of the Company, monitors and supervises the implementation of the business policies by the Chief Executive Officer, adopts strategies, policies, procedures and internal regulations to supervise and control on ongoing basis the activity, recommends decisions to be adopted by the General Meeting and executes the latter's decisions, ensure that the Company observes the applicable law and accounting standards, examine and check the Company's books, documents and assets etc.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer manages the day-to-day business activity of the Company and represents it towards third parties.

The Chief Executive Officer reports to the Board of Directors with respect to the implementation of business policies and in the event of the conclusion of transactions of particular importance for the Company's performance.

SOLE SHAREHOLDER

The Sole Shareholder represents 100% of the share capital of the Company. The Board of Directors or the Chief Executive Officer cannot take any decisions, without the Sole Shareholder's prior approval on matters pertaining to:

- (a) any issue of shares (or securities convertible into shares) of the Company;
- (b) any alteration to the Articles of Association of the Company;
- (c) any sale of the whole or any substantial part of the business of the Company;
- (d) any major change to the nature or objective of the business of the Company;
- (e) the appointment (or removal) of the auditors of the Company;
- (f) the filing by the Company for liquidation, receivership or reorganization under any insolvency laws or any similar action;
- (g) the approval of the Company's financial statements;
- (h) the allocation of annual profits of the Company; and
- (i) any other matter requiring the Shareholders' prior approval pursuant to mandatory Albanian Law.

RISK MANAGEMENT AND INTERNAL CONTROL

The internal control concept includes compliance with the company's value base and guidelines for ethics and corporate responsibility. Important functions to ensure that risk management and internal control are an integrated part of the activities in DHP include the Group's internal auditing, the Compliance function, the Group risk function, the Group's Investment Review unit and the Group's internal control in connection with financial reporting.

Risk management is an integral part of all activities across the organisation and of the decision-making process. It supports the decision makers to prioritise their actions. Managers at all levels of the organisation are responsible for appropriate risk management. Risk management is regulated by requirements and guidelines.

Follow-up of risk and risk management are incorporated in the daily business operations.

Risk management and internal control are integral parts of the Board of Directors work.

The Board of Directors shall ensure that the CEO has:

- Stipulated instructions and guidelines for how the Company's risk management and internal control will be carried out in practice
- Established adequate control processes and functions
- Ensured that risk management and internal control are carried out, documented, monitored and followed up in a prudent manner

Statkraft's management system, The Statkraft Way, defines the Group's policies and requirements and ensures a sound control environment for fulfilling the company's goals and intentions. The Statkraft Way is informed by ISO principles. In 2024 Statkraft has restructured The Statkraft Way from a functional to a process-oriented management system.

DHP governance model has a risk-based approach to target setting, prioritisations and follow-up of the business and staff areas. The Group's risk function is process owner for the overall risk management framework and monitors overall risks at Group level.

Corporate Audit

The Group's corporate audit function is an independent function which assists the local Board of Directors and local management in assessing whether the most significant risks are sufficiently managed and controlled. The purpose of Corporate Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight related to the organisation's governance, risk management and internal control.

Internal group audits are conducted according to an annual rolling plan. The audit work shall be carried out in accordance with the International Standards for Internal Auditing (IIA).

The DHP Compliance Manager is responsible for the system for independent reporting of concerns related to unethical or illegal matters. In cases where an investigation is required, this is the responsibility of the Head of Group Corporate Audit.

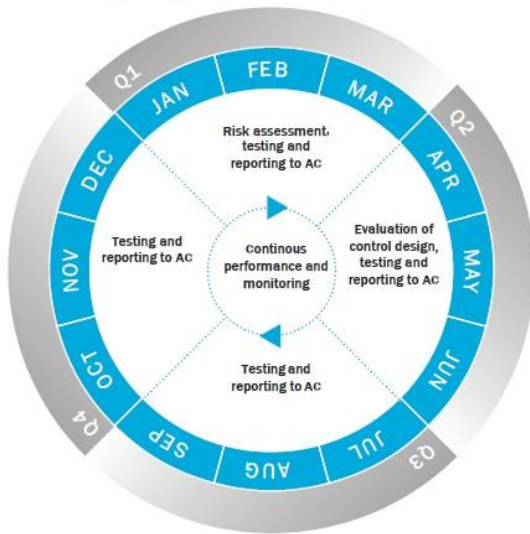
Internal control of financial reporting

The Group's CFO is responsible for the process for Internal Control in the Financial Reporting (ICFR) in DHP. The ICFR work is based on the COSO framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

The ICFR ensures reliable and timely financial information in the interim and PERFORMANCE AND INTERNAL GOVERNANCE REPORTS. DHP is required to comply with the ICFR requirements.

Statkraft's Governance, risk and compliance (GRC) system is used for performing, documenting and monitoring the ICFR activities.

Annual process for internal control over financial reporting



The main elements of the ICFR system are:

- **Risk assessment**
The Group's ICFR Network performs an annual risk assessment where the financial reporting risks are identified and assessed. The purpose is to verify whether Statkraft has appropriate controls to mitigate the identified risks sufficiently.
- **Evaluation of control design**
Process to ensure that the internal controls are designed efficient and mitigate identified risks to an acceptable level.
- **Test of control performance**
Quarterly, and on a sample basis, quality of control performance and compliance with control descriptions are tested to ensure operational effectiveness and continuous improvement.
- **Reporting of ICFR to the Audit Committee**
As a part of the quarterly reporting, a status on internal control is presented to the Audit Committee. In addition, the result of the yearly assessment of control design and operational effectiveness is reported to the Audit Committee in Q1. The conclusion of the financial reporting risk assessment is presented in Q2. If material breaches are detected in the ICFR system, this will be reported to the Audit Committee.
- **Continuous performance and monitoring**
Managers are responsible for compliance with control descriptions and ICFR requirements. Responsible managers perform an annual assessment of design and operational effectiveness of all controls.

Fraud Prevention System

DHP as part of Statkraft group has a fraud prevention system to prevent and detect fraud in processes related to procurement, accounting, tax and treasury. The fraud prevention system is under continuous development. The system has a risk-based approach and will make use of methodology already in place for the ICFR system.

INFORMATION AND COMMUNICATION

Starting from the year 2020, DHP publishes its annual financial statement and PERFORMANCE AND INTERNAL GOVERNANCE REPORT on DHP website. Each year, DHP submits these documents to the Albanian National Business Center.


DHP emphasizes transparent communication with all stakeholders. The information the company provides to its owner and other stakeholders shall provide enough details to permit an evaluation of the company's underlying values and risk exposure.

The Performance and Internal Governance Report has been prepared also in accordance with articles no. 17 and no. 19 of Law on Accounting and financial statements no. 25/2018, dated 10.05.2018. The Report has been approved by the company's Board of Directors.

AUDITOR

The Shareholder appoints the auditor based on the Board of Directors proposal. The auditor serves until a new auditor is appointed.

The Board of Directors and the auditor hold at least one meeting annually where the CEO and other Company executives are not present. The Board of Directors is briefed on the highlights of the auditor's reporting.



Renewable energy is sustainable and profitable. DHP activities prove that a fully clean energy world can happen today not just because it's right, but because it's better business.



Key figures
and Alternative
Performance Measures

2024

Key Figures

FINANCIAL KEY FIGURES

	Unit	2024	2023
Income statement			
Gross operating revenues	ALL thousand	10 928 460	16 509 518
Net operating revenues	ALL thousand	7 881 285	12 144 416
Impairment	ALL thousand	(19 140 888)	-
EBITDA, underlying	ALL thousand	5 131 308	9 431 833
Net financial items	ALL thousand	(587 678)	(997 835)
Balance sheet			
Property, plant & equipment and intangible assets	ALL thousand	54 622 099	75 232 509
Total assets	ALL thousand	78 330 467	91 296 358
Equity	ALL thousand	75 944 556	90 637 351
Cash flow			
Cash flow used in investing activities	ALL thousand	(51 927)	(13 331)
Cash and cash equivalents	ALL thousand	17 233 089	11 232 082

Alternative Performance Measures

As defined in ESMA's guideline on alternative performance measures (APM), an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

DHP uses the following APMs:

EBITDA underlying is defined as operating profit/loss (EBIT) underlying before depreciations and amortisations and impairment. The APM is used to measure performance from operational activities. EBITDA underlying should not be considered as an alternative to operating profit and profit/loss before tax as an indicator of the company's operations in accordance with generally accepted accounting principles. Nor is EBITDA underlying an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

Operating profit/loss (EBIT) underlying is an APM used to measure performance from operational activities.

Gross operating revenue is defined as the gross amount of revenue recognized in the annual financial statements.

Net operating revenue is defined as gross revenue from sales of electricity and capacities after deducting the purchase of electricity and purchase of capacities, as per annual financial statements.

Impairment is related to property, plant and equipment.

Devoll Hydropower Sh.A.

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