

Performance and Internal Governance Report

Devoll Hydropower Sh.A. (DHP)

2019





CONTENT

5 Performance Report

- 5 The Company at a glance
- 8 Values
- 8 Sustainability
- 9 Strategy
- 10 Strategic targets
- 10 Financial performance
- 13 Going concern
- 13 Risk management
- 18 Sustainability
- 20 Social disclosures
- 24 Environmental and social management
- 27 Economic disclosures

31 Internal Governance Report

- 32 The Supervisory Board
- 32 Internal governance
- 34 Risk Management and Internal Control
- 38 Key figures
- 39 Alternative Performance Measures

An aerial photograph of a large dam and reservoir. The dam is a concrete structure with a spillway on the left and a powerhouse on the right. The reservoir is filled with clear blue water. In the background, there are rolling green mountains under a clear sky. A large light blue circle is overlaid on the center of the image, containing text.

DHP is dedicated to offer European standards and good industry practices building optimal hydropower plants, producing renewable and environmentally friendly energy.



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, ratified by the Albanian Parliament through the Law no. 10083, dated 23.02.2009, amended.

Devoll Hydropower Project is comprised of at least two hydropower plants (Banja and Moglice) with a total capacity of approximately 269 MW and an average production of approximately 700 GWh/yearly of 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 Q2 2020. DHP will assess how to further develop the hydropower potential of the Devoll river within the rights of the Concession Agreement after compliance with the minimum technical requirement of the concession.

DHP has its offices in Tirana, with site offices at both hydropower plants, Banjë and Moglicë. Devoll Hydropower Project sets an important landmark, attracting foreign investments in the Albanian energy sector and improving the security and stability of the country's power system.

Annual Report 2019

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.

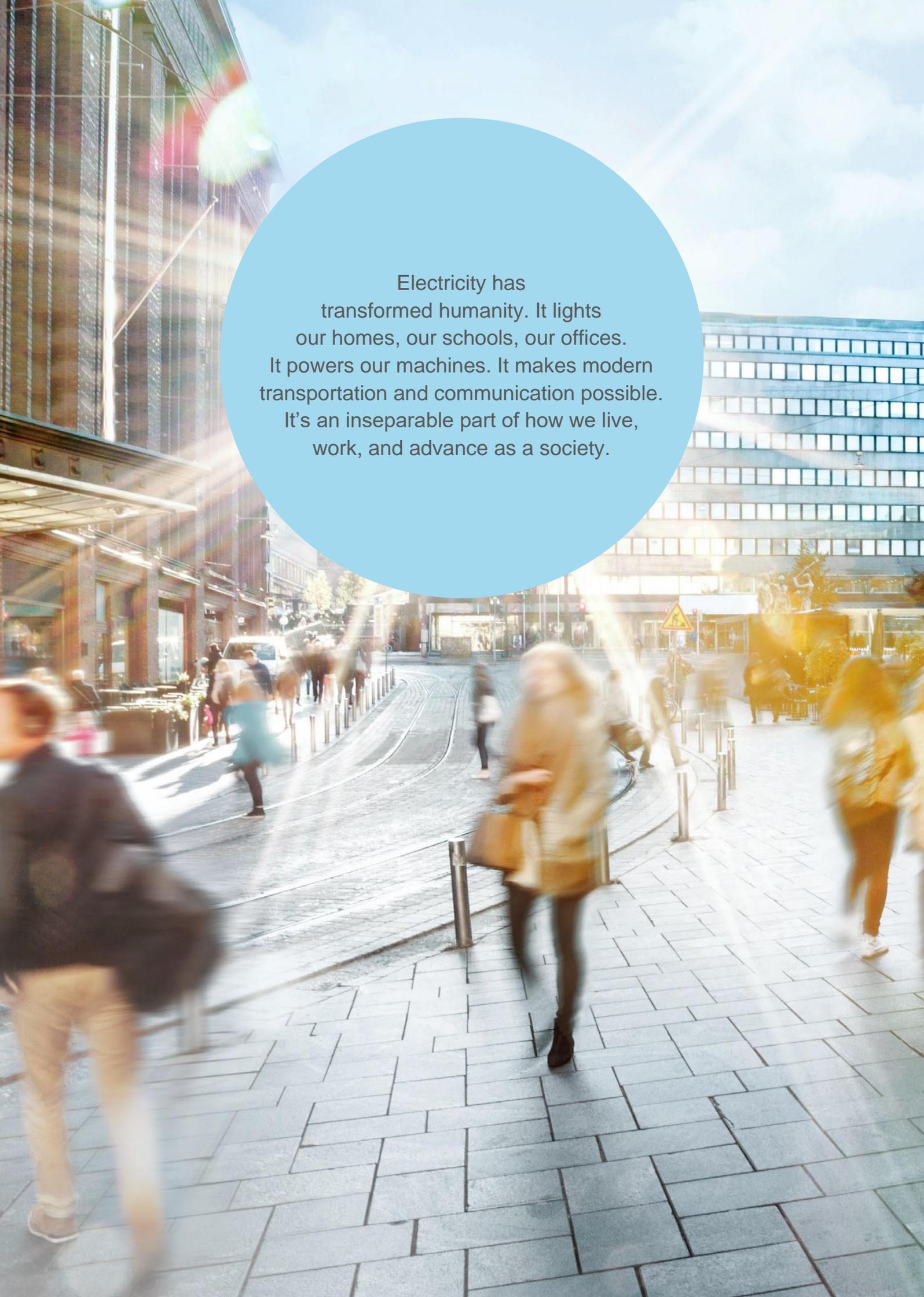
DHP emphasizes transparent communication with all stakeholders. The information the company provides to its owner and other stakeholders shall provide enough details to permit an evaluation of the company's underlying values and risk exposure.

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 on 20 August 2020 and is signed on its behalf by:

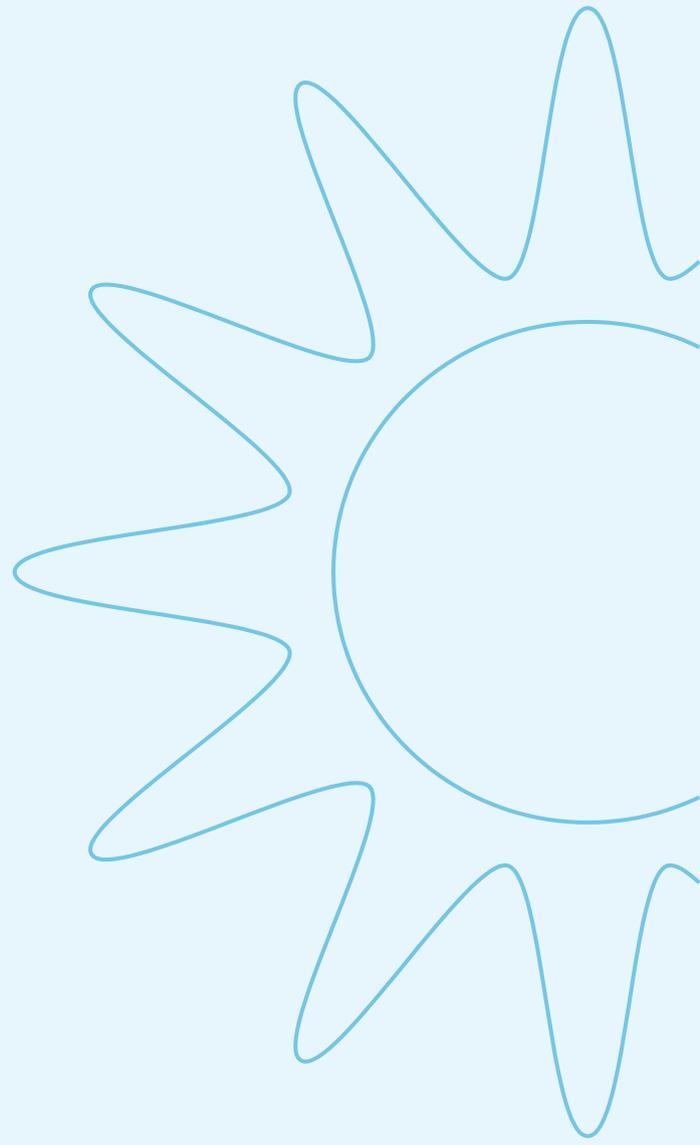


Rigela Gegprifti

Chief Executive Officer

A blurred city street scene with a large blue circle containing text. The background shows a busy urban environment with people walking, buildings, and a tram track. The text is centered within the blue circle.

Electricity has transformed humanity. It lights our homes, our schools, our offices. It powers our machines. It makes modern transportation and communication possible. It's an inseparable part of how we live, work, and advance as a society.



VALUES

DHP has integrated Statkraft's values:

- **Competent.** Use knowledge and experience to achieve ambitious goals and to be recognised as a leading player.
- **Responsible.** Create values, whilst showing respect and care for employees, customers, the environment and society.
- **Innovative.** Creative thinking, identify opportunities and develop effective solutions.

These core values apply to all employees and others who represent DHP.

SUSTAINABILITY

DHP is committed to:

- Provide pure energy and contribute to a green power future
- Offer a working environment characterized by equality, diversity and mutual respect, where everyone has the opportunity to contribute to business success and to realize their potential.
- Achieve equilibrium between the economic, environmental and social factors in all activities.

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

In its work with sustainability DHP is also guided by international frameworks addressing anti-corruption, environment, human and labour rights. DHP being part of Statkraft group believes business plays an important role in contributing to the realisation of the UN Sustainable Development Goals, and Statkraft is a member of the UN Global Compact.

DHP recognises that there are dilemmas related to sustainability. The company seeks to understand and manage such dilemmas through a risk-based approach, carefully weighing different concerns, and implementing mitigating activities where needed.

Key topics within sustainability in 2019 include:

- Operation of Banja hydropower plant - 72 MW installed capacity of renewable energy
- Within health, safety, security and environment (HSSE) there was continued focus on key issues through the 'Powered by care' program.

In the area of business ethics particular attention was paid to growth activities, and a new dilemma training toolkit and competition law e-learning were launched.

STRATEGY

Market development

DHP, as part of the Statkraft Group integrates the strategy and practices in relation to Market approach.

Statkraft group sees increasing volumes of renewable energy, particularly solar, being developed. This massive growth increases the need for flexible generation.

Decreasing costs of solar and wind power will move the industry away from subsidies and into an energy system with new ways of selling power, and that customers are taking a stronger interest in renewable energy.

Statkraft's corporate strategy aims to respond to these developments.

Statkraft's competitive position

Statkraft group has a solid foundation for further growth. From being a supplier of hydropower to Norwegian industry and general consumption, Statkraft has become Europe's largest producer of renewable energy and has a growing presence in other international markets.

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 grow.

A market-centric approach

Statkraft will continue to pursue a market-centric approach. This means building on the Group's deep market understanding to find the best opportunities in renewable energy within each market across technologies.

The rapid changes in the energy markets necessitate some flexibility in the targets and opportunities pursued. Statkraft continuously monitors the market and technology development to identify business risks and opportunities arising.

Strategic priorities

Optimise and expand hydropower

The need for flexibility in the energy market increases and provides a unique starting point for a flexible hydropower generator with market expertise. Statkraft will optimise and expand its strong hydropower portfolio.

DHP is engaged with stakeholders to find solutions which balance environmental and societal needs with profitability.

Develop new business

DHP is continuously screening new opportunities where the existing capabilities and portfolio can give a competitive advantage.

DHP ambition for 2025

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

- Strengthen further position as a reliable power producer with an operational excellence of both Banja and Moglicë HPPs, compliant with local and international standards.
- Continue being a proactive participant in trading activities, sale of electricity in SEE and other relevant markets, as well as continue with bilateral agreements in Albania and seek to secure additional long-term bilateral agreements in other relevant markets.
- Further development of the hydropower potential of the Devoll Hydropower Project.
- Utilise our strong position to grow our operation to further scale and contribute to energy diversification in Albania by exploring investment opportunities in other renewable energy sources, solar opportunities shall be prioritised.
- We will also review opportunities in wind and hydro as they materialise.
- All done with full environmental and integrity compliance

Investments

DHP is focused towards value creation initiatives in Albania, aligned with Statkraft group strategy. The pace and total amount of investments in the strategic period will be dependent on market opportunities and market development and will be adapted to Statkraft's financial capacity and rating target.

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 fatal accidents in 2019, but there one loss time incident.

DHP has zero tolerance for corruption and unethical practices in all activities, and there were zero serious compliance incidents in 2019.

Assessing environmental risks is part of DHP's daily risk management procedures and practices and there were no serious environmental incidents in 2019.

AMBITION	TARGET	STATUS 2019
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

DHP gross revenue decreased by 28%, mainly due to hydrologic conditions and Moglice filling of reservoir.

During 2019 total production was 153,143 MWh.

At the end of 2019, the Company's equity was ALL 66 628 526 thousand, corresponding to 98% of total assets.

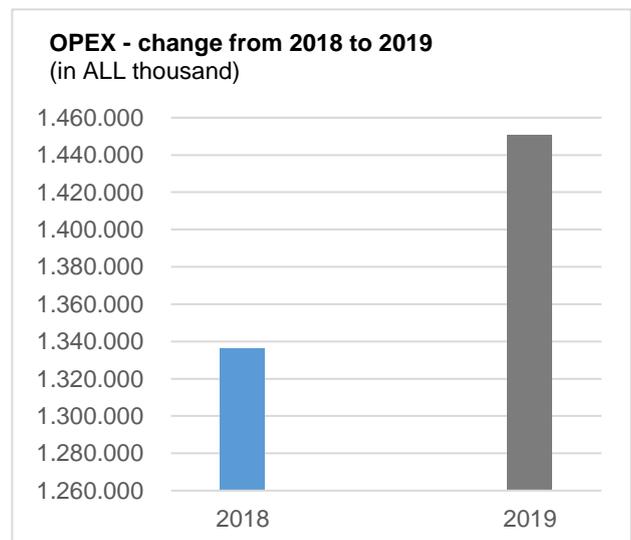
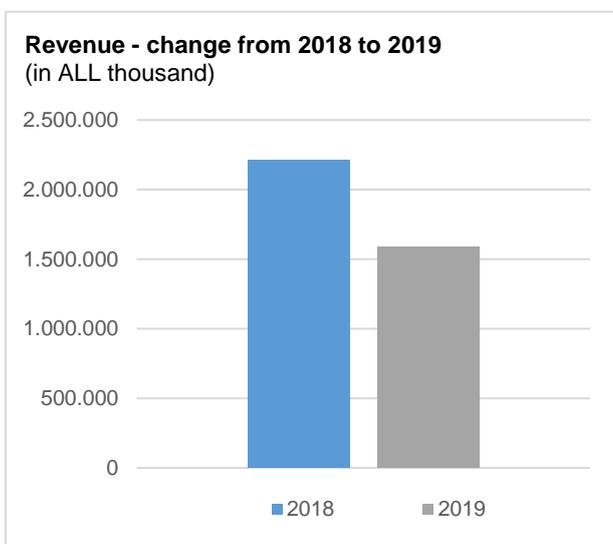
All underlying items are alternative performance measures, see the chapter «Alternative Performance Measures» for purpose, definition and statement of all items. Elements from the statement of comprehensive income after the operating profit are analysed in accordance with the financial statements.

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

In total, the Company's operating expenses increased by 9% year-on-year. The increase in operating expenses was a one off effect and it was mainly due to Moglice project (operations Moglice, PFO, ESM, Slope stability etc.) earthquake donation and some development costs.



Financial items

Financial items comprise mainly net foreign exchange losses. The negative effect was predominantly related to payables in foreign currency and was a result of a strengthening of ALL against EUR.

The net finance costs were relatively small in 2019.

Tax expense

DHP has recently completed the Banja HPP which started operation on 2016. Moglice HPP started operations in Q2 2020.

DHP has recorded net losses for the year 2019 of ALL 580 369 thousand and no Corporate Income Tax was due for payment.

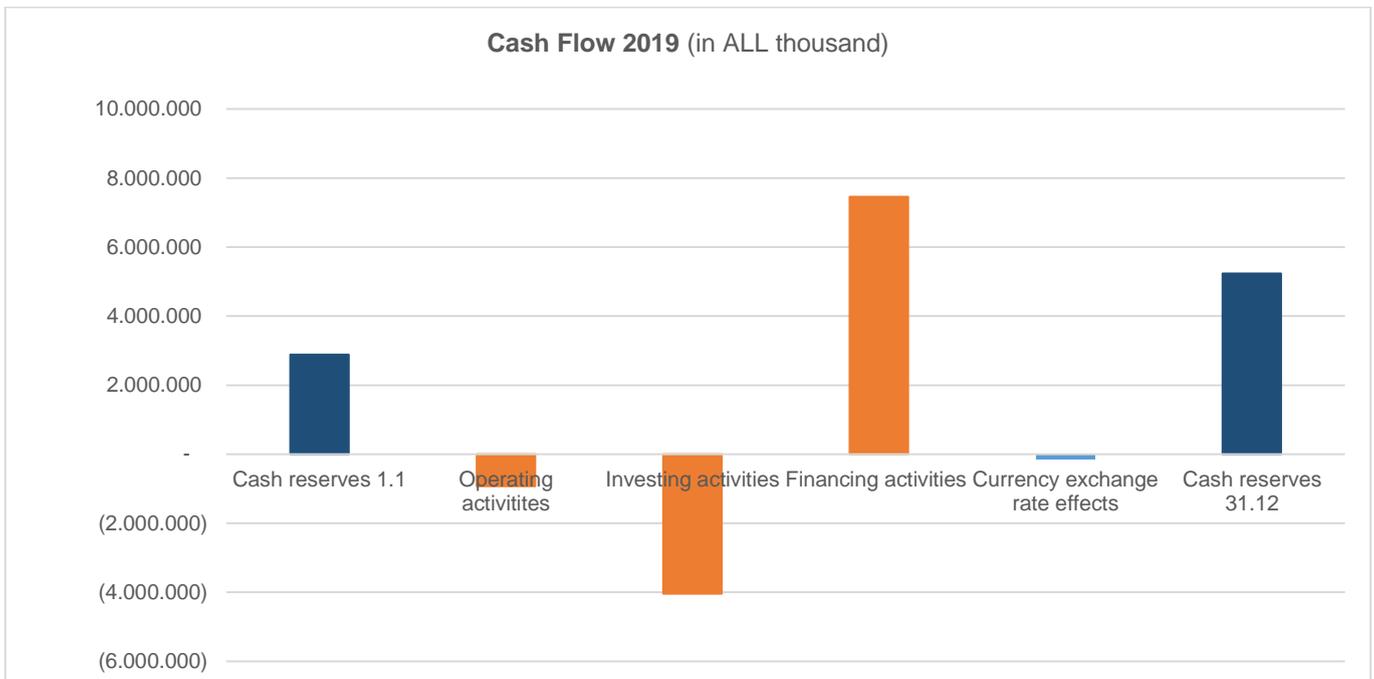
Cash flow

Cash flow from operating activities was ALL (927 223) thousand. The increase was primarily due to settlement of receivables and payables of the Company.

Cash flow from investing activities of ALL (4 041 432) thousand was mainly related to investments in property, plant and equipment.

Cash flow from financing activities amounted to ALL 7 456 800 thousand and was related to shareholder contributions.

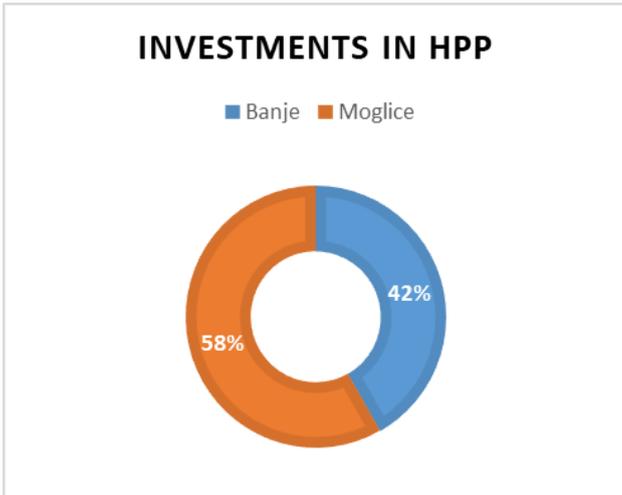
At the end of the year, cash and cash equivalents amounted to ALL 5 234 338 thousand.



Group financial strength and rating

It is important for Statkraft to maintain its credit rating with the two rating agencies Standard & Poor's and Fitch Ratings. Statkraft AS has a current credit rating of A- (stable outlook) from Standard & Poor's and BBB+ (stable outlook) from Fitch Ratings.

Investments in HPP



DHP invested ALL 72 644 050 thousand as at 31.12.2019 in Hydro Power Plants. The largest investment in new capacity was related to the Moglice hydropower project.

Important events in 2019

- Moglice Dam ready for start of creation of Moglice reservoir, which started 21 June 2019.
- Completion of 220 KW transmission line (including GIP) and handed over to the Government of Albania on August 5, 2019.
- Completed implementation Replacement Infrastructure and handover to Albanian authorities

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.

In December 2019, an outbreak of a new strain of coronavirus, Covid-19, emerged in Wuhan, China. Within weeks, despite efforts to contain the virus in China that included widespread shutdowns of cities and businesses, the number of those infected grew significantly, and beyond China's borders including Albania. On 11 March 2020, the World Health Organization announced a pandemic situation due to the global emergency caused by the outbreak of Covid-19. The coronavirus outbreak is still evolving and its effects remain unknown.

The rapid development of the Covid-19 virus and its social and economic impact in Albania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects the assumptions and estimates used in determining property plant and equipment with their carrying values might be affected. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day. The longer term impact may also affect trading volumes, cash flows, and profitability. Nevertheless DHP continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Revised R&D strategy 2019-2025 – broadened scope and extended horizon

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.

RISK MANAGEMENT

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

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. DHP performs an independent quality assessment prior to investments, sales and acquisitions.

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 implementation of our investment projects, operation and maintenance activities and market operations. This may result in:

- Injury to employees, contractors or third parties
- Harm to the environment
- Compliance breaches
- Damage and losses related to own and third-party production plants and other assets
- Weakened reputation
- Financial loss

DHP's first priority is to act in a sustainable, ethical and socially responsible manner and to comply with all applicable legal requirements wherever the company operates. DHP has high attention on executing development activities and operations in a responsible manner and to prevent loss. A sound 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 in order to prevent and limit any negative consequences, and to ensure that we can follow up causes and implement the necessary measures.

The cyber risk is increasing worldwide. DHP's infrastructure and applications are exposed to external attacks. Procedures, competencies and systems are continuously improved to strengthen the robustness 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.

Market risk

Market risk is the risk that changes in market prices, such as prices of electricity, interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

Market price risk

As a power producer, the Company is exposed to market risk related to price of energy. Within energy trading, the Company has portfolios that reduce market risk, as well as portfolios within decided mandates where the Company accepts a degree of market risk in order to generate profit. Risk management in energy trading focuses on total portfolios rather than individual contracts. Internal guidelines controlling the level of market exposure have been established for all portfolios. The frameworks for trading in both financial and physical contracts are continually monitored.

Currency risk

The Company is exposed to currency risk related to possible changes in the exchange rates with respect to its transactions in foreign currency. The Company has significant Euro balances toward its suppliers, which exposes the Company to foreign currency risk. The Company has significant cash and cash equivalent balances denominated in Euro that mature during the same period that the trade payables are due for repayment.

The portfolio is constantly adjusted in relation to updated perceptions of future prices and the company's own generation capacity.

Financial risk

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

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 limits are monitored continuously and reported regularly to the management. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for related party and other party customers respectively. The credit limits may also be alleviated by accepting credit support in form of a Parent Company Guarantee, and/or Bank Guarantee.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for public customers and one month for corporate customers.

Almost all the Company's customers have been transacting with the Company for three years, since the start of its activity 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.

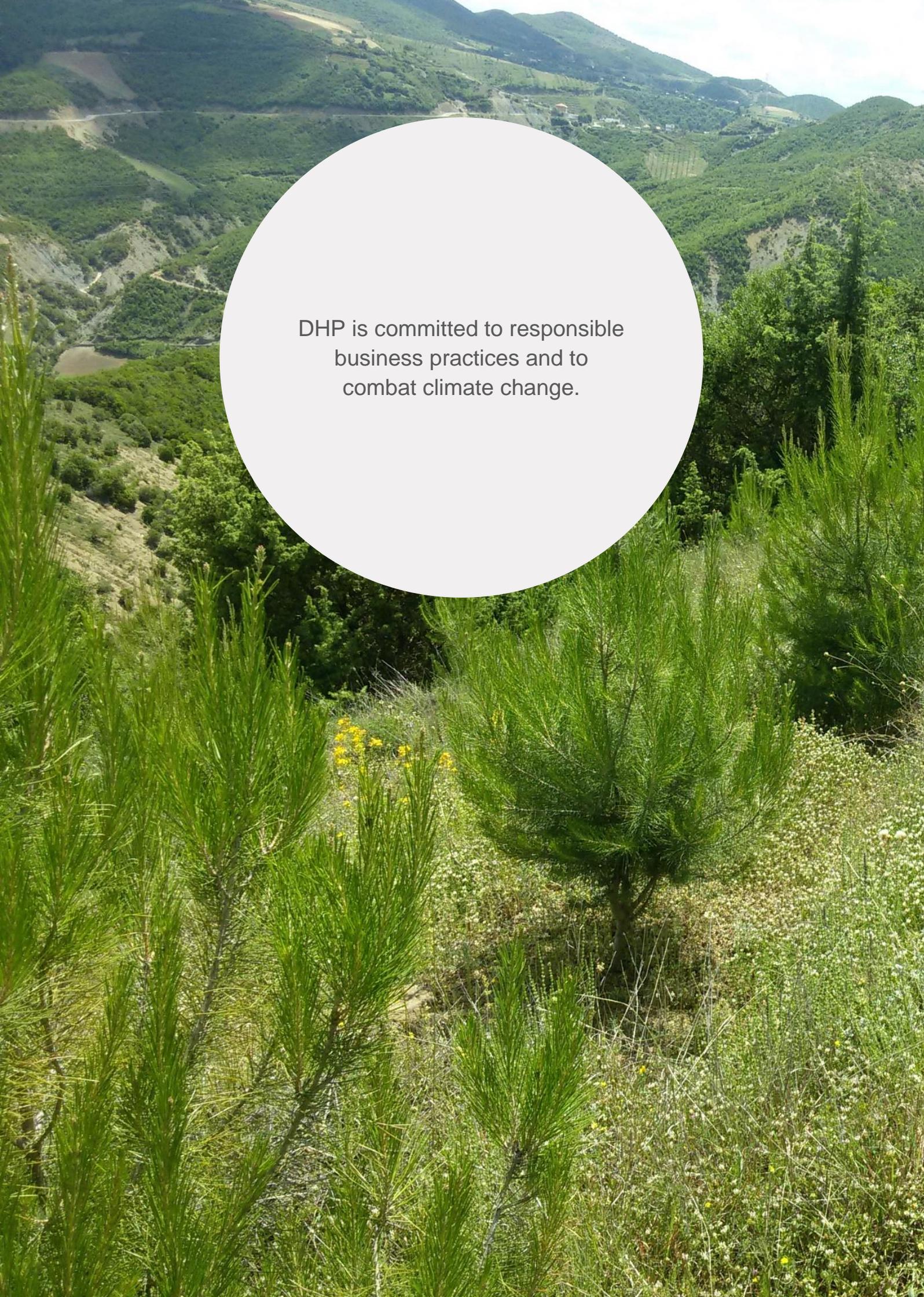
Regulatory and country risk

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.

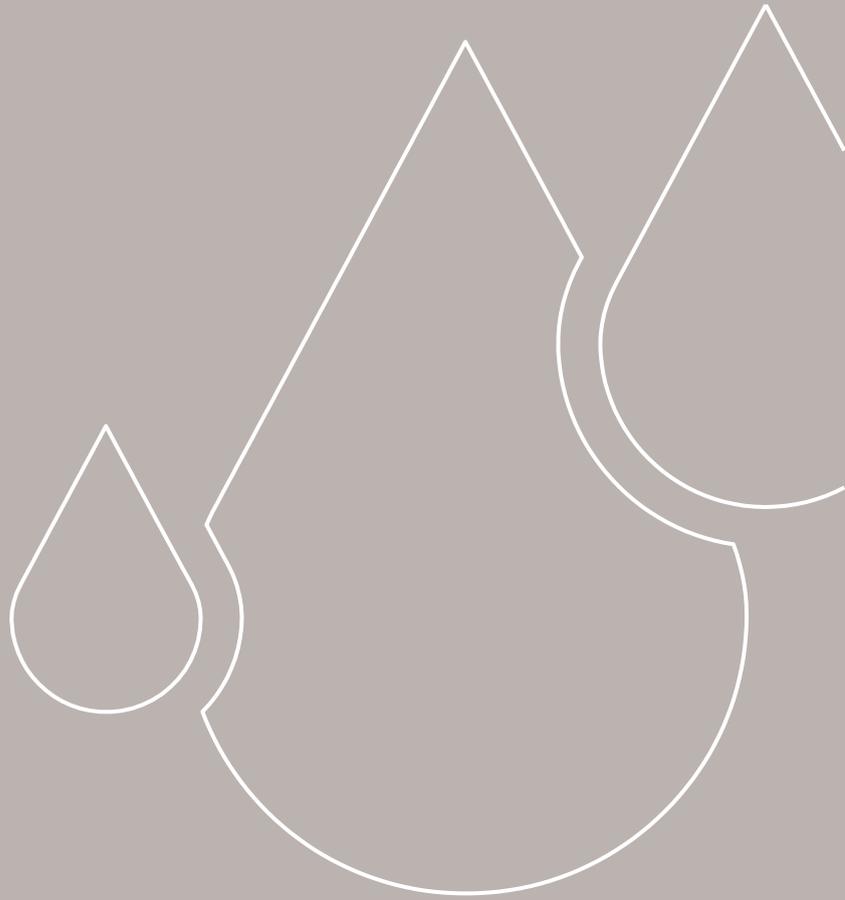
DHP's is also directly exposed to framework conditions such as tax levels, license terms and public regulation. Risk of possible changes in the political landscape may lead to a more challenging business environment which would be translated in not reaching deadlines accompanied with financial costs.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

Albania is considered an emerging market which exposes DHP in a significant country risk. 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.

A scenic landscape featuring rolling green hills and a river in the background. In the foreground, there are several young pine trees and some yellow wildflowers. A large white circle is overlaid on the center of the image, containing the text: "DHP is committed to responsible business practices and to combat climate change."

DHP is committed to responsible business practices and to combat climate change.



Sustainability

2019

Sustainability

SUSTAINABILITY MANAGEMENT

Our approach to sustainability

DHP as part of Statkraft group is committed to responsible business practices and to combat climate change. Statkraft group does business globally, and our vision is to provide pure energy. The power we produce is through hydro. DHP's business strategy is based on the premise of safe, ethical and responsible operations.

Our approach to sustainability is continuously evolving, along with our business strategy and international developments. DHP as part of Statkraft group is guided by international frameworks, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. For non-business activities, the IFC Performance Standards on Environmental and Social Sustainability are taken into consideration.

Statkraft is a member of the UN Global Compact and is committed to its ten principles on human rights, labour rights, environment and anti-corruption.

Overall our business activities have a positive impact, but may also at times have a negative impact on people, communities and nature. Renewable energy is critical for reducing global CO₂ emissions. At the same time, our operations can impact e.g. on biodiversity, use of land and interests related to outdoor activities. We seek to understand and manage such dilemmas by taking a risk-based approach, carefully weighing different concerns, and implementing mitigating activities.

Governance

DHP's 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.

DHP's management system sets ambitions, direction and more detailed requirements. The system is regularly reviewed to tailor it to new expectations and challenges. Sustainability requirements and guidance are included in construction projects.

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.

Responsible supply chain management

The basis for Statkraft's responsible supply chain approach is our Supplier Code of Conduct, which covers health and safety, environment and climate, human rights, labour rights, and business ethics. 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. In order 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 in order 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.

Reporting of concerns

According to the Law no. 60/2016 on "Whistle-blowers protection", any entity with more than 100 employees must establish a Responsible Unit for the administrative investigation and review of the whistleblowing. Whistleblowing can be made, in written or verbally, through any communication means.

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.

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.

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.

DHP contribution

The majority of climate gas emissions in the world are energy related. Hence, increasing the production of energy from renewable sources is critical in order to reach global emissions targets. Further, 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 is committed growing solely within renewable energy technologies.

DHP's activities contribute in different ways to global, national and local economies through dividends to our shareholder, taxes paid to governments, 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.

The company also contributes to more optimal utilisation of energy resources through remote control of renewable assets.

SOCIAL DISCLOSURES

Health and Safety

AMBITION	TARGET		STATUS
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	0	●
Protect health and well-being of staff	Sick leave < 3.5%	0.88%	●
Comments on performance <ul style="list-style-type: none"> There were no fatal accidents in 2019 and DHP reached target of zero serious injuries. 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, 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". DHP'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, and 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 2019

There were no fatal accidents in 2019.

In 2019, the Lost Time Injury rate (LTI rate) was 0 among DHP employees while the LTI rate of contractors was 0.53. Correspondingly the Total Recordable Injury Rate (TRI rate) among DHP employees was 0 and 1.04 for DHP contractors. In total, 1 injury was recorded, which was lost-time injury.

Sick leave

Sick leave in DHP is at a stable low level, at 0.88% in 2019,

which is below the target of 3.5%.

Health and Safety Improvement Programme

In 2019, the 'Powered by Care' programme focused on:

Leadership and commitment

During 2019, management throughout DHP was actively engaged and participated in local activities in the Powered by Care programme. Workshops were held to address health and safety leadership and culture, and a new framework for effective HSSE management was developed. The framework defines expectations related to the following areas:

- Leadership
- Roles and competences
- Risk management
- Integration in processes
- Contractor management
- Continuous improvement

Serious injury mitigation

Serious incidents - those with serious consequences or high potential of serious injury – are analysed to identify causes and identify measures to prevent recurrence. The lessons learned are shared across the organisation. Lifesaving rules aimed at preventing serious and fatal injuries have been rolled out and implemented.

Engagement 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 had positive development.

CEO's HSSE Award

An HSSE award scheme is in place to encourage activities that contribute to improved HSSE awareness, results and engagement across the organisation.

Sharing and learning

Collaboration takes place within and across business areas to share and learn from incidents, health and safety programmes and best practices. Regular network meetings, and an annual conference is arranged to help facilitate this process. A dedicated intranet portal provides easy access to HSSE documents, materials and tools.

Health and safety training

Appropriate competence is a prerequisite for a strong health and safety culture. DHP employees are provided with training according to their individual needs and work situation. Modular e-learning is made 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.

Third party safety

DHP activities have significant interfaces with third parties and we are focused on ensuring their safety. Dam safety is one key focus area. Measures are carried out according to legal and regulatory requirements. DHP performs maintenance on dams and associated structures within a strict and controlled system. The company has developed detailed procedures and plans and thereby ensures that these structures do not pose a threat to life, property or the environment.

Security

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. Key achievements in 2019 include improved operational capabilities towards preventing IT security incidents, positive trends in information security awareness, and improved emergency response capabilities. 		
Key initiatives		
<ul style="list-style-type: none"> Improve processes and capabilities for security management. Key measures planned for 2020 are continued implementation of new national security regulations, implementation of a new global requirement for pre-employment background checks and further strengthening of the Company's IT/cyber security capabilities. 		

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 2019, 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 2019

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 herein also Albania

In 2019, Statkraft revised its IT/Cybersecurity operations and strengthened internal capabilities.

Human rights

AMBITION	TARGET	STATUS
Act according to the United Nations Guiding Principles on Business and Human Rights	Implementation of identified key initiatives	●
Comments on performance		
<ul style="list-style-type: none"> Key achievements in 2019 include strengthened focus on human rights in key processes, e.g. new capital investments. 		
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 work on human rights, as part of Statkraft group, is based on the UN Guiding Principles on Business and Human Rights. Statkraft’s policy commitment on human rights is reflected in Statkraft’s Code of Conduct. This commitment is publicly available and communicated internally and externally to personnel, business partners and other relevant parties. Our approach is to continuously improve and to strengthen the integration of human rights into key processes; such as new capital investments.

Key risks

The human rights due diligence at group level identified local community acceptance, labour rights, health and safety, and security arrangements as salient human rights issues for the Group. Given the developments internationally, and DHP’s business strategy we are currently taking a renewed look at our human rights impacts.

Based on the outcomes, we will recalibrate our approach to key risks where needed. Key human rights risks in the supply chain will also be assessed.

Status 2019

Human rights initiatives

In 2019, we continued to embed our commitment to respect human rights in key processes and have prioritised efforts related to salient human rights issues. One focus area has been including human rights considerations in project management.

Further, human rights considerations were included in the work related to responsible supply chain.

Consultations

In 2019, consultations and engagement with a wide range of central and local stakeholders, continued.

For the Banje and Moglice hydro power projects, agreements on mitigating measures and compensation for extra activities during the construction phase had been implemented.

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

Sharing knowledge

Awareness campaigns on projects activities have been carried out as per the respective project’s development phase (f.e. Moglice reservoir creation, Banja reservoir operation).

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.
- Increased mobility and rotation.
- Key activities planned for 2020 include working actively to increase the number of women in management positions.

Our approach

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.

In DHP, we aim to create an environment where current and future employees can learn and grow. We recognize that a career path can take many different directions. To utilize our shared competence and learn from each other, mobility between geographical and organizational boundaries is encouraged.

A safe work environment and support from the people around us is also an important enabler for development.

Key risks

It is of key importance for DHP to attract, develop, and retain people and competence to meet our target and strategy. There are challenges related to achieving this in a timely and adequate manner. We need to ensure attractiveness as an employer towards all relevant expert groups. It is also crucial to develop our employees and leaders to meet future competence needs and to retain out talents. Initiatives to further develop new skills and competencies will be prioritised in 2020.

Status 2019

DHP's employee engagement survey was conducted in September 2019 with a response rate of 93%. The survey showed high and stable motivation and satisfaction. The result on total score for employee engagement was 94%.

People Development

In 2019, 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 2019, targeted to different groups and learning objectives. Further efforts to build and expand on leadership development will be introduced in 2020.

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 2019, Statkraft continued to learn from pilots on agile project methods and develop training as an offering to all employees.

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.

At the end of 2019, DHP had approximately 75 employees. DHP had employees representing 6 different nationalities. The percentage of women in DHP was 23%.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Environment and Social Management (ESM) program comprises all social and environmental mitigation measures for the Devoll Hydropower Project. These measures for Moglice HPP are implemented during the project's implementation phase based on the Environmental and Social Management Plan (ESMP) of 2013 and for Banja HPP 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 main implementation schedule of the projects. The ESM follows an Environmental and Social Impact Assessment (ESIA) conducted for the Devoll Hydropower Project.

ESM is composed of three key components, Environment, Resettlement & Social Development and Community Liaison. The program is implemented through the ESMP & ESMP-O, which outlines 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. This plan is publicly disclosed

since October 2013 and is accessible through the DHP website and DHP Public Information Offices in the project area.

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 2019. The Company undertook a broad range of initiatives, either required by the energy or environmental authorities or voluntarily, aimed at preserving biodiversity. • Key achievements for 2019 implementation of environmental mitigation measures in Banja and Moglice HPP areas, such as afforestation of a considerable area. Also, the extensive monitoring of environmental indicators focused on water quality and aquatic biodiversity 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 biodiversity monitoring and submission of results to respective authorities • Increased understanding of our impacts on biodiversity, and adequate handling in project development and operation. • Key measures planned for 2020 are the monitoring of aquatic biodiversity in the Devoll river and Banja / Moglice reservoirs for the establishment of a baseline of information on the aquatic biodiversity of the newly created reservoirs. • Continue implementation of the afforestation program, including rehabilitation through afforestation of project affected sites 		

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 is 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, which poses a challenge to migrating fish. To assess environmental risks related to biodiversity is part of DHP risk management procedures and practices and integrated in the ESMP / ESMP-O.

Status 2019

Afforestation Program

During 2019 more than 200 Ha of new afforested areas have been planted with forest species of fruit trees in Moglice HPP area. More than 170 Ha of new afforested areas with forest species have been successfully implemented and handed over to the authorities in Banja HPP area.

Water Quality and Aquatic Biodiversity monitoring

No significant negative effects are identified on the environment.

Climate change

Key initiatives

- Follow climate politics at national and international level closely.
- Continuously develop Statkraft's market and strategic analysis in order to make robust commercial decisions and assess how climate change and climate politics impact Statkraft's portfolio and strategy.

Our approach

Through our core business activities DHP contributes to increasing the generation of power from renewable energy sources. DHP is committed to climate neutrality and has signed up to the UN Climate Neutral Now initiative as part of Statkraft group. DHP primary contributions to a more sustainable energy system are our current operations and new investments in renewable energy and associated market activities.

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 plant, and more extreme weather patterns can increase the value of flexibility and storage capacity.

Status 2019

Climate neutrality

Statkraft has signed the Climate Neutral Now pledge, an initiative launched by UN Climate Change.

Statkraft used Guarantees of Origin to document that our use of electricity is based on renewable energy.

Climate change and market operations

DHP HPPs 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.

Statkraft participates in several international and national projects to improve the understanding of climate change effects on the hydrological resources.

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.

ECONOMIC DISCLOSURES

Water management

AMBITION	TARGET	STATUS
Statkraft is 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. Reservoirs can also facilitate other water usage such as increasing the availability of water for irrigation or transportation. Key achievements in 2019 include responsible operations everyday. Knowledge and efficiency in integrated water resource management has been strengthened. 		
Key initiatives <ul style="list-style-type: none"> Ensure proactive, adequate handling and systematic follow-up of water levels, flow limits and hydropeaking requirements in the concession. Demonstrate responsible water management based on improved understanding of the effects of climate change on water availability (e.g. water scarcity, drought and flood management) in all areas of operations. 		

Our approach

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.

DHP makes additional efforts to improve our performance through R&D and voluntary initiatives. Hydropower reservoirs can provide unique services to the power system such as flexibility in supply as well as balancing services to the electric transmission grid. These man-made lakes also offer water management options which reduce vulnerability to extreme weather conditions such as floods and droughts.

DHP is working to improve to optimize the use of water resources. A wide spectrum of experts ranging from hydrologist to infrastructure technicians are working to maximize the value of water stored in our reservoirs. Simulation models and infrastructure make it possible to release stored water when it has the highest value for society, typically when demand is high and other technologies are less capable.

Key risks

Losing flexible renewable hydropower generation is a key risk following planned revision of terms in watercourses.

Another risk is the loss of options for flood mitigation by imposing reservoir operating restrictions which reduce the ability to absorb heavy rain falls combined with snow melting.

Status 2019

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.

Examples of water management initiatives

The Banja Hydropower Plant is located near Gramsh in Albania. Approximately 14000 people live in the city close to where the Devoll River enters the reservoir. Prior to the construction of the Banja dam, Gramsh had no functional wastewater treatment solution. If not mitigated, wastewater would have accumulated in the reservoir instead of being transported by the river to the sea. This would have resulted in a major environmental impact. As part of an extensive environmental and social mitigation programme, a wastewater treatment plant was financed by Statkraft as a public-private partnership, and Statkraft handed over these assets to Gramsh Municipality for maintenance and operation. An environmental monitoring programme is currently on-going in cooperation with the Agriculture University of Tirana and Aristotle University of Thessaloniki.

Business ethics

AMBITION	TARGET	STATUS
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 2019 include the roll out of a new Business Ethics Toolkit for management engagement and culture building, new training on competition law, and the completion of a personal data protection project. 		
Key initiatives <ul style="list-style-type: none"> Regular communication and culture building activities, and training rolled out to all employees on business ethics. Regular review of internal controls in key business processes to ensure adequate handling of business ethics risks. Compliance programme rolled out. Key measures planned for 2020 include further improvements to the risk assessment process, the procedures for integrity due diligence reviews of business partners, and a new training and communication plan for business ethics. 		

Our approach

DHP 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 compliance programme was audited in 2019, and was assessed as adequate and adjusted to the risks of the Group, and up to date with the relevant developments in external legislation and standards.

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, and further changes to the methodology will be introduced in 2020.

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 2019

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. Class-room training sessions were conducted during 2019, and e-learning was completed by all new employees. Business ethics topics have been included in leadership and Group events through the year.

Statkraft has developed Business Ethics Quick Guides focused on a set of eight core Business Ethics Rules to ensure that the most fundamental internal rules are well known. In 2019, printed versions of the Quick Guides were provided to all employees.

Due diligence of business partners

DHP as part of Statkraft group has clear, detailed procedures for the handling of 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 checked by the Compliance Unit. The integrity reviews conducted include assessments of the ownership structure (incl. beneficial owners), of connections to politically exposed persons and reputational risks associated with the counterparty.

Internal controls

Several initiatives were taken in 2019 to further strengthen internal procedures and controls related to compliance. These include further developments of the Fraud Prevention System that includes a set of controls in financial processes aimed at preventing and detecting fraud. Several new corporate-wide controls were implemented in 2019.

There were also significant investments in new personal data protection controls, as part of the implementation of the European General Data Protection Regulation (GDPR) and the Law No. 9887 dated 10.3.2008 on "Personal Data Protection" as amended.

Business Ethics Toolkit

In 2019, a new Business Ethics Toolkit was launched specifically aimed at strengthening management engagement and culture building. This includes tools such as dilemma discussions, success stories and videos. The toolkit has been made available to all managers and targets are set for the frequency of dilemma discussions and other similar initiatives.

Competition law training

In 2019 Statkraft developed new guidance and training on competition law and undertook specific assessments of competition law frameworks in jurisdictions outside the EU. A new e-learning training programme, to enhance employees' knowledge on competition law, was developed and performed to some employees in DHP.

Tax

DHP pursues a tax strategy that is principled, transparent and sustainable and aligned with Statkraft's Code of Conduct. DHP is committed to ensuring full compliance with all statutory obligations and full disclosure to tax authorities.

DHP transacts on an arm's length basis and does not engage in artificial tax arrangements and actively considers all implications of tax planning. Moreover, all tax planning is subject to robust review and approval processes and shall:

- support genuine commercial activity
- rely on full disclosure of the facts and circumstances to the relevant tax authority
- not use tax regimes considered as "harmful" by the OECD or EU

Statkraft group has an established procedure for tax risk management that facilitates appropriate identification, measuring, management and reporting of tax risks.



Renewable energy can power
every industry, every business,
every community, every home.

It can power progress.

It can power possibilities.



Internal
Governance
Report

2019

The Supervisory Board

Tron Engebretsen

Born 1954, Norwegian

Chair of the board, member since 2016.

Wenche Lund Oyno

Born 1962, Norwegian

Board Member, member since 2011.

Olav Holland

Born 1961, Norwegian

Board member, member since 2019.

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. The distribution of roles inspires confidence among stakeholders through predictability and credibility. 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. 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.

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 and **PERFORMANCE AND INTERNAL GOVERNANCE REPORT**;
- (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 group management system, "The Statkraft Way", defines the Group's principle rules and ensures a sound control environment for fulfilling the management's goals and intentions. The Statkraft Way is based on ISO principles for quality and environmental management systems.

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.

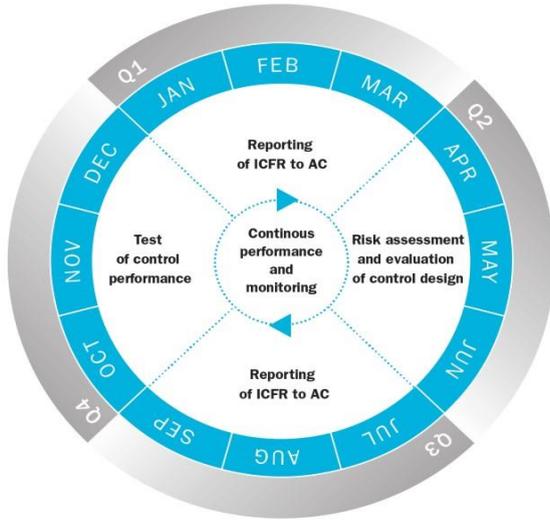
Internal control of financial reporting

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.

The activities related to ICFR are performed in the Group's Governance, Risk and Compliance (GRC) system, B Wise. Through B Wise, the Group can efficiently monitor real time status on control performance throughout the whole organisation.

Annual process for internal control over financial reporting



The main elements of the ICFR system are:

- Risk assessment and evaluation of control design**
 The Group's ICFR Network performs an annual assessment where the financial reporting risks are identified and assessed. The purpose is to verify whether Statkraft group companies has appropriate controls to mitigate these risks sufficiently.
- Reporting of ICFR to Audit Committee**
 The result of the yearly assessment related to control design and operational effectiveness is reported in to the Audit Committee in February. The conclusion of the financial reporting risk assessment is reported in September. Material breach in ICFR will be reported to the Audit Committee.
- Test of control performance**
 Quarterly and on a sample basis, the quality of control performance and compliance with the control descriptions are tested to ensure continuous improvement.
- Continuous performance and monitoring**
 Local managers are responsible for compliance with the control descriptions and ICFR requirements.

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.

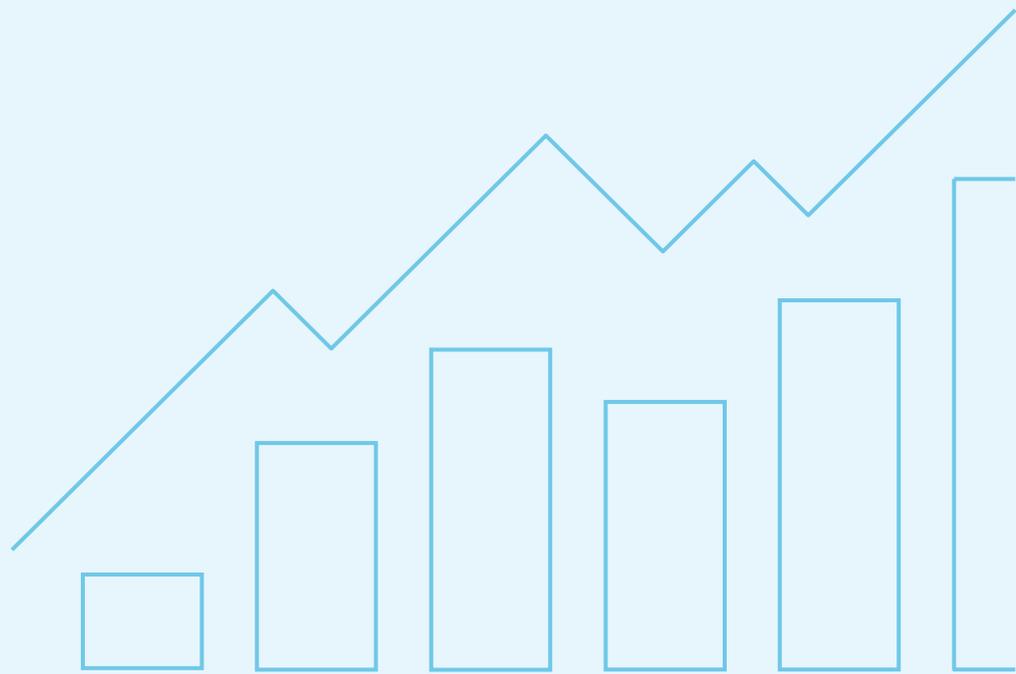
AUDITOR

The enterprise meeting appoints the auditor based on the group Board of Directors proposal and stipulates the auditor's fee. DHP uses the same auditor as the group. The auditor serves until a new auditor is appointed.

The local 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

2019

Key Figures

FINANCIAL KEY FIGURES

	Unit	2019	2018
Income statement			
Gross operating revenues	ALL thousand	1 588 504	2 208 263
Net operating revenues	ALL thousand	1 210 954	1 881 668
EBITDA, underlying	ALL thousand	137 921	871 948
Net financial items	ALL thousand	184 017	795 843
Balance sheet			
Property, plant & equipment and intangible assets	ALL thousand	61 587 877	58 498 100
Total assets	ALL thousand	68 000 653	62 311 019
Equity	ALL thousand	66 628 526	59 752 095
Cash flow			
Cash flow used in investing activities	ALL thousand	4 041 432	7 935 447
Cash and cash equivalents	ALL thousand	5 234 338	2 884 893
Ratio/Rating			
Equity ratio ¹⁾	%	98.0	
Long-term group rating - Standard & Poor's		A- / Stable	A- / Stable
Long-term group rating - Fitch Ratings		BBB+ / Stable	BBB+ / Stable

* See section regarding Alternative Performance Measures (APM)

1) $\frac{\text{Total equity} * 100}{\text{Total assets}}$

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 underlying operating profit before depreciations and amortisations. The APM is used to measure performance from operational activities. EBITDA underlying should not be considered as an alternative to operating profit and profit 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.

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

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

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