



Triton Knoll Offshore Wind Farm Project

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**EV170: Statkraft Annual Report 2015
(extract)**

conditions and political decisions. The increased uncertainties of the energy markets represent both threats and opportunities. To exploit these opportunities (or avoid the loss of not exploiting them) Statkraft strives to adapt to the changing environment by developing skilled leaders, having sufficient flexibility and adaptability in our business models and decision processes, and continuously monitor the technology development and identify potential business opportunities or threats.

Internal control

The overall management system, «The Statkraft Way», ensures a good control environment and contributes to achieving the Group's goals and intentions. Internal control requirements have been incorporated into the relevant internal control area, for instance HSE, ethics, ICT, corporate responsibility and financial reporting.

Corporate Audit is an important part of the organisation in terms of evaluating and improving the effectiveness of the organisation's governance, risk management and internal control. Corporate Audit's responsibilities are defined by the Board of Directors and perform its activities with the purpose to:

- Increase awareness related to governance, risk management and control issues
- Provide recommendations based on cost-benefit evaluations
- Anchor responsibility and ownership in such a way that agreed solutions are implemented
- Share experiences across the organisation
- Follow-up implementation of audit recommendations

Corporate Audit is authorised full, free, and unrestricted access to any of Statkraft records, physical properties and personnel pertinent to carrying out audit engagements. All employees are requested to assist Corporate Audit in fulfilling its roles and responsibilities. Head of Corporate Audit has free and unrestricted access to the Board of Directors and the Audit Committee. The Audit Committee and the Head of Corporate Audit hold minimum one meeting per year without the presence of the Group Administration.

Internal control over financial reporting

Statkraft has a system for Internal Control over Financial Reporting (ICFR) to ensure reliable and timely financial information in the monthly, quarterly and annual reports. The ICFR is based on the COSO 2013 framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

The ICFR system ensures reliable and timely financial information. All subsidiaries are required to comply with the ICFR requirements as described in «The Statkraft Way» and in Statkraft's finance manual. The same applies for associated companies, joint operations and joint ventures where Statkraft is responsible for the bookkeeping and financial reporting. If a third party is responsible for the bookkeeping and the statutory reporting of the partly owned company, the responsible segment shall perform compensating controls.

The Board of Directors has the overall responsibility for a well-functioning ICFR system in the Group. The main elements of the ICFR system are risk assessment, evaluation of control design, continuous performance and monitoring, self-assessment and review and reporting.

In 2015, Statkraft implemented a new support system, GRC tool, for the ICFR process. The system will, amongst others, facilitate efficient monitoring of control performance.

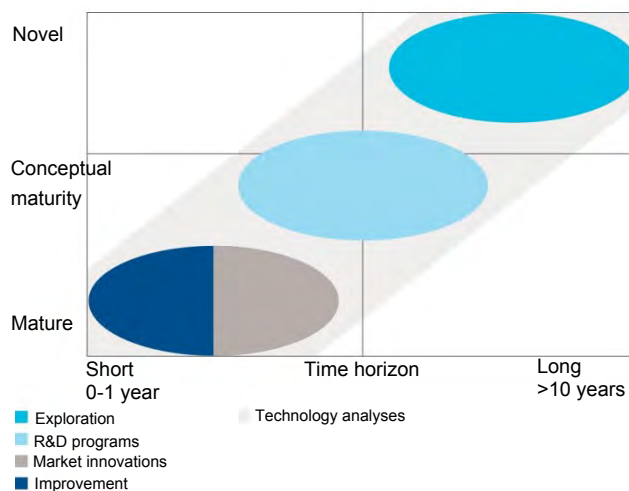
Innovation

The main purpose of innovation in Statkraft is to develop and strengthen competitive advantages in the core activities and to identify and promote new business development opportunities. In addition, innovation is an important measure with regards to long-term competence building and securing good future framework conditions for renewable energy generation. In 2015, about NOK 195 million was expensed on various innovation activities.

Statkraft's innovation logic

All innovation activities are continuously followed up to ensure relevance and benefits. The following logic forms the basis for balancing investments between short-term and long-term innovation activities in the Group:

Innovation logic



Improvement work addresses daily challenges and usually yields quick results. These projects focus on existing plants/equipment and optimal resource utilisation.

Market innovation is focused on exploiting new business opportunities in a transforming energy market. These activities have a relatively short time perspective and are related to development of products and services.

Statkraft Ventures was established in 2015. The venture fund is an innovation and growth tool with focus on business models in and around distributed generation and management.

Research and development (R&D) programmes are established to strengthen Statkraft's competitive advantages in core business, and have a longer time perspective. Statkraft has