



Landsvirkjun

# Landsvirkjun's Corporate Social Responsibility

Progress and focus in 2016





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# CEO Message

Landsvirkjun aims to be among Iceland's leading companies when it comes to corporate social responsibility (CSR) and we are proud of our achievements so far. We continue to strengthen the company's position in areas concerning CSR.

Landsvirkjun has been a member of the UN Global Compact since 2013 and continues to support its Ten Principles on the environment, human rights, labour rights and anti-corruption measures. In addition to our support of the UN Global Compact, we have decided to implement certain goals of the UN Sustainable Development Goals (SDGs), adopted by member states at the end of 2015. Landsvirkjun will emphasize three SDGs that fit the company's focus areas. Landsvirkjun will emphasize three SDGs that fit the company's focus areas: climate change, sustainable energy and gender equality. These goals all support Landsvirkjun's on-going work toward increased social responsibility.

Climate change has been high on the global agenda following the Paris agreement on climate change in December 2015. In line with its commitments, Landsvirkjun submitted for the first time the CDP climate change questionnaire in 2016 and received feedback on the company's performance. We will

take the feedback into account as we further improve our performance in the area.

We continue our work towards gender equality. In order to reach our goals, we are placing an increased emphasis on issues relevant to equality. Among relevant projects in 2016 was Landsvirkjun's support for a new association for women in the energy sector.

CSR at Landsvirkjun means creating value and respecting and protecting our natural resources and the environment. Our CSR work also concerns sharing our expertise in order to effectively contribute to society. We have an important role to play. The company is in the process of adopting new focus areas in which simplification and transparency figure as guiding principles. We continue to aim for more effective stakeholder engagement to further enhance the approval for our operations.

Sincerely,



*Hörður Arnarson, CEO.*



# Foreword

Companies play an important role in our society. By adopting a CSR policy companies commit to taking environmental and societal factors into account alongside economic ones. This involves an effective relationship with stakeholders and a drive to develop policies and activities in harmony with the environment. Working toward CSR commitments can benefit a company by enhancing its image and approval ratings, offering a better view of risks and opportunities for innovation, as well as facilitating stronger company culture.

The Icelandic business environment is unique in many ways. Icelanders are privileged when it comes to certain environmental and societal factors, given the fact that the country's electricity production is generated from renewable energy sources. Iceland is also advanced when we look to the foundations of society, such as a high level of

education, a strong social system, effective work towards gender equality and a powerful innovation sector. It is important to keep these foundations in mind when determining the focus areas of CSR, both within companies but also in terms of relevant government policies.

The context in which Icelandic companies operate has undergone important changes in recent years. With increased globalization it becomes necessary to better monitor the impact of Icelandic companies abroad. These aspects may not seem important at first glance, but various risk factors can appear when particular suppliers and business partners are considered. Foreign markets are increasingly demanding that companies consider their wider impact on society and the environment and Icelandic companies are now paying increased attention to these issues.



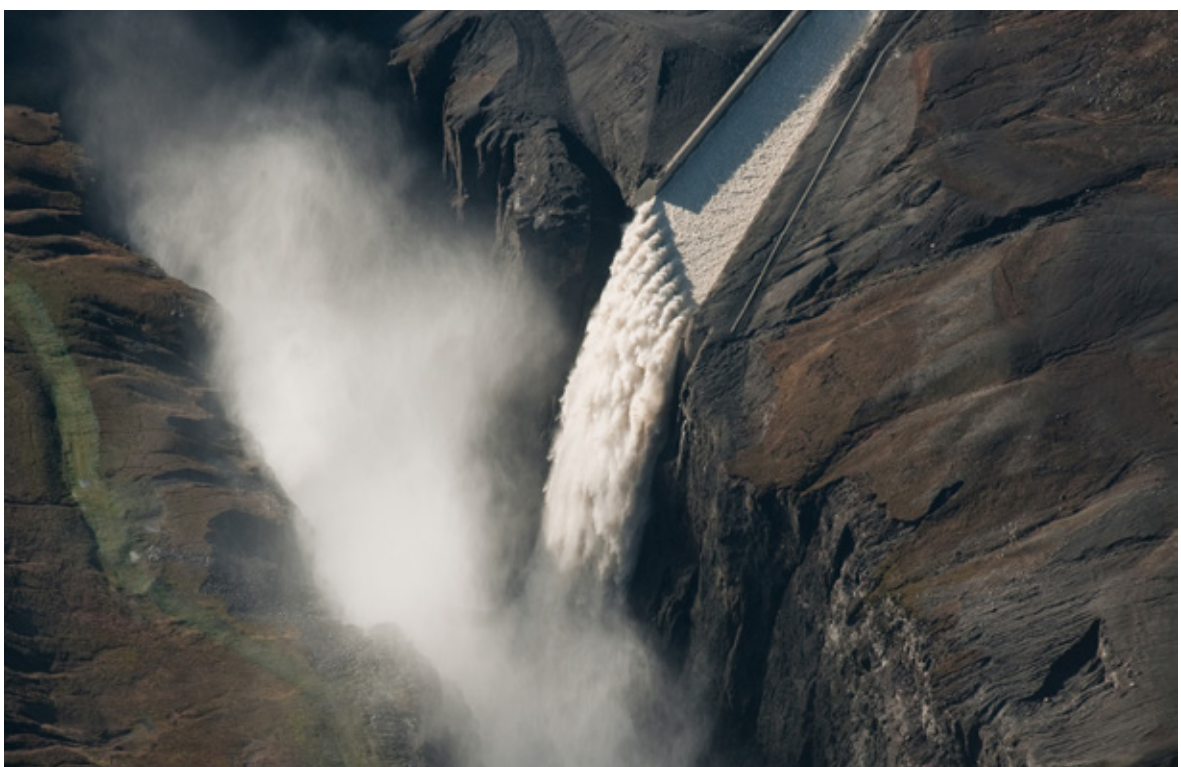
# CSR at Landsvirkjun

Landsvirkjun's role is to maximise the potential yield and value of the natural resources we have been entrusted with, in a sustainable, responsible and efficient manner. All of the company's operations are geared toward fulfilling this role. We are continuously guided by our values of progressiveness, prudence and reliability as we develop new projects and continue to improve our existing power stations.

It is important to note that CSR has only recently been formalized within the Icelandic business environment in comparison to other countries. In its own way, Landsvirkjun has been guided by CSR principles since its founding, for instance, with land reclamation in Hekla area, close to the Búrfell Power Station, which marked the company's first large construction. Formal work on Landsvirkjun's policy on CSR started in 2008 and a status report on CSR, *Grunnur að nútíma lífsgæðum* (only available in Icelandic), was published in 2009. In 2011,

Landsvirkjun adopted a new policy on CSR. The goal of the CSR policy is to increase the positive impact of the company for its stakeholders and decrease the negative impact on the environment and society.

Landsvirkjun aims to be among Iceland's leading companies when it comes to CSR policies and its implementation processes. We are one of the founding companies of Festa – the Icelandic centre for CSR and a member of UN Global Compact. With our UN Global Compact membership we are committed to adhering to the Ten Principles regarding the environment, human rights, labour rights and anti-corruption. In the last two years, Landsvirkjun has published the dedicated Communication on Progress (COP) reports, which outline the company's work on the Ten Principles. The reports are accessible on the UN Global Compact's website, [www.unglobalcompact.org](http://www.unglobalcompact.org)



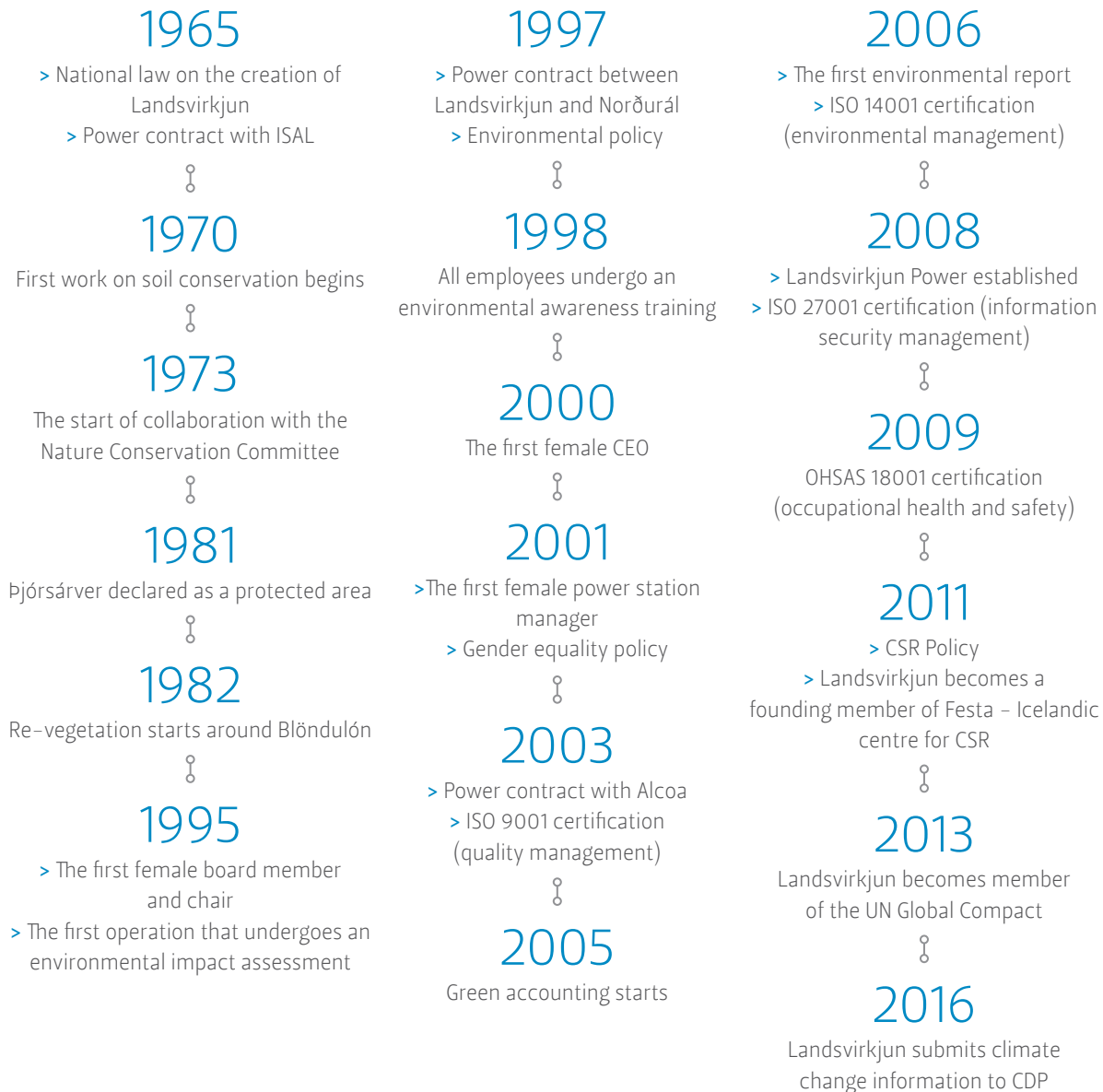
However, the focus of this report is different. Instead of issuing a specific UN Global Compact COP for the third time, the focus of this report is on the implementation of Landsvirkjun's wider CSR policy, and at the same time the report serves as a COP for progress on the Ten Principles of the UN Global Compact.

Landsvirkjun's board and CEO are responsible for the implementation of the company's CSR policy.

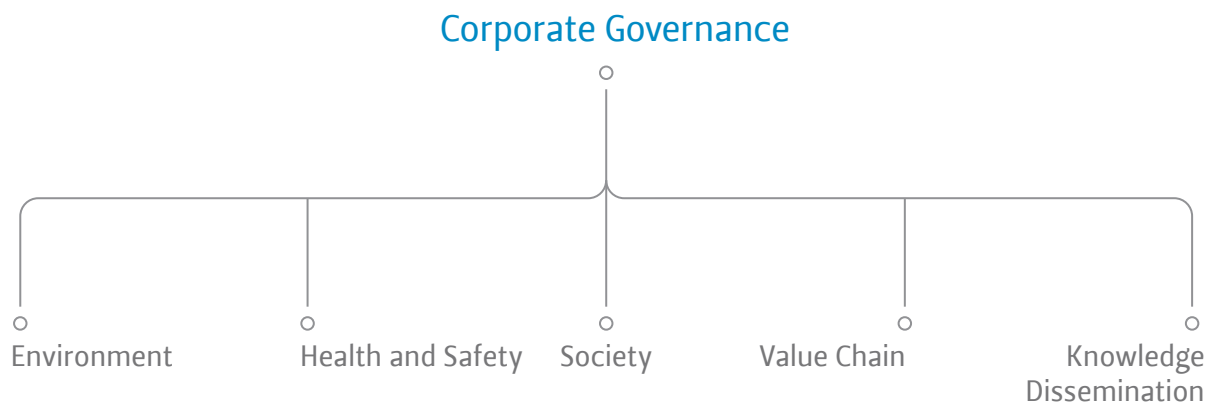
The CSR manager is responsible for the relevant day-to-day work. In light of the wide implications of CSR in the company, involving various parts of society, the implementation of the CSR policy also includes other departments of the company. In addition, working groups were created for specific projects and they report to the executive board where the relevant decisions are made.

### The history of Landsvirkjun's CSR

CSR has several interfaces. The timeline shows the key milestones connected to CSR since the founding of the company in 1965.







### Key focus areas of Landsvirkjun's CSR Policy

The organization of CSR activities at Landsvirkjun was originally based on the ISO 26000 standard and its definitions on the key elements of CSR. Following internal work, as well as engagement with stakeholders, it was decided that six key factors would define the company's core CSR policy. Those focus areas are corporate governance, the value chain, the environment, society, health and safety and knowledge dissemination. Although good governance is defined as a separate focus area due to the nature of the category, it impacts all the other categories. Annual goals are therefore not systematically defined for good governance in the same way that they are defined for the other focus areas. In recent years, Landsvirkjun has engaged with these six focus areas in a number of ways, and relevant goals have been published on Landsvirkjun's home page.

Various policies and relevant processes have been developed to support Landsvirkjun's CSR work. The policies are published publically to offer stakeholders a better vision and understanding of how the company operates and to encourage more active stakeholder engagement.

#### Key policies related to Landsvirkjun's CSR work:

- > Environmental policy
- > Human resources policy
- > Landsvirkjun's code of conduct
- > Landsvirkjun's requirements towards contractors and service providers with regard to environmental matters and safety
- > Code of conduct for suppliers of Landsvirkjun
- > Business integrity in the value chain
- > Landsvirkjun's gender equality policy

# Stakeholder Engagement

Regular communications with stakeholders are an important part of Landsvirkjun's operations. Through open and transparent communication, we can deliver our messages and, more importantly, receive feedback from the public on our operations. The communication takes place through different means, ranging from individual discussions to larger organized meetings. We also rely on opinion surveys to evaluate our performance and gauge the public's perception of the company.

We plan to introduce further processes which make stakeholder feedback as fruitful as possible for the implementation and development of Landsvirkjun's CSR policy.

## Landsvirkjun's key stakeholders

### Communities around Landsvirkjun's power stations

All of Landsvirkjun's power stations rely on communication plans to best engage with their stakeholders. Through organized work with communities, Landsvirkjun can successfully meet the varying communication needs of stakeholders.

### Employees

Monthly staff meetings are held in Landsvirkjun's headquarters for all company employees, with remote access available for employees working at power plant sites around the country. In these meetings, employees can provide feedback relating to the daily work environment as well as on the company's strategy and focus areas at each time.

### The owner / Icelandic government

The Icelandic finance minister appoints Landsvirkjun's board of directors for a one-year term. Regular communication takes place between the executive board, CEO and the government, e.g. through monthly reports from executive board meetings.

### Suppliers and partners

Landsvirkjun makes it very clear in its contracts with suppliers and partners that the company's code of conduct is to be respected, including Landsvirkjun's CSR commitments. The means of engagement with suppliers and partners is determined by the nature of the relationship and extent between Landsvirkjun and its counterparty.

### Customers

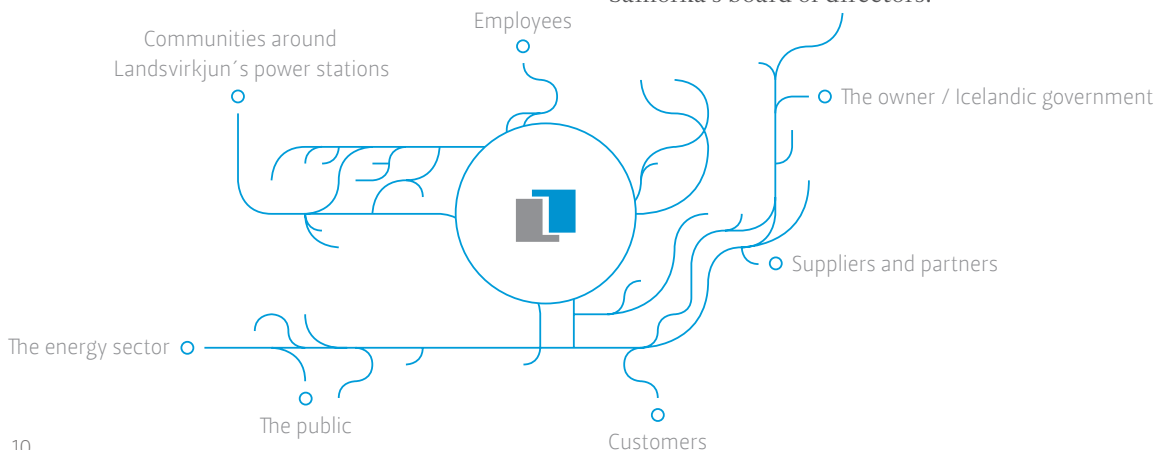
Effective communication between Landsvirkjun and its customers is a key criterion for a successful relationship which seeks to respect the interests of both parties.

### The public

An emphasis is placed on creating diverse ways to openly communicate with the public. Examples include open meetings, social media, information centres and visits to the company.

### The energy sector

Engagement with other companies in the energy sector takes place, for instance, through the Federation of Icelandic Energy and Utility Companies – Samorka. Samorka organizes various conferences and seminars. Landsvirkjun's CEO is a member of Samorka's board of directors.



## Open and transparent communication

Landsvirkjun is an energy company owned by the Icelandic nation. The company plays an important role in society. We put emphasis on sharing information with the public and initiating debates and forums for the views and interests of those affected by the company's operations.

Our communication policy strives to create support and consensus for open communication with stakeholders. We want to make it easy for people to gather information on the company and share suggestions on what could be done better.

### Landsvirkjun's means of communication:

- > Open meetings
- > Information centres
- > Visits
- > Landsvirkjun.is
- > Websites for environmental impact assessments of power plant options
- > Annual reports and other published materials
- > Social media



# The UN Sustainable Development Goals

Towards the end of 2015, all 193 member states of the United Nations agreed on the 17 UN Sustainable Development Goals, or Global Goals. The 17 goals have 169 sub-goals and which are intended to be met with by 2030. The goals that correspond to the Icelandic context are the goals on sustainable energy, the sustainable use of land and gender equality. It is noteworthy that the goals, with its political statement, and action plan and follow-up strategies, use a stronger tone than has previously characterized UN agreements.

It is first and foremost in the hands of the world's governments to set the stage for how the Global Goals will be reached. Each country can structure the approach to the goals in terms of what best fits their individual context, e.g. when setting new

policies and regulations. However, governments are not solely responsible for the implementation of the goals, but all associated societal sectors. A lot of expectations are put on companies to pull their weight so that the goals can be reached. Companies can choose the goals that best fit their operations and where they can make the most impact. Other agents, such as organizations and individuals can also play their part in various ways.

Landsvirkjun will focus specifically on three of the Global Goals, which are well suited for the company's focus areas. Those goals are climate action, sustainable energy production and gender equality. The international UN goals will further support Landsvirkjun's on-going work in these areas.





# The Value Chain

Landsvirkjun is furthering its emphasis on evaluating the societal and environmental impact of its value chain, which includes companies in Iceland and abroad. The following groups form the key focus points of Landsvirkjun's value chain:

- > Entities working indirectly for Landsvirkjun such as contractors, sub-contractors, employees, temporary work agencies etc.
- > Landsvirkjun suppliers and service providers who sell products or services to the company.
- > Landsvirkjun's business partners and customers.

In 2015, Landsvirkjun began implementing the company's code of conduct for suppliers, which outlines Landsvirkjun's requirements when it comes to ethically sound operations and good governance. The code of conduct considers, among others, issues such as child labour, conflict of interest and ethics, among others. The code of conduct for suppliers is based in part on the code of conduct for Landsvirkjun's employees as well as the principles of the UN Global Compact.

## Projects in 2016

### Green steps

In 2016, Landsvirkjun fulfilled the first step out of five in the 'green steps' issued by the Environmental Agency of Iceland. The first step focuses on various actions to increase the efficiency of the use of resources and making office processes more environmentally friendly.

### Rules on chain reliability

In August 2016, Landsvirkjun's board approved rules of chain reliability. The rules are intended to ensure that any counterparty working indirectly for Landsvirkjun (contractors, sub-contractors or temporary work agencies) enjoys rights and employment terms in accordance with law and wage contracts. Prior to the implementation of the rules, the contracting party was obliged to apply collective wage bargaining contracts and laws, but with the new rules, this responsibility is further defined. The code grants Landsvirkjun recourse to enforce the rules as the provision includes penalties for non-compliance by a counterparty for neglecting to provide information on request.

### Mapping of the supply chain

In order to gain a better oversight of the societal and environmental impact of its suppliers, Landsvirkjun has initiated the process of mapping them. This work is extensive and the accessibility of the relevant information differs between suppliers. This work will continue in 2017.

# Climate Change and Environmental Impact

Landsvirkjun places great emphasis on producing energy in a sustainable way, in harmony with the environment and society. We have set goals in the fight against climate change and we work with international organizations and standards to discover new ways for improvements and to successfully meet our commitments.

Following the Paris Climate Change Conference in 2015, Landsvirkjun signed the “Caring for Climate” declaration. By signing the declaration we commit to becoming a carbon neutral company by 2030. Landsvirkjun was also among a group of companies that signed the statement issued by Festa and the City of Reykjavik on goals for climate action. A total of 104 companies and organizations signed the statement.

This chapter outlines the key areas of Landsvirkjun's environmental performance in 2016. Emphasis is put on information concerning climate change and references to GRI indicators. Further information on Landsvirkjun's environmental performance is available in Landsvirkjun's 2016 annual report, which is accessible on Landsvirkjun's home page.

## Environmental Policy

Landsvirkjun is at the forefront of environmental issues and the company supports sustainable development within society. The company is committed to acquiring knowledge on the environmental impact of its operations and seeking measures to reduce any such impact.

### The Environmental Policy targets are the following:

- > Use natural resources more efficiently
- > Carbon neutral operations
- > Operate in harmony with nature and the appearance of land
- > Stakeholder engagement
- > Operations without environmental incident



### Information from Landsvirkjun's 2016 Green Accounts

Landsvirkjun's total electricity generation was 13,411 GWh in 2016 or approx. 73% of all electricity generation in Iceland. Landsvirkjun generates 96% of its electricity from hydropower, 4% from geothermal energy and 0.04% from wind energy.

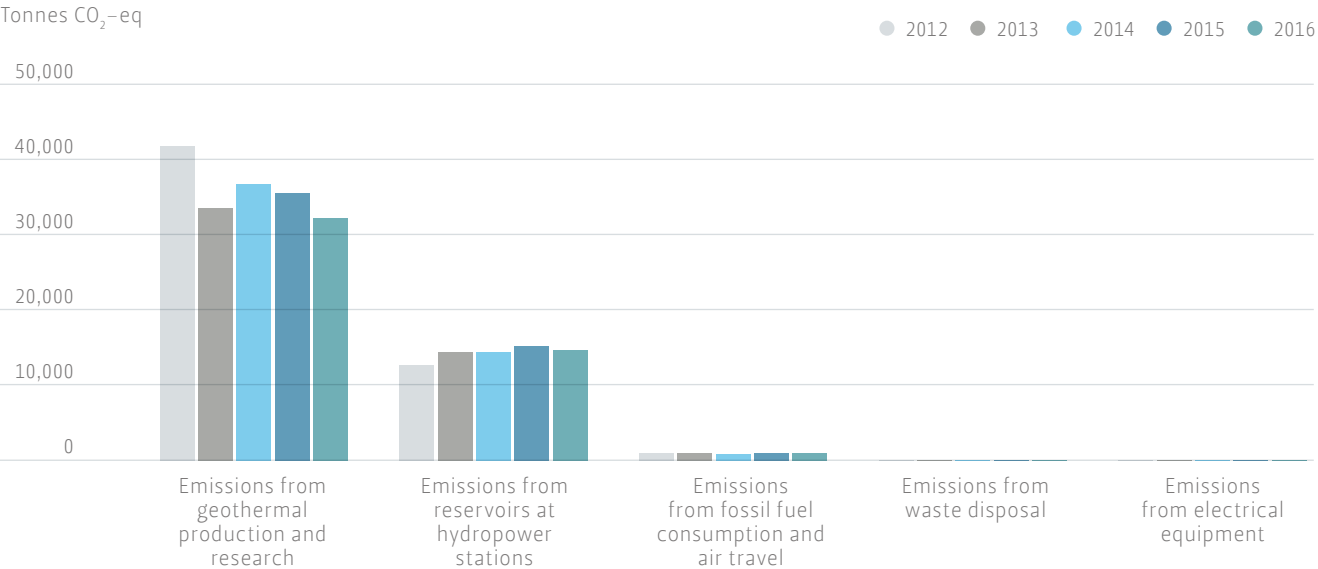
### Greenhouse Gas Emissions (GRI 305-1,2)

Landsvirkjun's Greenhouse Gas (GHG) emissions in 2016 were approx. 48,000 tonnes CO<sub>2</sub>-eq. The GHG emissions can be traced to the following sources:

- > Geothermal power stations (67%)
- > Hydropower stations (31%)
- > Burning of fossil fuels (vehicles, machines etc.), waste disposal and SF6 emissions from electrical equipment (approx. 2%)

Further information on Landsvirkjun's 2016 GHG emissions can be found in the 2016 annual report.

GHG emissions from Landsvirkjun's operations between 2012 and 2016 by source.



### Reduction of GHG emissions (GRI 305-5)

Landsvirkjun is involved in extensive land reclamation and re-forestation projects of the areas surrounding its power stations. Carbon sequestration projects are carried out through land reclamation and re-forestation in collaboration with the Soil Conservation Service of Iceland and the Icelandic Forest Service. In addition, Landsvirkjun offsets its emissions from the burning of fuel and waste disposal in collaboration with Kolviður.

With Kolviður, Landsvirkjun's total amount of carbon sequestered is estimated to be 22,000 tonnes CO<sub>2</sub>-eq plus 1,001 tonnes of CO<sub>2</sub>-eq. After the carbon sequestration has been taken into account, Landsvirkjun's carbon footprint is therefore around 25 thousand tonnes CO<sub>2</sub>-eq.

### Specific land reclamation and re-forestation projects in 2016

The following were among the land reclamation and re-forestation projects conducted in 2016:

- Landsvirkjun started work on land reclamation within the Hólasandur fence by Theistareykir with the assistance of the Soil Conservation Service and in accordance with an agreement with Thingeyjarsveit.
- A three-year contract was signed with the Forest Service on Skarfanæs in Landsveit and the Soil Conservation Service on land reclamation of up to 500 ha in the land of Kot/Steinkross in Rangárthing ytra.

- Skálmholtshraun in Flói will be partially utilized for re-forestation and this decision is being formalized in the master plan.
- Preparations have started for increased re-forestation with Blanda Power Station in the land of Eiðsstaðir.

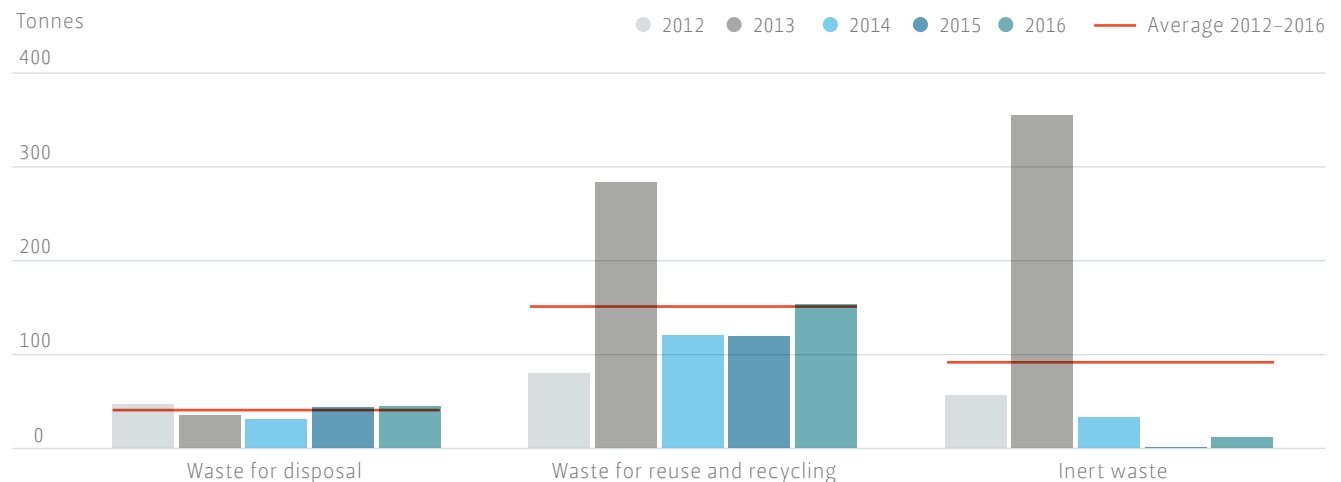
### Landsvirkjun's energy consumption (GRI 302-1)

Energy losses and Landsvirkjun's own energy consumption amounted to 120 GWh in 2016, which is around 1% of the total energy production. A large percentage of this is due to the power stations' own energy consumption. The percentage of energy losses and own energy consumption has been around 1% of total energy production in recent years.

### Waste and hazardous waste (GRI 306-2)

The total quantity of waste produced in 2016 was approx. 208 tonnes: 153 tonnes were sent away for recycling or reuse, approx. 44 tonnes were land-filled, with less than 11 tonnes of inert waste.

Quantity of waste for recycling and landfill as well as the quantity of inert waste from Landsvirkjun's operations between 2012 and 2016, including averages for the same period.





The quantity of hazardous waste produced each year is mostly related to the scope of maintenance work carried out by the company. In 2016, approx. 21 tonnes of hazardous waste (mostly oil waste) was sent away for disposal.

An increase in the amount of oil waste from the year before can largely be explained by an incident in the Laxá II station where oil needed to be drained from a broken transformer.

Quantity of hazardous waste between 2012 and 2016.

		LV total 2012	LV total 2013	LV total 2014	LV total 2015	LV total 2016
<b>Hazardous waste for disposal:</b>	kg	2.582	3.999	7.685	7.333	4.966
– Batteries and electrical equipment	kg	1.237	2.921	6.222	3.013	1.870
– Other hazardous waste	kg	1.345	1.079	1.463	4.320	3.096
<b>Oil waste:</b>	kg	2.750	1.828	14.976	6.355	16.029
<b>Total hazardous waste</b>	kg	5.332	5.827	22.660	13.688	20.995

## Information to CDP

In 2016, Landsvirkjun completed for the first time CDP's climate change questionnaire. Through the CDP questionnaire and the feedback process, Landsvirkjun was able to obtain a better view on its position with regard to international peers abroad as well as what could be done better.

## The feedback from CDP was as follows:

- Further analysis is needed on how environmental changes impact the operations of the company and how the company can further implement a climate change policy into the company's management system.
- A closer view is needed on how environmental issues can be integrated into the company's sales and marketing strategies.
- Analysis is needed on which climate change factors impact the company's operations and what risks and opportunities they create for the company's future operations.

The above-mentioned feedback will be taken into account during 2017 and the results of the on-going work will be accounted for in the information that the company submits to the CDP next year.

# Employees

Landsvirkjun's human resources department works toward improvements and facilitating open discussions within all of the company's departments. In 2016, saw a specific focus on health initiatives with emphasis on training and services. Performance review processes were also further developed with focus on making the reviews more relaxed and more frequent.

## Landsvirkjun's Human Resources Policy

Landsvirkjun is one of the leading workplaces in Iceland. The company's employees are the key to its achievements and success. A central emphasis is therefore put on continuously fostering the knowledge, skills and wellbeing of employees.

### Key focus areas of the human resources policy:

- > We hire capable and progressive employees
- > We welcome new employees and say goodbye to departing staff with respect
- > We create a positive working environment with focus on flexibility
- > We acquire knowledge and share it
- > We put focus on effective and performance-driven management
- > We strive for gender equality and are a family friendly company



## Overview of Landsvirkjun's employees at the end of 2016 (GRI 405-1)

<b>On-site staff</b>		<b>%</b>	<b>On-site staff</b>		<b>%</b>
Men	79	100.0	Under 30	6	7.6
Women	0	0.0	30-50	31	39.2
All	<b>79</b>	<b>100.0</b>	Over 50	42	53.2
			All	<b>79</b>	<b>100.0</b>
<b>Specialists and project managers</b>		<b>%</b>	<b>Specialists and project managers</b>		<b>%</b>
Men	88	73.9	Under 30	13	10.9
Women	31	26.1	30-50	56	47.1
All	<b>119</b>	<b>100.0</b>	Over 50	50	42.0
			All	<b>119</b>	<b>100.0</b>
<b>Directors</b>		<b>%</b>	<b>Directors</b>		<b>%</b>
Men	7	87.5	Under 30	0	0.0
Women	1	12.5	30-50	4	50.0
All	<b>8</b>	<b>100.0</b>	Over 50	4	50.0
			All	<b>8</b>	<b>100.0</b>
<b>Managers</b>		<b>%</b>	<b>Managers</b>		<b>%</b>
Men	24	70.6	Under 30	0	0.0
Women	10	29.4	30-50	21	61.8
All	<b>34</b>	<b>100.0</b>	Over 50	13	38.2
			All	<b>34</b>	<b>100.0</b>
<b>Summer jobs / students</b>		<b>%</b>	<b>Summer jobs / students</b>		<b>%</b>
Men	4	36.4	Under 30	10	90.9
Women	7	63.6	30-50	1	9.1
All	<b>11</b>	<b>100.0</b>	Over 50	0	0.0
			All	<b>11</b>	<b>100.0</b>
<b>Various jobs</b>		<b>%</b>	<b>Various jobs</b>		<b>%</b>
Men	6	20.7	Under 30	4	13.8
Women	23	79.3	30-50	8	27.6
All	<b>29</b>	<b>100.0</b>	Over 50	17	58.6
			All	<b>29</b>	<b>100.0</b>
<b>Specialized office jobs</b>		<b>%</b>	<b>Specialized office jobs</b>		<b>%</b>
Men	0	0.0	Under 30	0	0.0
Women	18	100.0	30-50	4	22.2
All	<b>18</b>	<b>100.0</b>	Over 50	14	77.8
			All	<b>18</b>	<b>100.0</b>
<b>Board of Directors</b>		<b>%</b>	<b>Board of Directors</b>		<b>%</b>
Men	3	60.0	Under 30	0	0.0
Women	2	40.0	30-50	2	40.0
	<b>5</b>	<b>100.0</b>	Over 50	3	60.0
				<b>5</b>	<b>100.0</b>

2016 employee safety issues (GRI 403-2)

The health and safety policy is an important part of Landsvirkjun's operations, where safety and good facilities for employees are an absolute priority.

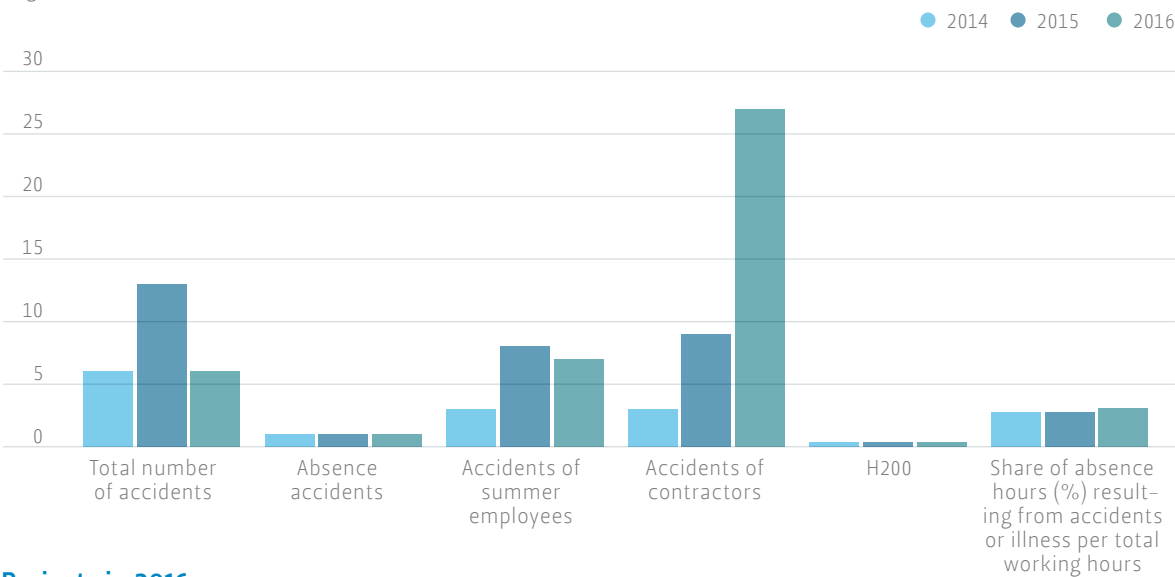
Key information on safety issues in 2016:

- > There was a decrease in the number of accidents amongst full-time employees, from 13 to 6.
- > The number of accidents leading to absence from work was the same as the year before. One accident (not serious) occurred during 2016, leading to 11 days of absence.
- > The most common accidents were due to a fall or due to pinching. Registered accidents occurring on the way to or from work were 2, both related to the

company's headquarters. Accidents of summer employees were 7 but part of those accidents occurred outside working hours.

- > A threefold increase of accidents among Landsvirkjun's contractors, from 9 in 2015 to 27 in 2016. This increase may partially be explained by the increase in projects for contractors during the year but this is not the only possible explanation. The locations of the accidents are as follows: 11 in Thes-tareykir, 6 at the expansion of Búrfell Power Station, 2 in Laxá (intake), 7 in power stations and 1 at the headquarter offices in Reykjavik. Action is needed in this area.
- > The H200 number (number of absence accidents / 200,000 working hours) is unchanged between years or 0.34.

Registered Accidents



Projects in 2016

Improved health with SideKick

Landsvirkjun started collaborating with the start-up company SideKick on health initiatives within the company. SideKick works through an app, which assists employees in taking steps towards a healthier lifestyle in various ways. By using the SideKick app actively, Landsvirkjun employees also contributed to a good cause as participation in the initiative were accompanied by donations to UNICEF.

Women in the energy sector

Landsvirkjun became a supporter of "the association for women in the energysector" in October 2016, as part of its commitment of working toward gender equality in the energy sector. The agreement signed by Landsvirkjun entails support for the association over a two-year period. The association was founded in the beginning of 2016 and counts over 200 members. Its goal is to enhance the participation of women in the energy sector, strengthen the bond between them and to encourage education and training of women in energy related subjects. Landsvirkjun has one board member in the association's board of directors.





# Knowledge Dissemination

Landsvirkjun is a leader in the research and sustainable use of renewable energy sources. The company fosters increased knowledge, innovation and technical improvements and works in collaboration with universities, research institutes and independent experts.

Numerous employees are involved in knowledge dissemination both inside and outside the company. To name a few examples, Landsvirkjun's employees are involved in teaching, research, guide interns and welcome student groups who want to learn about the company's operations. Every year, Landsvirkjun initiates various projects concerning the knowledge sector, such as innovation projects, the provision of grants for energy projects and the environmental research, as well as providing advice and mentoring for projects at the university level.

## Projects in 2016

### Let's Brainstorm

In the summer of 2016, Landsvirkjun organized seminars on new opportunities in the energy sector, in collaboration with KPMG, Innovation Center Iceland and the Icelandic Geothermal Cluster. The seminars focused on new opportunities and the backdrop for entrepreneurship. Among ideas that came up during the discussions were the multiple use of geothermal streams, tourism connected to energy production, geothermal heat pumps, apps and a geothermal beach. Moreover, participants in the seminars received information on various forms of assistance available to entrepreneurs in the energy sector. It was encouraging to see that a large number of women participated in the seminars given that the energy sector is traditionally regarded as a male-dominated industry. The seminars were held in the towns of Húsavík, Egilsstaðir, Blönduós and Selfoss.

### JA Iceland

Landsvirkjun actively participates in the organization Junior Achievement (JA) in Iceland. JA is an international membership organization, which operates worldwide and has projects involving more than ten million students every year from 122 countries. In 2016, Landsvirkjun provided four mentors for the project but around 300 young entrepreneurs from eight Icelandic colleges confronted the challenge of founding and running companies in JA Iceland's innovation challenge. Hörður Arnarson, Landsvirkjun's CEO, is the chair of the organization's board.

### Research on the impact of hydropower plants on fish stocks

For decades, Landsvirkjun has initiated and conducted extensive research on the impact of hydropower stations on fish stocks. An open meeting was held in January 2016 to announce major results of the research. Through the sharing of information we hope that our experience, and the challenges we have faced, may be used for the development of new technology in this field that could further reduce future environmental impact on fish stocks.

### Startup Energy Reykjavík

Landsvirkjun continued its work on the Startup Energy Reykjavík (SER) project. In 2016, five mentors from Landsvirkjun provided guidance to entrepreneurs and the company offered 20 million ISK to the project. A total of seven startups were financed within the SER program during 2016, the names of which can be viewed on SER's homepage, [www.startupenergyreykjavik.com](http://www.startupenergyreykjavik.com).



# Sustainable Societies

Landsvirkjun places an emphasis on building a strong collaborative alliance with society by promoting transparency in working methods, encouraging knowledge dissemination and ensuring that society benefits from our operations.

## Projects in 2016

### EIMUR

The project EIMUR was created in June 2016. The project aims to promote the increased sustainability of societies by diversifying the utilization of natural resources in the Northeast of Iceland, through the interaction between society, the environment, natural resources and the economy. In addition to Landsvirkjun, the following parties are involved in the project: Húsavík Energy, Nordurorka (utility company), Eyþing (association of 13 municipalities in the Northeast), Iceland Tourism, the Icelandic Geothermal Cluster, and economic development corporations in the area. Among its activities, EIMUR seeks to facilitate the research and utilization of the so-called side streams in energy production, agriculture and other sectors, support the increased use of electric cars in the area and establish a resource park. The sponsors of the project made an initial contribution of 100 million ISK and the project is expected to run for at least three years.

### The interaction between tourism and energy production

Energy production in Iceland is an attraction for tourists, some of which visit the country primarily to discover the benefits of renewable energy. According to a survey conducted by Gallup in April 2016, 97% of tourist who responded to the survey were positive towards energy production in Iceland and 82% said they were very positive. Following this survey, Landsvirkjun began taking further interest in tourists' views toward particular power stations.

In the summer of 2016, Landsvirkjun initiated another survey, conducted by the University of Iceland, on how tourists experience the area around Blanda Power Station.

### Among interesting results from the survey were the following:

- 87% of tourists stated that they had not noticed the power station or related structures.
- 92% of tourists consider unspoiled wilderness part of the attractiveness of the area, even if some power station structure can be seen.
- 89% consider the area around Blanda Power Station natural but 7% consider it to be man-made. The results of the survey show that when relevant factors are taken into consideration in the designing of power plants, they can promote rather than detract from tourism.



### North-eastern Sustainability Initiative – Theistareykir Power Station

The North-eastern Sustainability Initiative was re-visited in 2015 in collaboration with municipalities in the area and other stakeholders.

The area embedded in the initiative spans from Vaðlaheiði in the west to Jökulsá á Fjöllum in the east. This is the area most likely to be affected by the construction of the Theistareykir Power Station, industrial operations in Bakki as well as by increased activity related to tourism in Þingeyjarsýslur.

The Theistareykir Power Station was open to the public on 3 July 2016 where visitors were invited to learn about the construction of the power station and the planned operations. Nearly 300 people visited the station. Much emphasis has been put on effective communication with the local community including several meetings encourage community engagement and sharing of information.

### Grants from Landsvirkjun's Community Fund 2016

In 2016, there were three rounds of funding from Landsvirkjun's Community Fund. The total amount of grants was 5,780,000 ISK.

#### Among grants were the following:

- > The Red Cross in Iceland: Christmas assistance (1,000,000 ISK)
- > Ice Hockey Iceland – activities for children and teenagers, prevention and gender equality (500,000 ISK)
- > Save the Children Iceland – Friendship project, material for elementary schools (250,000 ISK)
- > Home and School, the National Parents Association – Bullying, good advice for parents (250,000 ISK)

A full list of allocated grants in 2016 is available on Landsvirkjun's website.

#### Reception for asylum seekers

In mid-December, Landsvirkjun invited children of asylum seekers and their parents to a reception in Landsvirkjun's headquarters. The reception was held in cooperation with the Red Cross in Iceland. The children were treated to a magician's show and offered the chance to work with crafts, and when the reception came to an end, the children received presents. At the end of the reception the children received presents. A group of Landsvirkjun's employees volunteered at the reception.



## CSR focus in 2017

Goals and progress regarding the key areas of Landsvirkjun's CSR work in 2017 is accessible at Landsvirkjun's website, [Landsvirkjun.com](http://Landsvirkjun.com). In the following months Landsvirkjun will pay increased attention to more seamlessly align CSR policy to the company's general strategy. Part of that work will be further strengthening of our stakeholder engagement.

In 2017, Landsvirkjun will specifically emphasize three of the UN Sustainable Development Goals (see page 12) concerning climate action, sustainable energy production and gender equality. Work towards the new goals will be couched in terms of existing focuses and goals of Landsvirkjun in the relevant areas, as well as embedding them in related strategies and policies of the Icelandic government.





# UN Global Compact / GRI Index

UN Global Compact Principles	GRI Standards	Relevant material in the report
1. Businesses should support and respect the protection of internationally proclaimed human rights.		Chapter on CSR at Landsvirkjun (see code of conduct and code of conduct for suppliers).
2. Businesses should make sure that they are not complicit in human rights abuses.		Chapter on CSR at Landsvirkjun (see code of conduct and code of conduct for suppliers). Chapter on the value chain (see rules on chain reliability).
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		Chapter on CSR at Landsvirkjun (see code of conduct and code of conduct for suppliers). Chapter on the value chain (see rules on chain reliability).
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.		Chapter on CSR at Landsvirkjun (see code of conduct and code of conduct for suppliers). Chapter on the value chain (see rules on chain reliability).
5. Businesses should uphold the effective abolition of child labour.		Chapter on CSR at Landsvirkjun (see code of conduct and code of conduct for suppliers). Chapter on the value chain (see rules on chain reliability).
6. Business should uphold the elimination of discrimination in respect of employment and occupation.	GRI 405-1	Chapter on employees.
7. Businesses should support a precautionary approach to environmental challenges.	GRI 302-1, 305-1,2, GRI 305-5, GRI 306-2.	Chapter on climate change and environmental impact.
8. Businesses should undertake initiatives to promote greater environmental responsibility.	GRI 302-1, 305-1,2, GRI 305-5, GRI 306-2.	Chapter on climate change and environmental impact.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	GRI 305-5	Chapter on climate change and environmental impact.
10. Businesses should work against corruption in all its forms, including extortion and bribery.		Chapter on the supply chain (see Landsvirkjun's code of conduct and code of conduct for suppliers).
Other material		
Overview of employees (position, gender, age)	GRI 405-1	Chapter on employees.
Health and safety of employees	GRI 403-2	Chapter on employees.









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