Landsvirkjun

Sustainability Report 2020

Sustainability Report 2020

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About the report

This is the second time we issue Landsvirkjun's sustainability report in accordance with the GRI Standards (core). The report is issued in parallel to the company's annual report and climate accounts. The content of the sustainability report concerns the parent company Landsvirkjun but not its subsidiaries. The GRI index also includes information on progress on the UN Global Compact principles and how the operations connect to the UN Sustainable Development Goals.

Date of publication

23. March 2021

GRI Index

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102	4	Location of operations	*An Energy Company of the Icelandic People*	13		
102	5	Ownership and legal form	*An Energy Company of the Icelandic People*	13		
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102	7	Scale of the organization	*An Energy Company of the Icelandic People / Our people* Annual report: balance sheet	13, 35		
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102	9	Supply chain	*An Energy Company of the Icelandic People: Procurement and tenders*	15, 38		
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1 UN Global Compact

2 UN Sustainable Development Goals (SDG). The table indicates the SDGs that connect to the GRI indicators covered in the report. When defining the SDGs the report Linking the SDGs and the GRI Standards (GRI, January 2021) was used as a reference.

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102	51	Date of most recent report	*March 2020*		
102	52	Reporting cycle	*Yearly*		
102	53	Contact point for questions regarding the report	*Jóhanna Harpa Árnadóttir, landsvirkjun@landsvirkjun.is, tel. 515 9000*		
102	54	Claims of reporting in accordance with the GRI Standards	*About the Report*	2	
102	55	GRI content index	*GRI Index*		
102	56	External assurance	*No*		

GRI	No.	Description	Chapter / Material	Page	UNGC	SDG
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GRI	No.	Description	Chapter / Material	Page	UNGC	SDG
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GRI	No.	Description	Chapter / Material	Page	UNGC	SDG
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412		Human rights assessment				
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413		Local communities				
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415		Public policy				
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A Dialogue with Society

We continuously seek new ways to enhance the sustainability of Landsvirkjun's operations. We strive towards bringing a positive impact to society and maintaining a balance between economic, environmental and social factors. Maintaining open communication with our stakeholders is an important part of our sustainability efforts and our sustainability report is a key tool for communicating our annual progress in areas of interest to our stakeholders.

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Open communication

The use of renewable resources is intertwined with the surrounding society and environment. We therefore strive to create opportunities for discussions and collaboration with our stakeholders in order to learn from one another and better understand where we are doing well and what could be improved.

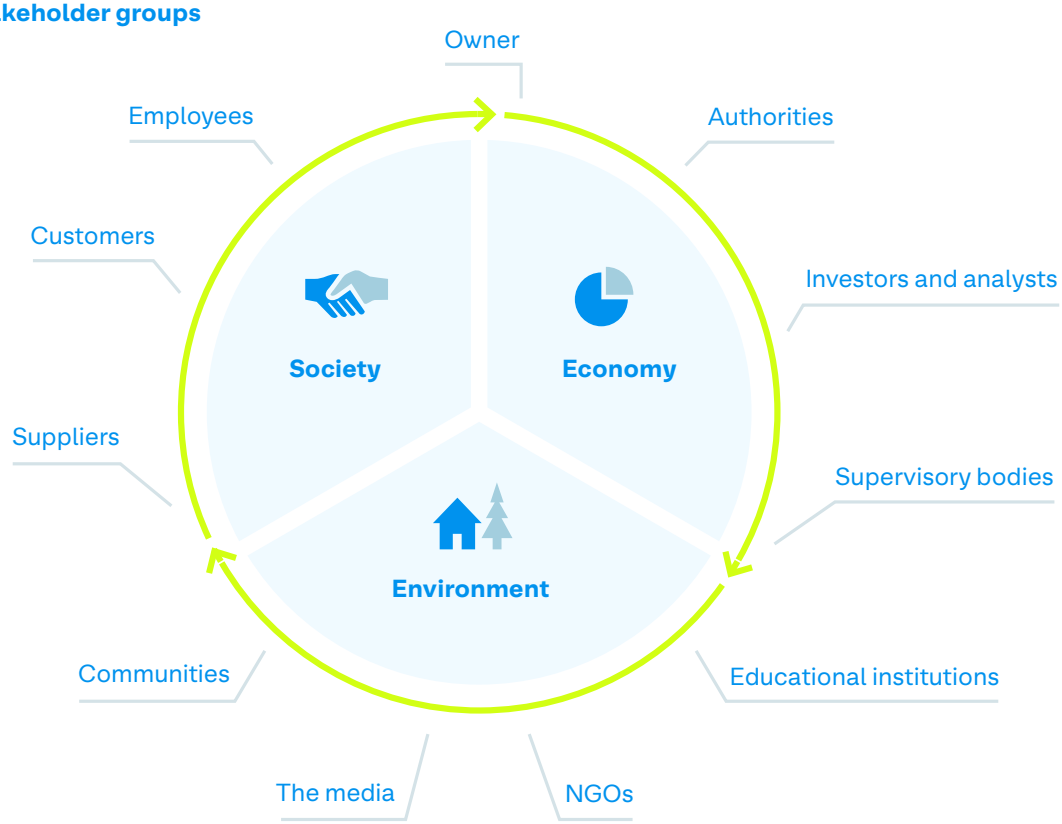
102-40

Stakeholder expectations

In order to define the focus of our communication related to sustainability we conducted a materiality assessment. Such assessment involves engagement with the main stakeholders of the company as well as internal analysis, to evaluate how we can meet stakeholder expectations of our sustainability related communication and strategy.

The definition of stakeholder groups is regularly revisited in internal and external reviews following the relevant processes of our management system.

↓ **Stakeholder groups**



102-43 **Details of the materiality assessment**

We started the materiality assessment among our stakeholders in 2019 where a survey was sent to four groups; the owner of the company (the Icelandic people), customers, communities around power stations and Landsvirkjun's employees. In the survey participants were asked to evaluate 23 sustainability topics that are relevant to our operations.

In 2020 we continued, and the same opinion survey was sent to all defined stakeholder groups that had not yet been consulted. We also interviewed representatives of a few groups and asked about their expectations of the company. Among interviewees were representatives from the authorities, financial and educational institutions and supervisory bodies.

Environment
- Climate action
- Operations in harmony with nature
- Improved utilisation of resources and less waste

Society
- Health and safety and training of employees
- Gender equality
- Collaboration with communities

Economy and Governance
- Good governance and code of conduct
- Generation of economic value and dividend
- Energy related innovation

102-44 Through this process we engaged around 2,000 individuals from all stakeholder groups and received feedback from over 1,100 individuals. The results from the materiality assessment confirm that we are on the right track. The topics that are of most importance to our stakeholders are all topics that have been of continuous focus over the last decades.

We will conduct materiality assessments on a regular basis and maintain open communications with the aim of understanding the expectations of our stakeholders. The results of the analysis will guide the company strategy development.

102-43 **Stakeholder engagement**

During preparation and implementation of new projects we engage the relevant stakeholders. We start by defining who those stakeholders are and the scope of the engagement is then defined in line with the nature and size of the project.

In 2020 there were four different construction projects that required stakeholder engagement. Among the stakeholders we engaged with regarding enquiries and permits were the National Planning Agency, the Environmental Agency, the National Energy Authority, the Icelandic Road and Coastal Administration, the Directorate of Fisheries, the Cultural Heritage Agency of Iceland and the relevant Environmental and Public Health Offices. Engagement also took place with landowners' associations and environmental committees of municipalities and we also worked with mayors and organizational representatives of the relevant municipalities for the issuing of construction permits and regarding organizational planning.

These projects were operations at Sultartangaskurdur, a road construction in Thjórsárdalur, an action plan for surface discharge at Bjarnarflag and preparations for the construction of an injection well at Krafla Power Station.

102-43

Communication plans

We prepare communication plans on an annual basis for each operational area in line with the relevant operations. This is done to ensure regular communication and to avoid incidents that could have been prevented with active communication. For construction projects the scope of communication plans depends on the size of the projects and can therefore be extensive for large projects. We always aim to ensure that all voices can be heard.

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Sustainability projects

Active communication also takes place among two sustainability projects that relate to our operations in the East[3] and North-East[4] of Iceland. The projects are run in cooperation with our stakeholders. The project's objectives are the monitoring of the impacts of Landsvirkjun's operations, and other related operations, on society, the environment and economy of these areas.

3 See www.sjalfbaerni.is

4 See www.gaumur.is

An Energy Company of the Icelandic People

102-2 Landsvirkjun generates energy from renewable sources; hydro, geothermal and wind.
102-7 We generate most of Iceland's energy or 70% and deliver energy to industry, services
102-10 and homes in Iceland. In 2020 the total energy generation was 13,305 GWh.

102-5 Landsvirkjun is a partnership company owned by the State Treasury and Eignarhlutir ehf. The
201-4 company does not receive financial support or grants from the authorities or public bodies.
415-1 Landsvirkjun does not offer grants to political parties or support their operations in any way.
102-4

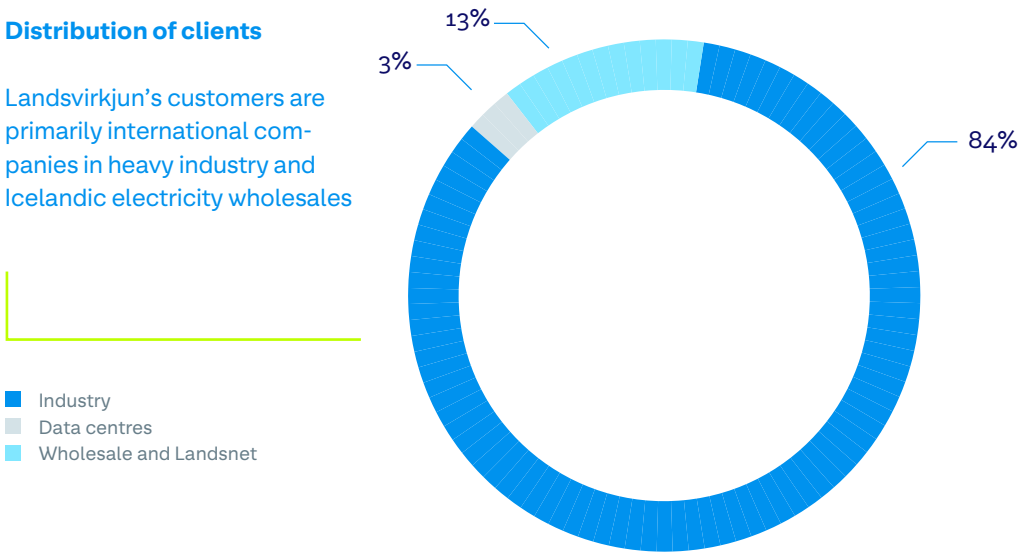
The economic benefits of the energy use are distributed around the country in the form of
203-1 jobs and revenue within various industries. Around 85% of the energy is sold to energy-inten-
102-6 sive users and 15% is sold on the wholesale market.

↓ Landsvirkjun's operations

We operate 18 power stations and 2 wind mills for research purposes in five areas of operations around the country. Our headquarters are in Reykjavik.

↓ Distribution of clients

Landsvirkjun's customers are primarily international companies in heavy industry and Icelandic electricity wholesales



102-6 **Diverse business opportunities**

In the international context we are a small company and our share of the international market is therefore small. We are nevertheless active participants in the international competitive market for electricity companies. In this market we offer competitive agreements, reliable delivery and good service for large and small companies in diverse industries and energy related innovation.

417-1 We offer guarantees of origin for all our energy production. This offer is in line with the Act on the guarantee of origin of electricity produced from renewable energy sources no. 30/2008.

Increased emphasis on climate issues

Global warming does not only impact nature and the environment but also communities and economies. International climate actions have greatly increased the demand for renewable energy and this creates concrete opportunities for our business.

Our market environment has changed extensively in recent years. The drive for these changes is increased emphasis on climate change mitigation and sustainable economies. In parallel with increased demand for renewable energy, innovation linked to the sector has also increased, notably in energy intensive sectors such as data centres, food production and production of renewable fuels and batteries. In order to better adapt the company to meet new challenges and opportunities associated with these development changes were made
102-10 to the organizational structure in autumn 2020. The marketing and business development division was split up into two divisions: Sales and Customer Service division and Business Development and Innovation division.

201-2 We regularly conduct analyses on the potential financial impacts of climate change on our operations. In addition to changes in Landsvirkjun's international operating environment our opportunities and challenges are driven by four key factors.

↓ Challenges and opportunities

Challenges	Opportunities
A demanding business environment is challenging for traditional energy intensive industries	International climate action greatly increases the demand for renewable energy
Wind and solar energy challenge the competitive advantage of hydropower and geothermal power	The rapid growth of new energy intensive industries creates exciting opportunities

Climate risk analysis for the company's operations is intertwined with other types of risk analysis. We monitor changes in weather patterns, analyse changes in markets, monitor the regulatory environment, assess technological development and participate in climate related discussions. Such analysis offers us a necessary predictability for continuous reliable operations in a changing world.

102-9 **Procurement and tenders**

102-10 As Landsvirkjun's operations extend outside of the walls of the company we ensure that our supply chain meets the same expectations as we set for ourselves. This means that we expect that the operations of our partners and suppliers meet our environmental policy, our requirements for occupational health and safety and that they are in line with our sustainability targets.

Landsvirkjun is required to comply with the public procurement rules of the European Economic Area (EEA). We have published a code of conduct for suppliers and service provider which is based on the Landsvirkjun code of conduct and the principles of the UN Global Compact for responsible business. Suppliers and service providers are required to apply these rules when conducting business with us.

All our procurement contracts include a clause on chain reliability. The goal of the clause is to ensure that everyone that works for Landsvirkjun indirectly such as through contractors, sub-contractors or employment agencies enjoy the rights and benefits as required by law and collective agreements.

The majority of Landsvirkjun's suppliers that are outside of Iceland are located in Europe or North America where legislation on human rights and the environment is generally strong. Therefore, there has not been a specific due diligence conducted on the human rights and
412-1 environmental impacts of the company's suppliers.

Information on tenders, results of tenders and the code of conduct of suppliers and service
102-10 providers can be found on Landsvirkjun's website[5]. There were no significant changes to the company's supply chain in 2020.

5 See www.landsvirkjun.is

102-16

Values and policies

The values of Landsvirkjun are progressiveness, prudence and trust. The company's code of conduct includes general principles about good and responsible business practices. It is emphasized that employees adhere to these principles when representing the company.

Landsvirkjun's general strategy was updated in 2020 to reflect a new market environment and the company's priorities in the areas of sustainability and climate change. In addition to the general policy, other policies have been developed in recent years for areas of key importance, including an environmental policy, occupational health and safety policy, climate change policy, policy for social responsibility and human resources and diversity policy. Landsvirkjun's policies are part of the company's management system and are updated on a regular basis.

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Management system and certifications

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Our management system is certified according to international management standards. These standards concern quality management, environmental management, occupational health and safety and information security. The internal management system for electrical safety of Landsvirkjun fulfils the requirements of the Housing and Construction Authority for electrical safety management.

↓ Certifications

Landsvirkjun's electricity generation is certified by the German Certification Body TÜV SÜD as 100% renewable energy (TÜV SÜD CMS Standard 83: Generation EE). This is testimony to Landsvirkjun's commitment to the development of renewable energy sources and a confirmation that Landsvirkjun fulfils the most stringent requirements in its production.

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Active competition

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We work in accordance with our Competition Policy which is part of our management system and took effect in 2017. The policy outlines how we will work towards active competition in our markets of operations and how we need to be guided by the clauses of competition law in our operations. The policy also helps us solve conflicts that may arise. An electronic training module on the topic was offered to our employees in 2020. The Competition Policy is updated on a regular basis. Three of Landsvirkjun's clients complained to the Icelandic Competition Authority in 2020 due to alleged breaches by the company of competition rules. These clients were Rio Tinto Alcan (ÍSAL), Íslensk Orkumiðlun ehf. and Norðurál. The Competition Authority will not take further action at present in relation to Rio Tinto Alcan's complaint as the company and Landsvirkjun are currently in negotiation for the purchase of energy. The Icelandic Competition Authority has not taken a decision on whether a formal inquiry will be launched because of the complaints of Íslensk Orkumiðlun and Norðurál. Landsvirkjun does not consider any substantive arguments for such an inquiry.

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Customer privacy and anti-corruption

No corruption incidents were reported and no corruption cases were treated at Landsvirkjun in 2020. There were also no complaints related to breach of customer or employee privacy. Our employees have been trained on Landsvirkjun's code of conduct, the content of the law on whistle-blower protection as well as on the company's contingency plan defences against reprehensible conduct.

102-13

Collaboration and cooperation

We are active participants in diverse collaboration with organizations and associations in Iceland and abroad. Such collaboration creates a forum to share knowledge, learn from one another and coordinate actions in the areas of energy, the environment, society and climate change. Examples of initiatives that we work with or are members of include:

International

International Hydropower Association
UN Global Compact
Nordisk hydrologisk forening
The Centre for Energy Advancement through Technological Innovation
WindEurope

Icelandic

Festa – Center for Sustainability
Green Building Council Iceland
Icelandic Tunnelling Society
Iceland Glaciological Society
LISA organization for spatial information in Iceland
Samorka (association of the Icelandic electricity industry)
SA Confederation of Icelandic Enterprise
Stjórnvísi (management association)
Icelandic Chamber of Commerce
Icelandic Tourism Cluster Initiative
Green by Iceland
The Icelandic Green Transition Alliance
Iceland Renewable Energy Cluster

Economic Impacts

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Diverse industries use energy from Lansvirkjun for creating value. Economic impacts of the company's operations are therefore realized through employment and revenue that is distributed around the country. One third of the energy we produce is used in the capital region and two thirds are used around the country. Impact of the operations can be found e.g. in export revenue, salary and tax payments.

Landsvirkjun pays a yearly dividend for the use of natural resources to the owners of the company, the Icelandic population. The dividend is payed to the State Treasury.

↓ Economic impacts[6]

Revenue	**m. USD 2020**
Operational revenue	385.5
Economic contribution	
To suppliers	
Operational cost	96.8
To employees	
Salary and related expenses	41,1
To investments	19,9
Of which other investments in social infrastructure	2,7
To owners and lenders	
Dividends	72,9
Net financing cost	43,7
Repayments of long-term loans less new loans	131,1
To public bodies	
Income tax	19,7
Total economic contribution	**425,4**
Share of revenue	110%

Business with Icelandic suppliers was over 80% of the total purchases of the company in 2020. Within these purchases are purchase of goods, services and contracting services. Icelandic suppliers we do business with are around 950 in total. We emphasize regular maintenance and enhancements of our power stations and we also invest in the infrastructures of the communities around the power stations.

We support and take part in numerous innovations, research and societal projects which support development of the energy sector, new solutions in the area of climate change and societal gains.

6 The information concerns the parent company Landsvirkjun.

203-1

Investing in enhanced infrastructure

On a yearly basis we invest in projects that support improved electricity production and thereby also an improved utilization of resources. These include improvement projects and maintenance of power stations that e.g. involve upgrades of technical equipment and machines, general maintenance of structures as well as improvements of roads and transportation systems.

Improvement of power stations

In 2020 we conducted regular maintenance and improvements of all our power stations. We also completed the final parts of two new power stations, Theistareykir and Búrfell II, which started operating in 2017 and 2018.

Theistareykir road

In parallel to operations at Theistareykir in the North east the Theistareykir road is also under construction. The road will connect the Lake Mývatn area and Húsavík through Theistareykir and facilitate the joint operations of the three geothermal stations that we operate in the area, Theistareykir station, Krafla and Bjarnarflag. The new road will create a circle route that will enhance transportation and tourist services in the area. Landsvirkjun financed the construction of Theistareykir road which will be delivered to the Icelandic Road Administration at the end of the construction.

A pedestrian and horseback bridge over Thjórsa

Following constructions at Búrfell II the construction of a pedestrian and riding bridge over Thjórsa above Tjófafoss started in 2020. This transportation improvement is a mitigation measure due to the expansion of Búrfell station and is intended to improve access to Búrfell forest and connect the systems of riding roads and paths that are on both sides of Thjórsa, in Rangarting ytra and in Skeida- and Gnúpverjahreppur.

Already at the preparation stage priority was put on limiting the environmental impact of the constructions. The bridge from Haukadalur forest will be built with Icelandic wood which will be treated and prepared in Iceland. The bridge will be more than 100 meters long and three meters wide and is expected to be completed in spring 2021.

Landsvirkjun's investments in infrastructure amounted to 19.9 m. USD in 2020 or 2,670 m. ISK.

203-1 **Support for research and innovation**

We fund numerous projects that support innovation in the communities around our power stations. Amongst those are the collaborative projects Orkidea in the South of Iceland, Eimur in the North and Blámi in the Westfjords. We also work with start-ups among which are MySilica and MySkopun in Myvatnssveit. In addition to funds we are active participants in many projects where we have the opportunity to exchange knowledge and experience of energy related innovation.

Our operations are associated with extensive research in the areas of the environment, climate and sustainability. A large part of research projects is conducted in collaboration with other companies and institutions. Amongst those are the Icelandic Meteorological Office, Iceland Geosurvey - ISOR, the Institute of Earth Sciences, engineering offices and universities. We are among the largest purchasers of research projects in Iceland that relate to e.g. the company's energy production, environmental monitoring, the development of new power plant options and business opportunities.

We also offer grants on a yearly basis from Landsvirkjun's Energy Research Fund for research projects in the area of the environment and energy. The amount of grants from the fund was 60 m. ISK in 2020.

The total contribution of Landsvirkjun to research and innovation in Iceland was 5.9 m USD in 2020 or around 790 m. ISK.

203-2 **Community grants**

We also participate in various projects with community relevance and the potential to positively impact Icelandic society.[7] The company's community fund supports various projects that have a positive impact on society and the project Many Hands Lighten the Load provides summer jobs for young people around the country.

Landsvirkjun's total contribution to projects with community relevance in Iceland was around 734,000 USD in 2020 or around 100 m. ISK.

7 See www.landsvirkjun.is/fyrirtaekid/styrkveitingar (in Icelandic)

Respecting the Icelandic Nature

We utilize renewable energy, hydro, geothermal and wind, in a sustainable way. We put emphasis on not utilizing resources faster than they are renewed and we continuously work towards improving their utilization and avoiding waste. Priority is put on knowing the environmental impacts of operations, limiting those impacts and avoiding environmental incidents.

305-1
305-2
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305-5

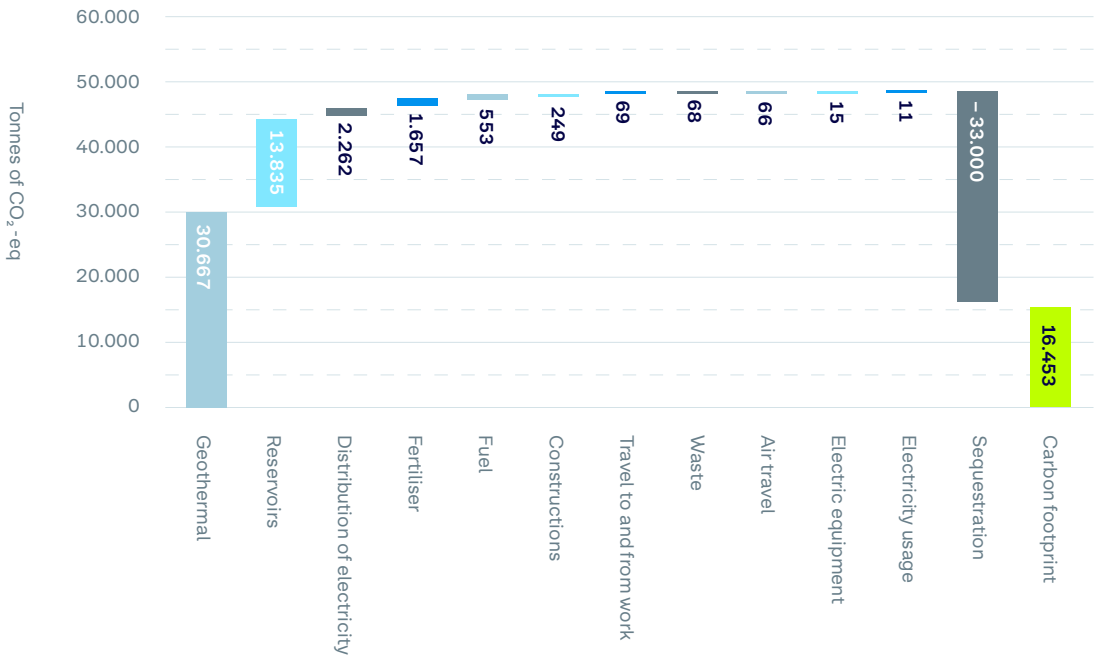
Emissions

Greenhouse gas (GHG) emissions due to Landsvirkjun's operations decreased by 8% since last year which is in line with our clear plan for carbon neutrality by 2025. We account for all emissions due to our operations in our climate accounts.[8]

The total GHG emissions in 2020 amounted to 16,5 thousand tonnes CO_2 -eq (equal to 1,2 g of CO_2 -eq for kWh) or a 25% decrease when compared with 2019. Total emissions from our operations amounted to 49,5 thousand tonnes of CO_2 -eq or 3,7 g/kWh per production unit.

Emissions from geothermal plants are the largest share of our CO_2 footprint, or 61%, followed by the total emissions of reservoirs which are nearly 28%, of which organic CO_2 emissions from hydropower reservoirs was 6,5 thousand tonnes. Other emissions (burning of fossil fuel, emissions of sulphur hexafluoride (SF_6), emissions due to the use of electricity and use of hot water and fertilizer) amount to 11%. Carbon sequestration amounted to 33 thousand tonnes CO_2 -eq in 2020 or 67% of all emissions.

↓ **Total emissions, carbon sequestration and carbon footprint**



8 www.landsvirkjun.com/sustainability/carbon-neutrality

305-7 **Emissions from Hydrogen Sulphide**

Gas discharge from the company's geothermal production is estimated from the gas strength in steam and water from bore holes. The impact of geothermal production on air quality around our power stations is monitored and one of the type of gas we monitor is hydrogen sulphide (H_2S).

The amount of hydrogen sulphide emissions in the air related to the production of geothermal energy:

- Bjarnarflag power station: 843 tonnes of H_2S
- Krafla power station: 3,255 tonnes of H_2S
- Theistareykir power station: 2,314 tonnes of H_2S

Air quality is measured with three monitors around communities in addition to two monitors at the geothermal stations. The annual average of the concentration of hydrogen sulphide is within health protection limits or from 1 to 3 µg/m^3. The daily maximum of 24 hrs. running average of concentration of hydrogen sulphide never exceeded defined health protection limits. Due to insufficient airflow around the monitoring equipment the data from one of the monitors was invalid 39% of the year 2020. Real time results are accessible on our website[9] (in Icelandic) as well as the results of year averages[10].

305-6 We do not use any ozone-depleting substances in our operations.

302-1 **Energy consumption**

302-2 Energy companies do not only produce energy, they also need to use energy. In our daily

302-3 operations we use fuel, purchase electricity and heat as well as using our own electricity.

302-4 The total energy use of the company in 2020 was 142,5 GWh, thereof 141,2 GWh of renewable energy and the energy intensity of the company was therefore 0,00000298%. The share of renewable energy in the company's energy usage was 99%.

The energy consumption of the company is divided into our own energy consumption and energy consumption that occurs outside our operations. In our own energy usage, the greatest share is usage by power stations of its produced electricity as well as energy loss in equipment, or 135,9 GWh, decreasing by 5 GWh compared to last year. The energy consumption of purchased electricity and heat in workstations and office buildings was 3,7 GWh (2,6 GWh of hot water and 1,1 GWh of electricity). The total energy consumption of fossil fuel was 1,3 GWh.

Energy consumption outside our operations was 4,2 GWh, decreasing by 4,4% compared to last year. This includes energy consumption because of flights and travels of employees to and from work and energy consumption of contractors during constructions of the company.

More detailed information about our energy consumption and related emissions can be found in the climate accounts for 2020.

9 See www.landsvirkjun.is/rannsoknirogthroun/voktun
10 See www.landsvirkjun.com/sustainability/environment

303-1

The water cycle

When water evaporates the vapor condenses in clouds and then falls as precipitation in the form of rain or snow on glaciers and land. When the water finds its way back to sea it flows through steams or settles into hot rock under high temperature areas, thereby creating a large amount of energy. Our power stations are located in the middle of this cycle and they use the falling force and heat of the water to produce electricity from a renewable resource.

303-1

Research and monitoring of resources

We conduct extensive research and monitoring of the resources we use for energy production. We measure the mass balance of glaciers, flow and temperature of rivers, chemical composition and groundwater flow, sediment, water level and reservoir space as well as meteorological research and land change. We monitor the overall condition of the high temperature areas with a special geothermal model for each area of operation. We also measure and monitor the geothermal reservoir, monitor ground water streams and the chemical composition of ground water and measure the release of gas into the atmosphere.

These, along with other factors, allows us to see into the future and obtain optimal use of the resources in harmony with nature and society.

In 2020 around 25 reports were published relating to the utilization of resources and their impact on the ecosystem and society (in Icelandic).[11]

303-1

Hydro power

We operate a total of 15 hydropower stations in five operating areas. In three areas (Thjórsa and Tungnaá area, Fljótsdalur area and Blanda area) the stations use glacial rivers, utilities and reservoir for energy production. In two areas (by Sogið and in Laxá) there are so-called flow plants that utilise the natural flow of springs. The volume of water that runs through the power stations remains the same once it leaves the plants, i.e. we do not remove any water from the system but use its cycle to produce energy.

11 See www.landsvirkjun.is/sjalfbaerni/umhverfisskyrslur

301-1
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Geothermal power

We operate three geothermal power plants in the high temperature areas in North-east Iceland. The plants use geothermal liquid that comes up from bore holed which are two thousand meter deep. The geothermal liquid is a mix of steam, which includes various types of gas, and geothermal water. In the geothermal plants the steam is separated from the geothermal liquid and used for energy production.

Geothermal fluid

The total amount of geothermal fluid extracted from geothermal reservoirs in 2020:

- Bjarnarflag station: 2,482,500 tonnes
- Krafla station: 7,043,000 tonnes
- Theistareykir station: 7,071,000 tonnes

In Krafla station and Theistareykir station the geothermal water (separation water) is separated from the steam and the steam is used to power turbines that generate electricity. Groundwater from the areas is used for cooling of lubricating oil refrigerator, electric refrigerator and ventilation systems. Finally, it is used along with extra ground water as cooling water for the cold end of the processing (condenser and cooling tower). In total the use of groundwater from groundwater reservoirs was 3,691,321 tonnes at Theistareykir station and 1,213,190 tonnes at Krafla station.

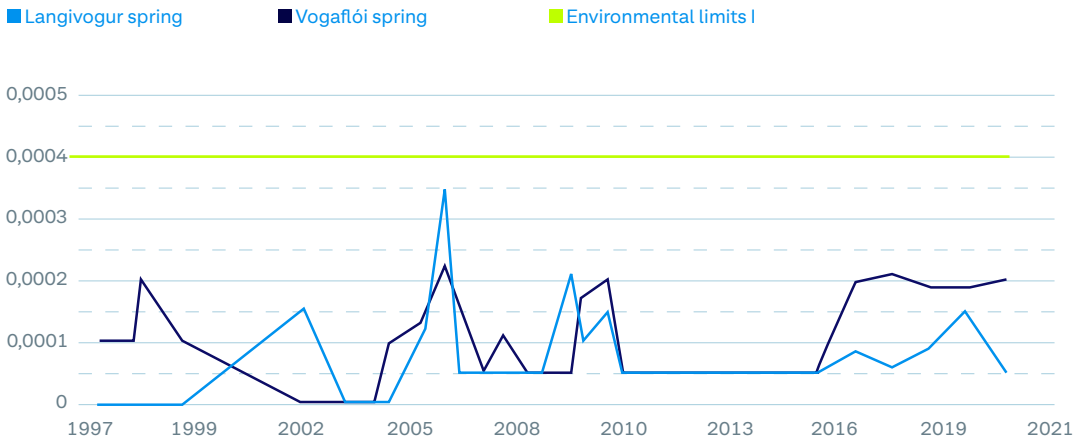
In the cold end of the processing the steam is condensed which creates condensate.

Waste water (condensate and separation water) is either pumped back below the groundwater level or released to the surface. The purpose of the reinjection is to place the wastewater below the groundwater system to avoid mixing. The wastewater that is discharged to the surface enters steams and groundwater and can therefore impact the environment.

Requirements in connection with the discharge of geothermal liquid into the strata and groundwater are outlined in the operating permits of Landsvirkjun's power stations. The permits are issued by the health inspectorates of the relevant municipalities which monitor potential environmental impacts due to the discharge. We work systematically with them and other stakeholders towards reducing surface discharge.

Studies have revealed the local effects of wastewater (effluent) of geothermal production at Krafla station.[12] From there wastewater is released to surface water, Dallækur, from where it seeps down in a groundwater tank and that discharge has some effect. On the other hand, impact on groundwater because of the discharge is barely noticeable. We monitor the groundwater in groundwater wells, fissures and springs to evaluate potential impacts due to discharge of effluent on Lake Mývatn. In that respect analysis of the concentration of arsenic (As) has for example been used, which is at a much higher concentration in wastewater of the power stations than in ground water. Regular measurements at Lake Mývatn have taken place from the year 1997 but since then no significant effects on the lake have been measured. The concentration of arsenic and other chemicals and heavy metals has always been measured below environmental limits.

↓ **The amount of arsenic in groundwater samples at selected monitoring stations between 1997 and 2020**



306-1 Due to the impacts of discharges on surface water in Dallækur we have begun preparations for the discharge of separation water from Krafla station by pumping down below groundwater
102-43 level, which will reduce these impacts. This is done in collaboration with the North East Health Inspectorate and it is planned that construction on the injection well will begin in 2021.

In collaboration with the National Energy Authority, the Environmental Agency of Iceland and the municipality of Skútustadahreppur an action plan was approved for the reduction of surface emissions from Bjarnarflag station. A new pipe was placed between separation water stations at the power station which results in reduced amount of wastewater discharge and a better usage of the geothermal liquid.

Overview of fluid flow

When generating geothermal energy, we use two key resources, geothermal fluid from the geothermal system and fresh water from the groundwater system. Geothermal fluid is a mixture of steam, gas and geothermal water. The images below show the journey of these three currents through the power stations, from where they are taken to the surface until they are released back into the atmosphere or into the ground.

The stations are the following:

- Bjarnarflag steam station
- Krafla station
- Theistareykir station

12 See www.web.archive.org/web/20200411142851/ and www.gogn.lv.is/files/2017/2017-060.pdf

↓ Bjarnarflag steam station

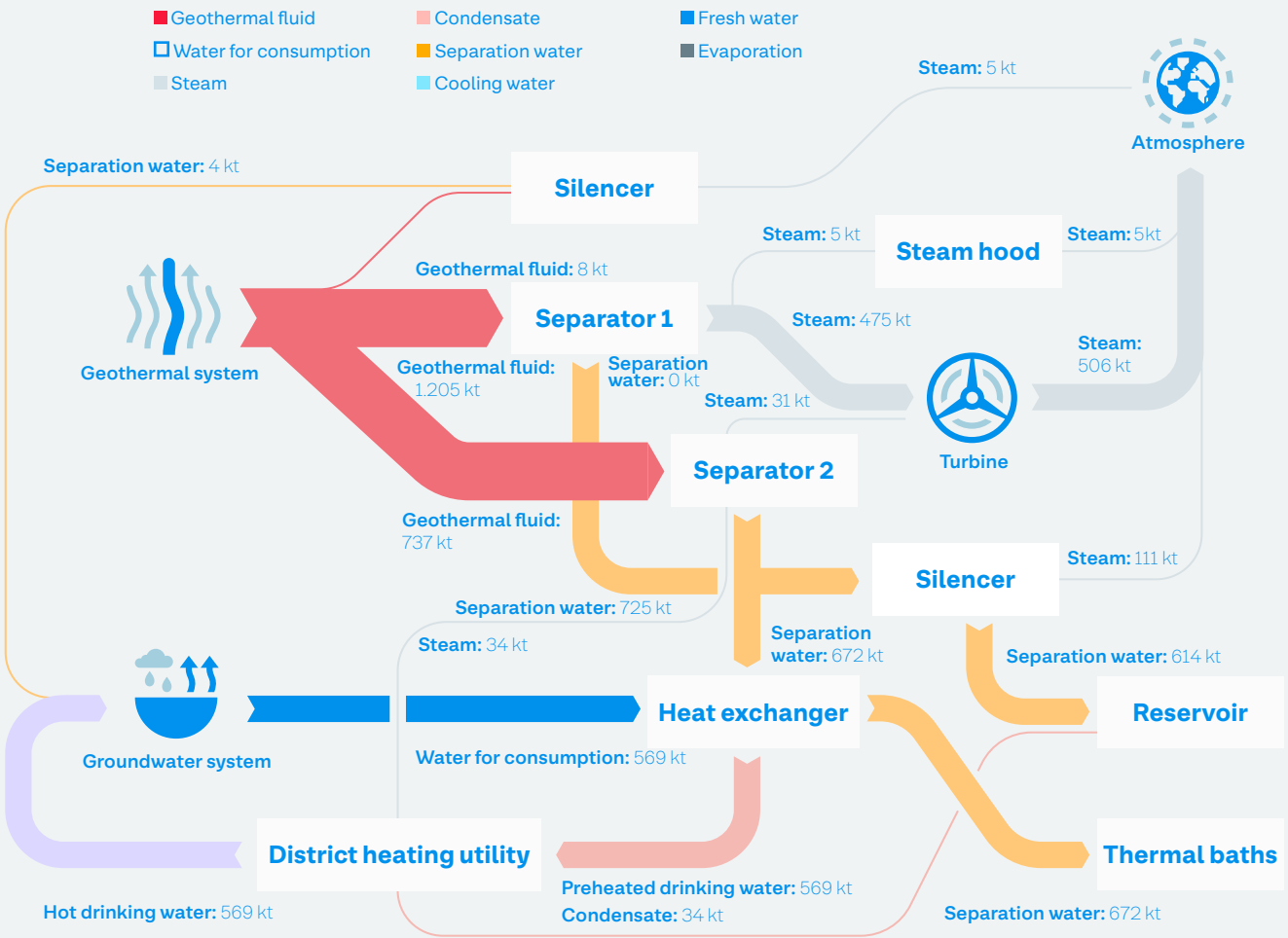
The energy production in Bjarnarflag yields three outputs: electricity, hot water and bathing water for the thermal baths at Lake Mývatn.

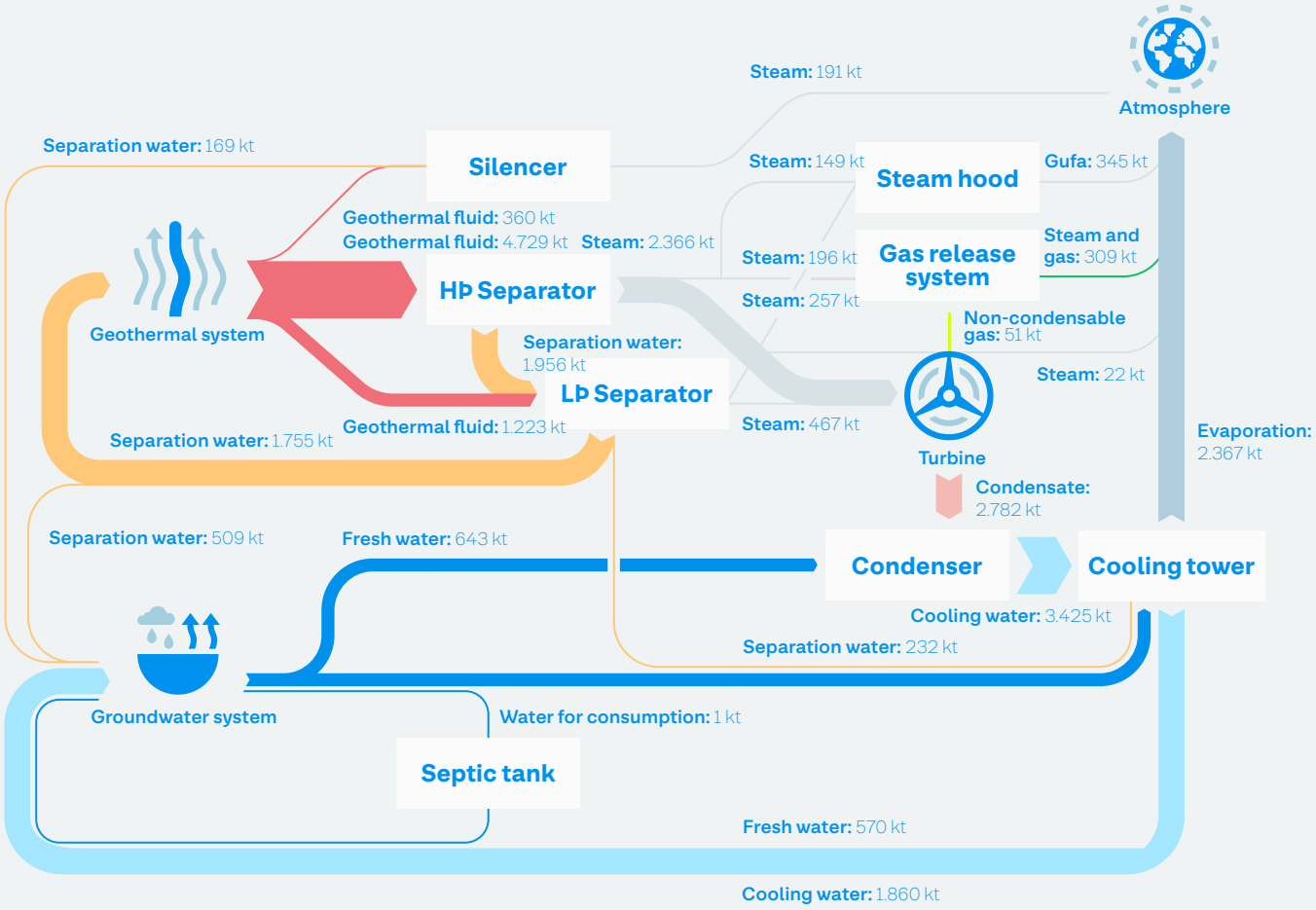
Geothermal fluid from boreholes south of the main road passes through separation station 1. There the steam is separated from the liquid, sent on to the turbines of the plant for electricity production and then returned to the atmosphere. From separation station 1, the hot separation water passes through a new separation water pipeline over to separation station 2. Geothermal fluid from a borehole north of the main road goes to separation station 2. Just as in separation station 1 the steam is separated and most of it is sent on to the turbines of the Bjarnarflag steam station.

The separation water from separators 1 and 2 is used to preheat fresh water in heat exchangers but steam is also used to fully heat the district heating water to boil oxygen from it before it is supplied to the district heating utility at Reykjahlid.

After heat exchange separation water is supplied to the thermal baths at Lake Mývatn. Excess separation water is released into a silencer and is transformed on the one hand into steam that is released into the atmosphere and on the other hand water that goes out into the surface reservoir at the station. From the reservoir the water seeps down through a crack into the groundwater system.

The power station does not use any other groundwater than that used for the production of district heating water.





↑ Krafla station

The main flow of steam is through the turbines of the station where the electricity generation takes place. From there, the steam is released into a condenser and then a cooling tower before being released into the atmosphere. Part of the geothermal fluid is sent into a low-pressure separator, but steam also enters the turbine from the separator.

Most of the separation water is returned to the geothermal system. A small part of it is returned to the surface, from where the water flows along Dallækur before it goes down into the groundwater system. Efforts are being made to reduce this surface emission.

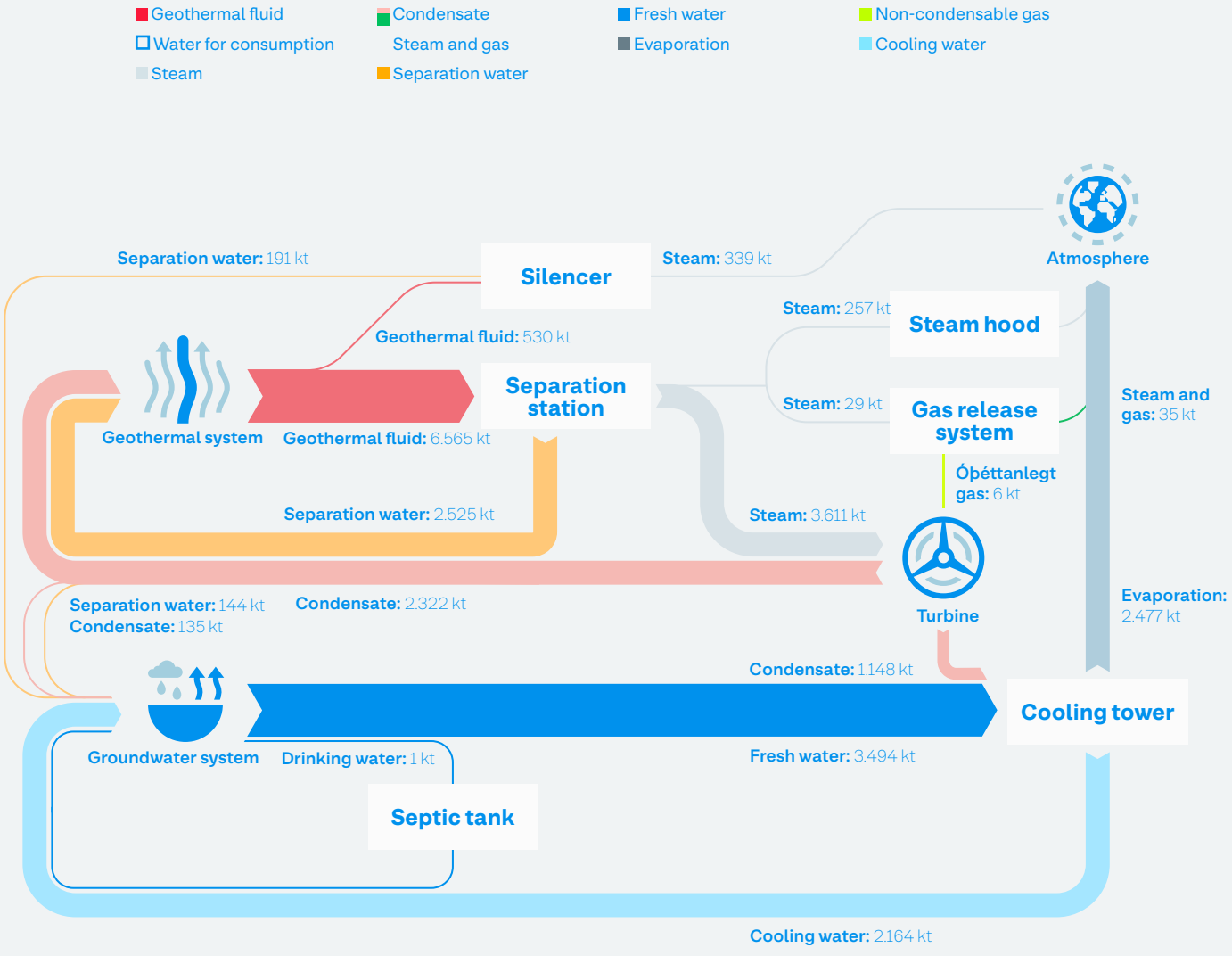
During the condensation of steam, condensate is formed which mixes into a large stream of cooling water. This stream passes through a condenser and cooling tower before finally evaporating or being discharged back into the groundwater system.

The station uses groundwater for the most part as cooling water but also as drinking water. Other smaller streams, such as geothermal fluid that goes to a silencer, steam that goes to a steam hood and separation water from a silencer, are streams that are created during a shutdown or operational disruptions. To reduce corrosion in the cooling tower, separation water is supplied. The separation water mixes with condensate and groundwater and adjusts the pH of the tower.

↓ Þeistareykir station

The main flow of steam is through the turbines of the station where the electricity generation takes place. From there, the steam enters the cooling tower before being discharged into the atmosphere. Separation and condensate water is almost all returned to the geothermal system.

The station uses groundwater for the most part as cooling water but also as drinking water. Other smaller currents shown in the figure, such as geothermal fluid goes into a silencer, steam that goes into a steam hood and separation water from a silencer, are currents that occur in the event an operational stoppage or disruption. Condensate is distilled water and free of minerals and environmental bacteria. The water is therefore directed to the cooling tower to reduce algae growth, but if excessive such growth can cause operational disruptions.



303-3 **Water usage**

In our offices in Reykjavik and Akureyri we obtain drinking water from the water utilities of the respective municipalities. In the power stations cold ground water is extracted from reservoirs that the company owns and/or runs.

- The estimated use of drinking water in Landsvirkjun's hydropower stations is 13,000 m^3
- The estimated use of drinking water in geothermal power plants is 3,691,321 m^3
- The estimated use of drinking water at Landsvirkjun's offices in Reykjavik and Akureyri is 9,000 m^3

All wastewater (sewage) from the operations goes through the municipal sewer system or through at least a two-step cleaning process run by Landsvirkjun and monitored by the health inspectorates of the municipalities.

303-1 **Monitoring of the condition of water sources**

303-2 306-1 306-5 Requirements for the condition of water sources and the quality of drinking water are outlined in operating permits of Landsvirkjun's power stations. The permits are issued by the health inspectorates of the relevant municipalities, which monitor potential impacts of the use of the water sources. The results of the monitoring show that there has been no impact on the water sources as a result of our operations.

The Environment Agency is responsible for monitoring the effects on water bodies, which are defined as units under water directives and fall under water management. According to the agency's water website[13] there are no water bodies under stress due to uptake and/or discharge due to our operations.

102-11 **Impact of energy production on the environment and the ecosystem**

The use of renewable resources involves interventions that can affect the environment and the ecosystem. Assessing that impact is a long-term challenge that needs to be worked on continuously in order to evaluate the actual results and challenges. This is why we study and monitor nature and the ecosystem prior to starting constructions, during construction and after the operations of power plants start. In that way we gather scientific knowledge about whether, and if so how, we affect the environment.

In the 50-year history of the company, and in the long history of energy usage in Iceland and elsewhere, environmental incidents have taken place which have given us a deeper understanding of the delicate interplay between usage and nature. We are continuously learning how we can do better in environmental matters and work towards protecting and/or restoring habitat.

304-2 Monitoring of the ecosystem

We conduct extensive monitoring of water-, bird- and animal life in the impact areas of the company's power stations in collaboration with universities, research institutes and independent experts. The monitoring gives us indications on whether, and if so how, the operations impact nature and the ecosystem and whether action needs to be taken. Such effects may take many years to materialise and therefore the monitoring is long term and can even last during decades. The results of monitoring for 2020 do not indicate changes on the ecosystem due to the impacts of the operations of Landsvirkjun.

307-1 Environmental incidents

It can occur that incidents related to our activities cause rapid changes in the ecosystem. Such incidents are recorded as environmental incidents and improvements are tacked in long term monitoring. Two environmental incidents occurred during the year.

13 See https://ust.is/haf-og-vatn/vatnavefsja/ (in Icelandic)

In July 2020 boiling water flowed out of a borehole on drilling rig A in Theistareykir over vegetation and caused vegetation damage. The reason for the incident was that when the borehole was opened, it turned out that the sewer was blocked. Subsequently, procedures were reviewed and a risk analysis was performed. Action will be taken in 2021 to repair vegetation damage.

In January 2020 an incident from 2019 at Hrauneyjarfoss station was recorded. Upon renewal on the station's equipment, Landsvirkjun's procedures for handling SF_6 were not followed. Material that had been removed from the equipment was transferred to Landsnet's supplies instead of being installed back to Landsvirkjun's equipment. The recording of SF_6 emissions for 2019 has therefore been updated in the company's climate accounting using the worst possible scenario, i.e. that everything has leaked out, even if we know this was not the case. Landsvirkjun has reviewed its work procedures as a result of the incident in collaboration with Landsnet.

304-4 **Species on red lists**

When assessing impacts of projects, we monitor and study the habitats of those animals and plants that are listed on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species. We pay specific attention to the species that are evaluated at risk on the IUCN list and the red list of the Icelandic Institute of Natural History (IINH) according to the results of environmental impact assessments at each area of operation.

Within the company's areas of influence, two types are known that are assessed as at risk from red lists of the IUCN and IINH; falcon (Falco rusticolus) and adder's tongue (Ophioglossum azoricum). At Theistareykir there are falcon habitats but neither constructions in the area nor the operations at Theistareykir station, which started in 2017, seem to have disrupted the breeding or habitat of the population. Adder's tongue is a rare plant that only grows in geothermal areas. We monitor the spread of the plant in our areas of operations in the North-east and there is no evidence that the plant has become affected by
304-3 the operations. We have worked with the Environment Agency to contain the growth of the Alaska lupine, an alien invasive plant, in the growth areas of adder's tongue.

The lists of the IUCN and IINH also guide us in the initial observations on the impact areas of potential new power stations.

304-3 **Protected and recovered habitats**

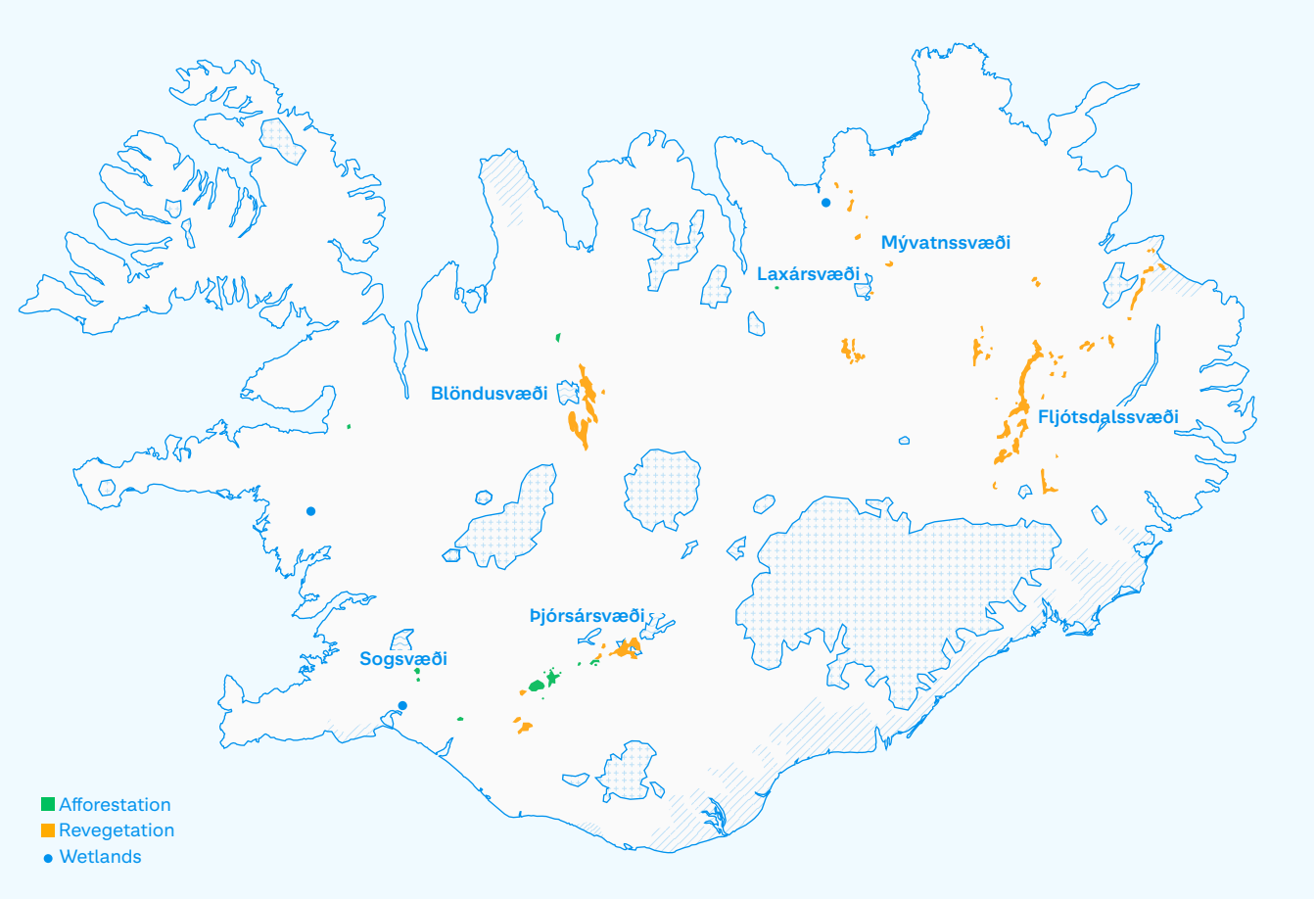
Our operations are inevitably associated with disruption that can impact the animal and plant habitats. This is due, amongst other, to the formation of reservoirs, sedimentation, aeolian processes and bank erosion. To diminish the impact on the ecosystem we are working on a number of mitigation measures aimed at protecting and restoring habitats.

Preventing aeolian processes

The impact on vegetation due to our activities is mainly due to the aeolian processes of the coastlines of lake Hálslón and lake Blöndulón. To prevent aeolian processes we strengthen existing vegetation with fertilizers, use sand traps to catch sand that escapes and shovel away sand that has accumulated in certain areas.

Erosion and bank protection

In 2020 we continued to work on bank protection at Lagarfljót, a total of 540 meters, to protect vegetation from erosion from riverbanks. These are new defences at Ekra and in the land of Eigilsstadir and an extension of defences at Hóll. In these places erosion on the banks had taken place before the arrival of Fljótsdalur station. After the operations of the station began, the flow in the river increased and the water level increased. The new bank protection is intended to prevent the increase of the erosion and it is part of our mitigation measures in the area.



↓ Revegetation, afforestation and wetland restoration measures of Landsvirkjun or in collaboration with the company

Restoration of vegetation

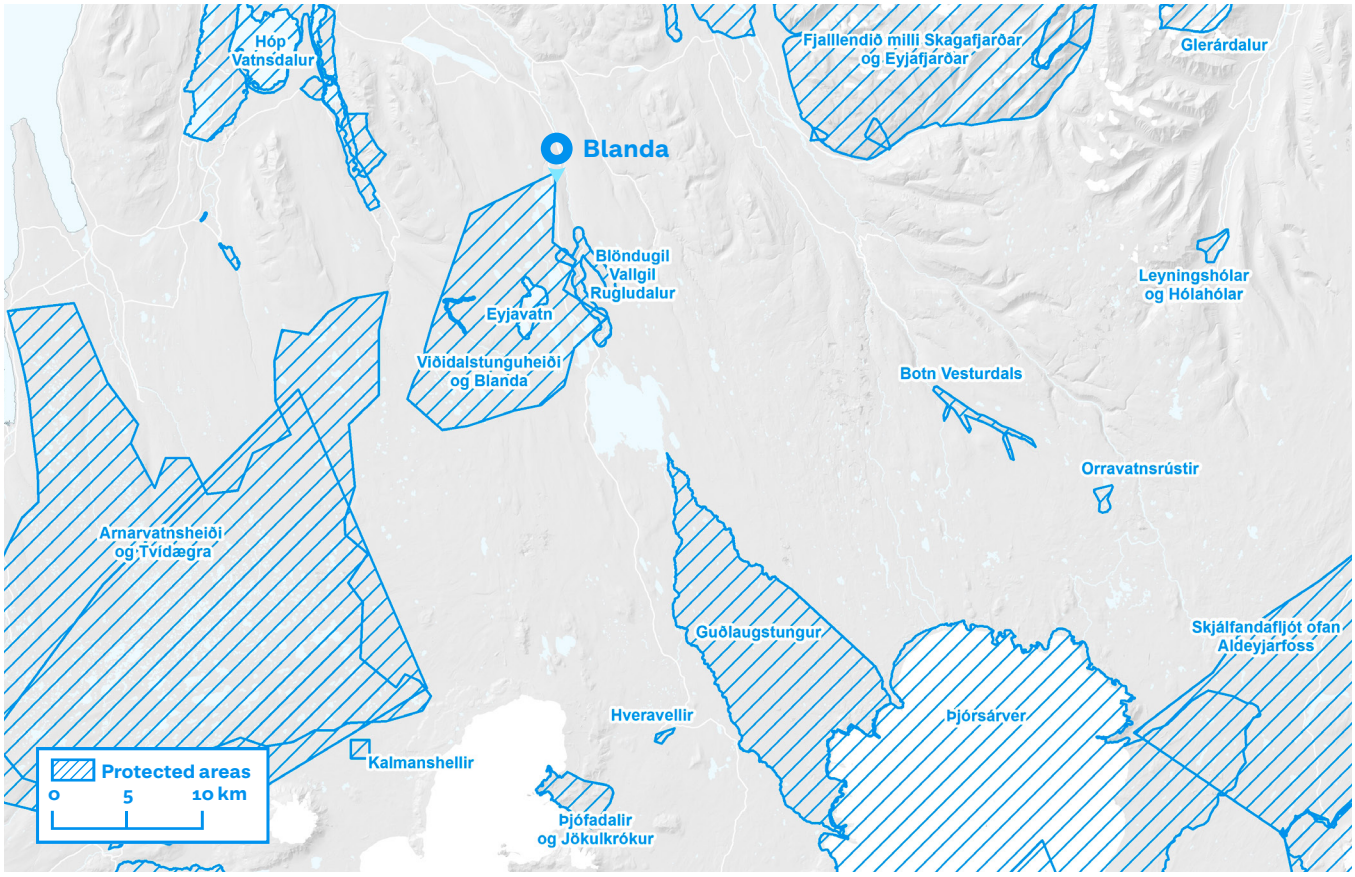
Since 1967 we have been involved in extensive collaboration with public bodies and NGOs on measures for land reclamation, forestry and wetland restoration. The collaboration aims to restore disturbed vegetation and land quality, strengthen vulnerable habitats of plants and animals and counteract natural soil erosion and sand drifts.

In connection with these projects we have gained valuable knowledge that we use to strengthen vegetation in all areas of the company's operations, regardless of whether our operations have a direct impact on the vegetation or not.

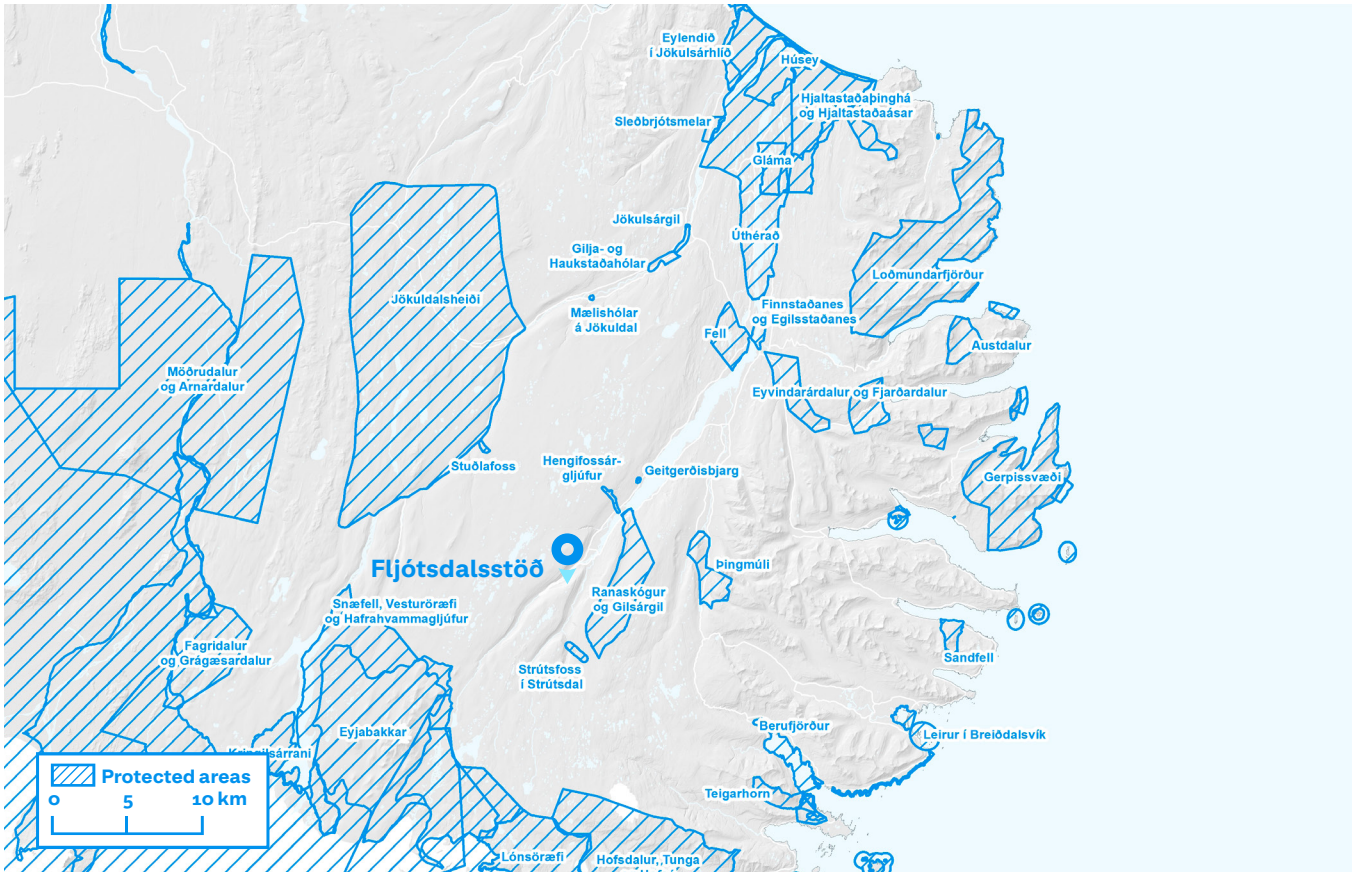
304-1 **Protected areas**

Our operations are located in the vicinity of numerous defined protected areas. The areas enjoy different levels of protection, from environmental protection of municipalities to being national parks. The areas enjoy protection for various reasons, such as due to a unique landscape, geology, ecosystem, cultural heritage or antiquities. We are well informed about these areas and work with the authorities and stakeholders to comply with the relevant provisions on protection in each area.

↓ Protected areas in the area of Blanda

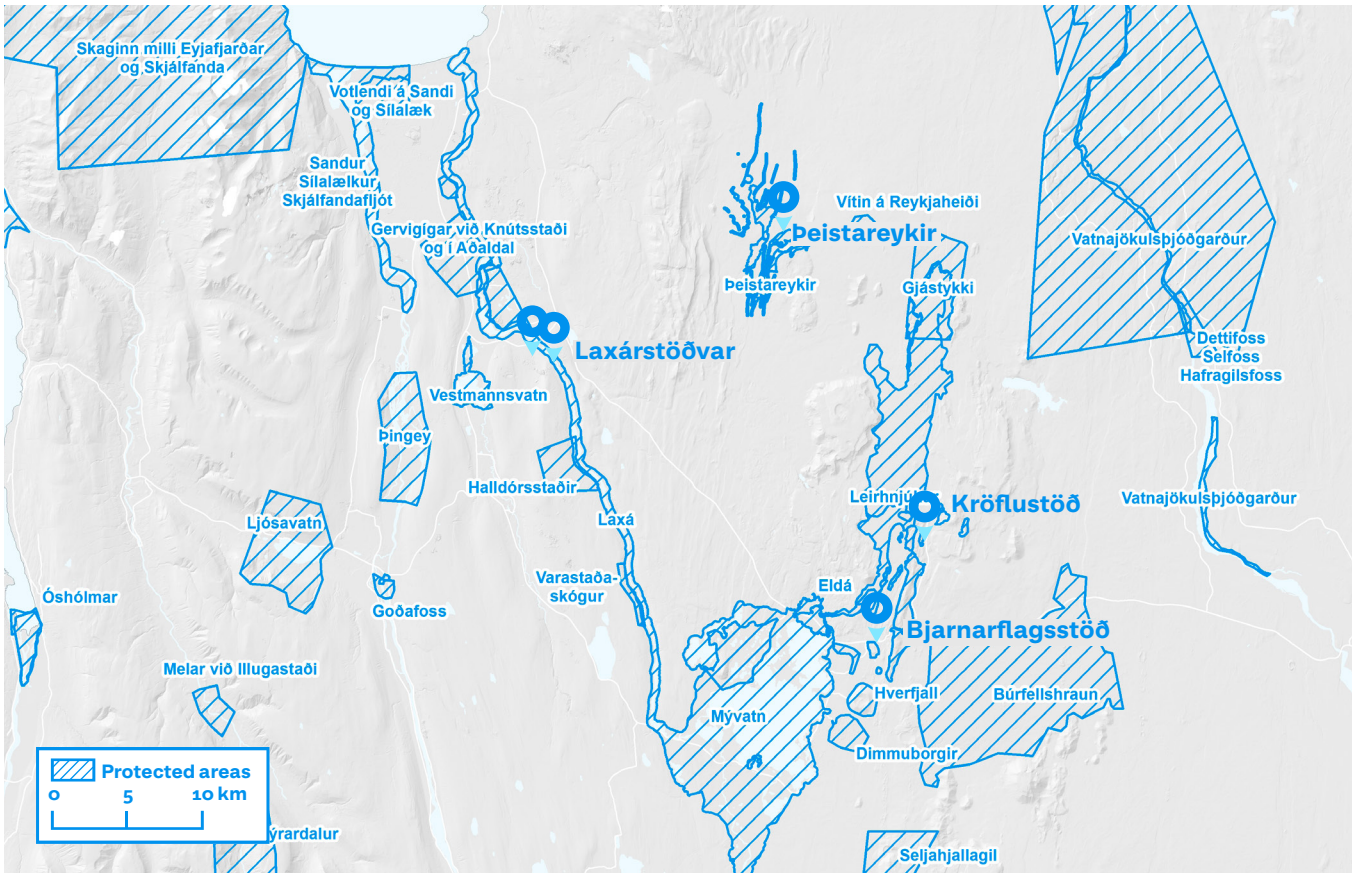


↓ Protected areas in the area of Fljótsdalur

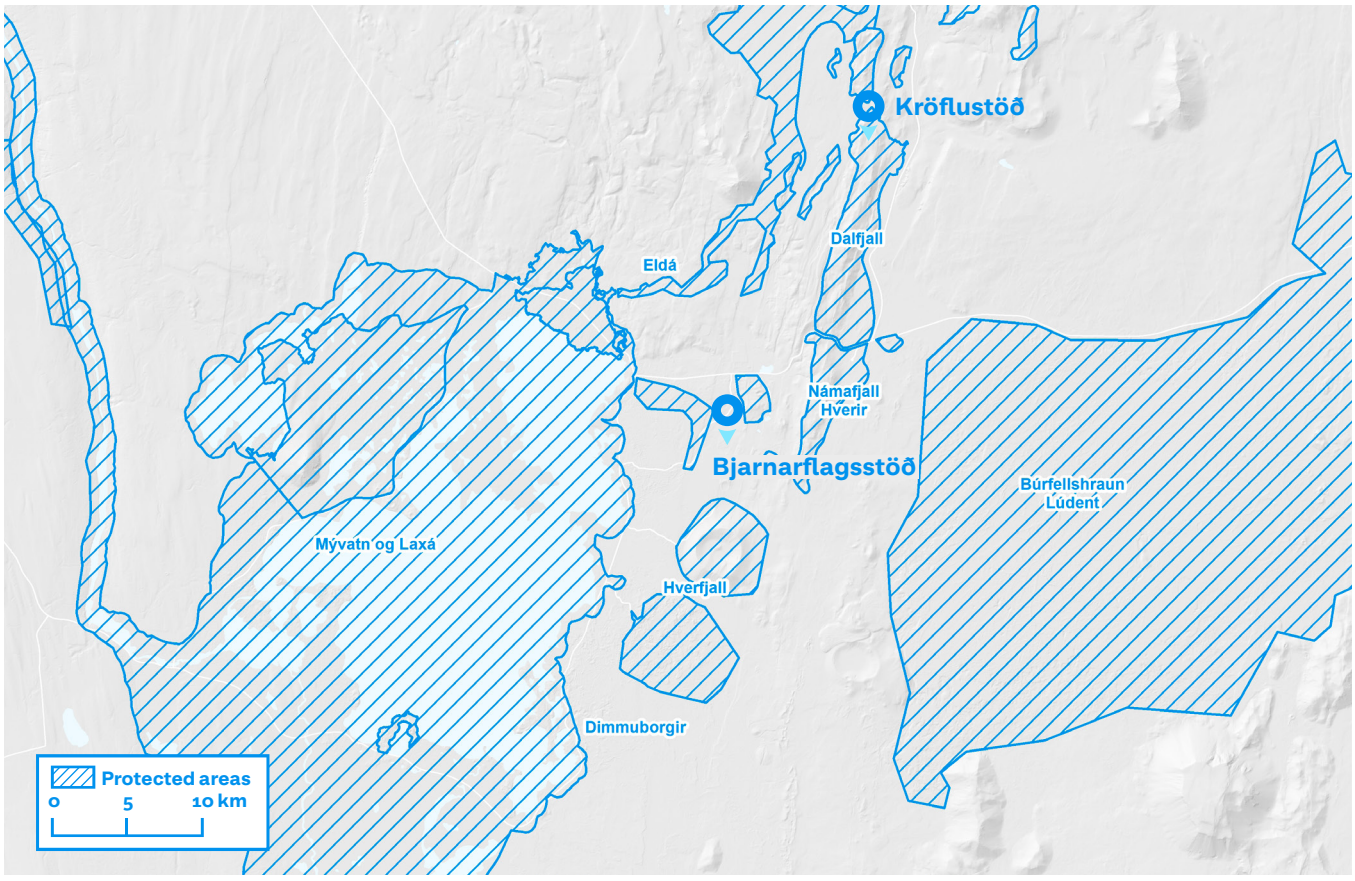


The map builds on data from Samsýn, the National Land Survey of Iceland, LUKR etc.

↓ Protected areas in the area of Krafla, Laxá and Theistareykir

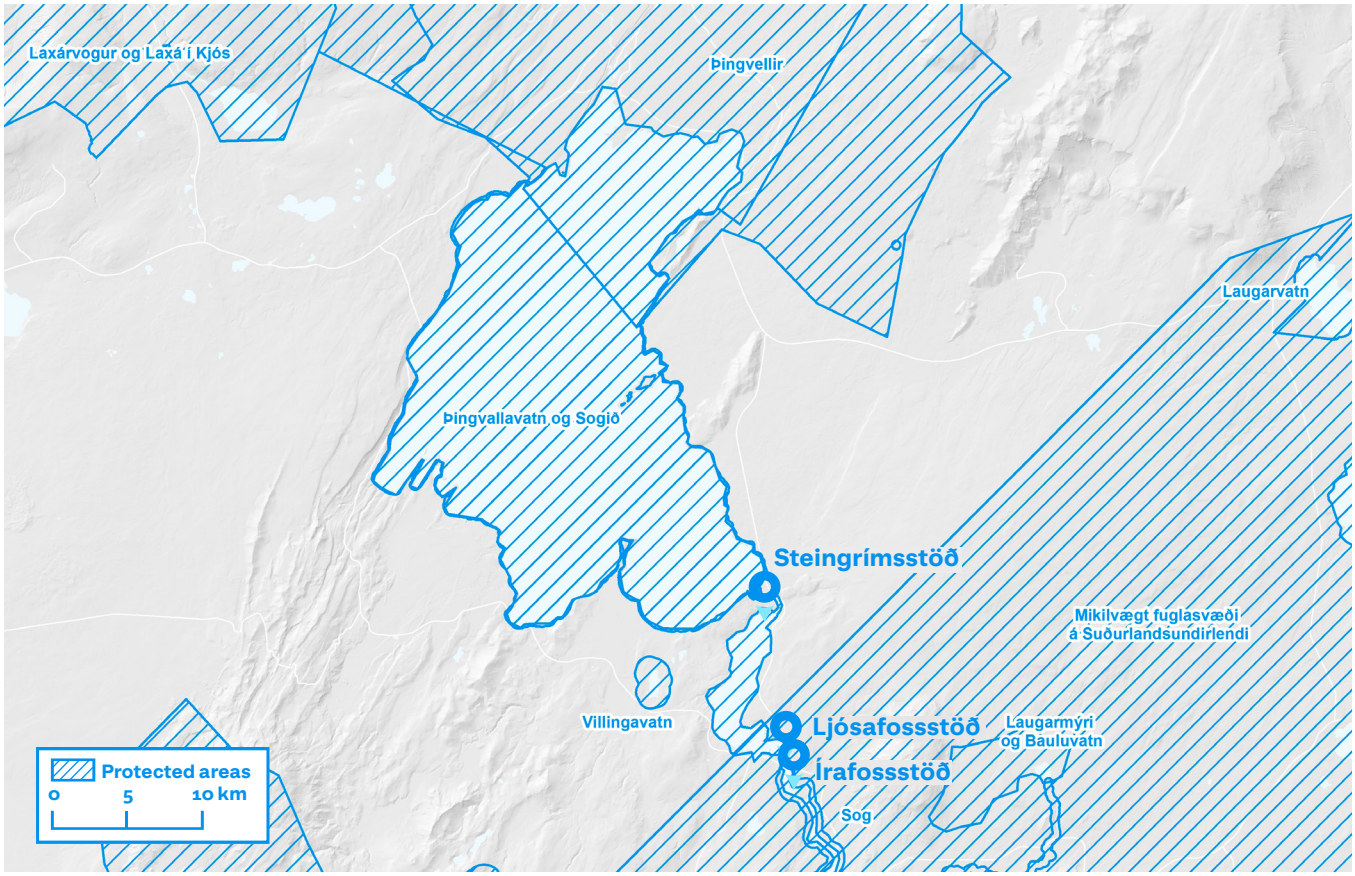


↓ Protected areas in the area of Krafla and Bjarnarflag

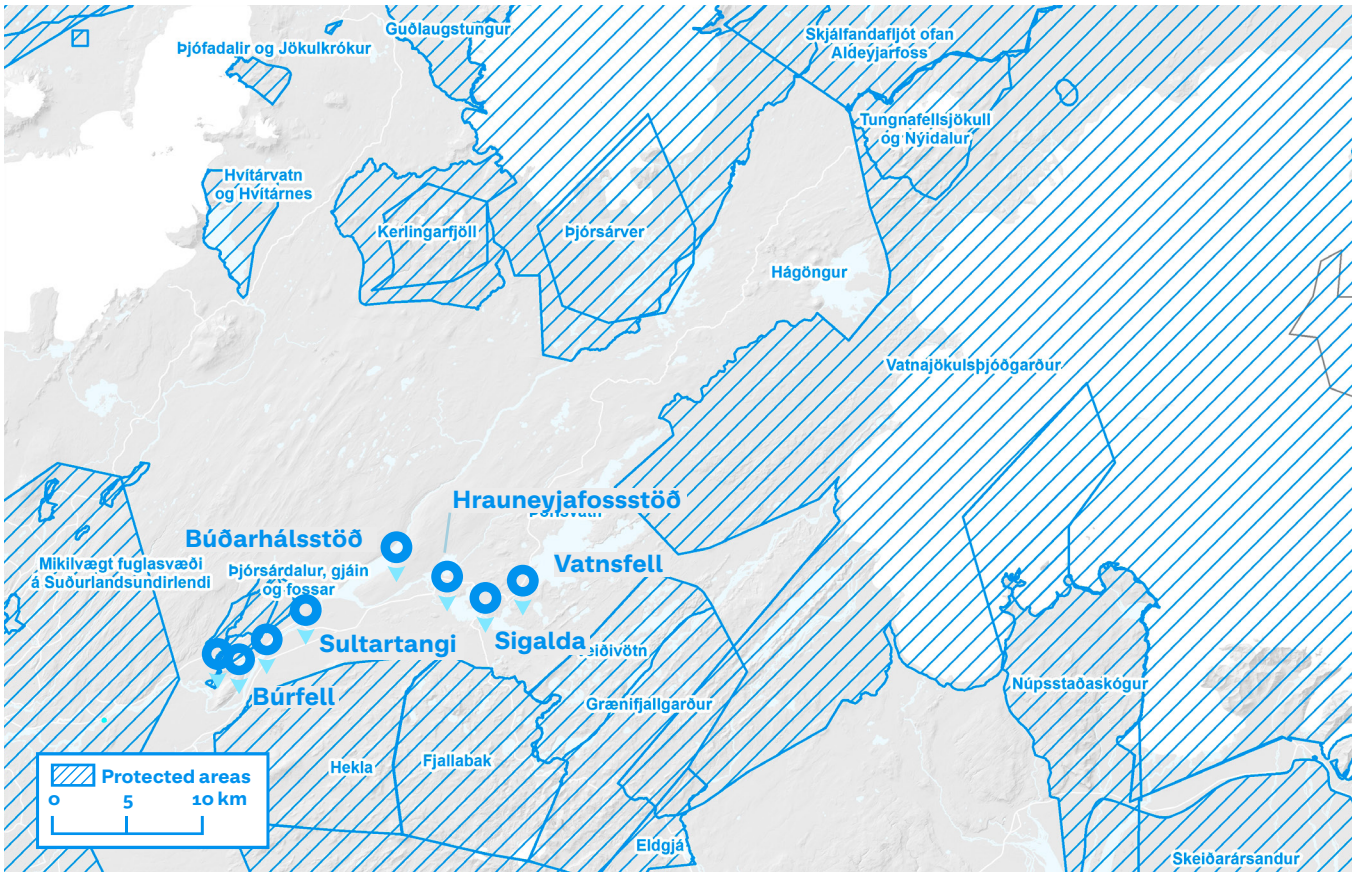


The map builds on data from Samsýn, the National Land Survey of Iceland, LUKR etc.

↓ Protected areas in the area of Sogid



↓ Protected areas in the area of Thjorsa



The map builds on data from Samsýn, the National Land Survey of Iceland, LUKR etc.

306-2
404-2

Recycling and disposal

During the year we focused on increasing our knowledge of waste management in Iceland. We conducted an analysis of all our waste categories, monitored how the waste was treated and identified opportunities for improvement. We used the data to increase oversight and for creating work processes. We also prepared educational material and held courses for the employees on the subject.

306-4

Waste treatment

We sort waste generated by our operations and have it treated by certified parties. According to law and regulation all hazardous waste is returned to certified parties to ensure their proper treatment. Companies that handle garbage collection and disposal for Landsvirkjun are all licensed by the Environment Agency.

Waste by type and method of disposal

- Recycling: 62 tonnes
- Composting: 32 tonnes
- Landscaping: 33 tonnes
- Hazardous waste for destruction: 22 tonnes
- Landfill or incineration: 55 tonnes

More detailed information on waste and hazardous waste can be found in our climate accounts.

Our establishments sort waste in accordance with the options proposed by waste management companies and the relevant municipalities. As there are fewer resources for sorting of waste, e.g. in smaller municipalities, we have worked with waste collectors to improve the service, which has also benefitted the surrounding communities.

Our People

102-7 We employ 270 full-time individuals who are the key to our positive results and success as a company. By safeguarding their knowledge, skills and well-being, we create a safe and positive working environment that benefits everyone.

102-8 202-2 The number of full-time equivalent positions at the end of 2020 was 263.86, of which men held just over 191 values and women nearly 73. The full-time equivalents of temporary employment at the end of the year were nearly 12. Thereof, women held almost nine values and men just over three. The number of full time (100%) employees was 260; 190 men and 70 women. The number of permanent part-time employees was 10; four men and six women. Our managers live in Iceland and know the society we work in very well.

405-1 ↓ Permanent employees at the end of 2020 (number of posts)

	Skilled workers	Specialists and project managers	Specialized office jobs	Managers	Various jobs
F	0,86 (1%)	36,8 (32%)	12,7 (100%)	12 (30%)	10,26 (68%)
M	80 (99%)	78,5 (68%)	0 (0%)	28 (70%)	4,75 (32%)
<30	2 (2%)	4 (3%)	0 (0%)	0 (0%)	1 (7%)
30-50	44,86 (55%)	60,8 (53%)	0 (0%)	25 (63%)	4,01 (27%)
>50	34 (42%)	50,50 (44%)	12,7 (100%)	15 (35%)	10 (67%)
Total	**80,86**	**115,30**	**12,7**	**40**	**15,01**

401-1 In the year we welcomed 11 new colleagues. The employee turnover was 9.56%.

↓ New hires

New hires	KVK	KK	Total
Number	5	6	11
Share	45%	55%	100%

Age distribution	<30	30-50	>50
Number	1	9	1
Share	9%	82%	9%

405-1 **Equal opportunities for all**

In our work we follow an action plan for gender equality. Amongst other the plan puts forward the objective that at the end of 2021 the share of female managers should be higher than 40%. At the end of 2020 the share of women in management positions was 34% and 25% in the management committee. The composition of Landsvirkjun's Board of Directors is governed by the Act on Public Limited Companies no. 2/1995, with the later amendment on the share of women on company boards, and women now represent 40% of the board.

405-2 We have a BSI-certified equal pay system in accordance with the equal pay standard ÍST 85:2012. A compliance certificate was issued this year confirming that our system was active and designed to ensure that gender equality was observed in the determination of wages. In 2020 we also received the Gold Standard of PwC for wage equality for the sixth year in a row. The total wages of men were 0.8% higher than the total wages of women and the difference is within the PwC thresholds.

404-3 Each of us undergoes two staff interviews a year with our manager. The interviews are part of a regular review on performance and job development and they have a different approach. In that way we create a regular forum to discuss how we are feeling as well as expectations, so we can identify challenges and evaluate performance, both as individuals as well as a whole.

403-6 **Mental and physical health**

403-7 The first step towards better health is to understand how we are feeling. Therefore, a part of our health-related preventions is to conduct a workplace analysis focusing on cultural, social, environmental and professional aspects, but these aspects can all impact our health and wellbeing. The analysis is conducted on a yearly basis at each work area and the conclusions are used to improve our work environment and develop our work culture.

403-3 The workplace analysis also brings us an enhanced understanding of how we can work on health protection in the workplace. Recently a contract was made with the company Audnast, which offers health related services for the protection of physical and mental health. Audnast is currently doing a psychosocial risk assessment of the work environment which will enable us to customize the monitoring of health-related aspects at each area of operations.

403-4 In 2020 we took care of the health of our people in the situation caused by the COVID-19 pandemic. Two surveys were conducted, focusing amongst other on mental well-being and communication between staff. The results were important to see how we can better support our people during these strange times. One part in that was holding fun virtual events in collaboration with the employee association.

403-6 We also encourage our people to continue improving their health by providing various health-related benefits. In addition, there are fitness facilities in most of our areas of operations and healthy food is on offer in the canteens.

403-5 **Safety in the workplace**

Safety training takes place regularly in all our areas of operations. For example, trainings in first aid, fire protection, hoisting, fall protection etc. The value of such training has been proven many times and helped people avoid accidents and react appropriately in difficult situations.

403-9 All our employees have accident insurance which provides protection during and outside working hours. The insurance takes effect if an accident causes disability. Contractor accident insurance is specifically outlined in contractor agreements. During the year, one occupational accident, which led to absence from work, was reported. The H-value for the year 403-10 2020 is 0.32, but the H-value is the number of accidents leading to absence, divided by the total hours worked, times 200,000 hours. No work-related illnesses were reported during the year.

403-8 We have a certified occupational, health and safety system, ISO 45001:2018. We also work 403-1 in accordance with an occupational health and safety policy, but the policy is currently 403-2 undergoing revision and new performance indicators are being added. Risk assessment, processing of suggestions and root analysis of incidents are important factors in preventing incidents and accidents. Recently, a new suggestion system was created and an incident dashboard is in development.

Training from the first day until retirement

404-2 403-5 Everyone who starts working for us is offered a newcomer course. The course takes place through an electronic training portal, which also provides training for staff, both optional and compulsory trainings that enhance staff's knowledge of the operations and competence in their own field. The course material also supports training of staff in occupational health and safety as well as work environment matters.

Numerous other courses and training is available for our people, either at the initiative of the company or themselves. We collaborate with numerous external parties on such courses, such as IÐAN education center, the Technical College and the continuing education (CE) institute, to name a few. Part of the training work is doing bi-annual requirement analyses among staff that are used to develop an educational program.

404-2 The course *Tímamót* is offered to those who are beginning to prepare for retirement. The course highlights the opportunities and options that this milestone brings and attention is put on basic aspects such as nutrition, finances and mindset.

404-1 On average, each employee spent 19.6 hours in training and education during the year.

Rights and benefits

401-2 403-6 305-1 Our staff enjoys various benefits at work. Those who are permanent and/or full-time employees are offered a yearly health examination as well as receiving financial support to cover fitness-related expenses. Employees with temporary contracts and/or in part time jobs can also use these benefits under certain pretexts. We also offer transportation subsidies for those who undertake to travel in an environmentally friendly manner to and from work on average three days a week.

We pay the cost of eye examination of staff according to the price list of ophthalmologists and their contract with the Social Insurance Administration. We also pay for screening for uterus and breast cancer.

401-3 The right to maternity and parental leave is bound by law in Iceland and all Landsvirkjun employees may apply for leave under the rights defined in the law. The total number of employees who took maternity leave in 2020 was 18, thereof five women and 13 men. At the end of the year two employees had not returned from maternity leave, both of which were women.

Wages and collective agreements

102-41 402-1 201-3 Landsvirkjun's employees are paid according to collective agreements, with the exception of the CEO and senior management. The minimum notice period for permanent employees is three months.

102-9 The notice period and minimum wage are specified in wage agreements. We follow the law no. 129 of 23. December 1997 on compulsory insurance of pension rights and the activities of pension funds. All our contracts contain provisions on chain liability. That means that all those who work for Landsvirkjun indirectly, e.g. through contractors, subcontractors or temporary work agencies, enjoy rights and wages in accordance with laws and collective agreements.