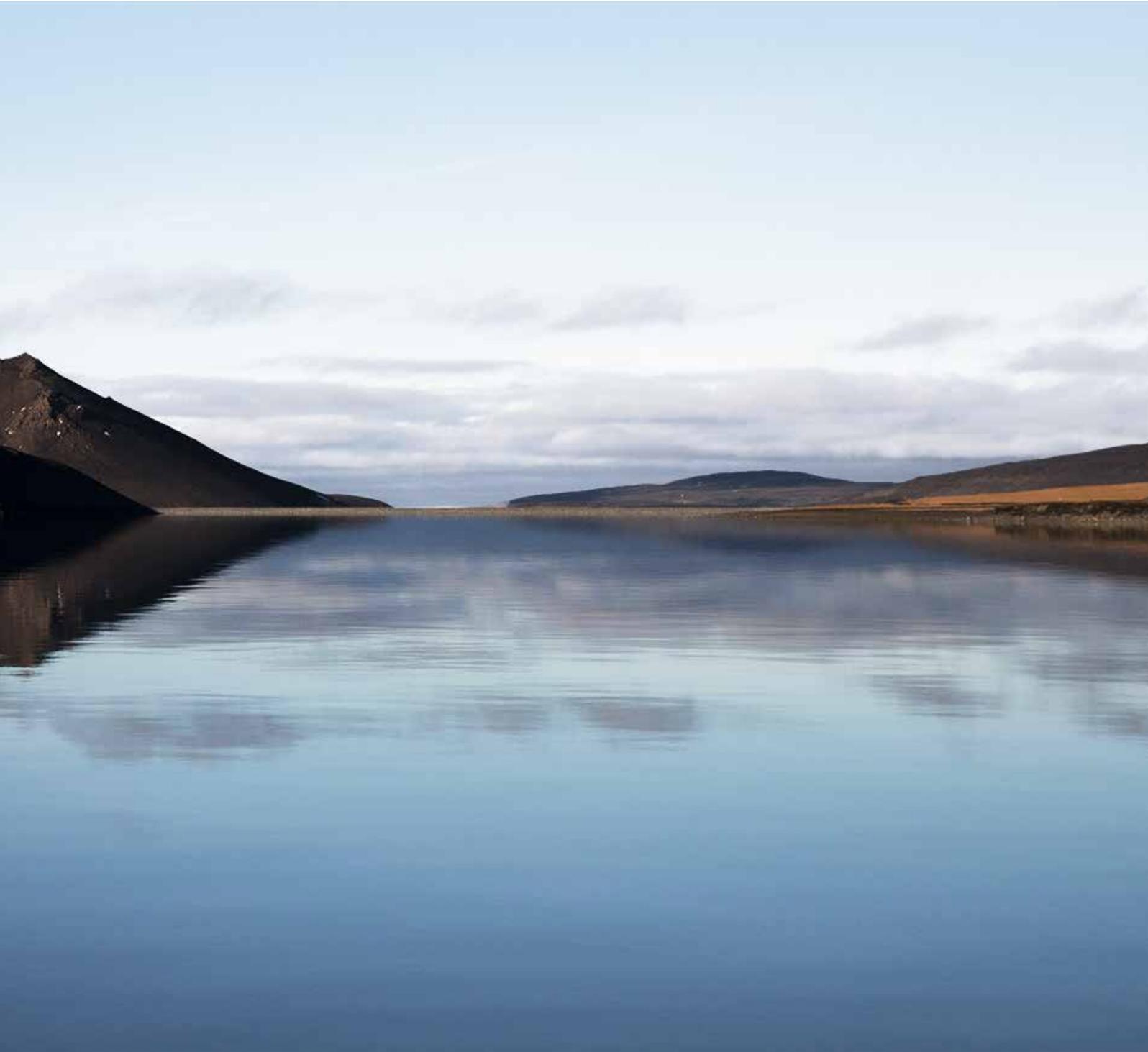




Landsvirkjun
National Power Company of Iceland

UN Global Compact

Communication on Progress





Háslón Reservoir in the northern highlands serves Landsvirkjun's largest power station, the 690 MW Fljótsdalsstöð. One of the world's longest tunnel systems connects the reservoir to the station 600 metres below the reservoir.

Letter from the CEO



Landsvirkjun signed the UN Global Compact in November, 2013 following the formal establishment of the Company's Corporate Social Responsibility (CSR) Policy. During the course of 2014 we have taken steps to integrate the Global Compact's principles into our CSR policy, covering our own operations as well as our value chain.

Landsvirkjun's CSR work builds on the Company's long history of socially and environmentally responsible operations and I am pleased to confirm our continued support of the ten principles of the Global Compact with respect to human rights, labour, the environment and anti-corruption.

Since joining the Global Compact we have become involved with the initiative's Nordic network. We were pleased to participate in the network's meeting in Oslo in May 2014 and look forward to future exchanges with our fellow Nordic members.

As part of the CSR Policy implementation, we published our Code of Conduct in 2013. The Code formalises and outlines the foundations on which we

work at Landsvirkjun and our commitment to strong ethics, integrity and responsible business practices.

In the interest of clarity we chose to communicate this first Communication on Progress report (COP) through this dedicated, stand-alone, report. This first COP focuses on the implementation of our CSR Policy into our strategy and daily operations, with a key focus on areas concerning the Global Compact's principles. This COP covers our activities since the establishment of Landsvirkjun's CSR Policy in early 2013 until the end of September 2014, excluding the chapter on the environment, which only covers activities in 2013. As we move forward, we aim to further align our COPs with our annual corporate reporting process.

Your sincerely



Dr. Hóður Arnarson, CEO

About Landsvirkjun

Landsvirkjun, a state-owned company, is Iceland's largest electricity generator. The Company processes 75% of all electricity used in Iceland. The energy generated by Landsvirkjun is 100% renewable with a key focus on hydroelectric and geothermal power. Recently the Company also started exploring the feasibility of wind power by erecting two wind turbines.

In addition to serving the Icelandic market, Landsvirkjun is committed to offering the most competitive renewable energy contracts in Europe. The Company thereby contributes to sustainable business operations around the world. The Company's values, prudence, progressiveness and reliability are key elements in the development of new projects and in the operations of existing power stations.

Landsvirkjun aspires to become a leader in the sustainable use of renewable energy sources. The Company consistently strives to maximise the potential yield and value of the natural resources it has been entrusted with in a sustainable, responsible and efficient manner.

Landsvirkjun's operations are certified according to the following standards:

- > ISO 9001 (Quality Management System)
 - > ISO 14001 (Environmental Management System)
 - > ISO 27001 (Information Security Management System)
 - > OHSAS 18001 (Occupational Health and Safety)
-



Deep inside the Mountain

The power station at Fljótsdalur in NE-Iceland, is Landsvirkjun's largest station, with an installed capacity of 690 MW. The station is buried 1000 metres inside the mountain whereas the office buildings and reception area can be seen at the surface.

Landsvirkjun's CSR Policy

Building on years of socially and environmentally responsible operations, Landsvirkjun formalised its CSR Policy in 2013.

The Policy builds on the following six focus areas:

- > Corporate Governance
 - > Responsible Value Chain
 - > The Environment
 - > Health and Safety
 - > Society
 - > Knowledge Dissemination
-

Each year Landsvirkjun sets new goals in these focus areas and reports on progress in its Annual Report and on its website. The implementation of the policy has been further reinforced by Landsvirkjun's membership of the UN Global Compact in November 2013. A special focus has been put on integrating the UN Global Compact principles in Landsvirkjun's CSR Policy implementation during 2014 and this work will be further advanced in 2015.

The areas noted above are covered in this COP, which is organized through the focuses of the Global Compact's 10 principles.



Mývatn Nature Baths

Landsvirkjun produces renewable energy from both hydro and geothermal sources. The Company gives deference to society, the environment and business matters. The cooperation with the Mývatn Nature Baths is a prime example of how Landsvirkjun can work in collaboration with projects in its areas of operation.

Human and Labour Rights

Relevant UN Global Compact Principles

Businesses should:

1. Support and respect the protection of internationally proclaimed Human Rights.
 2. Make sure that they are not complicit in Human Rights abuses.
 3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
 4. Uphold the elimination of all forms of forced and compulsory labour.
 5. Uphold the effective abolition of child labour.
 6. Uphold the elimination of discrimination in respect of employment and occupation.
-

Landsvirkjun's promotion of human and labour rights is in all matters in line with Iceland's strong legal framework on those areas. The respect for human and labour rights is part of Iceland's Constitution and is further reinforced by EU regulations which are partly implemented via Iceland's membership of the European Economic Area (EEA) agreement.

Building on this solid legal ground, Landsvirkjun is committed to promoting issues of gender equality, employee development and promotion of human and labour rights through the Company's value chain (notably suppliers and business partners). This chapter gives an overview of key policies and initiatives that concern human and labour rights at Landsvirkjun.



Respect for Human Rights

Landsvirkjun actively promotes gender equality, employee development and human and labour rights throughout the Company's value chain.

Human Resources

In 2013, HR procedures were formalised including orientation procedures for new employees and retirement procedures. In 2014, performance interviews were introduced for all employees. Performance reviews are used to evaluate and assess the performance of individual employees on the job and to explore opportunities for further career development. Performance reviews are an integral part of Landsvirkjun's employees' development plan.

Gender Equality and Employee Development

In 2011, Landsvirkjun signed the Women's Empowerment Principles (WEP)¹, a joint initiative of the UN Global Compact and UN Women, to promote equality and the advancement of both sexes in the workplace, labour market and in society.

In 2013, Landsvirkjun was awarded the PWC Gold Standard for its efforts in reducing the gender pay gap from 12% in 2003 to 1.6% in 2012.

Landsvirkjun strives to achieve a better balance in gender distribution within the various operational areas of the business. One of the goals set for 2014 was achieving an increase in the proportion of female managers. However, the initial goal of 20% had not been met by the end of September, 2015. Further effort will be made in 2015 towards achieving this goal.

According to a 2013 employee survey, 91% of the Company's employees are satisfied or very satisfied at work. In order to further advance and formalise employee development, performance reviews were introduced in 2014.

The Value Chain

Landsvirkjun acknowledges that its social and environmental impact extends beyond its own operations. Enhancing responsibility in our value chain is one of the key focuses of our CSR Policy. We

strive to have a positive influence on our value chain, through our contracts, policies and initiatives. We are therefore in the process of strengthening our policies and processes to advance CSR work in the value chain with a key focus on our suppliers and business partners.

Landsvirkjun is currently revising its Code of Conduct for the supply chain. The Code addresses the relationship with suppliers and service providers including aspects related to human and labour rights.

In a similar vein we are in the process of establishing a policy for business integrity in our operations as a means to encourage all stakeholders to consider issues addressed by the UN Global Compact Principles.

Society Stakeholder Engagement

One of the pillars of Landsvirkjun's CSR Policy is building strong collaborative alliances with society, with the aim of ensuring societal and environmental benefits from the Company's operations.

In 2013, great efforts were made to develop an effective communication plan for proposed power projects in the northeast of Iceland. The aim of the communication plan is to minimise uncertainty and prevent any breakdown in communication between Landsvirkjun and its stakeholders.

Three stakeholder engagement meetings had been held in various parts of Iceland by the end of September, 2014. At least two additional meetings are planned in the last quarter of the year. This is in line with stakeholder engagement objectives set for 2014 and the goal of encouraging dialogue between Landsvirkjun and its stakeholders.

Health and Safety

Health and safety is one of the core focuses of Landsvirkjun's CSR Policy. Landsvirkjun's occupational health and safety (OHS) management system is certified in accordance with OHSAS

¹ <http://weprinciples.org/>

18001.² As part of its OHS management Landsvirkjun sets strict conditions for its contractors and sub-contractors, which are communicated through a dedicated manual, ‘Requirements Towards Contractors and Service Providers with Regard to Environment and Health and Safety Matters’.³

An important part of Landsvirkjun’s OHS efforts is the Company’s OHS Policy, which is included in the aforementioned manual. The key aims of the policy are the following (for the full version, please consult the manual):

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- > Preventing incidents and accidents.
 - > Ensuring compliance with all relevant laws and regulations in the area of OHS.
 - > Establishing action plans for hazard response and organizing their implementation when relevant.
 - > Maintaining employee knowledge and training in the area of OHS.
 - > Promoting good employee health, a pleasant working environment and good working conditions.
 - > Promoting collaboration between managers and other employees responsible for OHS matters.
 - > Ensuring effective management and continuous improvement in the area of OHS.
 - > Establishing measurable goals for OHS.
 - > Ensuring the commitment of Landsvirkjun’s management in actively promoting and implementing effective OHS practices.
-

Landsvirkjun’s work processes are specifically designed to promote safety and prevent accidents, accident-free operations being one of Landsvirkjun’s key targets. The Company does everything in its power to ensure that there are no accident related absences. The Company’s working methods are designed to prevent accidents and the Company works according to a zero tolerance policy. The Company closely follows the accident rate and publishes figures of accidents on a regular basis.

Landsvirkjun strives to achieve high standards and continuous improvements when it comes to health and safety during project development. Health and safety measures at the recently completed Búðarháls Hydropower Station included the following:

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- > Job specification (specific job description) as well as a risk assessment shall be provided before the start-up of the project.
 - > One safety manager shall be provided for every 100 on-site employees. However, a safety manager shall be provided once the total number of on-site employees reaches 10.
 - > Daily, early morning meetings shall be held to review risk assessments and shall be attended by all employees.
 - > Risk registers shall be updated on a monthly basis.
 - > Fire services, ambulance services and on-site health care shall be regulated by qualified public authorities.
-

² OHSAS is an internationally applied British Standard for occupational health and safety management systems.

³ http://www.landsvirkjun.com/Media/Landsvirkjun_Krofur_Baeklingur_English_vefur_OK.pdf

Code of Conduct

In 2013, Landsvirkjun published and implemented its Code of Conduct in order to formalise guidance on responsible business practices for employees and business associates. The document consists of nine categories as described below.

Work ethic

We conduct business in accordance with the highest ethical standards, advocating diligence, integrity and good judgement.

Equality and respect

Equality and human rights are core values in our business activities. We treat our co-workers and business associates with respect and professionalism.

Safety

We work in accordance with the highest safety standards in all our work activities and we comply with safety regulations at all times.

Data preservation and accounts

We ensure that all communication and documentation is recorded according to records management guidelines and regulations.

Conflict of interest

We operate with integrity and do not allow personal interests to affect our work for Landsvirkjun. We do not accept payments, gifts or benefits of any kind intended to influence or affect our judgement or business decisions. We actively oppose any form of corruption.

Confidential information

We handle all information and documentation carefully and protect the confidentiality of documents and data.

Communication

We engage in honest communication with our co-workers and stakeholders. We protect the reputation of Landsvirkjun in all outside communication.

Associates

We treat all our associates and stakeholders with respect and honesty. We require all our business associates to operate in accordance with applicable laws, regulations and standards. We ensure that Landsvirkjun is not indirectly involved in human rights violations.

The use of Company facilities

We advocate the responsible use of Company facilities and property. The personal use of Company assets requires a written agreement or the explicit permission of the appropriate party. We utilise IT in a responsible manner.

The Environment

Relevant UN Global Compact Principles

Businesses should:

1. Support a precautionary approach to environmental challenges.
 2. Undertake initiatives to promote greater environmental responsibility.
 3. Encourage the development and diffusion of environmentally friendly technologies.
-

Environmental matters are of key concern to Landsvirkjun, which is reflected in all of the Company's operations. Landsvirkjun operates according to an ISO 14001 certified Environmental Management System. The Company is committed to environmental leadership in all its business activities and to preventing any negative impact that might come as a direct result of its operations. Landsvirkjun is committed to the responsible utilisation of the natural resources it has been entrusted with.

This chapter provides an overview of the main areas of Landsvirkjun's environmental management, in line with the Global Compact's principles for the environment. The chapter puts key focus on performance in 2013. For further information, Landsvirkjun's full environmental report for 2013 can be consulted under <http://environmentalreport2013.landsvirkjun.com/>. The environmental report includes an annex with tables for key environmental indicators and other relevant numerical data.

The construction of new power stations causes disruption to the environment and human intervention in nature can have an effect on the ecosystem and society. Landsvirkjun is acutely aware of this and is therefore committed to sustainable energy generation in harmony with the environment and in consensus with society. Extensive research, better designs, effective mitigation measures, environmental monitoring and a clear environmental policy are all crucial factors in reducing the negative environmental impacts of our operations.

Landsvirkjun's Environmental Policy

Landsvirkjun is at the forefront of environmental issues and supports sustainable development within society.

- › Landsvirkjun is committed to increasing expertise and monitoring on the environmental impact of its operations and purposefully seeks out measures to reduce this. The Company strives to do better and therefore continually monitors certain environmental aspects with a view to consistently improving its efforts.
 - › Landsvirkjun ensures that every legal requirement relating to the environment is fulfilled and sets more stringent requirements upon the Company, as appropriate.
 - › Landsvirkjun ensures that its employees and all contractors employed by the Company have the expertise and ability to adhere to the Company's Environmental Policy.
 - › Landsvirkjun's environmental objectives are open to the public. The Company outlines its progress in environmental matters and in doing so supports open and constructive dialogue on these matters.
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Significant Events 2013

Blanda meets 'Proven Best Practice'

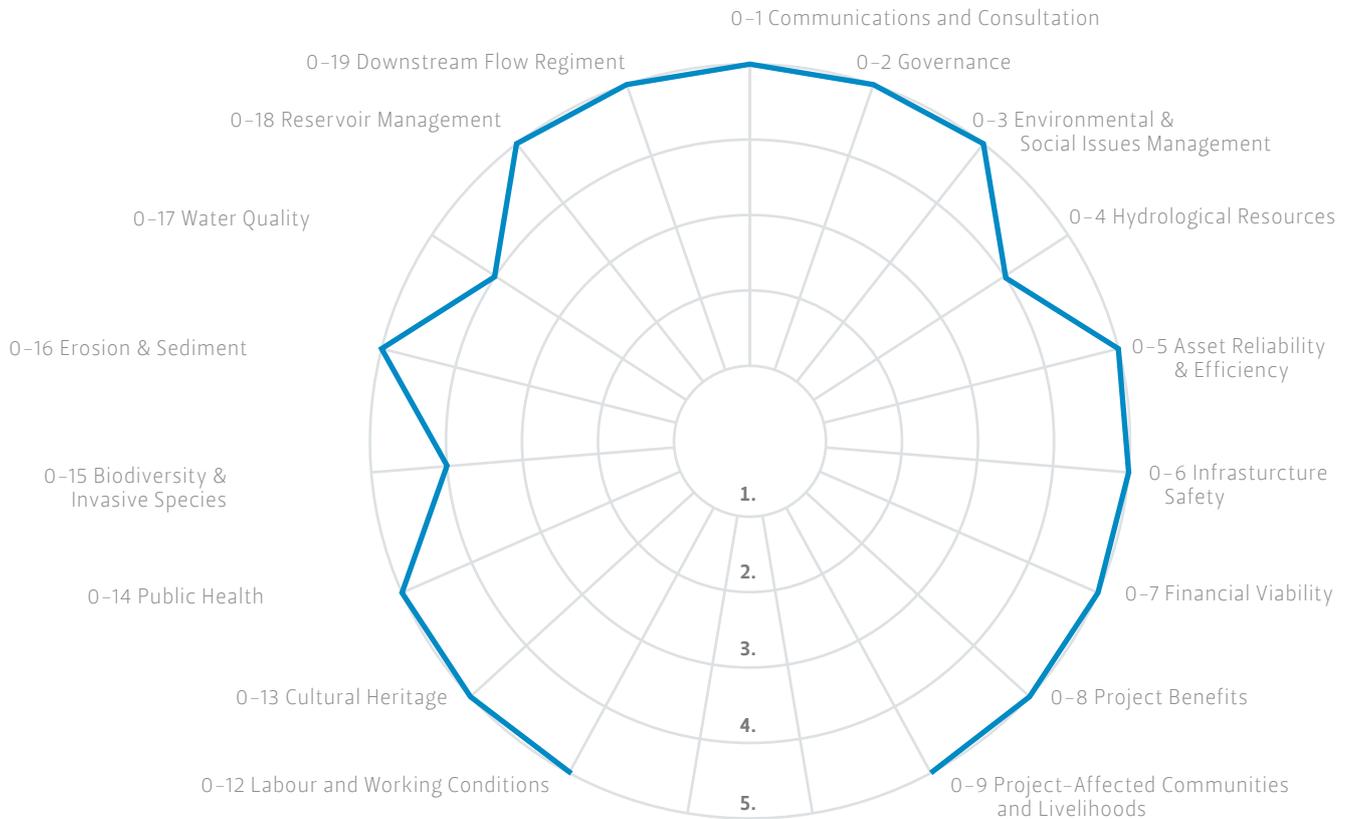
In 2013, an assessment was carried out on the operations of the Blanda Hydropower Station, in accordance with the Hydropower Sustainability Assessment Protocol (HSAP). The Protocol was first launched in 2011 and is built on 20 clearly defined topics assessing the sustainability of hydropower stations. It is to date the only specific protocol to assess the sustainability of hydropower. The Blanda Hydropower Station is located in the northwest of Iceland and came on-line in 1991. The installed capacity is 150 MW and the generation capacity is 910 GWh per year.

The assessment was comprehensive and took place at the Blanda Hydropower Station and at Landsvirkjun's headquarters in Reykjavík. The assessment was

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Spider-Diagram showing the results of the assessment at Blanda Hydropower Station

In March 2014, Dr. Joerg Hartmann, the lead assessor from the Blanda assessment came to Iceland on behalf of Landsvirkjun. He took part in several meetings introducing the Protocol in general as well as the Blanda assessment for among others; Landsvirkjun's employees, other energy companies in Iceland, relevant agencies and Ministries.



1. More than one significant gap against basic good practice
2. One significant gap against basic good practice
3. Meets basic good practice with more than one significant gap against proven best practice
4. Meets basic practice with one significant gap against proven good practice
5. Meets basic good practice and proven best practice

carried out by three international experts who assessed detailed data on the operation of the Station. The team interviewed both Landsvirkjun employees and over 30 individual representatives from the various stakeholder groups: agencies, municipalities, companies and organizations. The protocol assessed 17 differing topics, pertaining to the operation of Blanda, in order to assess the sustainability of the hydropower project when compared with international standards on sustainable development. Topics included: Communications and Consultation, Environmental and Social Issues Management, Hydrological resource, Labour and Working Conditions, Biodiversity and invasive species and Erosion and Sedimentation.

The results of the assessment showed that Blanda meets 'Proven Best Practice' on 14 out of 17 topics

assessed using the Protocol. Blanda exceeds 'Basic Good Practice' on all 3 remaining topics, each of these with only one significant gap against proven best practice. The assessment found Blanda to be outstanding in the sustainable use of hydropower and in some areas even considered the best standard found worldwide. The report on the assessment can be found on http://www.hydrosustainability.org/IHAHydro4Life/media/ProtocolAssessments/PDF%20Reports/Blanda-Assessment_Final-Report-Dec-10-2013_1.pdf?ext=.pdf

Completion of the Búðarháls Hydropower Station

A milestone was reached in Landsvirkjun's history when construction was completed on the Búðarháls Hydropower Station. The Station is the sixth station to be constructed in the Company's most extensive

operational area, the Þjórsá and Tungnaá area. On-site safety and environmental issues have been exemplary at Búðarháls since the project began. Inspectors from Landsvirkjun and the contractors closely supervised the strict implementation of safety issues and the responsible treatment of the environment on-site.

The Búðarháls area was constructed with minimal disruption when compared with utilising new areas. All concrete aggregates were sourced on-site, old quarries were reused and land disturbance was minimised by channeling the water through a tunnel. Materials extracted from the tunnel were used to landscape the surrounding area and any submerged land was replaced by new re-vegetated land.

Successful Operations of Landsvirkjun's First Wind Turbines

The first wind turbines erected by Landsvirkjun, and the largest of their kind in Iceland, have been successfully operated since the end of January 2013. There are clear indications that Iceland is an advantageous location for electricity generation utilising wind power.

Sustainable Use of Natural Resources

Below is an overview of the sources for electricity generation including their share in total electricity generation. All the electricity generated by Landsvirkjun comes from renewable energy sources.

Electricity generation

Hydropower

In 2013, 12,337 GWh of electricity was generated utilising hydropower. Hydropower accounts for approx. 96% of Landsvirkjun's total electricity generation.

Geothermal energy

In 2013, 500.5 GWh of electricity was generated from geothermal energy. Geothermal energy accounts for approx. 4% of Landsvirkjun's total electricity generation.

Wind energy

In 2013, Landsvirkjun erected two wind turbines in the Hafið area, to the north of Búrfell, for research purposes. Their combined capacity is 5.5 GWh or approx. 0.04% of Landsvirkjun's total generation capacity.

Emissions, Effluents and Waste

Sorting of Waste Materials

It is Landsvirkjun's objective to increase the amount of recycling and thereby reduce general unsorted waste that is landfilled or incinerated. Landsvirkjun sorts all of the waste at its operational sites. Sorting measures were implemented between 2004 and 2008 and have since then been registered in the Company's green accounts. Approximately 276 tonnes of waste were sent away for recycling or reuse, approx. 35 tonnes were sent away for disposal (mostly landfilled) and approx. 6 tonnes of hazardous materials were sent away for disposal.

Greenhouse Gas (GHG) Emissions

Landsvirkjun utilises renewable energy resources to generate electricity and the Company is committed to becoming carbon neutral. The total quantity of GHG emissions from Landsvirkjun's operations in 2013 was approx. 49 thousand tonnes of CO₂ equivalent. This is 12% less than in 2012 and 20% less than in 2009. The largest source of greenhouse gas (GHG) emissions can be traced to Landsvirkjun's geothermal power stations, which account for 68% of emissions. The reservoirs at the Company's hydropower stations are the second largest source of GHG emissions, comprising 30% of the total emissions. The remaining 2% are due to the burning of fossil fuels, air travel and waste disposal.

Landsvirkjun has been involved in extensive land reclamation and re-forestation of the areas surrounding its power stations for over forty years. The aim of land reclamation was to reinstate land quality, reduce disturbance to vegetated areas and stop soil erosion and vegetation destruction. An effort aimed at neutralizing GHG emission via larger scale

carbon sequestration started in 2011 including soil conservation and afforestation.

An objective for 2013 was the reduction of GHG emissions and carbon neutralisation via larger scale carbon capturing measures than those in current use. Important steps were taken during 2013 to reduce or neutralise GHG emissions, including soil conservation and reforestation. An agreement was reached with the Iceland Forest Service and Soil Conservation Agency on two new areas of carbon sequestration. It is estimated that carbon binding will reach 2.5 T carbon / ha per year, within a decade. In addition, CO₂ emissions from transportation, air travel and the disposal of waste (in total approx. 1,027 tonnes of CO₂-eq) were offset through the Iceland Carbon Fund (Kolviður).

Another objective for 2013 was increasing expertise on the environmental impact of geothermal

energy utilisation, to further decrease the effects of geothermal power stations on the environment. During 2013 monitoring was increased on hydrogen sulphide levels. Hydrogen sulphide emissions are an unavoidable factor in the utilisation of geothermal energy in Iceland. The concentration of hydrogen sulphide, measured in Reykjahlíð, did not surpass public health limits in 2013. Measurements on the concentration of hydrogen sulphide in the air are now accessible in real time on the Landsvirkjun website (<http://www.landsvirkjun.com/research-development/environmentalmonitoring>). In addition, Landsvirkjun took part in a number of research projects in order to further expertise on the environmental impact of geothermal utilisation. Information on the various research projects can be found in Landsvirkjun's Annual Report for 2013 (<http://annualreport2013.landsvirkjun.com/>).

In 2014, a transport strategy was launched for



Wind Turbines

Landsvirkjun operates two 0.9 MW wind turbines for research purposes, the first of their kind in Iceland. Preliminary results suggest that over 40% efficiency can be obtained, well above the global average.

Landsvirkjun: It is Landsvirkjun's policy to reduce the effects of transportation on the environment and on air quality by reducing the use of fossil fuels in vehicles owned by the Company and to compensate for any unavoidable emissions via carbon binding measures in vegetation. Landsvirkjun is also committed to being an active participant in Iceland's initiative towards energy conversion in transportation.

The focus in recent years has been on the efficient use of fossil fuels, in order to reduce GHG emissions from Landsvirkjun's car fleet. Recent technological developments in the field of non-fossil fuel energy has enabled Landsvirkjun to take its first steps in replacing fossil fuels with more environmentally friendly fuel options.

Effects on the Natural Environment and Visual Aspects

Extensive monitoring on the ecosystem

Disturbance to the surroundings is unavoidable in Landsvirkjun's operations. The Company carries out extensive monitoring and research on the affected areas of its power stations with the objective of assessing any environmental impact from its operations. The most extensive research is carried out on the ecosystem including river biota and birdlife, alongside reindeer monitoring.

Various universities, research institutes and independent experts, in cooperation with Landsvirkjun, carry out the research. A complete overview of results is published in Landsvirkjun's environmental report (<http://www.landsvirkjun.com/researchdevelopment/environmentalmonitoring>).

Visual impact and landscape

All construction work carried out by Landsvirkjun and its operations are accompanied by unavoidable disturbance to the natural environment and larger projects can have a significant visual impact.

In order to minimise this visual disturbance Landsvirkjun employed a landscape architect in 2012. The work focuses on landscaping, the appearance of the environment, the design of structures and work in connection with new projects and landscape analysis.

A number of projects, pertaining to visual aspects, were active in 2013. These included landscape analysis of the waterway for the potential power project at Blanda, alongside research projects on landscaping and the visual impact of construction work on power projects at Bjarnarflag and Þeistareykir.

The Sustainability Initiative

<http://en.sjalbfaerni.is/>

Alcoa and Landsvirkjun launched the Sustainability Initiative in 2004 during the early stages of construction at the Fljótsdalur Hydropower Station and the Fjarðaál smelter in Reyðarfjörður. These were large-scale projects and there was therefore some concern as to their impact on Icelandic society, the environment and the economy.

The objective of the initiative is to support sustainable development with the aim of maximising the positive effects of the projects and minimising any negative impact.

The initiative was in fact a pilot project both in Iceland and at the international level and no model could be found for a project of this kind. Icelandic and international contractors were hired to assist the companies with the design and outline of the project and indicators were developed to address the main concerns on the outcome of the projects. Furthermore, the companies requested participation from a wide range of stakeholders through an advisory group.

While the Sustainability Initiative focuses on the local level, it also has a broader context that coincides with national, regional, and international sustainable development strategies such as Iceland's Welfare for the Future, the Nordic Strategy, and the principles of Agenda 21.

The Fljótsdalur Hydropower Station (which utilises water from the Kárahnjúkar Dam/Reservoir to generate electricity) and the Alcoa Fjarðaál smelter are now in full operation and the initiative is ongoing. The initiative is a wide collaboration between Landsvirkjun, Alcoa, municipalities, NGOs, research institutes and various universities. An open annual meeting is held to update the public on the initiative and the homepage is regularly updated as new data becomes available.

Landsvirkjun and Alcoa are committed to monitoring the 45 sustainability indicators as well as publishing information on the development of the issues at stake. The companies are also committed to implementing procedures to mitigate any negative impact considered to be a direct consequence of their operations. The companies will periodically revise these indicators and implement any necessary changes. All changes need to be reviewed by the initiative's stakeholder group.

Anti-corruption

Relevant UN Global Compact Principles

Businesses should:

- 10.** Work against corruption in all its forms, including extortion and bribery.
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One of the focuses of Landsvirkjun's Code of Conduct is the topic of conflict of interest. The Code states the following:

- > **Conflict of interest** - We operate with integrity and do not allow personal interests to affect our work for Landsvirkjun. We do not accept payments, gifts or benefits of any kind intended to influence or affect our judgment or business decisions. At Landsvirkjun, we actively oppose any form of corruption.
-

The Code of Conduct was implemented in early 2014.

In addition, the ongoing projects described in the section on the value chain address this issue and provide a platform for Landsvirkjun to encourage the Company's value chain to work in an ethical manner.

Blöndulón

The Blanda Reservoir is one of Iceland's largest lakes by area, at 57 km². It is located on a rocky and desolate plateau in the Northwestern part of the country. Landsvirkjun's extensive land reclamation program aims to increase vegetation to counteract wind erosion around the largely man-made lake.



Other Important CSR Work

Knowledge Dissemination

Investing in Innovation

In 2014, Landsvirkjun took part in setting up Startup Energy Reykjavík, an investment program for energy related companies at seed stage, in order to show its active support for knowledge sharing and innovation. The program, which runs for 10 weeks once a year, offers participants the opportunity to be mentored by a group of 50 experts from the science and business world and the opportunity to present their ideas to potential investors. Seven companies were awarded \$40,000, via the program, to assist them in developing innovative ventures in the field of energy.

Promoting Access to Landsvirkjun's Research

Every year Landsvirkjun initiates the development of a number of studies and research reports, the majority of which is developed in collaboration with consultants and researchers. A decision was made in 2013 to publish these reports via the electronic search engine gegnir.is and therefore making them publicly available. More than 300 reports have been published so far.

Promoting Knowledge via the Energy Research Fund

Landsvirkjun's Energy Research Fund was founded in 2008. The fund's goal is to strengthen research in the fields of environmental and energy affairs and to award grants to students, university research projects, institutions, companies and individuals researching these areas. In 2014, the amount of 56 million ISK was awarded to various projects. A similar amount was awarded in the previous year.

Promoting Cooperation with the University Environment

In line with its objective of promoting cooperation with the university environment, Landsvirkjun joined forces with Reykjavik University and the University of Iceland in July 2013 to support and

encourage the development of expertise within the field of renewable energy. As part of the cooperation Landsvirkjun has pledged 80 million ISK to university education over a five year period to promote university education and research in geochemistry, electric power engineering and other relevant academic disciplines within the universities.

In October 2013 Landsvirkjun and the Institute of Economic Studies joined forces in an effort to support and encourage research within the field of business and economics, pertaining to energy generation. The collaboration aims at increasing public knowledge and awareness of the significance of these factors to the economy. Landsvirkjun will contribute 24 million ISK to the Institute of Economic Studies over a three year period.

Community Fund

Every year Landsvirkjun supports various social projects and provides grants to causes with broad community relevance and potential to positively impact Icelandic society. The Company has supported a number of causes, including various charities, cultural and educational projects and sports and leisure activities. In 2013 a total of 13.550.000 ISK was granted.¹

Promoting CSR in Iceland

Landsvirkjun is one of six founding members of Festa – the Icelandic Center for CSR, as well as a member of its board. Landsvirkjun plays an active role in Festa by sharing its experience of implementing its CSR policy with other Icelandic companies and by encouraging other Icelandic companies to formalise and implement CSR policies.

¹ <http://www.landsvirkjun.com/societyenvironment/society/community-fund/> note that the overview of grants is in Icelandic only.



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