

HOW TO ENSURE A COMPLIANCE CULTURE IN PRACTICE –FIVE KEY STEPS

Oslo, 12 May 2021



STATKRAFT

Statkraft at a glance

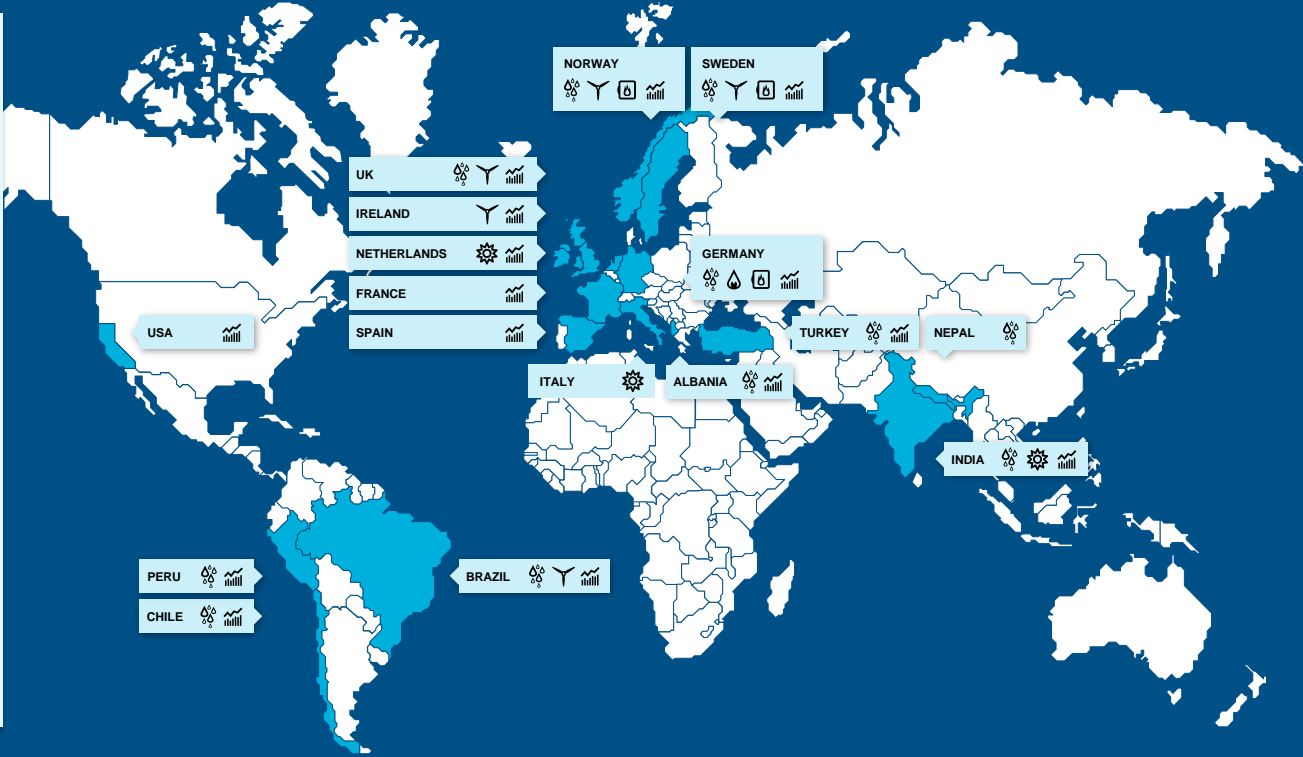
Own capacity
19 700 MW
61 TWh → 93% renewable

.....

Third party capacity
28 000 MW
100 % renewable

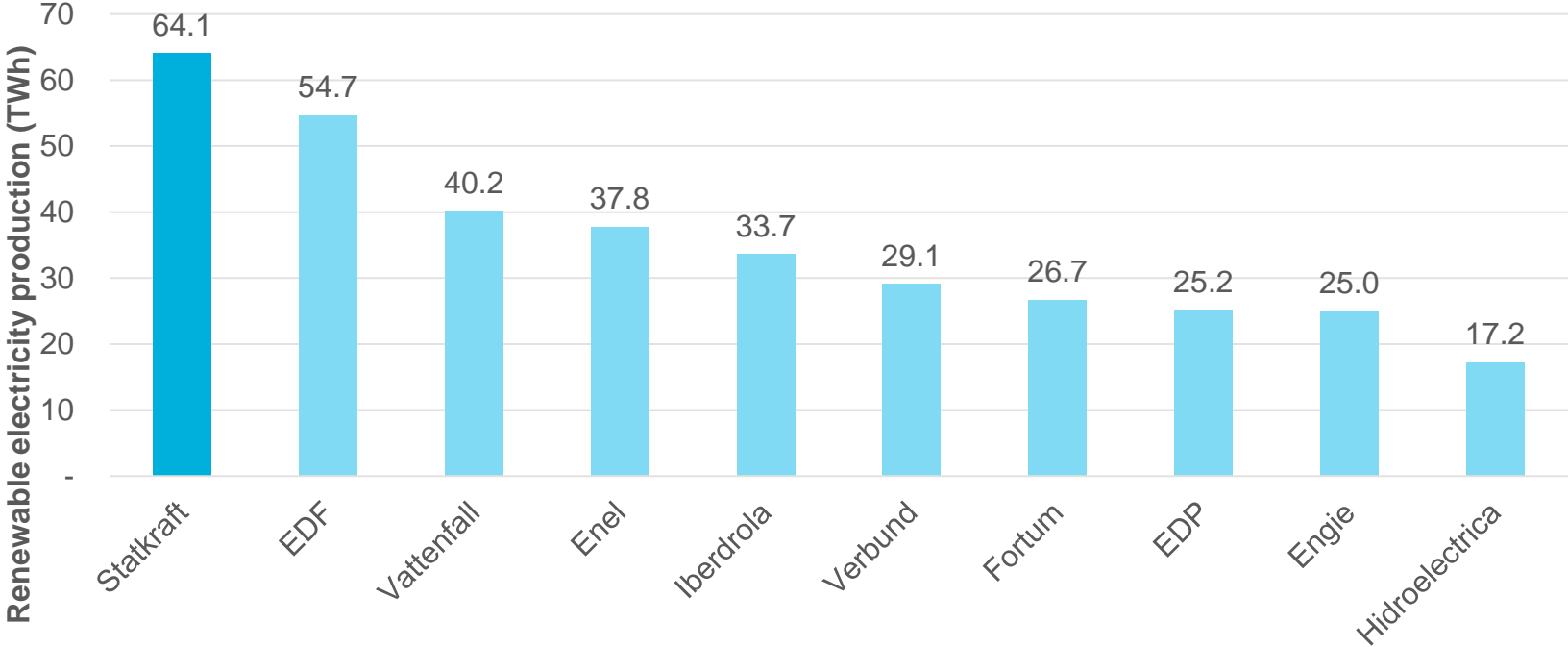
.....

Employees
4 000



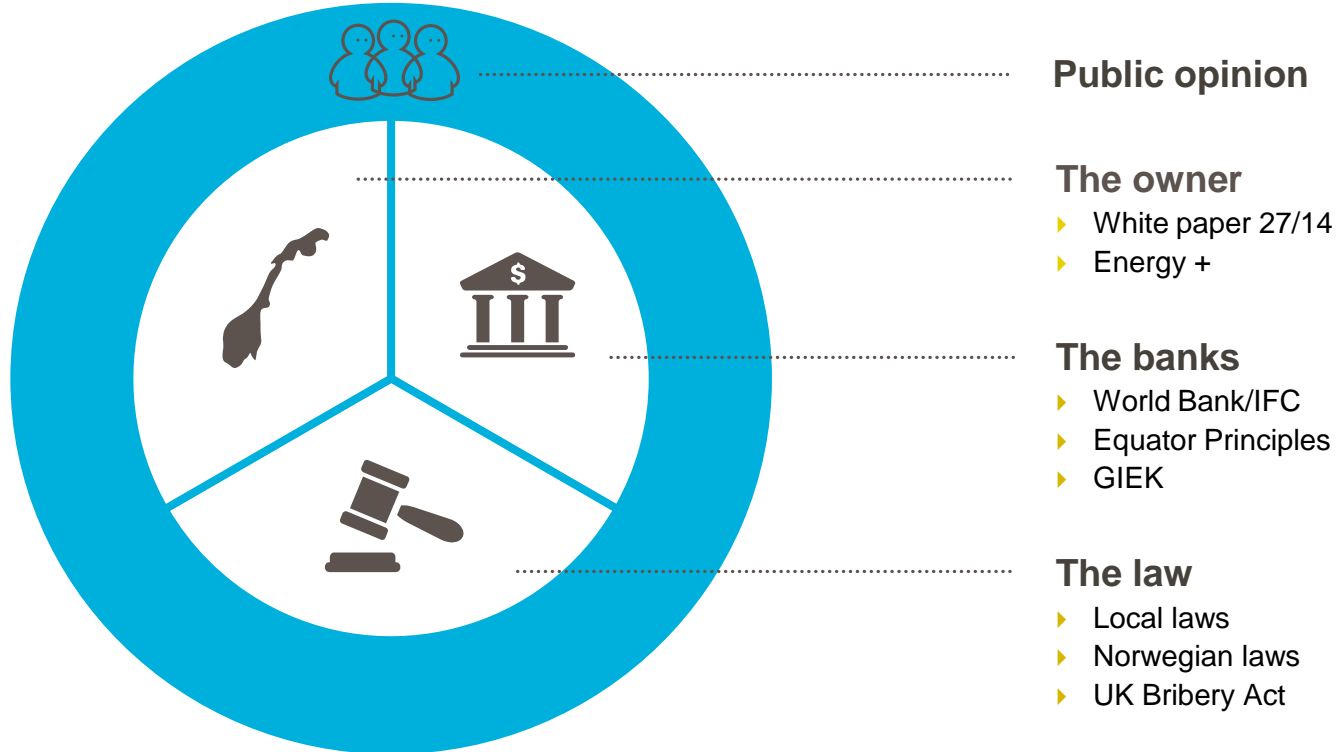
Europe's largest producer of renewable energy

Top 10 renewable power producers in Europe 2018



STEP #1: UNDERSTAND WHAT IS EXPECTED OF YOU

Clarity on external expectations



Legal framework



Foreign
Corrupt
Practices
Act



1977



Convention on
Combatting
Bribery of Foreign
Public Official in
International
Transactions



1997



Council of Europe
Criminal and Civil
Law Convention
on Corruption



1999



UN
Convention
Against
Corruption



2003



Norwegian
Penal Code



2003



UK
Bribery Act



2011

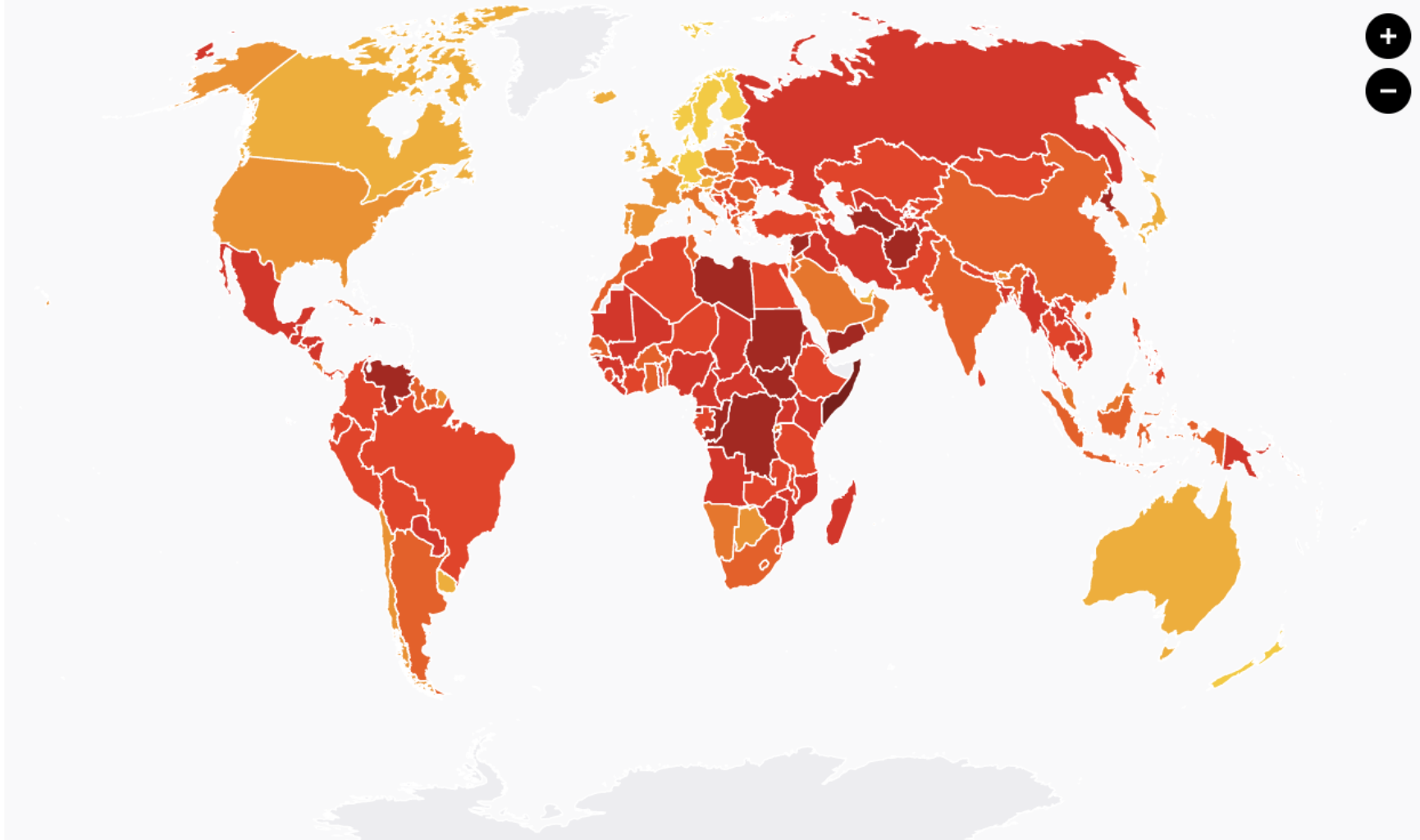
Recent external developments

Stricter laws and increased focus on enforcement



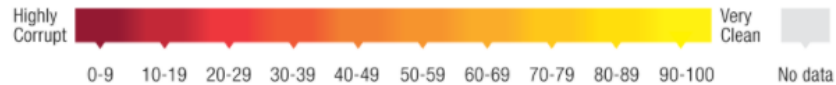
- ▶ Many countries have either passed new anti-corruption legislation or aggressively enhanced existing laws, including in countries where we have operations: India, Italy, France, Latin-America.
- ▶ Research shows heavier penalties and longer sentences around the world. The total level of fines in 2018 doubled compared to the previous year. There is increased scrutiny of the quality of compliance programmes.

STEP #2: BE REALISTIC ABOUT RISKS YOU ARE FACED WITH



[Embed this map](#)

SCORE



A large scam in the wind sector of country X

Expected damages of half a billion Euro



- ▶ **WHAT:** On 17 April 2020 after months of investigations, the public prosecutor's office arrested seven individuals of the *Holt Holding Group*, including its owner Hendrik Holt, accused of committing commercial fraud and forgery in a large number of cases.
- ▶ **WHO:** The suspects are key staff from an entrepreneurial family. The *Holt Holding Group* develops wind projects and sells these to institutional investors.
- ▶ **HOW:** The *Holt Holding Group* sold wind farm projects to big investors like SSE, Enel and CEZ that only exist on paper. The impending damage is said to amount to **half a billion euros**.



Italian renewable sector - then and now

Values lost due to mafia connections

- A hotbed for wind and solar
- Billions in subsidies = soaring profitability potentials
- This certainly has not gone unnoticed!
 - 1/3 of Sicilian wind farms (assets up to EUR 1.3 billion worth) seized in 2013
 - “The Lord of the Wind” had 43 companies; turbine deliveries to Denmark, Spain, Malta etc; profits channeled back to the Cosa Nostra gang
 - 9-year prison sentence
- Crackdowns and new laws have created a safer environment
- Low threshold for arrests

Italy's mob is a climate believer
Stings uncover deep infiltration of green energy.
by Anthony Faiola, Washington Post Posted: February 10, 2013

Forbes

Italian Mafia Goes Green



STEP #3: KNOW YOUR PARTNERS & TRUST BUT VERIFY



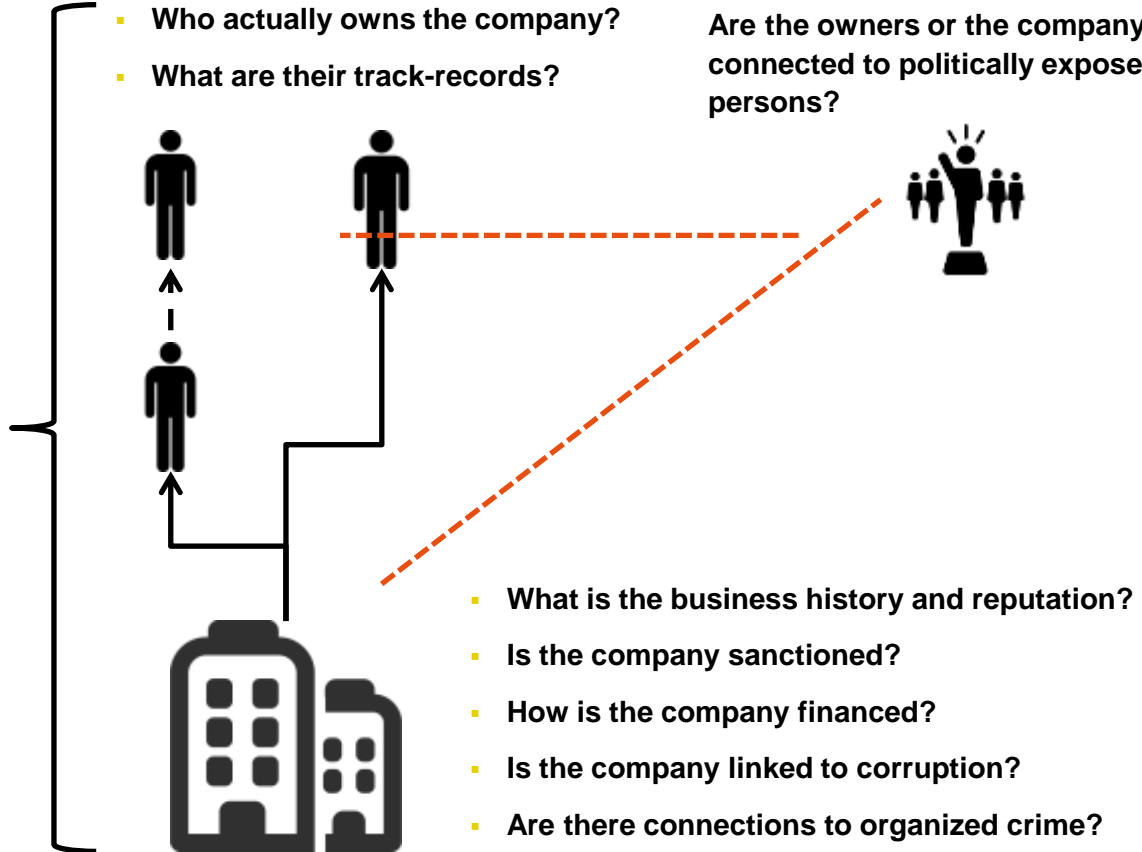
Due diligence

Assessment of the integrity background

Integrity Due Diligence review

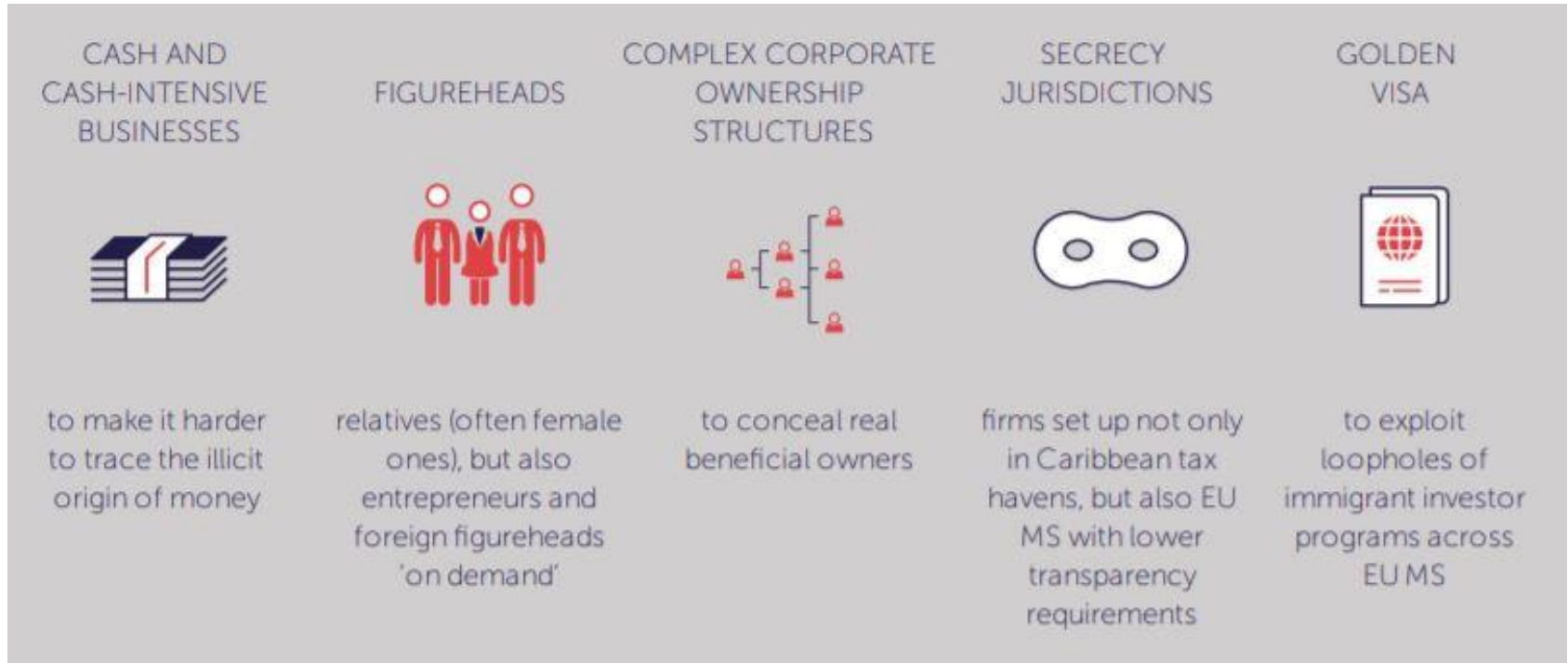
- Who actually owns the company?
- What are their track-records?

Are the owners or the company connected to politically exposed persons?



Italian renewable sector - then and now

'MODI INFILTRANDI' of criminal groups



Third parties – significant risks



90%+ of reported FCPA cases involve third-party intermediaries

Examples of FCPA cases involving third parties



HALLIBURTON

Halliburton (July 2017): Engaged local supplier in Angola with ties to government official with authority to approve business deal



Orthofix (January 2017): Used high discounts and improper payments through commercial reps and distributors to induce doctors under government employment to use Orthofix's products



Sociedad Quimica y Minera de Chile S.A. (SQM) - SQM, a Chilean-based chemical and mining company, charged with violating FCPA by making nearly \$15 million in improper payments to Chilean political figures and others connected to them through entities posing as legitimate SQM vendors.

Importance of securing control of key risks in projects with complex supply chains



STEP #4: BUILD ROBUST CONTROLS TAILORED TO YOUR RISKS

The pandemic impacts all elements in the Fraud Triangle

Examples from recent market trends



Rationalization

- Special circumstances
- Change
- Social/behavioural aspects; Distance/reduced feeling of “connectedness, decrease of engagement/motivation, lack of “social cues”/social context



Opportunity

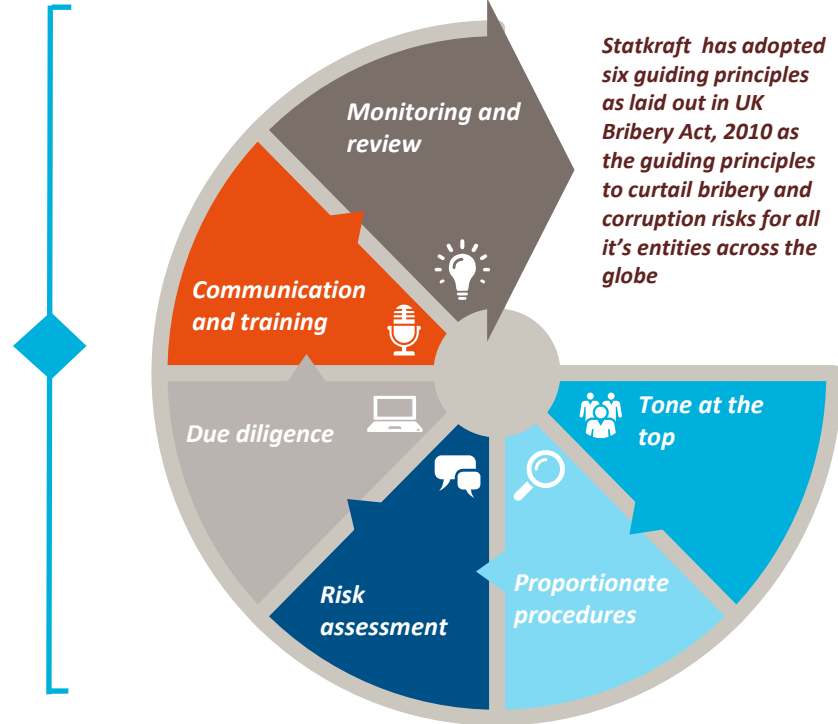
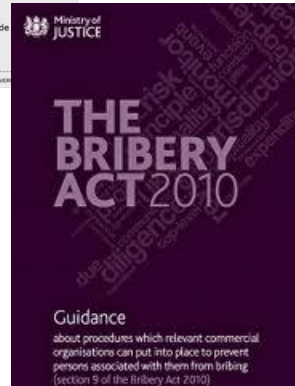
- Deviations from normal checks and controls
- Weaknesses in authority matrix and segregation of duties (SoD)
- Reduced monitoring due to home office leading employees to take riskier decisions such as developing side hustles



Pressure/Incentive

- Financial uncertainty
- Reduced job-security
- Unchanged incentive structures
- Urgency and shortage of goods
- Increase in cyber threats
- Distressed contractors

Adequate preventative measures – risk owner's responsibility



M&A processes as one example where strong controls and checks and balances are important

Goal:

- To **understand** the target company's compliance risk profile / compliance risk exposure
- To **uncover** any red flags, including any past or ongoing violations of i.e. Anti-corruption laws or Human rights (Depending on scope)
- To **prepare** for mitigations (pre- or post closing)

Process:



Avoid:

Minimize the risk of failure?

- Undetected compliance issues might impose successor liability
- Compliance issues are not reflected in the purchase price
- Undisclosed wrongdoings continues
- Insufficient integration plan and lack of sufficient defense against corporate liability if something goes wrong

**STEP #5: CLARIFY WHAT BEING
ETHICAL MEANS FOR YOU
...AND LET IT REFLECT IN THE
DECISIONS YOU TAKE**

Stories about choices



US investigates Glencore deals in Africa and South America

- DoJ subpoenas trader's records
- Shares fall on fears of potential fine

US SENATE INVESTIGATORS have subpoenaed the records of Glencore, the major and commanding trader in the global iron-ore market, over its dealings in Africa and South America. The US government is investigating the trader's business and financial practices, according to a report in the Wall Street Journal. The report says that the US government is investigating the trader's business and financial practices, according to a report in the Wall Street Journal. The report says that the US government is investigating the trader's business and financial practices, according to a report in the Wall Street Journal.

Austria objects border controls



Austria has objected to the proposed border controls at the Brenner Pass, a major road and railway link between Austria and Italy. The Austrian government says that the proposed controls would be a violation of the Schengen Agreement, which allows for free movement of people across the borders of the Schengen Area.

The **INDEPENDENT**

The Queen's Speech
The Government will legislate to give the Cabinet a number of powers of veto, including the power to veto a bill.

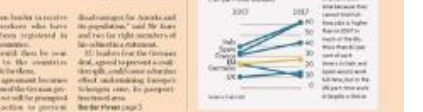
Robert Fisk
The Government will legislate to give the Cabinet a number of powers of veto, including the power to veto a bill.

Paula Millard
The Government will legislate to give the Cabinet a number of powers of veto, including the power to veto a bill.

Stephen Whigg
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The shame game
A report by US prosecutors documents 26 years of corruption at FIFA. Nine officials have been arrested for accepting bribes worth millions of dollars. The decision to start the next World Cup in Russia and Qatar is also under investigation. So will Sepp Blatter finally take the blame for the greatest scandal in sporting history?

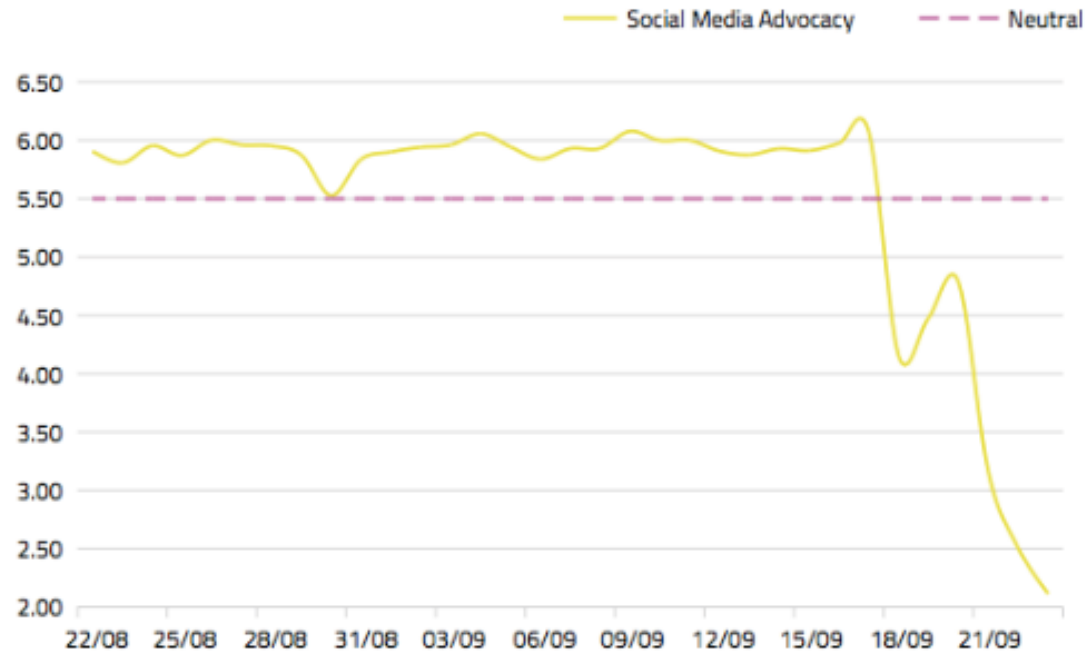
BRUCE LLOYD / GETTY IMAGES; PETER LINDBERGH / GROOMING BY JEFFREY MAYER; JEFFREY MAYER / GROOMING BY JEFFREY MAYER



Consequences of decisions taken



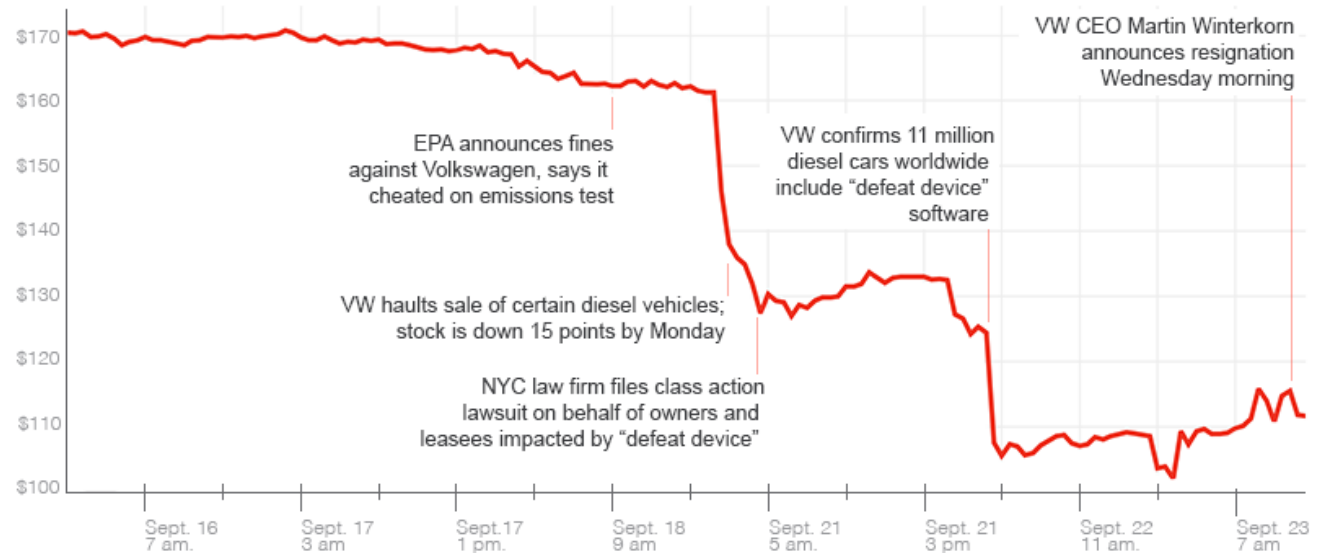
VW Social Media Advocacy score over time



Consequences of decisions taken



Investors' reaction to Volkswagen emissions saga



Source: Bloomberg

Stacy Jones, Fortune

Ethical blindness

...and how to avoid it
in decision making



THE BENEFITS OF SAFEGUARDING AN ETHICAL CULTURE

The benefits of an ethical culture

1

Better results



2

Lower costs



3

Better retention of talents





THANK YOU



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