

# Pacific Hydro Communication on Progress

1 July 2013 – 30 June 2014

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## 1. Statement of Continued Support by the Chief Executive Officer

26 February 2015

**To our stakeholders:**

I am pleased to confirm that Pacific Hydro reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this Communication on Progress, which is for the period 1 July 2013 to 30 June 2014, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

A handwritten signature in black ink, appearing to read "M. Fuge".

Michael Fuge

Chief Executive Officer

## 2. Human Rights Principles

*Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and*

*Principle 2: make sure that they are not complicit in human rights abuses.*

### 2.1 Assessment, Policy and Goals

We respect the rights of our employees, contractors and the broader community. Specific human rights commitments are covered by the following high-level documents:

- Code of Conduct
- Equal Opportunity Policy
- Health Safety and Environment Policy
- Sustainability Policy
- Community Charter
- Flexible Working Guidelines
- Whistleblowers Disclosure and Investigation Procedure
- Enterprise Wide Risk Management Framework

What we want to achieve	How we are going to get there
A healthy and safe workplace	Drive down workplace injuries, improve our management systems, conduct assurance activities and build a strong H&S culture Further embed values and behaviours into PH culture
Promote inclusion and diversity	Ensure gender equality in development and remuneration Engage staff on cultural awareness
To be trusted by the community and have positive relationships with a high level of integrity	Early engagement and consultation with community

### 2.2 Implementation

We have a broad range of strategies within our global health and wellbeing program designed to prevent serious conditions and illnesses in employees. Our Health and Wellbeing Policy raises awareness about these issues and promotes a positive and equitable workplace for employees.

Flexible Working Guidelines were launched in Australia, Brazil and Chile to allow all employees to achieve a balance between managing personal circumstances and ensuring individual, team and business objectives are met.

Our workplace is family friendly and we encourage employees to balance family commitments with work responsibilities. Our Parental Leave Policy extends beyond statutory requirements relating to parental leave rights in Chile and Australia.

We offer a broad spectrum of internal and external training courses to all staff. Relevant health and safety training is provided to site and office-based employees and contractors to ensure our staff are equipped with the knowledge required to perform their job safely.

Compliance mechanisms within our risk management framework allow us to identify and comply with all relevant laws, including those relating to human rights.

We aim to establish and maintain respectful and collaborative relationships with our local communities. Community support is fundamental to the success of our projects and we believe that mutual trust and respect is only earned through transparent and open engagement and communication.

We recognise and respect the rights, local laws, customs and cultures of the people living in the communities where we operate. Through established management systems, we work with local communities to identify and mitigate potential impacts (social, cultural, health, safety, environmental) resulting from our activities. We also believe that our work in this area must continue to evolve to ensure we are meeting and exceeding community expectations.

### 2.3 Measurement of outcomes

Targets are embedded in our three year Business Plan and accompanying Sustainability Strategy and are measured periodically throughout the year and also annually.

What we said we would do	What we did
Build and sustain a healthy and safe culture and workplace, with zero harm to employees and others	Whilst a number of initiatives were undertaken to strengthen our H&S culture and management systems, we did not achieve our Total Recordable Injury Frequency Rate target.
Be trusted by the community and have positive relationships with a high level of integrity	We continued to look for ways to improve our engagement and consultation approach with local communities. Global Community Engagement Framework and Investment Guidelines were developed and rolled out across all business units
Understand and manage risks and compliance obligations	Management responsibility for compliance is reinforced by an Annual Compliance Report, prepared by each general manager, which addresses the state of compliance within their areas of responsibility. Any non-compliance is subject to a rectification plan and opportunities for avoidance of similar non-compliance in the future are identified. We undertook a review of the EWRMF to benchmark our market practice maturity and define our risk tolerance. We also reviewed and updated Framework documents prior to implementing an automated risk management tool, which is now being used across all business units.

### 3. Labour Principles

*Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

*Principle 4: the elimination of all forms of forced and compulsory labour;*

*Principle 5: the effective abolition of child labour; and*

*Principle 6: the elimination of discrimination in respect of employment and occupation.*

#### 3.1 Assessment, Policy and Goals

We respect the rights of our employees, contractors and the broader community. Compliance mechanisms within our risk management framework allow us to identify and comply with all relevant laws, including those relating to human rights. Specific human rights commitments are covered by the following high-level documents:

- Code of Conduct
- Equal Opportunity Policy
- Health Safety and Environment Policy
- Sustainability Policy
- Community Charter
- Flexible Working Guidelines
- Whistleblowers Disclosure and Investigation Procedure
- Enterprise Wide Risk Management Framework

We comply with all applicable laws, regulations and other legal requirements with respect to the rights of our employees. We have not identified any risks at any of our operations relating to the employees' rights to freedom of association or collective bargaining.

Our Code of Conduct provides direction on the ethical behaviours expected of our employees and Directors. As part of our Human Resources Policies and Procedures induction, all new employees receive training in and are required to sign the Code of Conduct. The Code outlines our approach and responsibilities to stakeholders and guides employees and contractors on issues such as bribery and anticompetitive behaviour.

We are proud of our inclusive and diverse culture and have taken steps to strengthen this through our comprehensive Inclusion and Diversity Strategy. Equal employment opportunity and anti-discrimination are specifically addressed in our Code of Conduct and Equal Opportunity Policy.

What we want to achieve	How we are going to get there
A healthy and safe workplace	Drive down workplace injuries, improve our management systems, conduct assurance activities and build a strong H&S culture Further embed values and behaviours into PH culture
Promote inclusion and diversity	Ensure gender equality in development and remuneration Engage staff on cultural awareness

#### 3.2 Implementation

Currently, our comprehensive Inclusion and Diversity Strategy focuses on gender, culture and work life balance.

Our workplace is family friendly and we encourage employees to balance family commitments with work responsibilities. Our Parental Leave Policy extends beyond statutory requirements relating to parental leave rights in Chile and Australia.

Our formalised complaints procedures can be utilised by employees and community members for concerns relating to Pacific Hydro. Employee grievances are covered by our Grievance Procedure, Whistleblower Disclosure and Investigation Procedure, Equal Opportunity Policy and Code of Conduct. These policies and procedures encourage employees to seek and use appropriate mechanisms to address any grievances. Any issue not adequately addressed through these provisions can be taken to relevant external organisations.

### 3.3 Measurement of outcomes

Targets are embedded in our three year Business Plan and accompanying Sustainability Strategy and are measured periodically throughout the year and also annually.

What we said we would do	What we did
Build and sustain a healthy and safe culture and workplace, with zero harm to employees and others	We continued to roll out our Values and Behaviours implementation program, a two-year program designed to embed our desired culture into our working environment  One complaint under our Equal Opportunity Policy was made and investigated during the period and appropriate disciplinary action was taken.
Promote inclusion and diversity	Mentoring programs were established in all business units  Our Inclusion and Diversity Strategy currently focuses on gender, culture and work life balance.  Equal employment opportunity and anti-discrimination are also specifically covered in our Code of Conduct and Equal Opportunity Policy.

Table: Employee profile as at 30 June 2014

		Aust.	Brazil	Chile	Full Time	Part Time	<30	30 - 50	>50
Staff	M	74	12	75	158	3	19	120	22
	F	45	17	33	76	19	21	66	8
Executive Manager	M	13	2	6	21	0	0	15	6
	F	4	0	1	3	2	0	5	0
General Manager	M	5	0	2	7	0	0	5	2
	F	1	1	0	2	0	0	2	0
Director	M	5	-	-	-	-	-	1	4
	F	1	-	-	-	-	-	1	0

A total of 8 employees are covered by collective bargaining agreements, which equates to 2.8% of all employees.

Note that as at 31 January 2015, our General Management team gender breakdown was 50:50.

## 4. Environmental Principles

*Principle 7: Businesses should support a precautionary approach to environmental challenges;*

*Principle 8: undertake initiatives to promote greater environmental responsibility; and*

*Principle 9: encourage the development and diffusion of environmentally friendly technologies*

### 4.1 Assessment, Policy and Goals

As a global clean energy solutions provider, we develop, build and operate renewable energy projects and sell electricity and carbon abatement products to customers in our chosen markets.

We are committed to managing the impacts of our activities, and strive to set an example of best practice environmental management for renewable energy based on principles of sustainable development.

Our Health Safety and Environment Policy addresses the prevention and management of environmental risks, while the Code of Conduct requires all employees and Company Directors to respect and comply with the Environmental Management System.

What we want to achieve	How we are going to get there
Understand climate change and GHG impacts on the Company	Implement changes to our business (if required) based on the assessment of the impacts of climate change (Years 2-3). Improve process of data collection on greenhouse gas and energy consumption
Environmental compliance	Implement the global Health Safety Environmental Management System (HSEMS) Standards at all sites Audit against the HSEMS Standards as per audit schedule Maintain ISO14001 at current sites and consider ISO14001 accreditation for all new sites
Management of environmental impacts	Measure environmental impacts of construction projects throughout the construction lifecycle and implement reduction strategies (Years 2-3) Ensure that areas of land/habitat reinstated exceed the amount disturbed. Improve understanding of water use, quality, flows and measure (Year 1), assess (Year 2) and report (year 3) on environmental impacts (Years 1-3) Implement greenhouse initiatives as per the Action Plans developed for each business unit
Sustainable procurement practices	Review the supply chain for major contracts Develop a global procurement strategy

### 4.2 Implementation

Our response to climate change is structured around four key activities:

1. Developing renewable energy projects to help reduce the global reliance on fossil fuels
2. Helping our customers to meet their climate change mitigation obligations or targets by providing suitable products
3. Advocating for government action to reduce carbon emissions
4. Minimising our own carbon footprint

During the reporting period, we conducted research into the environmental impacts of short-term climate variability, and long-term changes in the climate, on our operating assets and development pipeline. The study looked at future projections of temperature and precipitation under different emission scenarios for each asset location and identified the level of risk as defined by our



Enterprise Wide Risk Management Framework. Some of the recommendations made in the study have already been adopted, while the rest have been embedded into the Business Plan for adoption in future years.

Our Environmental Management System (EMS) helps us identify all environmental impacts of our operations and allows us to respond promptly and effectively to any known or new significant environmental impact caused by operations under our control. We have a responsibility to protect and improve the environment, and are committed to conducting our business in accordance with the spirit and letter of all applicable environmental laws and regulations.

All Pacific Hydro Directors and employees are obliged to observe the EMS as part of our Code of Conduct. At an operational level, responsibility for environmental management is undertaken by relevant line managers, with additional support from dedicated environmental professionals.

We recognise the importance of educating and engaging the broader community around environmental issues and we strongly advocate for wind power, renewable energy, action on climate change, and the environment. We participate in World Environment Day activities and programs, present to schools and community groups, and publish information on local flora and fauna.

All Business Units have developed initiatives related to the reduction and/or measurement of greenhouse gas and energy.

In Australia, we became founding members of the Future Economy Group, a collaboration dedicated to promoting the importance of a healthy environment to the future of Victoria's economy. Research undertaken by the Future Economy Group has helped quantify the vulnerability of Victoria's economy to climate change and resource scarcity. This analysis is being used to develop and advocate the policies and actions necessary to transition to a strong and sustainable economy which restores and respects natural assets.

### 4.3 Measurement of outcomes

Targets are embedded in our three year Business Plan and accompanying Sustainability Strategy and are measured periodically throughout the year and also annually.

What we said we would do	What we did
Understand climate change and GHG impacts on the Company, including reporting requirements	<p>We undertook a comprehensive review of the potential impacts of climate change on our business.</p> <p>Risk assessments were completed on short term and long term impacts.</p> <p>The study of climate change impacts included a set of recommendations. Some of these have already been adopted and the rest have been embedded into our Business Plan for adoption in future years.</p> <p>New GHG data collection sheets were created and distributed to Business Units.</p> <p>An assessment of Equator Principles III was undertaken; no changes to systems or reporting requirements were identified.</p>
Environmental compliance	<p>HSEMS Audits occurred in March (Brazil), April (Chile) and May (Australia) as part of a three year program. All sites met their Year One target of achieving greater than 30% close out of gaps compared to their baseline audit.</p> <p>All ISO 14001 certified sites maintained their certification.</p>
Measure and manage environmental impacts	<p>Scope 2 greenhouse gas emissions data from construction sites was tracked and reported by the HSE team.</p> <p>Environmental management plans in place at all sites to monitor and mitigate our impacts to land and habitat.</p> <p>All Business Units have successfully implemented greenhouse gas measurement and reduction initiatives.</p>

What we said we would do	What we did
Reduce office energy consumption by 5 per cent over 2 years (based on 2012 consumption)	Globally, office energy consumption decreased by 8% over the two year period. A reduction of 24 tCO <sub>2</sub> e was achieved in year 1 and an additional 45 tCO <sub>2</sub> e during the reporting period.
Hold carbon emissions from air travel (based on 2013 travel)	Globally, air travel emissions decreased by 14%. A reduction of 136 tCO <sub>2</sub> e was achieved.
Embed sustainable procurement practices	A sustainability questionnaire was included as part of the tender process for all large contracts awarded during the period to ensure sustainability is considered as part of our contractor selection process. We continued to embed our Sustainable Procurement Principles within the business and worked towards further refining our processes on supplier engagement and selection.

The operation of our assets and office-based activities generated 2,020 tonnes of scope 1 and scope 2 greenhouse gas emissions, a 4 per cent decrease from the previous year. The total consumption of energy was 26,119 gigajoules, a 5 per cent increase from the previous year.

Overall, our assets generated 2,246 gigawatt hours of renewable energy, while the amount of greenhouse gas abated by our renewable energy projects was 1,591,903 tonnes.

## 5. Anti-Corruption Principles

*Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.*

### 5.1 Assessment, Policy and Goals

We are committed to complying with all relevant laws, regulations and standards, with various compliance mechanisms built into our Enterprise Wide Risk Management Framework (EWRMF) to ensure we are aware of and meeting all compliance obligations.

Our Code of Conduct provides direction on the ethical behaviours expected of our employees and Directors. As part of our HR Policies and Procedures induction, all new employees receive training in and are required to sign the Code. The Code outlines our approach and responsibilities to stakeholders and guides employees and contractors on issues such as bribery and anticompetitive behaviour.

Our Whistleblowers Disclosure and Investigation Procedure covers allegations of improper or corrupt conduct, as well as breaches of Company policy, the Code of Conduct and relevant laws.

What we want to achieve	How we are going to get there
Transparent governance structure	Create a culture of transparency and accountability in compliance

### 5.2 Implementation

All employees who regularly deal with overseas counterparties receive periodic training on corruption, which covers the policies and procedures relevant to the jurisdictions in which we operate.

### 5.3 Measurement of outcomes

Targets are embedded in our three year Business Plan and accompanying Sustainability Strategy and are measured periodically throughout the year and also annually.

What we said we would do	What we did
Ensure a transparent governance structure	The scope of each Board Committee's Charter is reviewed on a periodic basis to ensure ongoing relevance and avoid duplication. A review of Board expertise and experience resulted in the appointment of David Jana, an experienced Chilean finance professional, as a Director of the Company.