

CoOP 2017

UN Global Compact
Communication on Progress



PacificHydro





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CEO Message



I am proud to bring you this communication on progress and re-state Pacific Hydro's commitment to uphold the Ten Principles of the United Nations Global Compact.

This document describes our actions over the past year to further integrate the Global Compact and its principles into our business strategy, culture and daily operations.

Pacific Hydro first made a formal commitment to the UN Global Compact in 2010 which we have maintained since. As a leading renewable energy business, we seek to meet and exceed these principles in our work, guided by our vision, core values, and culture statements.

We work to apply our expertise and resources to harness the power of the wind, water, and sun to create economic, social and environmental value. We believe that access to reliable, affordable energy is a fundamental element of modern life and economic development.

Since Pacific Hydro's founding in Australia in 1992, our mission has been to commercialise renewable energy technologies and advance the decarbonisation of the energy sector.

In the 25 years since, we have achieved this through successful development, construction, and operation of renewable energy projects; and through our leading approach to sharing the benefits of our work with our communities.

2017 was our second year as a part of State Power Investment Corporation, connecting us with a wealth of experience and knowledge from one of the largest power generation groups in the world.

With unparalleled access to new technology and engineering expertise, we successfully completed construction of Yaloak South Wind Farm; commenced work on Punta Sierra (wind), Crowlands (wind), and Houghton (solar); and added several new potential developments to our portfolio - which now comprises more than 2 Gigawatts of new renewable energy projects.

Our growth is not limited to power generation; we also launched a full electricity retail business in Australia. Named **Tango Energy**, it is now providing competitive and affordable electricity offerings to customers large and small.

As well as a rapidly growing customer base, Tango and Pacific Hydro secured agreement to supply the innovative **Melbourne Renewable Energy Project** "group-buy" retail power purchase model, the first of its kind in the world. Our flexibility and capability enabled a group of city councils, universities, banks, and cultural institutions to unite and use their collective electricity demand to directly support construction of a new renewable energy asset.

Most importantly, throughout this growth we continue to deliver on our commitment to protect and enhance the quality of our work; maintain the health and safety of our staff, contractors, and communities; continue our responsible stewardship of the environment, and perform best practice asset management. Building on the Australian business unit's successful achievement of **ISO 9001 Quality Management**, **ISO 14001 Environmental Management**, and **BS OHSAS 18001 OHS Management**, we attained **ISO 55001 Asset Management** and undertook extensive work throughout 2017, which will enable these to be achieved across other business units.

Our business also moved into new offices in Australia and Brazil, introducing agile working and spaces that further support our flexible approaches to work.

Our commitment to supporting and working collaboratively with the communities that host us also remains stronger than ever. As mentioned in 2016's communication, we found new ways to work with these important stakeholders and to positively exceed their expectations. We introduced a new model for community benefit sharing, continuing our position as an industry leader in this regard and delivering another round of our Community Investment Program.

Our support and promotion of the Ten Principles of the United Nations Global Compact will continue across the business in 2018 as we continue to grow, consolidate, and improve our efforts. I am very proud of what we have accomplished in the past year and it is my pleasure to present these achievements to you.

Michael Fuge
Pacific Hydro CEO



Our Values

The way we work begins with our values and culture statements. These inform all aspects of how we do business.

Cooperation

Action

Leadership

Innovation

Dedication

Adaptability

Diversity

Our Approach



Coya Intake on the Cachapoal River, O'Higgins Region, Chile



Governance

As a leading global renewable energy company, Pacific Hydro is committed to maintaining the highest standards of accountability, transparency, and honesty in our work. We are proud to be a signatory to the United Nations Global Compact (UNGC) and the ten universal principles.

Pacific Hydro is fully owned by State Power Investment Corporation (SPIC) through its subsidiary, State Power Investment Overseas of China (SPIC Overseas). As a State-Owned Enterprise, SPIC is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (SASAC).

In turn, Pacific Hydro is governed by its Board, which in 2017 comprised seven directors; four representing the shareholder (SPICOI); two independent directors, and our CEO.

Our team

With a presence in Australia, Chile, and Brazil and an international team of more than 360 staff, we are proud of the diverse, rich experience and knowledge of our people.

Diversity is one of our values, and our culture statement to “value strength in difference” ensures we maintain respect for the individual in all we do. With a commitment to excellence in all aspects of our work, we want to ensure that each member of our team is supported and encouraged to achieve their best.

Our business supports individual rights; enhances well-being and positive personal growth; supports new ideas and innovation; provides modern tools and facilities; and ensures the needs and concerns of the community are a central consideration.

How we work

For our partners, contractors, suppliers, and communities, we seek to add value and build relationships that provide mutual benefit across environmental, social, and economic dimensions.

Accordingly, the Ten Principles of the UN Global Compact are reflected in our management decisions, our strategies, policies and procedures, operations, and our corporate culture.

For us, it is not simply enough to meet our basic responsibilities, but also to exceed them wherever possible. This is key to our ongoing success.

Human and labour rights

*Principles 1 and 2–
Supporting human rights
and preventing abuses*

*Principles 3, 4, 5, and 6–
Preserving labour rights
and equal employment
opportunities*

A respectful approach

Pacific Hydro is committed to respecting the human rights of our employees, contractors and the broader community in accordance with international, national, and local laws, guidelines, and requirements.

We do this by:

- Maintaining and enhancing safety, health, and wellbeing; both within and outside our company;
- Providing a company culture, working conditions, benefits, and facilities that are competitive, contemporary, and attractive; and uphold and maintain the rights of all;
- Actively involving and empowering staff, stakeholders, and the community to help develop solutions and outcomes to matters that affect them;
- Applying compliance mechanisms within our risk management framework, to allow us to identify and comply with all relevant laws, including those relating to human rights;
- Ensuring our governance, management, policies, and procedures support, uphold, and enhance human and labour rights.

Strategies

Our Code of Conduct, values, and culture statements provide direction on the ethical behaviours expected of our employees, management team, and Directors.

As part of our Human Resources Policies and Procedures induction, all new employees receive training in and are required to sign our Code of Conduct.

This outlines our approach and responsibilities to stakeholders, and guides employees and contractors on the standards we expect to be upheld and applied in our work.

We are also proud of our inclusive and diverse company culture, and have taken steps to strengthen this through a comprehensive Inclusion and Diversity Strategy.

Anti-discrimination and equal employment opportunities are also specifically addressed in our Code of Conduct and Equal Opportunity Policy.

Safety

Central to the way we work is our commitment to maintaining safety. We do this with a company-wide focus on HSE and comprehensive safety practices, which are embedded into our working culture.

This is underwritten by a focus on safety at the highest level of our leadership, with regular safety walks completed by each senior executive.

Across the business, individual employees are encouraged to live their safety values through Pacific Hydro's Safety Conversations initiative. Using an enhanced digital tool, named Pongo, more than 4,000 safety observations were completed in 2017.

Accessible from smartphone or web browser, the application allows employees to record the details of safety conversations and activities they undertake, both inside and out of the workplace; and to complete short safety checklists covering different work tasks with an element of risk, such as vehicle pre-start checklists and ergonomic assessments for workspaces.

Pacific Hydro has also worked extensively to maintain safety amongst our contractors and suppliers by specifying our detailed HSE requirements in our contracts; ensuring these are defined as deliverables; and engaging Construction, Project, and Contract Management staff to ensure these requirements are being met by all contractors and sub-contractors.

Further, we work to maintain safety in the communities where we operate with a comprehensive complaints management process; and by ensuring all of the initiatives supported by our Community Investment Program are assessed for safety considerations, and recommendations made as applicable.

Diversity and Inclusion

As a global business operating in different markets, we are proud that our team represents and reflects the communities where we work. We value the strength in difference that this diversity brings to our business; and have worked to create an environment where these unique traits are valued, celebrated, and engaged.

We achieve and maintain this commitment with:

- Our hiring policies and procedures – ensuring we provide equity of access, and assess applications for employment on a merit basis of qualifications, skills, and experience;
- Our culture – ensuring we develop and maintain a corporate culture that values diversity, builds a climate of tolerance, and provides equal opportunity;
- Robust grievance resolution and anti-discrimination policies – ensuring we uphold equal employment opportunity and remove discrimination, unconscious bias, and other barriers;
- Cultural intelligence training – providing all staff with knowledge and insights about communicating and negotiating across cultural differences;

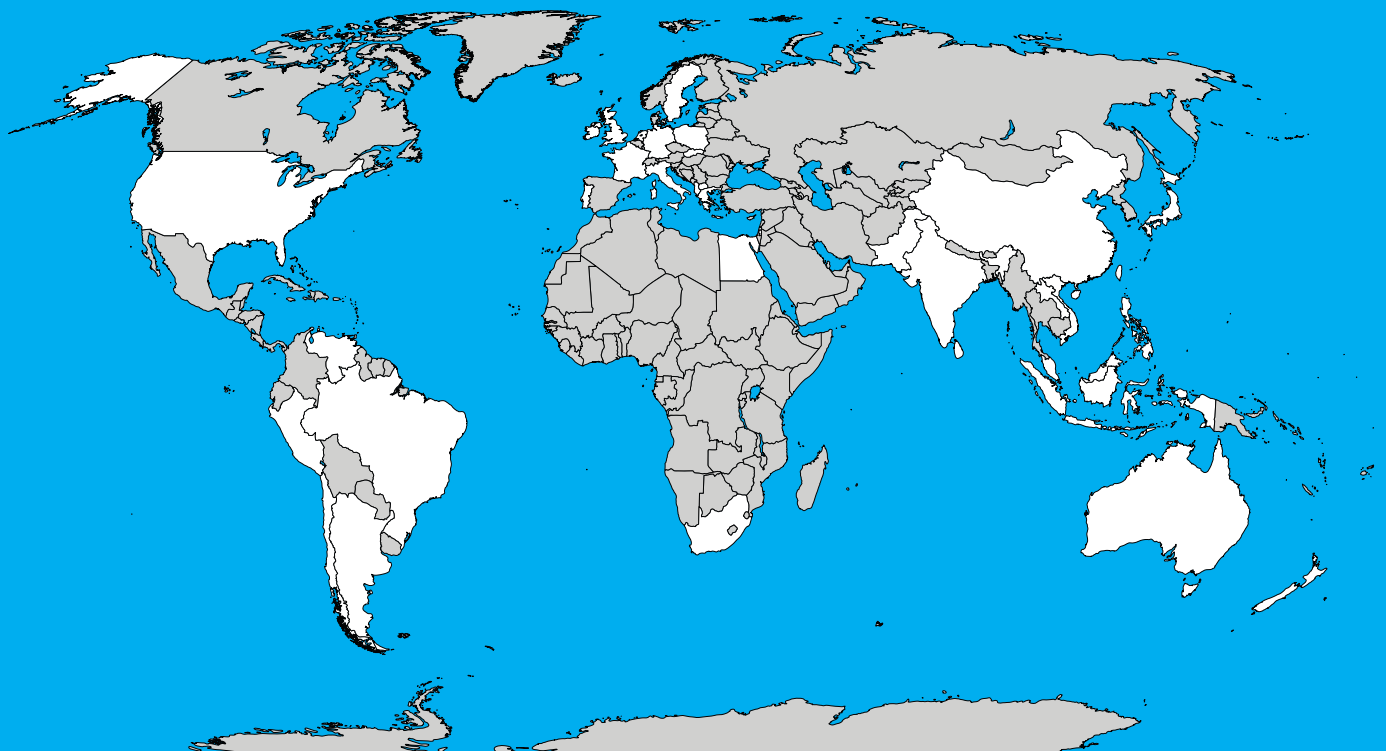
- Equal employment opportunity policies, procedures, and staff training;
- In-house advertisement of vacant positions and support for staff to undertake professional development to transition to new skill areas and diversify their experience;
- Accommodations for all religious observance and practices.

The success of these measures is clearly indicated by the diverse nationalities, genders, and other characteristics represented in our workforce.

In 2017 our Senior Leadership Team comprised a 50/50 split between men and women; and over 40% of our staff identifying as women in 2017.

Further evidence of the effectiveness of our approach is the significant number of existing staff advancing to higher positions within the company.

In addition, Pacific Hydro's team includes representation from over 40 countries and ethnic backgrounds.



ISO Certifications

Building on the Australian business unit's certifications in ISO 9001 Quality Management, ISO 14001 Environmental Management, and BS OHSAS 18001 OHS Management, Pacific Hydro's Australian unit achieved ISO 55001 Asset Management and undertook extensive work throughout 2017 to enable the Chile and Brazil units to achieve these standards. The successful achievement of these certifications provides external validation that our processes, procedures, and policies are suitable for our needs and effective in maintaining safety.

Health and Wellbeing

We believe that providing a safe place to work is about more than just providing an environment free from hazards or potential causes of injury. We recognise the importance of maintaining the health and wellbeing of our staff both within and outside the office. While our robust safety practices are in place to prevent physical injuries, our additional initiatives include:

- Free influenza vaccinations each year
- Free fruit delivered each day
- Staff trained in Mental Health first aid
- Health resources, seminars, and events
- Our Employee Assistance Program (free, confidential, external counselling for employees and their immediate families).

We work to raise awareness about these issues and promote a positive and equitable workplace for employees.

Our Policies

Our policies are tailored to meet the legal, regulatory, and customary requirements of each jurisdiction we operate in, while also upholding our values, culture statements, and objectives. These include:

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

Contemporary Working

Flexible Working Guidelines in Australia, Brazil and Chile allow all employees to achieve a balance between managing their 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.



Pacific Hydro staff participate in an innovation workshop

Training and Development

Pacific Hydro offers a broad selection of internal and external training and development opportunities to all staff. Relevant health and safety training is also provided to site and office-based employees and contractors, to ensure our staff are equipped with the knowledge required to perform their job safely.

All staff undergo a comprehensive induction process that covers the training on non-discrimination policies and procedures

Further Benefits

A range of further benefits are provided to Pacific Hydro staff to ensure that the workplace is an attractive and enjoyable place to work. This includes regular social activities, free fresh fruit each day, and regular events, seminars, and celebrations.

Contractors and Suppliers

Pacific Hydro has clear policies and procedures in place to ensure that our values, culture statements, and ways of working are reflected by our contractors and suppliers. This includes monitoring of the supply chain to ensure that reputable partners are used and our requirements are being met; and that local economic benefits are achieved wherever practicable (through the use of local labour and suppliers).

From office catering, to wind turbine manufacturers, contractors wishing to supply to us may also have preselection screening undertaken; which includes our representatives visiting sites and manufacturing facilities; and a requirement to disclose detailed information about their supply chain, procurement practices, policies, and procedures.



Sustainable Communities Fund recipients in Australia

In Our Communities

We recognise and respect the rights, local laws, customs and cultures of the people living in the communities where we operate and develop projects.

By applying our policies and procedures through the entire lifecycle of our projects, we work with local communities to identify and mitigate any potential impacts (social, cultural, health, safety, environmental) that may result 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.

Pacific Hydro aims to establish and maintain respectful, collaborative relationships with our communities.

Recognising that community support is as critical to project success as technical and financial factors, Pacific Hydro endeavours to develop, maintain and continually improve our relationships and support for our projects.

We aim to develop mutual trust and respect within our host communities through adopting appropriate levels of transparent, open engagement and communication at all stages of our projects. We are committed to delivering respectful, positive and lasting social, environmental and economic benefits to our host communities by supporting community initiatives and seeking mutually agreed solutions to potential issues.

Our Purpose, Vision, Values and Culture Statements guide the interactions we have with all stakeholders, including local communities, and we recognise and respect people's rights, local laws, customs and cultures.

We are committed to working with local communities in ways that are inclusive and collaborative to identify and mitigate potential impacts resulting from our activities, including social, cultural, health, safety or environmental, responding to the needs of each community.

As a member of the community, we also strive for the best possible outcomes in response to enquiries, complaints and feedback.

Pacific Hydro employs the International Association of Public Participation (IAP2) Framework to ensure a consistent approach to community engagement across the company.

In line with its guidance, we develop bespoke Community Engagement Strategies that shape how we achieve this and work with all of our stakeholders.

In 2017 we delivered several improvements to our engagement and consultation approach. Our Engagement Framework and Investment Guidelines were reviewed and refreshed in line with contemporary expectations.

Benefit Sharing/Community Support

As a leading renewable energy developer, Pacific Hydro is committed to supporting the communities that host our clean energy projects with positive and lasting social, environmental and economic benefits. Pacific Hydro shares the benefits of its presence in local communities by forming partnerships and bringing local groups together to broaden awareness of how communities can maximise potential to benefit from our sustainable projects.

Community Investment Program

Our Community Investment Program is the key part of Pacific Hydro's community investment and support strategy. The Program delivers a portion of revenue back into our local communities each year.

At its core, the Program aims to empower local communities to identify the initiatives and projects that Pacific Hydro should support.

A range of methods are used to meet this aim, tailored to the specific needs of each locality. This includes community funds, sponsorships, and direct support initiatives in Australia, Chile, and Brazil.

Economic Benefits

Pacific Hydro's development, construction, and operation of renewable energy projects bring significant economic and social benefits to regional and rural areas, particularly during construction. Where practicable we encourage our suppliers and contractors to use local capabilities, businesses, and labourers; and have partnered with local governments and authorities to promote our projects and the associated local economic opportunities.

Empowering local communities

In Yaloak South, Australia, an annual community fund was established in a unique Community Partnerships process. Local community members were empowered to decide on their preferred method of support in the local area. Through an independently facilitated process, they decided that a Community Fund was their preferred method. Each year for the permitted life of the project, AUD\$28,000 will be made available to local community groups for a range of projects.

Sustainable Communities in Brazil

Since 2014, the Sustainable Communities Fund Program has supported initiatives that contribute with the development of local economies.

One of them is the “More Learning” project, which benefits 25 children from six to 12 years of Barra do Camaratuba, in the municipality of Mataraca (PB), where we operate with the Millennium and Vale dos Ventos wind farms. In addition to hiring and reimbursing teachers for tutoring classes, the company provides study materials and snacks for students through the program, offering them the conditions to achieve better performance.



TOP AND MIDDLE: Sustainable Communities Fund recipients in Brazil
BOTTOM: Inaugural Yaloak South Community Fund participants



Pacific Hydro's contribution to the response effort after the Chile fires

Bushfires in Chile

In 2017 Chile experienced the worst bushfires in its history. Over 140 fires burned, with more than 3,700 victims, 380,000 acres burned out, and many properties destroyed.

Making the firefighting task more complex were the constantly reactivating firefronts, which spread to the seventh and eighth regions of the country.

Aid and assistance were provided from other countries and from within Chile.

Pacific Hydro was actively involved in supporting our local communities affected by these fires in the Region of O'Higgins. We purchased and donated drums of water, non-perishable food, and medicines for volunteers fighting the fires in Coya; the company also participated in a Regional Coordination meeting with the regional government to support the emergency response.

The company also made donations of 3,000 kilograms of sugar to various towns in the affected areas. But why sugar?

Due to the fire damage, local bee populations did not have flowers to feed on, which they need to survive. The sugar was used to keep bee populations in good condition; the honey they produce provides an income and economic support to many families in the region.

In addition to this practical frontline support, additional aid for those affected was provided through SOFOFA (a Non-Profit Trade Federation, which brings together industrial sector companies and trade unions) and the Desafío Levantemos Chile charity. Pacific Hydro also donated a house to a family from the affected Region of O'Higgins, which was one of more than 29 that SOFOFA gathered for donation to affected families.

Pacific Hydro continued to support the emergency response effort and community reconstruction after the blazes.

Environment

*Principles 7, 8, and 9–
Addressing environmental
challenges, promoting
responsibility, and
furthering the use of
new technologies*

Our core mission

Pacific Hydro is proud to be a leader in the clean energy industry and a pioneer in the deployment of new renewable energy technologies in Australia.

Our core business activity is the commercialisation and expansion of these renewable energy technologies to address climate change, which is the most pressing environmental challenge of our time.

From our humble beginnings with small hydroelectric projects on existing dams, we have sought to harness the power of the wind, water, and sun to provide contemporary and innovative clean energy solutions, helping to advance the decarbonisation of the electricity systems of the countries where we are present.

We have also taken a proactive, leading approach through our membership of key industry bodies; and made significant contributions to government reviews, policy consultations, and technical working groups with the aim of building support for and advancing the development of renewable energy in the countries where we operate.

We have also maintained excellent management of the environment through all stages of our projects and business operations, particularly during construction.

We are proud to have achieved meaningful progress in these areas in 2017.

For Government

Pacific Hydro has established a reputation as a trusted advisor and experienced contributor to the development of energy and environment policy in the markets where it operates.

We are regularly invited to contribute by governments at all levels. In 2017 we made a significant submission to the Australian Government's Finkel Review, identifying a significant technical risk to the National Electricity Market and providing detailed technical expertise to support an increase in the amount of renewable electricity generation in Australia while maintaining system stability.

Several of the recommendations and matters raised in our submission were considered and included in the final report; which has evolved into a wider national policy consultation and development process for the National Energy Guarantee (NEG).

In our industry

We regularly participate in industry-wide collaborative efforts to share information through conferences, working groups, directorates, and peak industry bodies and councils with the aim of furthering development of renewable energy in Australia. Pacific Hydro is a member of the Clean Energy Council; and in 2017 we also joined the newly convened Smart Energy Council.

We have also demonstrated technical excellence and made informed contributions to the public debate about the decarbonisation of the electricity system and the technical integration of renewable energy into existing power systems.

In our communities

Pacific Hydro provides further support for the environment beyond our core business of renewable energy development and operation, through supporting community-led environmental initiatives.

Many of the projects supported through our Community Investment Program provide direct benefits to the environment, particularly in local areas.

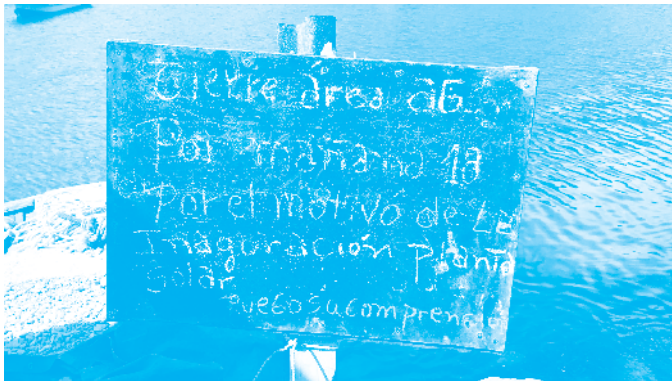
Cape Nelson Landcare Sponsorship

Pacific Hydro entered a five year partnership with the Friends of Cape Nelson Landcare-Coastcare to support their work near our Cape Nelson South wind farm.

The group is a volunteer organisation that cares for the environment, increases biodiversity, and promotes the sustainable management of land in cooperation with government, business, and the community.

The reserve is home to thriving patches of many species of native flora, including the unusual Soap Mallee - Cape Nelson is the only location outside of South Australia to feature a population of this unique tree.

This support will enable their important conservation work in this unique coastal landscape over the next five years.



Caleta Sierra mini solar park

Caleta Sierra Mini Solar Park

Together with the community of Caleta Sierra, Pacific Hydro provided a “mini solar park” as part of the first stage of the community development plan that we promoted together with the neighboring communities of our Punta Sierra wind energy project.

Arising from consultation with the local community, this project will help improve the quality of life for residents of the village, allowing them to have electricity for basic consumption during the day in their homes. With an installed capacity of 12kW, it will provide enough power for each house to run a refrigerator, television, radio, and mobile phone charger during the day.

The photovoltaic plant will be managed by the neighbours trained for it and will have an estimated generation of 52.18 kWh average day, with a minimum of 38 kWh in June and a maximum of 65.9 kWh in January.

The community did not have electricity for years, which made it very difficult to keep refrigerated products or to charge cell phones. This has led to a radical change and will enable each of the residents to do chores during the day, and improve their quality of life.

Anti-corruption

*Principle 10–
Working against all
forms of corruption*

Pacific Hydro has dedicated significant effort to ensure that our operations accord with the highest regulatory and professional standards in every aspect. We are honest, transparent, and clear in our dealings with governments, regulators, stakeholders, and the community; and take an active role in preventing bribery and corruption.

Our policies and procedures set out the intention of our approach, and how we expect our management, staff, and contractors to conduct themselves. These are integral to our management of risk and compliance with the laws of the jurisdictions in which we operate.

With a state-owned parent company and operations in multiple jurisdictions, Pacific Hydro has undertaken extensive work to ensure that we accord with many layers of oversight and the regulatory frameworks that apply in each.

As a member company of State Power Investment Corporation, Pacific Hydro is subject to the reporting and monitoring obligations of the wider group, which includes compliance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (SASAC).

Pacific Hydro has also undertaken extensive work in the area of harmonising our Finance and governance systems and practices across all of our business units, and to ensure simpler reporting to our shareholder.

This has included significant work to implement SAP across all business units and harmonised work procedures for procurement.

Further, the Delegation of Authority policy provides further robustness to our financial governance arrangements.

Staff are trained in our policies and procedures using a range of innovative training methods, including digital learning tools to ensure they are aware of our obligations and objectives.

Our tendering processes, terms of trade, and contract management are all designed to accord with the requirements of our multiple relevant jurisdictions to prevent bribery and corruption.

Our Whistleblowing Policy and associated procedures also provide a process for staff to report breaches of these policies and procedures confidentially and/or anonymously.

In 2017 Pacific Hydro achieved ISO 9001 certification, which included section 8.4 - Control of externally provided processes products, and services which provided independent verification of our approach.



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