



# Sustainability Report

2019



## Our vision

Improving our future

## Our mission

To deliver competitive and sustainable solar energy globally, to protect our environment and to improve quality of life through innovative integration of reliable technology

## Our values

Predictable  
Working together  
Driving results  
Changemakers

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The growing emphasis our investors and key stakeholders are giving to ESG matters is a clear sign that we are heading in the right direction.

Dear Stakeholders,

**The solar power market is booming.** 2019 was a record year for our company in terms of construction and capacity growth. We doubled our installed capacity by grid-connecting more than 600MW in Egypt, Malaysia, Ukraine and Mozambique. We had 12 projects under construction across four continents, engaging close to 8,000 workers. No matter what direction we develop and grow in as a company, sustainability remains at the core of our business.

We gain considerable experience from conducting business across emerging and often complex markets. We meet challenging situations and we are continually accumulating valuable knowledge. It is highly rewarding to see how our organisation works with sustainability as an integrated part of its operating model. Enterprise leadership plays a vital role in the organisation. Our people not only focus on their own business unit or goals, but also work together across functions to deliver sustainable projects. We all work with sustainability in one way or another.

Last year we presented our updated sustainability framework based on input from key stakeholders and internal strategic priorities. This year we report on our progress and performance. The growing emphasis that investors and other stakeholders are giving to ESG (Environmental, Social & Governance) matters is a clear sign that our industry is heading in the right direction. We have worked systematically over many years to improve our ESG reporting, and in early 2020 our company was rated an industry leader in ESG risk management. Sustainalytics, a leading global ESG risk-rating agency, ranked us as the company with lowest ESG risk out of 450 companies in the global utilities industry. This is of the utmost importance to us. Being transparent and open is one of our key responsibilities to our stakeholders.

As a renewable energy company, we are deeply concerned about CO<sub>2</sub> emissions. Our plants in operation saved close to 900,000 tons of CO<sub>2</sub> emissions in 2019. This figure is expected to reach about 1.4 million by the end of 2020. To put this into perspective, one million tons of CO<sub>2</sub> emissions equals the annual emissions of more than 200,000 passenger vehicles. The positive climate impact of our business is significant, but to take full responsibility, we also need to identify and manage our own carbon footprint.

In 2019 we continued our efforts to report on emissions from our business activities. We started reporting to the Carbon Disclosure Project (CDP), which was a valuable learning experience leading to stronger focus on climate-related risk and opportunities. In 2020, we will continue this journey by expanding our reporting to include more elements of our value chain. We also plan to develop emission reduction targets and look for ways to reduce our emissions.

As a member of the UN Global Compact, we continue to support the governing principles on anti-corruption, human rights, environment and labour conditions. Human rights remained a key priority in 2019. We maintained a strong focus on potential impact areas such as land acquisition, local communities, and labour and working conditions. Protecting and respecting human rights is fundamental to our license to operate. In 2019, we continued our work with human rights and developed a new corporate policy with clear and unified guidelines across our business and geographies.

With more than 2.5 million solar panels installed in 2019, one of our most important responsibilities is to safeguard our people. Our construction teams around the world delivered about 11.7 million working hours without any serious injuries.



In Egypt, for example, we completed six projects with eight million working hours and only one lost-time injury. That is a solid achievement from a safety perspective. We continually work to raise awareness of health and safety matters.

In 2019, we continued to explore new technologies to offer better solutions to a broader market. We entered into a new segment of smaller-scale solar plants for industrial players in emerging markets during the year. This new concept, named Release, offers companies a solution of flexible leasing agreements for pre-assembled and containerised solar and battery equipment. It is particularly attractive for companies in remote locations that rely on diesel generators but would like to access cost-efficient and clean energy. We are confident that Release will become a considerable part of our business in the years to come.

Small-scale solar photovoltaic (PV) systems also represent a vital solution for responding to serious challenges faced by many of the local communities located close to our solar plants. Households often do not have any access to electricity or rely on polluting energy sources such as diesel generators. We can make a significant impact here. To date, we have several community PV projects in operation across Rwanda, Honduras and Jordan. In Rwanda, for example, a mini solar

PV system provides much needed electricity to a local school and health clinic in the community next door to our solar plant. We are truly excited to increase our efforts to light up more local communities around the world.

With this report we present our sustainability targets for 2020. We are continuing our close dialogue with partners, shareholders, lenders, employees and other stakeholders to ensure alignment with their key concerns and interests regarding sustainability. We are thankful for all our partners, business relations and networks that collaborate with us to ensure high ethical standards in everything we do.

Our 2019 global workplace survey indicated that 93% of our employees feel proud to tell others that they work for Scatec Solar. I am also proud. I am proud of the 335 tremendously dedicated people who consistently deliver on our ambitious growth targets. Our vision of “improving our future” is a strong commitment that requires tremendous efforts from each one of us. And knowing that every day our work makes this planet a little bit greener and more sustainable leaves me confident that we are indeed heading in the right direction.

A handwritten signature in black ink, appearing to be 'R. Carlsen', written in a cursive style.

Raymond Carlsen (CEO)

# Key highlights 2019



## Clean energy

### Doubled installed capacity

Grid-connected 609 MW in Egypt, Malaysia, Brazil, Honduras and Mozambique

### 870,637 tons of CO<sub>2</sub> emissions avoided

from solar plants in operation

### Redeployable solar

entered a new segment through introduction of Release

**Targeting 4.5 GW** in operation and under construction by end of 2021



## Our people

### Zero serious injuries

Delivered 11.7 million working hours with no serious injuries

### Strong diversity

Our employees represent 40 different nationalities globally

### Young and dynamic workforce

with an average age of 37 globally



## Local value creation

### 8,000 jobs created

in projects under construction – of which a large part is local and unskilled labour

### 56 ongoing local development programmes

across clean energy, health, education and infrastructure

### Community solar PV

a larger component of local community efforts going forward

# Sustainability reporting

## Highlights 2019

### Industry leader in ESG risk management:

The latest ESG risk rating report by Sustainalytics ranked Scatec Solar as the company with the lowest ESG risk out of 450 companies in the global utilities industry.

### Relative performance:

|                             |                          |
|-----------------------------|--------------------------|
| Global universe:            | <b>379</b> out of 12,237 |
| Utilities Industry:         | <b>1</b> out of 450      |
| Renewable power production: | <b>1</b> out of 48       |

### Rank (1=Lowest risk)



### Strong improvements in climate disclosure:

Scatec Solar started to report to the Carbon Disclosure Project (CDP) in 2019 to better identify and manage its environmental impact. CDP 2019 score: B - Management Level.



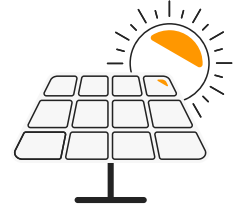
### About this report

This report is prepared in accordance with the Global Reporting Initiative (GRI) Core Level. The climate reporting has been externally assured by DNV GL. We regard this report to be our Communication on Progress to the United Nations Global Compact (UNGC). In our opinion, we meet the requirements of the UNGC Active Level.

Our ambition is to be a sustainable business with regard to our total impact on the societies where we operate. In line with this ambition, we will continue to listen, learn, adapt, and improve our business operations.

We appreciate feedback from our stakeholders on our sustainability reporting and always work for continuous improvement. For comments, questions or suggestions, please contact Julie Hamre, Senior Sustainability Manager: [julie.hamre@scatecsolar.com](mailto:julie.hamre@scatecsolar.com).

# How we work with sustainability



## Clean and sustainable energy

Scatec Solar develops, builds, operates, and owns solar power plants that generate clean and reliable electricity. Electricity is vital for the economic growth of nations and for human welfare. We strive to increase access to clean, affordable, and renewable electricity generation in emerging markets.

## Governance

Sustainability is an integral part of our organisation and is embedded in all business units, including project development, solutions/execution, asset management and operations. The sustainability team in each country consists of both corporate support teams and specialists, as well as fieldworkers who report to the global headquarters and ultimately to the Executive Vice President of Sustainability, who forms part of the Executive Management Team reporting directly to the Board of Directors. The sustainability team develops key performance indicators reviewed by the Executive Management annually. When relevant, both the Executive management and the Board of Directors review specific sustainability topics, including health, safety, security and

environment (HSSE), anti-corruption, procurement, environmental and social impact, and stakeholder engagement, usually on a monthly basis.

Scatec Solar has developed a policy for each material sustainability topic, outlining the key principles and management approach that govern the way we operate and address issues. The policy statements and management approach for material topics can be found at the beginning of each chapter of this report. Further information on our corporate governance can be found in our Annual Report and on our corporate website.

## Compliance

Scatec Solar is committed to operating in line with the Equator Principles and the IFC's Environmental and Social Performance Standards to ensure consistent practices across all projects. Our work is also guided by the OECD Guidelines for Multinational Enterprises and we work with trusted partners such as the IFC, Norfund, KLP and several larger development banks that all have high standards for the projects and their associated impact.

## IFC Performance Standards

The IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks

[www.ifc.org](http://www.ifc.org)

## The Equator Principles

A risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in development projects

[www.equator-principles.com](http://www.equator-principles.com)

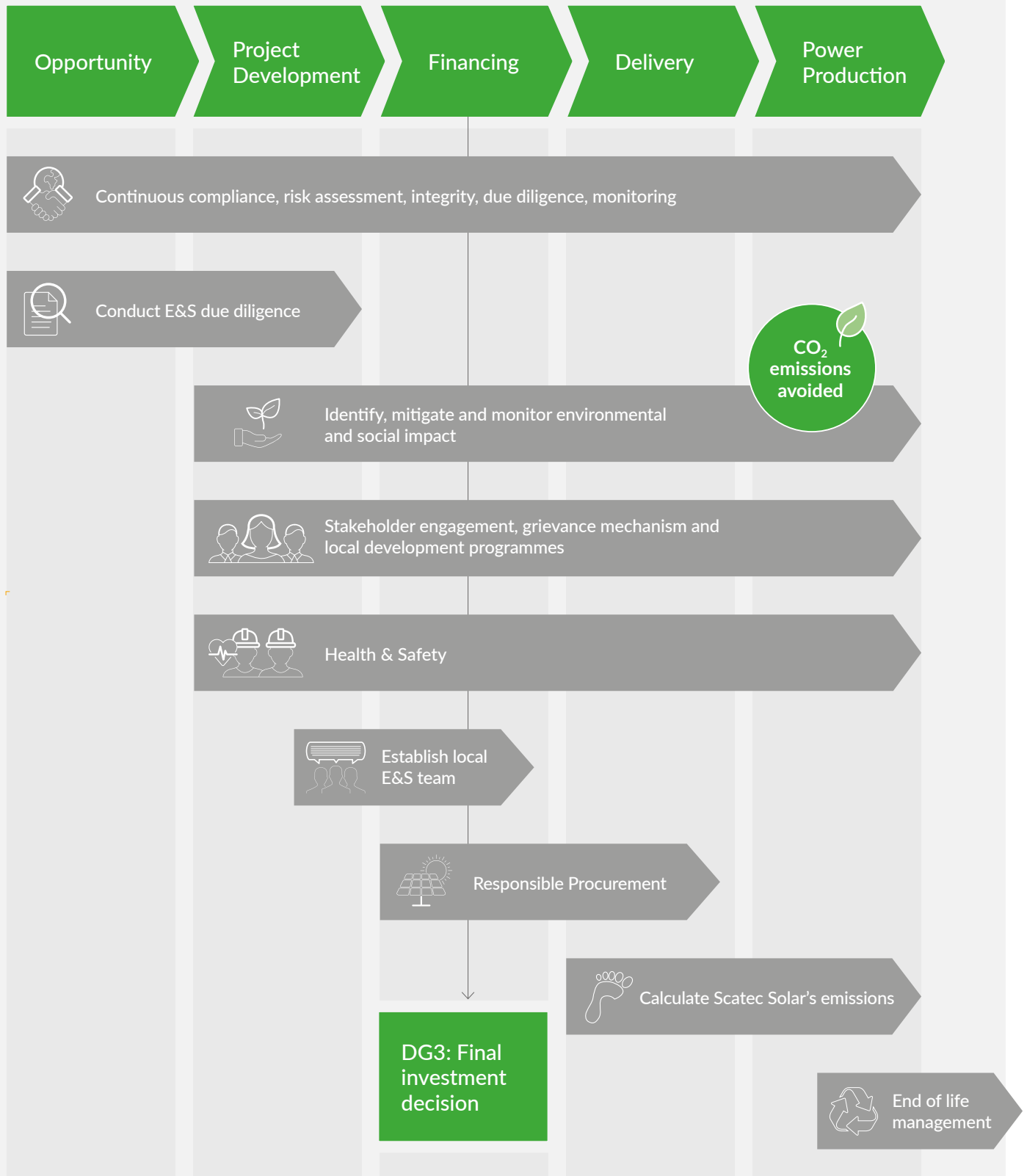
## OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises (OECD Guidelines) are recommendations from governments to multinational enterprises on responsible business conduct. The OECD Guidelines set standards for responsible business conduct across a range of issues such as human rights, labour rights and the environment.

[www.oecd.org](http://www.oecd.org)



# Environmental, Social & Governance (ESG) aspects are integrated in our operating model



# Sustainable solar projects: 40MW Mocuba project



## First utility-scale solar power plant in Mozambique

**Project name:** Central Solar de Mocuba (CESOM)

**Location:** Mocuba, Zambézia Province

**Capacity:** 40MW

**Equity partners:** KLP Norfund Investments, Electricidade de Mozambique (EDM) and Scatec Solar

**Financing partners:** IFC and EAIF

**PPA:** 25-year Power Purchase Agreement with EDM

**Grid connection:** July 2019

### Clean energy

79 GWh annual production  
– providing energy for about 170,000 households.

### Job creation

1,209 direct jobs during construction  
1,052 local hires, including 96 women.

### Malaria vector control programme

Implemented programme covering about 700 construction workers and their households. Recruited and trained four individuals from local communities to become spray operators.

### E&S initiatives

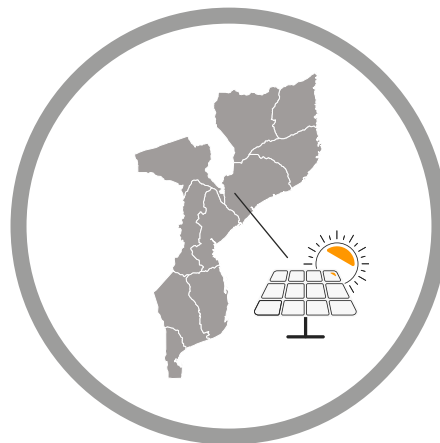
Project partners provided USD 80,000 in funding for several E&S initiatives, including the Malaria Programme, construction of bridges for PAPs and extension of Livelihood Restoration Plan.

### Compliance

The project was developed in compliance with Mozambican law and the IFC's Performance Standards.

### Environmental & Social (E&S) Impact

Developed Environmental & Social Impact Assessment (ESIA). Key impact identified: use of farmland for construction of the power plant.



### Compensation and Livelihood Restoration Plan

223 local households or Project Affected People (PAPs) used the project land for small-scale farming.

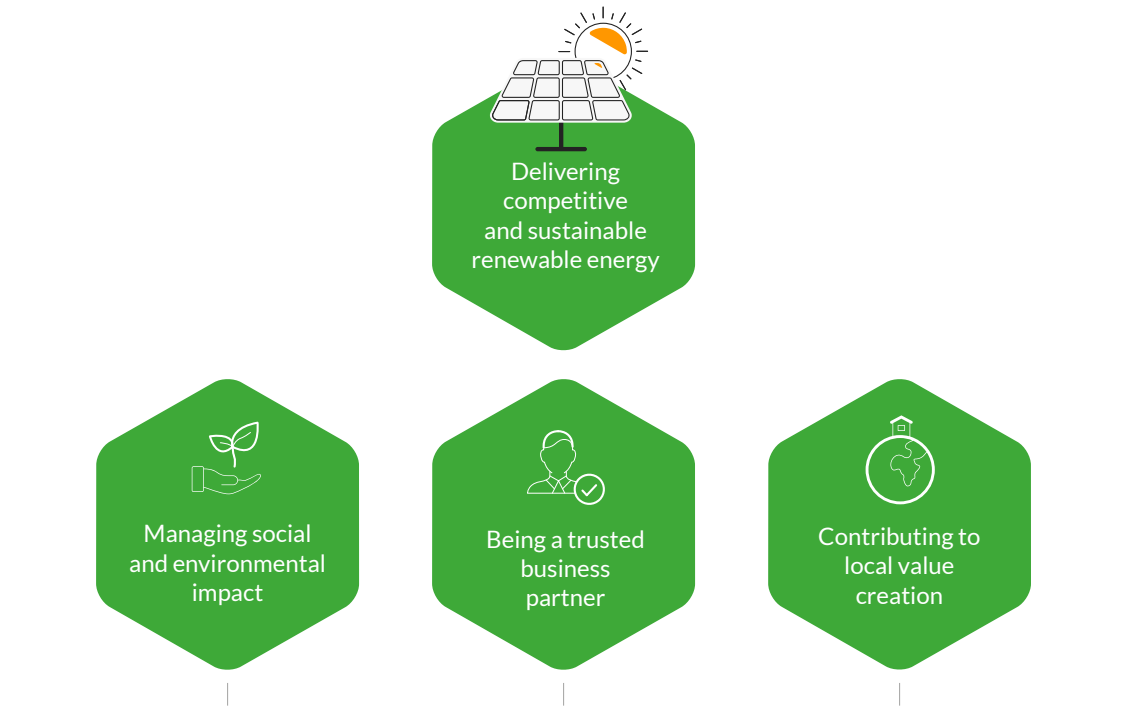
Compensation and Livelihood Restoration Plan implemented in accordance with IFC Performance Standard 5.

### Local community engagement

Community Liaison Officer based in Mocuba to ensure positive working relations with communities.

Established Technical Working Group with representatives from PAPs and local community leaders.

# Sustainability priorities



Our overall company goal is to deliver competitive and sustainable renewable energy. Three main sustainability pillars contribute to achieving this goal:

- Managing social and environmental impact
- Being a trusted business partner
- Contributing to local value creation






Our corporate sustainability framework incorporates all material topics of importance to stakeholders and our company. Each topic is defined by a policy, an evaluation of results in 2019 and a set of targets to be measured and to guide our work for 2020.

A summary of key results and achievements from 2019 is presented over the following pages. Our sustainability targets for 2020 are presented in each chapter of this report and summarised later in this section.

## Materiality is the backbone of our sustainability reporting and framework

|  |   |   |
|--|---|---|
| <p><b>1</b></p> <p><b>Stakeholder engagement</b></p> <p>Regular engagement with internal and external stakeholders to understand what types of topics and issues concern them.</p> <p>Refer to corporate website for our key stakeholder groups.</p> | <p><b>2</b></p> <p><b>Material topics</b></p> <p>Material topics defined based on stakeholder feedback and internal strategic priorities. The backbone of our sustainability reporting.</p> <p>Refer to corporate website for materiality matrix.</p> | <p><b>3</b></p> <p><b>Sustainability framework</b></p> <p>Sustainability framework developed to incorporate all material topics of importance to stakeholders and our company with key ambitions and targets.</p> <p>Refer to corporate website for description of all material topics.</p> |
|--|---|---|














# Managing social and environmental impact

| TARGETS   | KEY RESULT 2019   |
|---|---|
| <p><b>E&amp;S compliance</b></p> <ul style="list-style-type: none"> <li>✓ Conduct Environmental &amp; Social baseline assessments for all projects</li> <li>✓ Develop Environmental &amp; Social Action Plans (ESAP) for all projects and follow up on all required activities</li> </ul>   | <p><b>Environmental &amp; Social baseline studies</b> developed for all relevant projects in 2019 in close dialogue with project and financing partners. </p> <p><b>Environmental &amp; Social Action Plans</b> developed for all relevant projects in 2019. </p>   |
| <p><b>Human Rights</b></p> <ul style="list-style-type: none"> <li>✓ Develop a corporate policy on human rights in line with the Universal Declaration of Human Rights and the ILO</li> <li>🕒 Integrate aspects of human rights into the standardised training for all Managers, Community Liaison Officers and security personnel globally</li> </ul> | <p><b>Corporate Human Rights Policy</b> developed in 2019 in line with the Universal Declaration of Human Rights and the International Labour Organization (ILO). The policy is published on our corporate website. </p> <p><b>Human rights training offering reviewed</b> globally and identified partner to support the development of tailored training material for particularly exposed groups. </p> |
| <p><b>Climate Action</b></p> <ul style="list-style-type: none"> <li>✓ Increase annual emissions avoided by our solar plants by 500,000 tons of CO<sub>2</sub> by the end of 2019</li> <li>✓ Start reporting to the CDP in 2019</li> </ul>   | <p><b>870,637 tons</b> CO<sub>2</sub> emissions avoided by end of 2019 from all our solar plants in operation. </p> <p><b>Annual emissions avoided are expected to double</b> when solar plants under construction in 2019 begin commercial operation.</p> <p><b>Managing our environmental impact:</b> Reported to the Carbon Disclosure Project (CDP) in 2019 and received CDP score of B (Management Level): "Taking coordinated actions on climate issues".</p>                      |







✓ Completed

🕒 In process

# Being a trusted business partner

| TARGETS   | KEY RESULT 2019  |  |
|---|--|--|
| <p><b>Anti-corruption</b></p> <ul style="list-style-type: none"> <li> Mandatory anti-corruption training for all employees. Offered to new employees on a quarterly basis with a target completion rate of 100% over a two-year period</li> <li> Provide extended anti-corruption training for particularly exposed business units</li> </ul>   | <div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto 20px auto;">7</div> <p><b>Ethics and anti-corruption trainings</b> organised in 2019. 172 employees participated.</p>  | <div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto 20px auto;">6</div> <p><b>Targeted workshops</b> organised for business units with a high risk of corruption.</p>  |
| <p><b>Health, Safety, Security &amp; Environment (HSSE)</b></p> <ul style="list-style-type: none"> <li> Fatalities: 0<br/>Serious injuries: 0<br/>TRIF: ≤ 3.9<br/>LTIF: ≤ 2.5<br/>Sick leave ≤ 2%</li> <li> Minimum one audit of all main contractors working on project sites</li> <li> Develop and implement country specific HSSE management systems</li> </ul>   | <p><b>2019 statistics</b><br/>Fatalities: 0<br/>Serious injuries: 0<br/>Sick leave: 0.7%</p>   | <p><b>LTIF 1.2</b><br/>Lost Time Injury Frequency per million hours worked</p> <p><b>TRIF 1.5</b><br/>Total Recordable Injury Frequency per million hours worked</p> <div style="text-align: center; margin-top: 20px;">  </div> <p><b>All main contractors audited</b> in 2019. Successful completion of DNV GL ISO audit.</p> <p><b>HSSE management systems implemented for all projects</b> under construction in 2019.</p> |
| <p><b>Responsible procurement</b></p> <ul style="list-style-type: none"> <li> Conduct internal reviews of our existing due diligence process for selecting suppliers and make any necessary improvements</li> <li> Review the risk of conflict minerals in our supply chain and ensure that all high-risk suppliers have policies and QA systems covering conflict minerals</li> <li> Develop and implement a corporate policy on conflict minerals</li> </ul> | <p><b>Strengthened our due diligence process</b> for selecting suppliers in 2019.</p> <p><b>Reviewed risk of conflict minerals</b> in our supply chain and initiated process to ensure that all high-risk suppliers have policies in place for conflict minerals.</p> <p><b>Corporate conflict minerals policy</b> developed in 2019 to be rolled out during second half 2020.</p>   | <div style="text-align: center; margin-bottom: 20px;"> <div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">100%</div> <p><b>Environmental and social screening</b> of new suppliers</p> </div> <div style="text-align: center;">  </div>  |
| <p><b>Our people</b></p> <ul style="list-style-type: none"> <li> Increase percentage of female employees globally by 10%</li> <li> Performance Management: 100% participation by all employees in our annual Performance, Development and Appraisal (PDA) process</li> </ul>  | <div style="text-align: center; margin-bottom: 20px;">  <p><b>Gender diversity:</b> Increased the number of full-time female employees by 36% in 2019, but the relative share remained the same as last year at 33%.</p> </div> <div style="text-align: center;"> <div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;"> <div style="text-align: center; padding: 2px;">Female employees<br/><b>33%</b></div> </div> <p><b>100% participation</b> in our Performance Management process in 2019.</p> </div> |  |

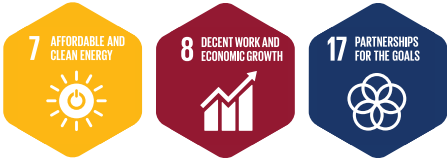
# Contributing to local value creation

| TARGETS   | KEY RESULT 2019  |      |      |      |    |    |   |
|---|--|------|------|------|----|----|---|
| <p><b>Community engagement</b></p> <ul style="list-style-type: none"> <li>✓ Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards</li> <li>✓ Initiate our community engagement efforts at least six months prior to expected construction start</li> <li>✓ Appoint a designated Community Liaison Officer (CLO) for all projects</li> <li>🕒 Resolve all project grievances within two months of their registration</li> </ul> | <p><b>Stakeholder engagement plans</b> in place for all projects under construction in 2019. Refer to corporate website for example of plans. </p> <p> <b>Community engagement efforts</b> initiated at least six months prior to expected construction start across all relevant projects in 2019.</p> <p><b>Community Liaison Officers</b> appointed for all projects in 2019. In some regions one CLO covers a portfolio of projects.</p> <table border="1"> <tr> <td>2019</td> <td>2018</td> <td>2017</td> </tr> <tr> <td>18</td> <td>10</td> <td>8</td> </tr> </table> <p><b>174</b> grievances registered in 2019, of which 78% were resolved. 37 grievances are still in the process of being resolved.</p> | 2019 | 2018 | 2017 | 18 | 10 | 8 |
| 2019  | 2018   | 2017 |      |      |    |    |   |
| 18  | 10   | 8    |      |      |    |    |   |
| <p><b>Local job creation</b></p> <ul style="list-style-type: none"> <li>🕒 Hire 70% to 80% local workers in every project during the construction phase</li> </ul>   | <p> <b>8,000 jobs created</b> from projects under construction – on average 60% local and unskilled workers.</p>   |      |      |      |    |    |   |
| <p><b>Local development</b></p> <ul style="list-style-type: none"> <li>✓ Dedicate a specific budget for development programmes for each project, aligned with local community needs</li> <li>🕒 Minimum one long-term education-related programme in all projects</li> <li>✓ Start to implement small-scale solar PV projects to benefit local communities in new projects – implement at least one new project in 2019</li> </ul>   | <p><b>Dedicated budgets for local development programmes</b> in all solar projects starting construction in 2019. </p> <p> <b>18</b> education-related programmes ongoing in 2019 across projects. We are currently working to update our local development strategy and programme focus for 2020.</p> <p><b>Small-scale solar PV</b> Small scale solar system installations at community hall and youth association in Ma'an, Jordan. Refurbishment of rooftop solar for 13 vulnerable households in Agua Fria, Honduras. </p>   |      |      |      |    |    |   |

# Sustainability targets 2020

|                                      |   |  |  |
|--------------------------------------|---|--|--|
| <p><b>OVERALL COMPANY GOAL</b></p>   | <p><b>DELIVERING COMPETITIVE AND SUSTAINABLE RENEWABLE ENERGY</b></p>    |  |  |
| <p><b>SUSTAINABILITY PILLARS</b></p> | <p><b>MANAGING SOCIAL AND ENVIRONMENTAL IMPACT</b></p>   | <p><b>BEING A TRUSTED BUSINESS PARTNER</b></p>    | <p><b>CONTRIBUTING TO LOCAL VALUE CREATION</b></p>    |
| <p><b>KEY AMBITIONS</b></p>          | <ul style="list-style-type: none"> <li>Operate all projects in line with the IFC's Performance Standards and the Equator Principles</li> <li>Maintain active dialogue during the project phases with key stakeholder groups</li> <li>Identify risks to and impact on employees, communities and the environment. Avoid, minimise and compensate for negative impact throughout project life</li> <li>Monitor the total climate effect of our projects during all project phases</li> </ul>  | <ul style="list-style-type: none"> <li>Maintain a zero tolerance policy of bribery or corruption</li> <li>Continually work for zero harm to personnel, assets and the environment</li> <li>Define health and safety standards and communicate them to our employees and subcontractors</li> <li>Work with suppliers to promote sustainable business practices and monitor compliance through regular audits and interactions</li> </ul>  | <ul style="list-style-type: none"> <li>Employ local labour, enable knowledge transfer and create jobs in local communities</li> <li>Maintain open and transparent dialogue with project neighbours and other relevant stakeholders</li> <li>Identify needs in the local communities for our community development programmes</li> </ul>  |
| <p><b>TARGETS</b></p>                | <p><b>Environmental and social compliance</b></p> <ul style="list-style-type: none"> <li>Conduct environmental and social baseline assessments of all projects</li> <li>Develop Environmental and Social Action Plans (ESAPs) for all projects and follow up on all required activities</li> </ul> <p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>Integrate our Corporate Human Rights Policy at all levels of our organisation</li> <li>Integrate aspects of human rights into the standardised training for all our managers, community liaison officers and security personnel globally</li> </ul> <p><b>Climate action</b></p> <ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions avoided by our solar plants to reach about 1.4 million tons by end of 2020</li> <li>Set emissions reduction targets for our company in line with CDP</li> </ul> | <p><b>Anti-corruption</b></p> <ul style="list-style-type: none"> <li>Ensure 100% participation in training by employees</li> <li>Implement new Code of Conduct together with mandatory e-learning course for all employees</li> <li>Establish compliance network for global and regional compliance officers</li> </ul> <p><b>HSSE</b></p> <ul style="list-style-type: none"> <li>Fatalities: 0</li> <li>TRIF: ≤ 3.5</li> <li>LTIF: ≤ 2.0</li> <li>High-potential incidents: ≤ 1.2</li> <li>Sick leave: ≤ 2%</li> </ul> <p><b>Responsible procurement</b></p> <ul style="list-style-type: none"> <li>Ensure all suppliers have policies or statements and measures in place to confirm that their products are free from conflict minerals</li> <li>Plan and organise a Supplier Sustainability Initiative for key suppliers as part of our supplier development programme</li> </ul> <p><b>Our people</b></p> <ul style="list-style-type: none"> <li>Systematically train and develop more than 50 leaders in our organisation</li> <li>Increase the percentage of female employees globally by 10%</li> <li>Performance Management: 100% participation by all employees</li> </ul> | <p><b>Community engagement</b></p> <ul style="list-style-type: none"> <li>Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards</li> <li>Initiate our community engagement efforts at least six months prior to expected construction start</li> <li>Appoint a designated community liaison officer for all projects</li> <li>Respond to and take action on all project grievances within 30 days of their registration</li> </ul> <p><b>Local job creation</b></p> <ul style="list-style-type: none"> <li>Hire 70% to 80% local workers in every project during the construction phase</li> </ul> <p><b>Local development</b></p> <ul style="list-style-type: none"> <li>Dedicate a specific budget for development programmes for each project, aligned with local community needs</li> <li>Establish community PV as a larger programme component – three new projects initiated in 2020</li> </ul> |

# UN Sustainable Development Goals



The selection of our three primary SDGs is aligned with our core business, risks and opportunities, and key stakeholder feedback.

Refer to our corporate website for more information about our work and reporting related to the UN SDGs.



By 2030, increase substantially the share of renewable energy in the global energy mix

By 2030, ensure universal access to affordable, reliable and modern energy services



## Utility-scale solar

Utility-scale solar delivered to state owned utilities and corporate and industrial customers in emerging markets.

**Doubled installed capacity** and reached 1.9 GW in operation and under construction by end of 2019.

**Targeting 4.5 GW** in operation and under construction by end of 2021.



## Smaller-scale solar

Expanding our reach. Continuously explore new technologies to offer better solutions to a broader market.

**Release - redeployable solar** introduced as a new concept offering a flexible leasing agreement for pre-assembled and containerised solar and battery equipment.

**Community PV** Several small-scale solar PV projects in local communities close to our solar plants. From 2020 we will increase our efforts in community PV solutions.





# Managing environmental and social impact



# Managing our environmental and social impact



The development of solar projects may have an environmental and social impact. In line with Scatec Solar's policies, the requirements of local legislation and our commitment to international standards and best practices, we endeavour to minimise our negative impact, maximise local benefits and ensure constructive dialogue with project stakeholders.

## How we manage our environmental and social impact

Our project activities are conducted in accordance with local laws, the Company's corporate policies, and requirements as defined by international standards. This includes the IFC's Performance Standards and the Equator Principles for specific areas, including land acquisition and involuntary resettlement, human rights, biodiversity conservation, labour and working conditions, pollution prevention, community

health and safety, indigenous people, and cultural heritage (see illustration below).

Establishing dialogue with a broad range of stakeholders, including local communities, at an early stage in a project, is critical for understanding a project's impact and for integration of relevant considerations into the project development process. Engagement with local communities is an ongoing process throughout the entire life of a project.

We follow standardised processes for all our projects to identify, mitigate and monitor our potential risk and impact. This work forms part of our overall Environmental and Social Management System (ESMS). Key elements of the process are outlined on the next page.

## Operational compliance in Scatec Solar (SSO)



# Environmental and Social Management System

## ESIAs

### Environmental and Social Impact Assessments

*Assessments of the potential environmental and social risk and impact of activities during the development, construction and operations phases of a project*

For all our projects we conduct environmental and social due diligence assessments and/or environmental and social baseline studies/impact assessments (ESIAs) to identify the potential environmental and social risk and impact of our activities.

In 2019, we developed an environmental impact assessment for our project in Argentina.

We also performed environmental and social due diligence assessments for projects in Ukraine and Vietnam.

## ESAPs

### Environmental and Social Action Plans

*List of environmental and social actions/measures, with responsibilities and deadlines, to reduce the impact identified during the initial assessments*

The next step in all of our projects is the establishment of Environmental and Social Action Plans (ESAPs) based on the initial environmental and social assessments.

The ESAPs are often developed in close dialogue with project and financing partners and usually include the following items:

- Corrective actions/measures
- Purposes of actions
- Responsibilities
- Status/progress
- Timeline

## Monitoring & reporting

### Monitoring & reporting

*Regular monitoring and reporting internally in project teams and externally to project and financing partners*

All our projects have regular environmental and social monitoring and reporting procedures in place as defined under the respective Environmental and Social Management Plans (ESMPs) under the Environmental and Social Management System (ESMS). Important monitoring measures include:

- Regular site inspections and registry of nonconformance
- Monthly project reports and monthly Board of Directors meetings
- Internal audits and audits by third parties
- Regular environmental and social monitoring visits and status reports by lenders

### Project classification according to the Equator Principles:

**Category A:** Projects with potentially significant adverse environmental and social risks and/or impact that is diverse, irreversible or unprecedented

**Category B:** Projects with potentially limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

**Category C:** Projects with minimal or no adverse environmental and social risks and/or impact

All projects under construction in 2019 are **Category B** projects with potential limited adverse social or environmental impacts

### Our achievements and results in 2019

We are committed to operating all our projects in line with the IFC's Performance Standards and the Equator Principles. An overall focus of 2019 was establishing management systems in new projects. We continued our work from 2018 to further strengthen our corporate Environmental and Social Management System (ESMS) by reviewing our processes and management plans in accordance with the IFC's Performance Standards and the Equator Principles. We also developed and strengthened corporate policies in the areas of human rights, conflict minerals and stakeholder engagement.

### Main risks and impact

The degree and types of impact caused by solar projects vary from project to project according to several factors such as site location, environmental baseline conditions of the site and distance to settlements. The majority of the environmental and social impact occurs during the development and construction phases of a project. Noise related to excavation, temporary air emissions, solid waste, wastewater generation and increased transportation to and from site area are typical impacts. Each type of impact is monitored and mitigated through the implementation of specific management plans. Some of the key potential risks and impact areas from our business operations are presented over the following pages.

### Potential environmental impact areas

- Temporary air emissions, noise related to excavation, solid waste and wastewater generation during construction
- Ecology and natural resources - Habitat loss/ fragmentation, impacts on designated areas and protected or vulnerable species
- Water use



### Potential social impact areas

- Land acquisition and physical/economic displacement and impact particularly on indigenous people, minorities and vulnerable groups
- Cultural heritage
- Community health and safety including traffic safety
- Labour and working conditions during construction and operation
- Landscape and visual impacts
- Conflict minerals in the supply chain





Photo by Norfund

## Human rights

Scatec Solar respects human rights and recognises our responsibility to avoid infringing upon the rights of employees, local communities and other stakeholders wherever the Company operates. In line with the IFC's Performance Standards, we acknowledge that certain groups might require particular attention in relation to human rights risks, including indigenous people, minorities and vulnerable groups.

We work to mitigate any adverse effects by employing specially designed measures. Meaningful consultations with affected communities and other stakeholders on a regular basis and a well-functioning grievance mechanism that local communities trust are main tools for the continuous review of risks and for the development of appropriate mitigating actions.

We engage security personnel at our operational sites to protect employees, assets, and local communities that are near the Company's projects and plants. All plant-based security personnel are subcontracted from a third party but considered part of our plant teams. We recognise the risk of misconduct and work to raise awareness and comply with international standards. Amongst other measures, we mitigate this risk by training security staff in human rights and Company policies.

Approximately 50% of security personnel contracted by Scatec Solar globally have been trained in principles related to human rights. The training is conducted annually. We are

## 2019 Corporate Human Rights Policy

In line with the Universal Declaration of Human Rights and the International Labour Organization (ILO)



currently working to review and further develop our training offerings on human rights to ensure that all our security teams globally receive such training. We have identified a partner to support in the development of tailored human rights training material for various groups of our company. This work will continue and be implemented in 2020.

One of our 2019 targets was to develop a corporate human rights policy in line with the Universal Declaration of Human Rights and the International Labour Organization (ILO). The policy was published on our corporate website during the fourth quarter of 2019 and will be distributed to project partners and other stakeholders in 2020.

The next section presents some key potential impact areas related to human rights.

## Land acquisition

Land acquisition can impact local communities and place the rights of affected people at risk. The risk is particularly high when physical and/or economic displacement cannot be avoided.

### Target:

- Ensuring that affected local households are assisted in adapting to the new situation and restoring their livelihoods to pre-project standards at a minimum.

### Mitigating measures:

- We follow the strict requirements of the IFC's Performance Standards to address and mitigate impact by developing and implementing resettlement and livelihood restoration plans.
- We always establish long-term monitoring mechanisms as required by the IFC Performance Standards.

### Project examples:

- In 2018-2019 our Mocuba project in Mozambique resulted in an economic displacement of 223 households. All households were assisted and compensated in line with IFC Performance Standard 5.
- In 2019 we had no projects in our backlog that resulted in economic or physical displacement.



Photo by Norfund

## Labour and working conditions in Egypt

Labour management and ensuring good working and living conditions for our own and subcontractors' workers is an area that can impact our projects during the construction phase.

### Target:

- Ensuring compliance with IFC's Performance Standards and avoiding any practice that can be harmful to workers' rights across our six projects under construction in the Benban Solar Park in 2019.

### Measures implemented:

- Consultations were provided for all subcontractors and workers during the induction of services and regularly throughout the working period on labour rights and working and living conditions.
- Several training sessions were held to raise awareness of health and safety and the workers' grievance mechanism.
- Regular inspections were conducted to identify gaps and improvements in a wide range of aspects of worker wellbeing.

### Outcome:

- Through regular monitoring mechanisms, including quarterly site audits carried out by third-party experts, we achieved steady improvement in the areas of safety and working and living conditions.




**Water**

Water is a scarce resource in many areas and is therefore an important aspect of our environmental management, particularly in the operations phase of our projects. Our main use of water relates to module cleaning. Various water sources are used for our projects in different locations, including groundwater and potable water from municipal water networks. The amount of water needed depends on vegetation, module soiling, natural cleaning due to precipitation and cleaning methods.

Water conservation awareness, maintenance of road conditions to minimise water use for dust suppression and monthly monitoring to identify the causes of abnormal volumes are among the management considerations implemented at all our plants. Efficiency is sought by avoiding unnecessary washing cycles and using effective washing methods such as spraying.

Initiative to reduce water usage in Jordan on average by

**10% - 15%**



One of our 2019 targets was to start reporting on water withdrawal by source and volume in projects located in water-stressed areas. Our three projects each in South Africa and Jordan are located in areas of medium- or high-water risk as defined by the World Resources Institute's *Aqueduct Water Risk Atlas*.

| PROJECT CAPACITY | JORDAN                    |           |           | SOUTH AFRICA  |            |                |
|------------------|---------------------------|-----------|-----------|---------------|------------|----------------|
|                  | ORYX 10MW                 | EJRE 22MW | GLAE 11MW | KALKBULT 75MW | LINDE 40MW | DREUNBERG 75MW |
| Kilolitres       | 1,475                     | 3,984     | 2,231     | 136           | 112        | 188            |
| Source           | Potable (municipal) water |           |           | Ground water  |            |                |

In South Africa, the source of water is groundwater. Boreholes are located close to the plants, which are surrounded only by livestock farming activities, with no nearby settlements. Water-use licences for each facility are issued by the Department of Water and Sanitation, depending on the aquifer's size and other uses. Water volumes withdrawn for our plants are considerably below the volumes authorised by the licences.

The source of water in Jordan is potable municipal water supplied by a water utility. The large volume of water use is primarily due to high soiling levels and results from more frequent cleaning cycles compared to other locations.

We implemented efforts in 2019 to reduce water use in both Jordan and South Africa. These efforts will continue in 2020.

**Biodiversity**

Installing solar parks requires land clearing, which could have an impact on biodiversity by causing a loss of habitat and disturbance of species. Biodiversity considerations are therefore part of environmental and social due diligence and baseline studies. If an impact is unavoidable, we implement measures to minimise impact and restore biodiversity.

For all projects, site clearance is implemented in a sensitive manner to minimise the impact on fauna. Project-specific measures are identified for the removal of vegetation, such as directional clearing, and avoiding certain periods so as to not affect nesting birds. Relevant measures during the construction and operations phases include, for example, fencing off storage areas and keeping lighting to a minimum.

Habitat enhancement and the creation of new conservation areas are options that will be considered whenever impact cannot be fully mitigated.

**2019 water reduction efforts**

**JORDAN**

The Ma'an module-washing improvement initiative is expected to reduce water usage by 10% to 15% on average by improving efficiency through the replacement of nozzles with more efficient ones.

## Case study: Biodiversity in Mocuba, Mozambique

**Background:** Snakes make up a significant proportion of the middle-order predators, as they play an integral role in maintaining balance in the food web. Without snakes, the numbers of pest species such as small rodents that damage crops and carry disease, can increase to unnatural levels, and the predators that eat snakes struggle to find food. Therefore, removal of snakes can have unforeseen effects on an ecosystem.

Through our commitment to protect biodiversity, on-site faunal monitoring concluded that snake species richness and density were found to be high on and around site, especially considering venomous snakes. We discovered that 75% of snakes found on site to be venomous which increase the risk of severe snakebite incidents and snakes being killed out of fear.

### Key initiatives and outcome:

- We provided training to working personnel during the construction and operational phase by increasing the understanding of the environmental role snakes play and debunking cultural myths of snakes through snake awareness training.
- A selected number of employees also received venomous snake handling to ensure the safety of humans and snakes on and around the plant.
- The initiatives implemented resulted in personnel being more aware of and equipped to deal with incidents involving snakes, thereby conserving the predators found on our solar plants.





### Climate risk and opportunities


Climate change can have a range of potential impact on our business. We operate and own solar power plants in local communities for 20 to 25 years. It is therefore important to try to foresee and evaluate potential climate-related risks to and opportunities for our people, business and physical assets.

The most serious climate-related risks involve the physical impact of extreme weather, including drought and flood. The table below summarises key risk areas related to climate change and gives a brief description of their relevance to our business.

Current climate change risks force policy-makers to seek low-emission sources of energy when tendering for new power generation. Scatec Solar focuses on renewable energy predominantly from solar power and competes in public tenders globally. We see new business opportunities opening up in emerging markets, where new energy capacity is desperately needed, and where the focus on renewables, time to market and price significantly favour solar and wind. This leads to new markets opening up due to climate-related financing, such as subsidies and partnerships with regional development banks to increase access to energy. Scatec Solar

## Extreme weather

is one of the most serious climate-related risks to our business.



is well positioned to capture these opportunities through its experience with public-private partnerships and innovative finance solutions in collaboration with such partners as the World Bank, the IFC, regional development banks, export credit agencies and Norfund.

We also take advantage of the emissions reductions resulting from our solar plants in operation, and our projects continue to be registered with the United Nations Framework Convention on Climate Change (UNFCCC) for verification and certification of electricity generation.

| RISK TYPES                      | BRIEF DESCRIPTION OF RELEVANCE TO OUR BUSINESS   |
|---------------------------------|--|
| Current and emerging regulation | As part of market entry or new investment decisions in an existing market or an annual review of portfolio diversification, current regulations are thoroughly assessed with both internal and external consultants. For example, we include regulations related to national energy mix, investments in renewables, and energy subsidies in our risk assessments as this could impact our competitive position.  |
| Technology                      | At each decision gate, a risk review is performed of the adequacy of the technical solution chosen and of the future risk that new technology entering the market may have on the asset.   |
| Market                          | As part of market entry or new investment decisions in an existing market or an annual review of portfolio diversification, the current market as well as 20+ year projections of the market are thoroughly assessed with both internal and external consultants.  |
| Reputation                      | Reputational risk can be high in terms of both its likelihood and its negative potential impact. Hence, each business decision is taken after reputational risk has been fully evaluated. Examples of reputational risk included in our risk assessments are the heavy transport of equipment and our projects having a negative impact on local communities.  |
| Acute and chronic physical      | We operate globally and, at any given time, directly or indirectly employ at least 5,000 people across various construction sites. Hence, it is always a possible risk that extreme weather may have a physical impact on both people and assets. The chronic impact of climate change is addressed on a 25-to-30-year basis. Typical risks include increased annual flooding, seasonal drought reducing access to water, and extreme heat resulting in efficiency losses.                 |
| Upstream                        | Scatec Solar depends on suppliers to provide, for example, solar panels, electric components, materials for construction, and operations and maintenance services among, other things. These suppliers and their sub-suppliers are also affected by climate change. Upstream risk includes the disruption of deliveries due to extreme weather or the lack of access/increased cost of raw materials due to climate-related issues. We closely monitor risk related to critical suppliers. |
| Downstream                      | Climate risk, and its effect on government and customer (public utility) decision-makers, is an integral part of each decision gate. It has typically proven advantageous to the Company's renewable power offering, but changes in perception are a clear risk. This leads to a strengthened focus on renewables, which increases competition in the market, which in turn affects downstream supply and demand, which can then have an impact on our business.                           |

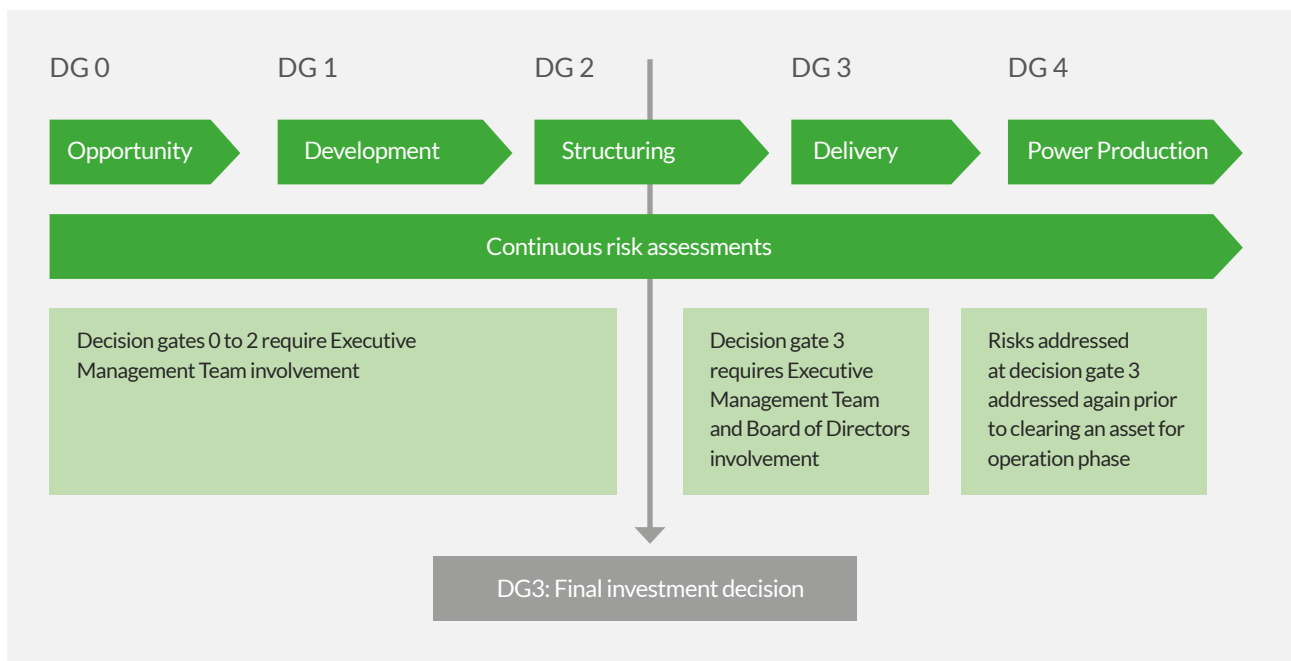
### Managing climate-related risk and impact

Scatec Solar has extensive policies and procedures in place as part of its operating system to actively manage risk connected with various parts of our operations. This includes climate risk. The main climate-related risks relate to the development, construction and operations phase of each solar project.

For each project, the risks are identified, reported and actively managed throughout all project phases (as outlined

in our risk management process below). All projects report risk management status as part of their monthly reporting process, which is regularly reviewed by both the Executive Management Team and the Board of Directors. At Group level, the Executive Management Team performs an annual review of the entire risk picture and risk management system and reports this to the Board of Directors.

### Risk management process



### Case study: Flooding risk in Malaysia

- Our Red sol solar project in Malaysia is an example of the significant impact of climate change-induced risk, as increased flooding in the area has left the project site vulnerable to biannual flooding.
- As a result of this inherent risk, the project did not initially pass through decision gate 2 of our risk management process.
- The redesigned project introduced a new substructure, which required less ballast in the ground (given the muddy conditions of the ground), and a complete redesign of the drainage system surrounding the site.
- The output of the exercise and knowledge has been deployed in the development of further flood risk sites in South East Asia.

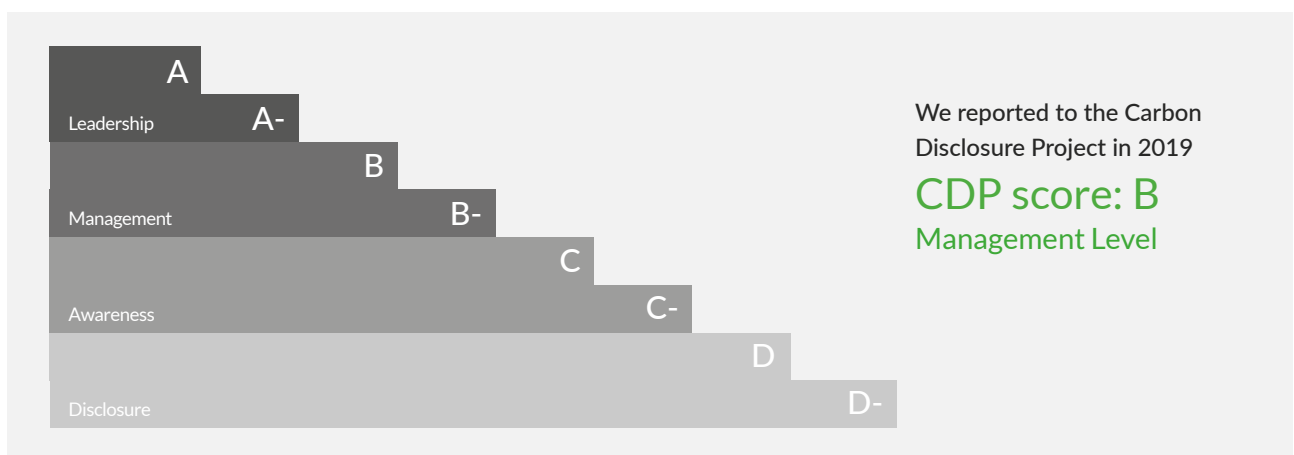


To better address climate risk, we implemented more comprehensive climate risk disclosures in 2019, based on the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD).

In line with our 2019 targets, we started reporting to CDP (Carbon Disclosure Project) during the year. This involved

comprehensive climate-related disclosures connected to our governance and policy, risks and opportunity management, reporting and strategy, and scenario analysis. In 2020, we plan to continue this journey by, for instance, developing emissions reduction targets and initiatives. Refer to [www.cdp.net](http://www.cdp.net) for the complete CDP report for Scatec Solar.

### CDP scoring methodology



Reporting to CDP represents an important step for us to better identify and manage the environmental impact of our business activities globally

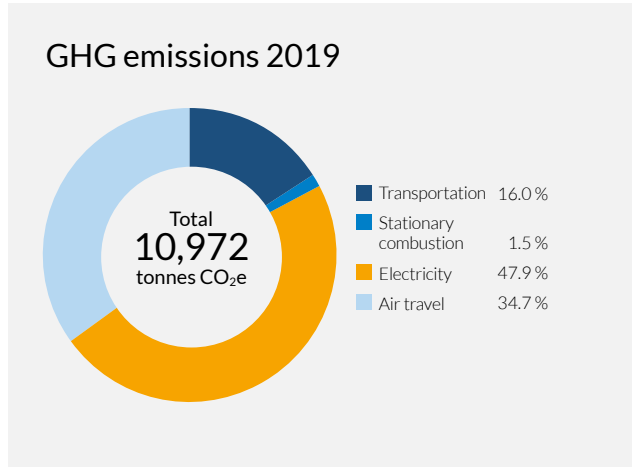
**Our carbon footprint**

The total CO<sub>2</sub> emissions from our activities in 2019 amounted to 10,972 tons, up from 10,412 tons in 2018. This includes scope 1 emissions, market-based scope 2 emissions and scope 3 emissions from air travel. See the illustration for the percentage split among main categories. Electricity and air travel represent the two categories of our business generating the greatest CO<sub>2</sub> emissions.

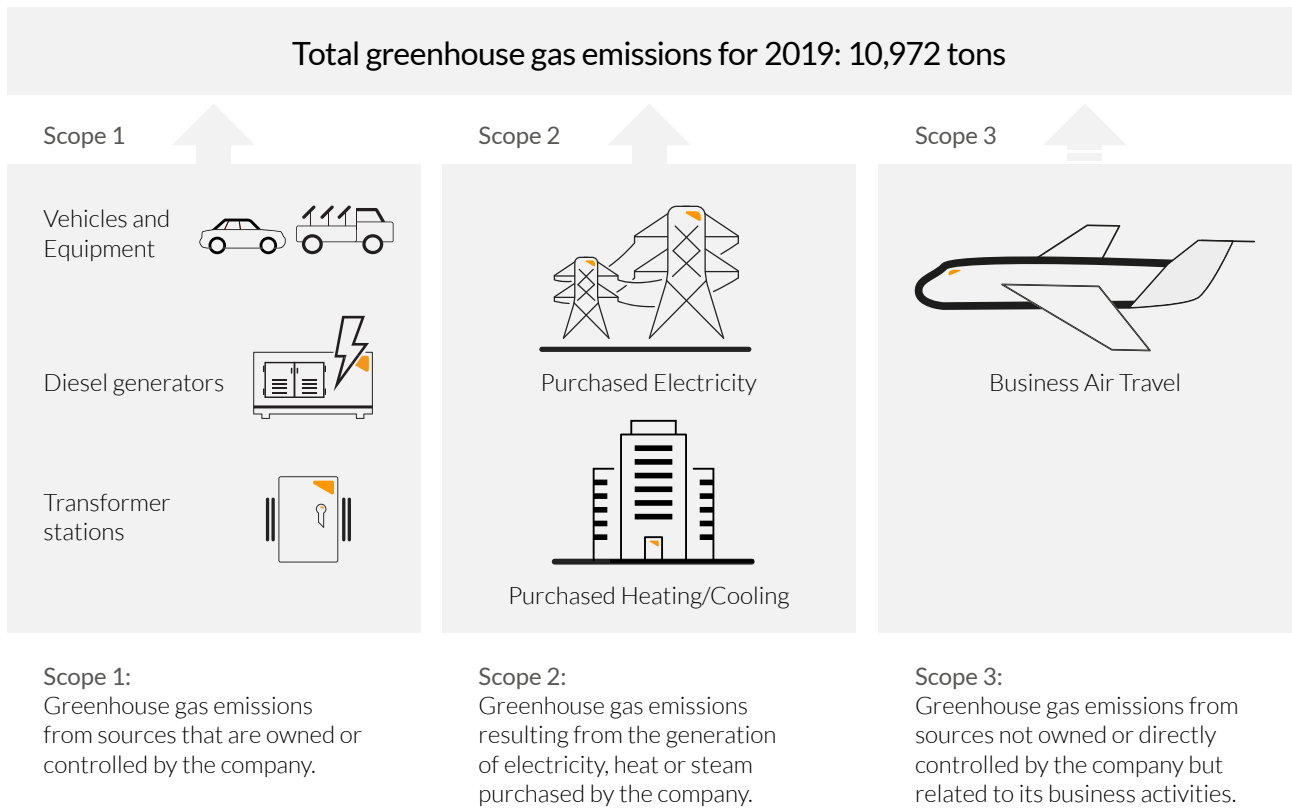
Electricity includes purchased electricity primarily from office buildings and Operation & Maintenance (O&M) buildings on project sites.

We have seen an increase in emissions from electricity since last year. This is mainly explained by our project portfolio in Egypt, which was grid-connected gradually during 2019. We are part of a larger solar installation with a commitment to the Egyptian government to maintain grid voltage. This requires us to deliver reactive power at night, which is generated directly from the grid.

2018 and 2019 were characterised by strong global expansion through project development and construction. Several new projects were grid-connected and we experienced high activity levels at project sites. This is reflected in our emissions figures for both years.



Given the international nature of our company’s business and operations, we are aware of our significant footprint from air travel. In 2019, we updated our corporate travel policy to include a requirement that all flights be booked in economy class. In 2020, we aim to develop a climate strategy with concrete reduction targets and programmes. We will also work to expand our CO<sub>2</sub> emissions reporting. A considerable part of our emissions relates to our subcontractors’ activities during the construction phase of projects. In 2019, our scope 1 reporting included emissions from construction activities at our project in Argentina. This was a pilot project. For 2020, we have targeted increased emissions reporting for projects under construction in scope 3.



DNV·GL

# VERIFICATION STATEMENT

Issue date: March 24, 2020

## Verification of CO<sub>2</sub> emissions for Scatec Solar ASA 2019

The purpose of this document is to clarify matters set out in the process of verifying CO<sub>2</sub> emissions for Scatec Solar ASA. We do not accept or assume any responsibility or liability on our part to CDP or any other party who may have access to this letter or related documents.

Scatec Solar ASA commissioned DNV GL Business Assurance Norway AS to provide an independent third-party limited assurance verification for 2019 of their worldwide operations for CDP reporting. ISO 14064-3 has been used in this work. The scope of the work included:

- Scope 1 CO<sub>2</sub> emissions (ref. CDP report point C 6.1)
- Scope 2 CO<sub>2</sub> emissions (ref. CDP report point C 6.3)
- Scope 3 CO<sub>2</sub> emissions (ref. CDP report point C 6.5)

The verification was conducted in February and March 2020 and included document review, interviews with personnel at the main office, review of calculation methods and routines for activity data used in the calculations. The scope for 2019 included Scatec Solar activities in 11 countries. Aggregated emissions data:

Scope 1: Data as reported in C 6.1.:

**Total CO<sub>2</sub> scope 1 emissions: 1 845,6 metric tonnes CO<sub>2</sub>**

Scope 2: Data as reported in C 6.3:

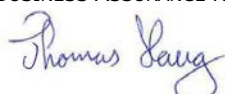
**Total CO<sub>2</sub> scope 2 emissions (location based): 5 059,7 metric tonnes CO<sub>2</sub>**

Scope 3: Data as reported in C 6.5:

**Total CO<sub>2</sub> scope 3 emissions (location based): 4 066,3 metric tonnes CO<sub>2</sub>**

The verification is done with limited assurance. During the verification, nothing has come to our attention that causes us to believe that the reported CO<sub>2e</sub> emissions for Scatec Solar ASA in the 11 countries are not fairly stated.

Place and date: Høvik, March 24, 2020  
DNV GL BUSINESS ASSURANCE NORWAY AS



Thomas Haug  
Technical reviewer



Ole A Flagstad  
Lead Verifier

### CO<sub>2</sub> savings from our solar plants

By providing clean electricity, our solar plants contribute to reducing greenhouse gas emissions in every country where we operate. One of our 2019 targets was to increase annual emissions avoided by our solar plants by 500,000 tons of CO<sub>2</sub> by end of the year.

By the end of 2019, the CO<sub>2</sub> emissions savings from our solar plants in operation reached nearly 900,000 tons. This figure is expected to nearly double when all the solar plants under construction in 2019 begin commercial operation.

### Our goals and ambitions

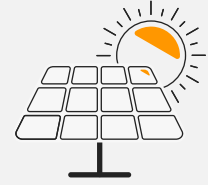
We will continue our efforts to further strengthen and standardise our corporate environmental and social management system (ESMS) for all projects. In addition, we have the following key targets for 2020:

#### Environmental and social compliance

- Conduct environmental and social baseline assessments for all projects
- Develop environmental and social action plans for all projects and follow up on all required activities

CO<sub>2</sub> emissions savings  
from our operating  
solar plants in 2019

**870,637 tons**



#### Human rights

- Integrate Corporate Human Rights Policy into all levels of our organisation
- Integrate aspects of human rights into the standardised training for all our managers, community liaison officers and security personnel globally

#### Climate action

- CO<sub>2</sub> emissions savings from our solar plants to reach about 1.4 million tons by end of 2020
- Set emissions reduction targets for our company in line with CDP



Being a trusted  
business partner



# Health and safety

Health, safety, security and environment (HSSE) are key priorities for Scatec Solar. We take responsibility, set requirements and monitor HSSE performance in the development, construction and operations phases of our projects. We define health and safety standards and communicate these to our employees and subcontractors. For more information about our policy, refer to our corporate website.

## Our achievements and results in 2019

We delivered approximately 11.7 million working hours with no fatalities or serious injuries in 2019. The year was characterised by high levels of construction activity, with 12 projects in Egypt, Malaysia, Ukraine, South Africa, Mozambique and Argentina. In Egypt, our portfolio of six projects, totalling 309MW under construction during the year, delivered about 8 million working hours with one lost time injury (LTI).

We engaged almost 8,000 workers during peak construction periods, of which about 60% were local and unskilled labour.

The rate of recordable work-related injury was 1.5 per million working hours, down from 4.4 in 2018. The decrease reflects, among other things, several initiatives launched during the year to strengthen our HSSE culture across the Company. We are also accumulating extensive experience from the global network of our project portfolio.

None of the recordable injuries were classified as serious injuries. Typical work-related injuries involved handling tools and construction equipment, with hand/finger injuries being predominant.

No cases of work-related occupational diseases were registered among our employees or our subcontractors' workers in 2019.



TRIF 1.5

Total Recordable Injury Frequency  
per million hours worked

LTIF 1.2

Lost Time Incident Frequency  
per million hours worked



8,000

Workers engaged during peak  
construction periods in 2019





# Key statistics 2019

| KEY PERFORMANCE INDICATOR                | TARGETS 2019 | ACTUAL 2019 | ACTUAL 2018 | ACTUAL 2017 |
|--|--------------|-------------|-------------|-------------|
| Fatalities                               | 0            | 0           | 0           | 0           |
| Serious injuries with disabilities       | 0            | 0           | 0           | 0           |
| LTIF (lost time injury frequency)        | ≤ 2.5        | 1.2         | 3.0         | 2.0         |
| TRIF (total recordable injury frequency) | ≤ 3.9        | 1.5         | 4.4         | 3.4         |
| Sick leave <sup>1)</sup>                 | ≤ 2%         | 0.7%        | 0.8%        | 1.4%        |
| Working hours including subcontractors   | -            | 11,747,041  | 6,368,975   | 1,180,650   |

All figures include hours from subcontractors except for sick leave. Rates are calculated per million hours worked.

1) Sick leave includes hours from full-time employees, short-term employees, and consultants.

We reached all of our 2019 targets for key performance indicators (refer to the table above). Key initiatives for the continued strengthening of our HSE culture across projects included awareness campaigns and open reporting and behavioural schemes. For example, we launched the “Goal Zero Hero” programme for our projects in Ukraine to reward individual commitment to health and safety and the “I Care Award” in Honduras to highlight employee engagement with our HSE goal of Working Together to Achieve Zero Harm.

The 2019 target to develop country-related HSE management systems was also met. All projects under construction in Egypt, Malaysia, Ukraine, South Africa, Mozambique and Argentina implemented an HSE management system. The requirements and processes of this system cover elements such as the HSE programme, Emergency Response Plan and Traffic Management Plan.

## HSE audits

Another 2019 target was conducting a minimum of one audit of all main subcontractors working on project sites. The HSE audit plan for 2019 covered sites, suppliers and projects. In addition, we had regular internal audits organised by the projects along with external audits on behalf of financing and project partners.

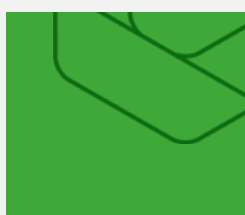
The DNV GL ISO audit of Scatec Solar was successfully completed in 2019, with retention of certifications for ISO 9001 (Quality), ISO 45001 (Health & Safety) and ISO 14001 (Environment). The audit focused on the Jasin project in Malaysia, Kuala Lumpur, Oslo and Cape Town.



**Audit of all main sub contractors**  
on project sites in 2019

## Contractor management

We continually work to ensure that all our subcontractors operate in accordance with our principles. Our Supplier Code of Conduct and Labour Policy for site personnel are integrated into all our subcontracts to ensure that these principles are respected, even in parts of the value chain that we do not control directly. This is identified as a critical risk area for our company, and serious efforts were made in 2019 to improve our systems and monitoring activities. We have carried out labour management audits, held toolbox talks with labour requirements as the main topic and updated our checklists to include labour management in daily inspections.



“We continually work to encourage openness and better reporting across all our projects globally”

**EVP Sustainable Business & HSE, Roar Haugland**

# Case Study: Health and Safety in Ukraine

With nine projects either in operation or under construction in Ukraine, health and safety efforts were a primary focus in 2019.

## Compliance with HSSE requirements in Ukraine

- Project information:** Three sites totalling 47MW in operation and six projects totalling 289 MW under construction in Nikolaev, Cherkassy and Kiev regions
- Challenge:** Maintain consistent and high performance related to HSSE
- Main issues:**
- Aligning contractors' services with international standards and requirements
  - Integrating change management principles into the project management framework
- Measures implemented:**
- Supported contractors in establishing HSSE management systems
  - Implemented HSSE training programmes and trained all workers of contractors on a regular basis
  - Launched safety behaviour programme across all projects (LTIs 2019: 0)
  - Performed internal HSSE audits and HSSE audits of contractors
  - Implemented driving safety programme for the corporate car fleet
  - Launched information flows including toolbox talks and digital safety information desks



## GOAL ZERO HERO

Promoting strong HSSE standards and culture across all projects in Ukraine

Programme awards Goal Zero Hero nomination to individual workers with a special commitment to health and safety

Strong engagement of Scatec Solar and subcontractor workers since its launch, with many individual nominations

Channels for engagement include reporting boxes on site to let workers easily provide recommendations and ideas for improvement

### Global security practices

We seek to systematically strengthen our approach to security management and emergency preparedness. We have well-established partnerships with two globally recognised third-party security companies. Together with our external risk advisors, we also regularly assess risks related to global health issues such as pandemics. We organise quarterly emergency preparedness drills with the Executive Management team.

One of the most serious risks we face when travelling abroad is traffic. The number of fatal traffic accidents in many of the

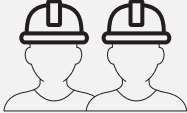
countries where we operate is high. In 2019, we registered one recordable injury and two serious near misses related to motor vehicle accidents. We continually strive to maintain a strong focus on traffic-related risk. We have a Transportation Safety Management Plan for all locations that also requires all of our subcontractors to have a transportation safety plan and have initiatives in place to promote safe employee travel.

### Our goals and ambitions

We continually strive for zero harm to personnel, assets and the environment, and we believe that all incidents can be prevented through awareness, training and preparedness. Our main goal for 2020 is to have zero fatalities and serious injuries and reach our remaining HSSE targets as shown in the table below.

For the 2020 reporting year we have established a new KPI covering high potential incidents and near misses. We believe these reports will add value to our organisation by proactively rectifying risks and stopping unsafe trends.

One recordable injury related to traffic accidents registered in 2019



| KEY PERFORMANCE INDICATOR                  | TARGETS 2020 |
|--|--------------|
| Fatalities                                 | 0            |
| LTIF (lost time injury frequency)          | ≤ 2.0        |
| TRIF (total recordable injuries frequency) | ≤ 3.5        |
| Sick leave <sup>1)</sup>                   | ≤ 2%         |
| High Potential Incidents                   | ≤ 1.2        |

All figures include hours from subcontractors except for sick leave. Rates are calculated per million hours worked  
 1) Sick leave includes hours from full-time employees, short-term employees, and consultants.



# Anti-corruption



Scatec Solar is committed to a policy of zero tolerance of corruption. Our activities are covered by the strictest anti-corruption laws in the world. These laws not only prohibit receiving, offering or paying bribes but also require us to actively prevent our suppliers and partners from engaging in corruption on our behalf. We strictly oppose all forms of corruption and will always comply with applicable anti-corruption laws.

The solar industry is exposed to a high risk of corruption, and some of the countries where we are present are amongst the most challenging in the world. We put in extensive efforts to prevent corruption and unethical practices in our projects and operations.

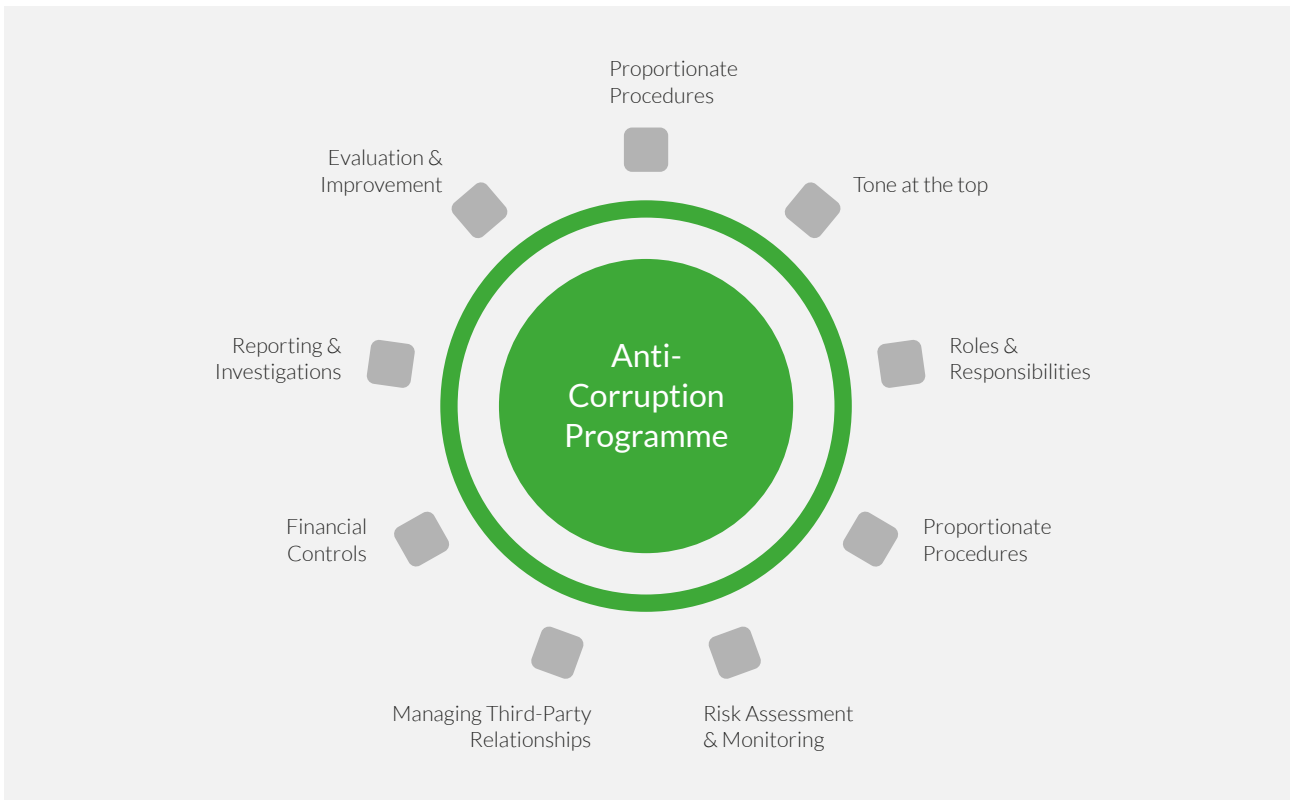
## Anti-Corruption Programme

Our policy of zero tolerance of corruption is set out in our ethics policy and governed by our Anti-Corruption Programme.

The Anti-Corruption Programme (see the illustration below) describes how our policies and procedures are designed and implemented to adequately prevent and detect corruption risks.

The programme implementation is risk-based, with a particular emphasis on the markets and activities with the highest exposure to corruption.

The programme is supported by the Group-wide whistleblowing channel.



“Remediating corruption risks in our markets requires extensive efforts and paying great attention to detail”

**Snorre Valdimarsson, EVP Legal Counsel**

## The Transparency International Corruption Perceptions Index

| (0-19)<br>EXTREME RISK | (20-39)<br>HIGH RISK | (40-59)<br>HIGH-MEDIUM RISK | (60-79)<br>MEDIUM | (80-100)<br>LOW |
|------------------------|----------------------|-----------------------------|-------------------|-----------------|
|                        | Mozambique (26)      | South Africa (44)           |                   | Norway (84)     |
|                        | Honduras (26)        | Argentina (45)              |                   |                 |
|                        | Ukraine (30)         | Jordan (48)                 |                   |                 |
|                        | Egypt (35)           | Malaysia (53)               |                   |                 |
|                        | Brazil (35)          | Rwanda (53)                 |                   |                 |
|                        | Bangladesh (26)      | Czech Republic (56)         |                   |                 |
|                        | Vietnam (37)         |                             |                   |                 |

### Corruption risk assessments

Corruption risk assessments are conducted on a country, project and contract basis. These assessments form the basis for selecting the areas that require specific mitigating actions and resource allocation. Identified risks are registered and reported to the relevant stakeholders of each project to ensure awareness and implementation. A Group corruption risk assessment is performed on an annual basis for each business unit of Scatec Solar.

Projects moving from opportunity, development and structuring to the delivery and power-production phases are assessed through decision gates (see illustration below). There are four decision gates with clear criteria and requirements related to screening, compliance and corruption risk.

## Due Diligence Process



## Our achievements and results in 2019

### Anti-corruption risk assessments

All operations, including projects and business partners of Scatec Solar, were assessed for corruption risks in 2019. A new methodology for the Group Corruption Risk Assessment was implemented and a corruption risk assessment was performed for Scatec Solar. Country corruption risk assessments were performed for Argentina, Bangladesh, Brazil, Vietnam and Ukraine.

### Revised governing documents

A new Anti-Corruption Programme has been designed and adopted on the basis of the Group Corruption Risk Assessment. The revision focused on increased tailoring of procedures and standardising of the documentation of our compliance efforts. We designed and implemented a new internal procedure for integrity due diligence. A procedure for performing due diligence of the compliance risks in Scatec Solar's new business venture Release was also designed.

### Compliance organisation

A global compliance officer was appointed to oversee Scatec Solar's Anti-Corruption Programme.

### Training and awareness

All employees are required to participate in ethics and anti-corruption training every three years. Seven ethics and anti-corruption training sessions were organised globally in 2019, with the participation of more than 50% of our full-time employees. For business units where a high risk of corruption has been identified, six targeted workshops were organised. An annual compliance employee statement was also introduced, and all employees are obliged to confirm compliance with the anti-corruption requirements.



## Whistleblower function

A whistleblower function is available to all employees, suppliers, partners and clients of the Company through internal channels and our corporate website.

The mechanism is operated by a neutral third party. All whistleblowers have the option of being anonymous.



**Zero confirmed incidents of corruption in 2019**

## Number of incidents reported in 2019: 6

Related to potential corruption: 1

Related to discrimination: 4

A total of six whistleblowing reports were received during 2019. One was related to potential corruption and four to alleged discrimination. The investigation that followed identified an incident that is not in line with Company's policy on hospitality and entertainment. However, the investigation did not result in a confirmed incident of corruption.

## Corruption incidents during the last three years

|  | 2019 | 2018 | 2017 |
|--|------|------|------|
| Confirmed incidents of corruption  | 0    | 0    | 1    |
| Confirmed incidents in which employees were dismissed or disciplined for corruption  | 0    | 0    | 1    |
| Confirmed incidents in which contracts with business partners were terminated or not renewed because of violations related to corruption | 0    | 0    | 1    |
| Public legal cases regarding corruption against the organisation or its employees during the reporting period                            | 0    | 0    | 0    |
| Number of companies or individuals on Scatec Solar projects subject to IFC investigation or sanctioning                                  | 0    | 0    | 0    |

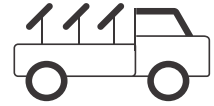
### Our goals and ambitions

We will continue to raise awareness of corruption and of the high expectations we have of our employees and business partners. In 2020 we will:

- ensure 100% participation in corruption training by all employees
- implement a new code of conduct, together with mandatory e-learning course for all employees
- establish a compliance network for global and regional compliance officers
- demonstrate the compliance of business units with the integrity due diligence procedure and related anti-corruption requirements



# Responsible procurement



Scatec Solar purchased goods and services for approximately NOK 4 billion in 2019. Responsible procurement is therefore an important part of our sustainability efforts, and we seek to select and develop suppliers with strong sustainability practices. For detailed information about our policy, refer to our corporate website.

Our Supplier Code of Conduct is based on internationally recognised principles and outlines our requirements for ethical conduct and sustainable business practices.

## Sustainability risks in our supply chain

Scatec Solar purchases goods and services from a wide variety of suppliers, ranging from large international organisations to specialist local suppliers worldwide. We seek to form mutually beneficial and trusted relationships with our suppliers and to treat all suppliers fairly, as well as to provide them with regular and honest feedback.

We regularly assess sustainability risks within our supply chain. The main risks include corruption, violations of labour rights, and poor social and environmental performance.

We seek to mitigate these risks through our supplier development programme, transparent and fair tender processes, robust contracting, pre-production audits, and monitoring during production.

## Sustainability in our procurement process

Our procurement process includes several steps of initial information gathering. Before suppliers are invited to tender, they must pass desktop due diligence that includes QHSE (Quality, Health, Safety & Environment) systems and sustainability considerations, and suppliers are shortlisted based on their scores.

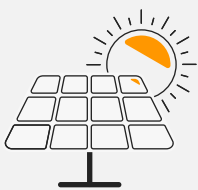
Our supply chain unit is responsible for ensuring compliance with Scatec Solar's ethics policy, procurement policy, sustainability policy, QHSE policy and operating system requirements. Our Supplier Code of Conduct includes more than 20 compliance topics, such as compliance with laws, safety and security requirements, the anti-corruption policy, human rights laws, environmental practices and restrictions on the use of drugs and alcohol. The screening process involves a three-stage approach as illustrated on the next page.

## Main procurement items

We source services and components mainly during the development and construction phases of our projects.

### Solar panels

Solar panels (modules): predominantly procured in China



### Inverter stations

Inverter stations, including combiner boxes: predominantly procured in Europe and China



### Steel structures

Steel structures: predominantly procured in Europe



### Steel structures

Construction services: predominantly procured locally in the country where the project is located





## Three-stage screening process



- 1** Request for information from vendors for pre-qualification:
- Code of Conduct/ethics policy
  - Whistleblowing procedure
  - Anti-corruption policy
  - Business ethics training of employees
  - Human rights policy
  - Terrorist financing and trade sanctions policy
  - Health and safety policy
  - Environmental management system
  - Human resources policy



- 2** Desktop due diligence of the documents listed in step 1 for the pre-qualification and during the bid



- 3** Final audit and in-depth due diligence on shortlisted vendors prior to recommendation to award

After the screening process, we seek to continuously monitor and control our work with and relationship to our suppliers. Before commencing their work, all suppliers must sign our Supplier Code of Conduct and confirm their conformance with the IFC’s anti-corruption guidelines, which we integrate into all our contracts, in addition to HSSE requirements, environmental and social requirements, and quality assurance and quality control requirements.

We appoint dedicated resources to follow up directly on quality and on implementing policies during the construction phase.

### Our achievements and results in 2019

#### Due diligence process

Parts of our due diligence process were automated in 2019 through the launch of an electronic vendor registration platform on our corporate website. Suppliers can access all documentation related to our due diligence process and submit their information and attachments directly. Each submission is directed into our operating system through a formal workflow review. All new suppliers were screened against social and environmental criteria in 2019.

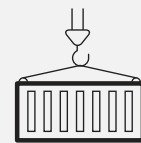
**2.5 million solar panels**

installed globally in 2019



**6,000 containers**

shipped in 2019



#### Supplier audits

In line with our policy, we audited all suppliers in major categories whom we procured from in 2019. We also conducted performance reviews on all suppliers in major categories, and through our screening process we removed three vendor applications from our database on grounds of corrupt practices.

We strengthened our corporate compliance resource base by appointing a compliance officer in 2019. This also had a significant positive impact on our screening turnaround. Our supply chain team, in cooperation with our compliance officer, developed a risk criteria matrix to be implemented during 2020 in order to conserve efforts and focus them on priority topics and vendors.

#### Supplier development programme

Our supplier development programme aims to proactively work with our key suppliers to enhance their social and environmental performance. In 2019, we evaluated the programme and participant base and developed a set of objectives for continued development. The following improvements to the programme will be the focus in 2020:

- Evaluation of participants: Evaluate all existing suppliers in the programme. Terminate relationship with suppliers not performing in line with performance criteria and add new strategic partners
- Content and focus: Ensure stronger focus on sustainability and compliance topics

#### Conflict minerals

We initiated a process for reviewing the risk of conflict minerals in our supply chain and ensuring that all high-risk suppliers have policies in place that cover conflict minerals. We also developed a corporate policy on conflict minerals to be integrated into our procurement policy in 2020.

#### Training

All new team members in our supply chain unit received anti-corruption and anti-bribery training in 2019.

#### Conflict minerals:

Conflict minerals in the eastern DRC are generally defined (including in US legislation and the OECD due diligence guidance for responsible mineral supply chains) as cassiterite (tin), coltan (tantalum), wolframite (tungsten) and gold, or derivatives of these minerals. Sometimes these minerals are referred to as the 'three Ts' - tin, tantalum and tungsten (and gold).

Additionally, our legal department organised a comprehensive workshop on contracts with a specific focus on anti-corruption.

#### Our goals and ambitions

We will continue to work with suppliers to optimise products so as to reduce their carbon footprints and to promote sustainable business practices. In 2020, our main goals are:

- to further develop and adapt the supplier development programme to new technologies and solutions being pursued by the Company and to proactively work with them on sustainability and compliance
- to continue to follow up on all suppliers and ensure that they have policies or statements and measures in place to confirm that their products are free from conflict minerals
- to plan and organise a Supplier Sustainability Initiative for key suppliers as part of our supplier development programme



“We have seen major advancements in technology on module efficiency, paving the way to reducing our carbon footprint.

From 2019 to 2020 we saw an **increase of more than 14%** in module watt rating for similar module sizes, which effectively implies shipping ~14% fewer containers to a project”

Irma Pienaar, SVP Supply Chain

# Our people



Scatec Solar recognises that its highly skilled and motivated workforce is its competitive advantage. Our people play an invaluable role in the success of our company, the execution of

our strategy and our continued growth. We strive to create an environment that promotes development, fosters excellence, promotes our values and encourages diversity.

## Employee statistics 2019



36%

2019: 335  
2018: 246



### Geographic distribution



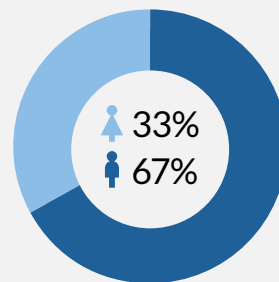
### Global workforce



### Nationalities



### Gender



### Our achievements and results in 2019

Scatec Solar's full-time employees totalled 335 in 2019, an increase of 36% compared to 2018. In addition to our full-time workforce, we had 198 short-term employees and 54 consultants supporting deliveries on our projects.

### Diversity and equal opportunity

Our global employee base is made up of 40 different nationalities, up from 32 last year. Diverse backgrounds and experience enable our organisation to remain flexible and agile and therefore ultimately better equipped to respond to fluctuating and complex markets and environments. The gender diversity and age groups of the Executive Management, the Board of Directors and Scatec Solar as a whole are presented in the table on next page.

| GOVERNANCE BODY       | GENDER (% FEMALE) |      |      |      | AGE GROUP (%) 2019 |       |         |
|-----------------------|-------------------|------|------|------|--------------------|-------|---------|
|                       | 2019              | 2018 | 2017 | 2016 | Under 30           | 30-50 | Over 50 |
| Management            | 14%               | 14%  | 0%   | 0%   | 0%                 | 57%   | 43%     |
| Board of Directors    | 40%               | 40%  | 40%  | 40%  | 0%                 | 20%   | 80%     |
| Headquarters (Norway) | 46%               | 47%  | 44%  | 40%  | 7%                 | 82%   | 11%     |
| Total Company         | 33%               | 33%  | 37%  | 28%  | 22%                | 67%   | 10%     |

One of our 2019 targets was to increase our percentage of female employees globally by 10%. Given our fast-growing global employee base, we focused on hiring female employees. We increased the number of full-time female employees by 36% in 2019, but the relative share of female employees remained the same as in the previous year at 33%. We worked systematically to make sure we interviewed female candidates for all senior positions and will continue these efforts in 2020.



**Young and dynamic workforce with an average age of 37**

We recruited 122 highly skilled full-time employees during the year. We are characterised by a young and dynamic workforce with an average age of 37. The voluntary employee turnover rate was 5%. Historical turnover figures include both voluntary and non-voluntary rates. Scatec Solar will report on voluntary turnover in future reports. Please refer to our corporate website, Sustainability Priorities, for more data on employees and contract staff.

## Key learning and development initiatives



**New Online Learning Portal:** We continued to develop our online learning and development portal across multiple business units and countries, offering both e-learning and classroom courses. Training topics include anti-corruption training, travel safety and security, our integrated business model and first aid training. Our mandatory courses totalled 1,606 training hours in 2019.

**Performance Management:** We strengthened and formalised our annual Performance, Development and Appraisal (PDA) process for all employees. All of our employees globally participated in the PDA process in 2019, thereby achieving our target set in 2019.



Key highlights: Employee Engagement Survey 2019

**78%**  
of employees indicated that management makes their expectations clear demonstrating credibility

**93%**  
of employees noted that they are proud to tell others that they work at Scatec Solar

**85%**  
of employees says that Scatec Solar is a great place to work

# Global Leadership Development Programme



Program kick-off: January 2019

## Background and purpose

- Continuous expansion in the number of projects, partners, locations, cultures and people requires us to manage people and our organisation in an efficient and engaging way to fulfil business strategy and goals
- Developing leadership as a competency and company culture is an impactful tool for business performance and people empowerment

## Systemic impact

- Develop and design one global leadership development strategy and programme aligned with our leadership values
- Monitor and measure impact of leadership development on business performance and people retention

## Scope

- 22 leaders selected annually from across our locations and departments through a formal nomination process
- 45% female representation in 2020 (29% in 2019)
- Module topics: Leading Self – Leading Others – Leading Business
- E-learning and practical business case work during and in between modules, with sponsors from the Executive Management Team
- Engaging the entire Executive Management Team, the Chairman of the Board of Directors and external partners in different parts of the programme
- Design and delivery of programme in collaboration with Korn Ferry



“The 45% female representation in our global leadership development programme in 2020 reflects our internal efforts in promoting female talents”

Toril Haaland, EVP People & Organisation

### Our goals and ambitions

In 2020, we will focus our efforts on initiatives to promote greater diversity, enterprise leadership and employee development, both in line with best practice and aiming to excel beyond compliance. The following targets have been set for 2020:

- Improving enterprise leadership by systematically training and developing more than 50 leaders in our organisation through our annual leadership development programme and regular management strategy sessions
- Ensuring 100% participation by all employees in our annual PDA process, with a key focus on regular feedback and coaching
- Increasing the number of female employees by 10% globally



# Contributing to local value creation





# Contributing to local value creation

Our goal is to have a positive impact on the communities in which we operate, both directly and indirectly. We strive to employ local labour, identify needs in local communities for our community development programmes and maintain open and transparent dialogue with relevant stakeholders.

Solar power plants have an impact on local communities. The changes are usually positive, bringing social, economic, and infrastructure improvements, but the possibility of unintended consequences cannot be overlooked. The potential impact includes physical and economic displacement, changes in vegetation and infrastructure and increased activity levels in the area. During construction, consequences such as traffic, noise and dust are considered limited and effectively mitigated where and if there are communities nearby.

We often operate in countries where the legal frameworks and governing structures do not necessarily protect the communities we might have an impact on to the same extent as in more mature economies. Solid interaction with our project neighbours and the establishment of good relations

are therefore essential. In all of our operating projects, we have local community engagement and impact assessments. If dialogue with affected parties is not carried out in a timely and integrated manner, misunderstandings and concerns might arise in the local communities.

Since our founding, we have gained considerable experience in working with local communities in different countries. We follow the IFC's Performance Standards when we develop our stakeholder engagement analyses and plans for all projects.

## Our achievements and results in 2019

### Stakeholder engagement in local communities

In 2019, we entered several new communities to construct solar plants across eight countries. Our key efforts focused on stakeholder and community engagement, local recruitment processes, handling grievances and planning and implementing new development programmes. We also worked to ensure that our stakeholder engagement plans and procedures are aligned with international standards across projects.

## International principles for stakeholder engagement

- A stakeholder analysis and stakeholder engagement plan is always carried out in accordance with the IFC's Performance Standards and the Equator Principles.
- All projects have a community liaison officer (CLO) assigned who is responsible for community engagement and the maintenance of good relations with local communities.
- We implement a grievance mechanism for all our projects, available locally at the project site, at the CLO office and on our corporate website.



Photo by Norfund

We follow the IFC's Performance Standards when we develop our stakeholder engagement analyses and plans for all projects



### Engagement in local communities

There are various ways in which projects engage with local communities. To inform the communities about the project and its potential impact, to manage expectations and to ensure local support for and understanding of our projects, regular meetings with local leaders and representatives from local communities are held in all communities where we have a presence. We usually experience a lot of engagement in local communities during the initial project phases of development and construction. Early dialogue and involvement are critical.

Through bi-weekly progress reports, the Executive Management Team receives communication on all material matters raised during local stakeholder meetings.

### Early involvement in local communities is critical

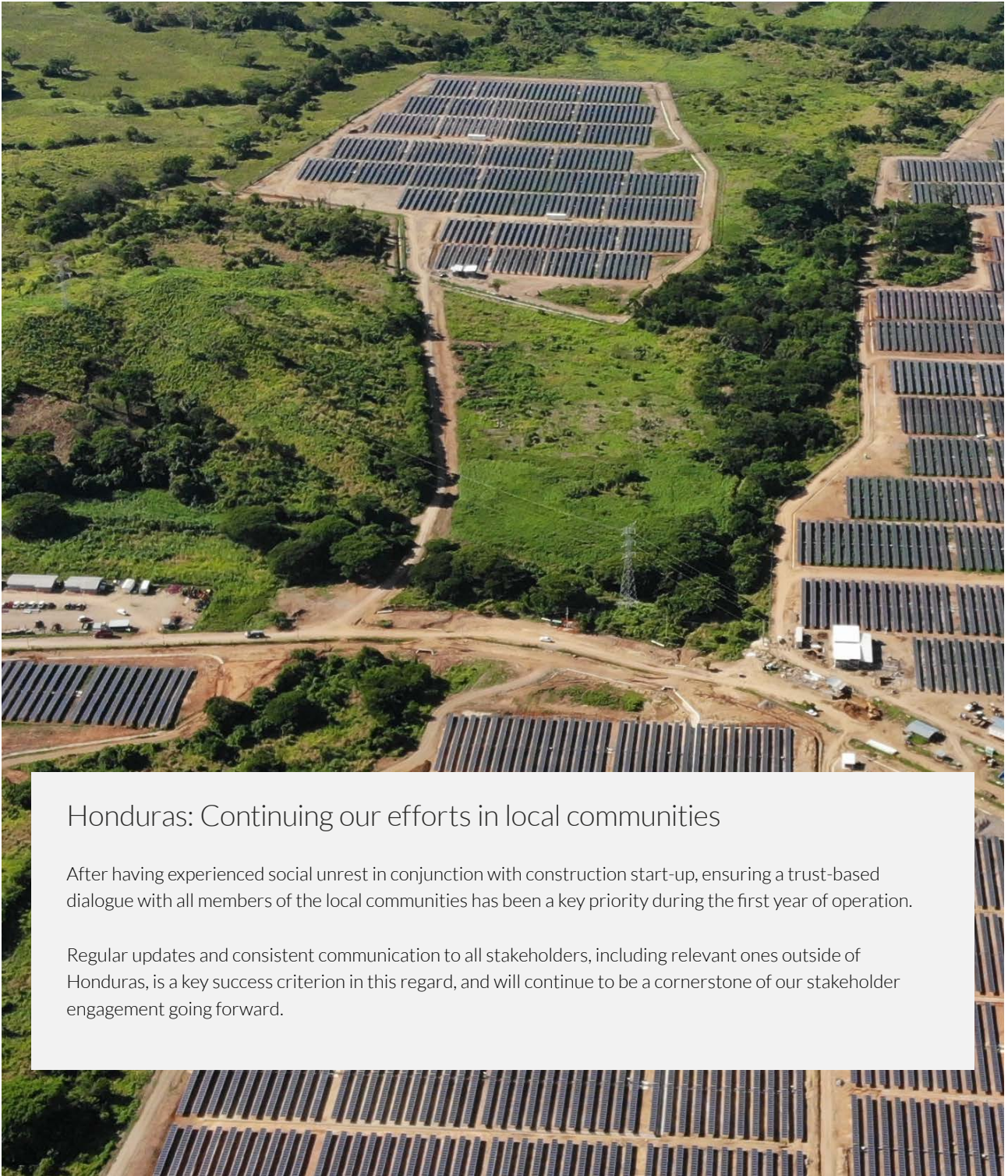
to ensure project support and good relations



## South Africa: Stakeholder Engagement Forums (SEFs)

- In South Africa, we have set socio-economic development (SED) and enterprise development (ED) commitments under our agreement with the South African government.
- To strengthen our engagement with local communities surrounding our Upington solar plants in South Africa, we decided to establish SEFs to identify and develop local leadership capacity to ensure local champions and management of community development.
- The SEFs engage various stakeholders who meet on a monthly and quarterly basis, working together to build and develop local leadership and co-plan and co-create socio-economic solutions.
- All project selections are informed by SEF caucuses centred on the strategic themes of education, health and well-being, youth development and local economy.





## Honduras: Continuing our efforts in local communities

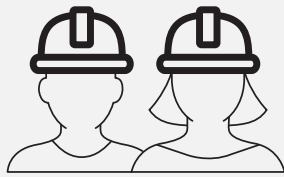
After having experienced social unrest in conjunction with construction start-up, ensuring a trust-based dialogue with all members of the local communities has been a key priority during the first year of operation.

Regular updates and consistent communication to all stakeholders, including relevant ones outside of Honduras, is a key success criterion in this regard, and will continue to be a cornerstone of our stakeholder engagement going forward.



“Our operations are not independent of our impact on and role in communities; we work towards these aspects being integrated”

Roar Haugland, EVP Sustainable Business & HSSE



**8,000 jobs created**

in 2019 from projects under construction  
- largely local and unskilled labour



**Local job creation**

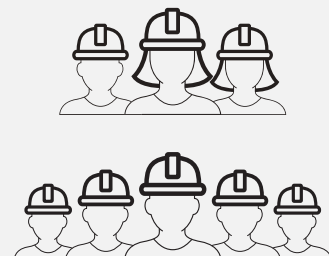
Without income generation, no community is able to develop in a sustainable manner. Scatec Solar is strongly committed to contributing to job creation, and we employ local labour and suppliers as far as possible, regardless of whether this is a requirement or not. This practice contributes to reducing unemployment rates and provides the transfer of knowledge and technical skills to the communities where we are present.

Most of the jobs created through our projects originate in the construction phase, which usually lasts between six

and fourteen months. Workers are provided with valuable technical skills and experience that strengthen their position for future job opportunities.

In 2019 our projects under construction generated 7,948 jobs, with the percentage of local employees averaging about 60%. Our 2019 target was to reach a local percentage of around 70% to 80%. Although reaching this target can be challenging, as it depends on several factors such as project region and worker availability of both skilled and unskilled labour, we will continue to strive for higher local components across projects.

**Local job creation during peak construction periods over the last three years**





## Local recruitment in Mozambique

Project: Mocuba with a capacity of 40MW

Number of jobs created during the peak construction period: 1,209

Percentage of local employees (from surrounding communities): 87%

- At the peak of construction, 1,209 people worked on the site: 1,052 were hired locally, 96 of whom were women.
- During the construction phase, the plant made a conscious effort to recruit (unskilled) workers from the surrounding villages.
- The job opportunities were announced in the local media, and potential workers went through an application process.
- On-site jobs included construction work such as mounting solar panels, connecting cables and installing fencing, in addition to cutting grass and performing various kitchen chores.

### Permanent positions

Scatec Solar strives to hire locally for permanent positions in the various stages of our value chain, including engineers, plant managers, HSSE experts, civil and mechanical workers, security personnel and community liaison officers, to mention just a few. The table to the right shows examples of permanent local job creation on a senior management level and other positions across our projects in operation for the last three years.

### Permanent local job creation for plants in operation

| PERMANENT EMPLOYEES               | 2019 | 2018 | 2017 |
|-----------------------------------|------|------|------|
| <b>Senior management level</b>    |      |      |      |
| Plant managers                    | 15   | 11   | 9    |
| <b>Other levels</b>               |      |      |      |
| Operation & Maintenance operators | 65   | 48   | 32   |
| Community liaison officers        | 18   | 10   | 8    |



## Adolfo Peña: Part of the O&M team in Honduras

Adolfo is an O&M analyst in our Los Prados project in Honduras.

Mr Peña is an electric technician from the Nacaome region of Honduras who started his career with Scatec Solar as a temporary worker in vegetation control in 2015. He then moved to work in technician support in our other project in Honduras, Agua Fria, and in 2018, he was promoted to his current position of O&M analyst.

What does it mean to you to work at Scatec Solar? *“To me it is very important, because I have acquired knowledge in electrical maintenance.”*

### Local supply chain development

Scatec Solar strives to use and strengthen local supply chains and entrepreneurs to the extent possible in our local operations. This is not always an easy or feasible task. Typically, our engineering, procurement and construction (EPC) scope has an inherent local content portion of 30% or more attributed to construction, staff, accommodation, travel and other minor procurement. In regions where we have established operations and the country has a developed supply chain, local content has been achieved of 60% to 80%.

For various operations and maintenance (O&M) projects such as module washing and vegetation control, we strive to engage mostly local service providers. We have implemented a Construction Industry Development Programme (CIDP) in South Africa in an effort to identify and assess micro- to medium-sized construction companies and connect them with the demand requirements in the market and also assist them in developing the necessary capacity. In-depth assessments have been conducted of these businesses and tailored training and mentorship will follow in 2020.

## Grievance mechanism

The grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects. It is a channel to present issues to the administration of the projects and is directly supervised by the sustainability unit.

All grievances are taken seriously and processed according to our procedures. We aim for a maximum response time of 15 working days.

The mechanism is available at each local project site and on our website in five different languages – English, Arabic, Spanish, Portuguese and French – and represents a valuable platform for engaging with communities.



| AS OF 31 DECEMBER   | 2019 | 2018 | 2017 |
|---|------|------|------|
| Percentage of operations with implemented local community engagement, impact assessments and development programmes | 100% | 100% | 100% |
| Number of grievances received   | 174  | 92   | 118  |
| Number of grievances addressed and resolved   | 137  | 79   | 103  |

The total number of grievances received during 2019 for projects in operation, under construction or under development totalled 174. With the strong geographical expansion, as well as rapid growth in the number of new projects, an increase in grievances is expected. The higher number can largely be explained by the additional projects under development or construction, as these are usually the phases with the most feedback and concerns from project stakeholders.

Of the total number of grievances, 102 related to the Benban project in Egypt, 26 to our project in Mozambique and 20 to our projects in Malaysia and Ukraine. The remainder related to our projects in Argentina, Honduras and South Africa.

In Egypt, 87 grievances were connected to the construction period and received by the CLO desk through the facility management company (FMC) of the 1.8 GW Benban Solar Park. With its 390 MW project, Scatec Solar is the single largest contributor to the installation. The grievances relate primarily to delayed payments between contractors and subcontractors. Of the total number received by the FMC, 16 grievances are classified as open because we are awaiting final closing documentation, even though 11 of these have been addressed and resolved. Only 15 grievances were received directly by Scatec Solar in Egypt, of which 14 have been closed.

Grievances received in Mozambique related to delayed payments from contractors and the impact of construction, of which 15 have been addressed and resolved. Most of the

grievances in Malaysia and Ukraine involved concerns over such construction impact as dust and minor damage to local roads, water pipes and high traffic volumes. The majority of grievances were solved by engaging regularly with the local communities and communicating our processes and principles.

At the end of the year, two grievances in Ukraine were still being resolved and all grievances in Malaysia had been resolved. The remaining three unresolved grievances from all other locations are still being addressed and resolved. In the first months of 2020, we closed one grievance in Ukraine, two in Honduras and three in Egypt. Please refer to our website for our grievance mechanism process.



**174 grievances**

registered in 2019, of which nearly 80% were resolved

# Local development programmes

Contributing to long-term local value creation is a key success criterion for achieving the overall Company goal of delivering competitive and sustainable renewable energy.

Scatec Solar plans and implements community development programmes in local communities where we have operations. The projects under these programmes are identified in close dialogue with local stakeholders and in consultation with local community members in order to address the prioritised needs and significant social challenges of the communities.

The focus of our socio-economic and environmental programmes and development includes, but is not limited to, access to energy, capacity building, health and education. Key guidance for initiatives includes our Company's selected United Nations Sustainable Development Goals (UN SDGs).

Scatec Solar has prioritised three primary SDGs to which we contribute most, based on our materiality assessment informed by stakeholder and company priorities. Our local development programmes are guided by the SDGs outlined below. Partnerships for the Goals is the way in which we approach the community programmes through solid partnerships.

In 2019, we strove to strengthen our community development procedure in order to standardise our approach to local community development, including funding and programmes. Refer to the sustainability section of our corporate website for more information on the SDGs and our local development programmes globally.

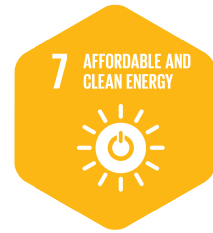


## Community Investment Policy

Community investments demonstrate our commitment to social responsibility. These are voluntary initiatives which contribute to the long-term common good of local communities and come in addition to efforts made to mitigate or compensate for project-related impact. Below we include some key principles we follow in all projects:

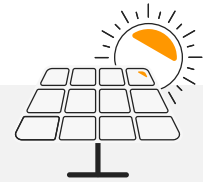
- All community investments and social contributions shall be defined in a Project Community Development Plan.
- We will ensure that contributions are in line with our values and with local laws and regulations. We acknowledge the risk of corruption in giving donations and disbursements and will take the necessary steps to manage these risks.
- We do not make contributions to political parties, religious groups, trade unions, candidates or campaigns for public office.
- We will be fully transparent and publicly disclose all donations and contributions.
- We are committed to contributing to the communities in a way that allows them to develop by themselves without becoming dependent on us.

# Community solar PV projects



Local communities located close to our solar plants often do not have access to electricity or rely on polluting sources such as diesel generators. Through our experience and expertise, we can make a significant difference in many of the

communities where we have operations. Community solar PV will form a larger part of our programmes in coming years. Some of our current community PV projects are presented over the following pages.



## Honduras

**Background:** Over the course of 2018, we installed 13 community solar PV systems in the community neighbouring our Agua Fria solar plant. The households did not have access to electricity prior to the installation. The solution consists of a home solar system including a solar panel and light bulbs.

**Benefits from the project:** Residents of Nagarejo say that they are benefitting from the home solar systems in the following ways:

- Elimination of electricity bills
- Low-maintenance system and all beneficiaries received training upon installation
- Reliable energy source in case of interruption in the Nacaome area

**Current status:** We are in regular dialogue with the thirteen families so as to understand any challenges experienced with the solar systems. We have initiated an action plan to improve existing systems and to further promote solar technology in neighbouring communities.

**Future plans:** Additional community solar PV projects are in the process of being planned.



“For me the solar system means having energy in my house without paying high fees for consumption. It has been a solution to the lack of energy at my home before.

I did not pay for the installation, but I did voluntary work to support the Nagarejo and Agua Fria communities and received training in solar energy and its maintenance, to be able to make it by myself.”

– Maria Isabel Euceda, one of the beneficiaries of the home solar system project

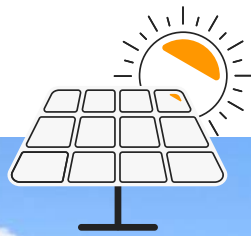




## Rwanda

### Community solar PV system providing electricity for local school and health clinic

- Solar PV system providing energy for local school and health clinic next to our ASYV solar plant
- Two mini solar projects of 13.5 kW located in the Rwamagana District of Rwanda
- Maintained and monitored by our local O&M manager
- Long-term project



## Jordan

### Rooftop solar PV system at Maan Youth Club

- A socio-cultural sports club and the only public club in the Ma'an area
- 11 kW PV system installed on the roof, reducing the monthly electricity bill significantly
- Training course held for more than 20 young people on how to install a small PV system
- Long-term project

### Small scale solar installations

- Providing electricity to public buildings in Ma'an, Jordan
- 4kW installed at community hall and 6kW installed at youth association building

## Examples of local development programmes

### Honduras: Medical brigade

- Long-term strategic alliance with America Social Group
- Benefitting more than 8,500 in the communities over last two years
- 40 medical specialists with advanced and modern equipment

### South Africa: Mobile health clinic

- Partnership with the Provincial Department of Health
- Optometry, dentistry and primary healthcare services to local schools
- On average 693 children received health check in each of the schools visited, covering 25% of the ZF Mgcawu District schools.



### Mozambique: Micro grinding mills

- Construction of mills for maize and cassava
- Elderly women and men (no longer economically active) can generate income to support their families
- Two co-operatives established with 11 members each
- Business training provided to all members

### South Africa: Hanover sewing co-operative

- Supported with bridging finance to make school uniforms (loan has been repaid in full)
- Local cost-effective alternative available for parents who used to travel to the closest biggest town, 60km away
- 201 skirts and 406 tunics manufactured for primary and high schools
- Employed and trained two additional staff members



### Our goals and ambitions

Our targets for 2020 and beyond are outlined below:

#### Community engagement

- Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards
- Initiate stakeholder engagement efforts at least six months prior to expected construction start
- Appoint a designated community liaison officer for all projects
- Respond to and take action on all project grievances within 30 days of their registration

#### Local job creation

- Hire 70% to 80% local workers for every project during the construction period

#### Local development

- Dedicate a specific budget for development programmes for each project, aligned with local community needs
- Establish community PV as a main local programme component - three new projects to be initiated in 2020



# Global Reporting Initiative (GRI)







# Global Reporting Initiative (GRI) content index 2019







| INDICATOR                     | DESCRIPTION  | PAGE NUMBER OR LINK   |
|-------------------------------|--|---|
| GRI 102 102-14                | Statement from senior decision-maker                         | Pages 4–5   |
| <b>Organisational profile</b> |  |   |
| GRI 102-1                     | Name of the organisation                                     | Scatec Solar ASA  |
| GRI 102-2                     | Activities, brands, products and services                    | Annual Report 2019<br>Corporate website: <a href="http://www.scatecsolar.com/about">www.scatecsolar.com/about</a>   |
| GRI 102-3                     | Location of the organisation's headquarters                  | Askekroken 11, 0277 Oslo, Norway  |
| GRI 102-4                     | Location of operations                                       | Annual Report 2019<br>Corporate website: <a href="http://www.scatecsolar.com/portfolio">www.scatecsolar.com/portfolio</a>   |
| GRI 102-5                     | Ownership and legal form                                     | Corporate website: <a href="http://www.scatecsolar.com/investor/share">www.scatecsolar.com/investor/share</a>   |
| GRI 102-6                     | Markets served   | Annual Report 2019  |
| GRI 102-7                     | Scale of organization  | Annual Report 2019  |
| GRI 102-8                     | Information on employees and other workers                   | Pages 43–46<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>  |
| GRI 102-9                     | Supply chain   | Pages 40–42   |
| GRI 102-10                    | Significant changes to the organisation and its supply chain | Pages 6, 40–42  |
| GRI 102-11                    | Precautionary Principle or approach                          | As a signatory to the UN Global Compact we respect Principle 7 and it represents a guiding principle in assessing and managing risk related to the environment, HSSE, the supply chain and other areas as described throughout this report.       |
| GRI 102-12                    | External initiatives   | UN Sustainable Development Goals<br>Global Reporting Initiative (GRI)<br>UN Global Compact<br>Carbon Disclosure Project (CDP)   |
| GRI 102-13                    | Membership of associations                                   | Oslo Renewable Energy and Environment Cluster (OREEC)<br>Norwegian Energy Partners (NORWEP)<br>South African Photovoltaic Industry Association (SAPVIA)<br>South African Wind Energy Association (SAWEA)  |
| GRI 102-41                    | Collective bargaining agreements                             | The Company's Global HR policy and related procedures are applicable to all employees, emphasising fair salary levels in accordance with local laws and regulations. 9% percent of the workforce are covered by collective bargaining agreements. |



| INDICATOR              | DESCRIPTION  | PAGE NUMBER OR LINK  |
|------------------------|--|--|
| Report profile         |  |  |
| GRI 102-45             | Entities included in the consolidated financial statements | Annual Report 2019   |
| GRI 102-46             | Defining report content and topic boundaries               | Unless stated otherwise, the scope of the report includes the company Scatec Solar ASA: all employees, offices, and operations.. |
| GRI 102-47             | List of material topics                                    | Page 11<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>         |
| GRI 102-48             | Restatements of information                                | Not applicable   |
| GRI 102-49             | Changes in reporting                                       | Not applicable   |
| GRI 192-50             | Reporting period   | FY 2019  |
| GRI 102-51             | Date of previous report                                    | FY 2018  |
| GRI 102-52             | Reporting cycle  | Annually   |
| GRI 102-53             | Contact point  | Julie Hamre, Senior Sustainability Manager<br><a href="mailto:julie.hamre@scatecsolar.com">julie.hamre@scatecsolar.com</a>       |
| GRI 102-54             | Claims of reporting in accordance with the GRI Standards   | This report has been prepared in accordance with the GRI Standards "Core option".  |
| GRI 102-56             | External assurance   | The climate reporting has been externally assured by DNV GL.   |
| Stakeholder engagement |  |  |
| GRI 102-40             | List of stakeholder groups                                 | Page 11<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>         |
| GRI 102-42             | Identifying and selecting stakeholders                     | Page 11<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>         |
| GRI 102-43             | Approach to stakeholder engagement                         | Page 11<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>         |
| GRI 102-44             | Key topics and concerns raised                             | Page 11<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a>         |
| GRI 102-18             | Governance structure                                       | Page 8   |
| GRI 102-16             | Values, standards, principles and norms                    | Page 2, 8 and throughout the report  |

# Specific standard disclosures

| INDICATOR   | DESCRIPTION   | PAGE NUMBER OR LINK   |
|---|---|---|
| Indirect Economic Impact  |   |   |
| GRI 203-2   |   |   |
|   | Significant indirect economic impact                          | Pages 48-50, 55-58  |
| Procurement Practices   |   |   |
| GRI 204-1   | Proportion of spending on local suppliers                     | Suppliers are defined as suppliers and service providers of goods and services to Scatec Solar Solutions (project execution) unless otherwise specified.<br>Pages 40-42, 53 |
| Supplier Environmental and Social Assessment  |   |   |
| GRI 308-1   | New suppliers that were screened using environmental criteria | 100%. Pages 40-42   |
| GRI 414-1   | New suppliers that were screened using social criteria        | 100%. Pages 40-42   |
|   |   |   |
| Anti-corruption   |   |   |
| GRI 205-1   | Operations assessed for risks related to corruption           | All Scatec Solar's operations are assessed for risks related to corruption.<br>Page 36-39   |
| GRI 205-3   | Confirmed incidents of corruption and actions taken           | No confirmed incident of corruption registered in 2019<br>Page 38-39  |
| Water   |   |   |
| GRI 303-1   | Interactions with water as a shared resource                  | Page 23   |
| GRI 303-2   | Management of water-discharge-related impact                  | Page 23   |
| Emissions   |   |   |
| GRI 305-1   |   |   |
|    | Direct (scope 1) greenhouse gas emissions                     | Pages 27-30   |
| GRI 305-2   |   |   |
|    | Energy indirect (scope 2) greenhouse gas emissions            | Pages 27-30   |
| GRI 305-3   |   |   |
|    | Other indirect (scope 3) greenhouse gas emissions             | Pages 27-30   |

| INDICATOR   | DESCRIPTION  | PAGE NUMBER OR LINK   |
|---|--|---|
| <b>Environmental and Socio-economic Compliance</b>                                  |  |   |
| GRI 307-1   | Non-compliance with environmental laws and regulations   | No significant fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations in 2019        |
| GRI 419-1   | Non-compliance with laws and regulations in the social and economic area   | No significant fines or non-monetary sanctions for non-compliance with social and economic laws and/or regulations in 2019  |
| <b>Employment</b>   |  |   |
| GRI 401-1   |  |   |
|    | New employee hires and employee turnover   | Page 43-44<br>Corporate website: <a href="http://www.scatecsolar.com/sustainability">www.scatecsolar.com/sustainability</a> |
| <b>Training and education</b>   |  |   |
| GRI 404-2   |  |   |
|   | Programmes for upgrading employee skills and transition assistance programmes  | Pages 44-45   |
| <b>Diversity and Equal Opportunity</b>  |  |   |
| GRI 405-1   |  |   |
|  | Diversity of governance bodies and employees   | Page 44   |
| <b>Non-discrimination</b>   |  |   |
| GRI 406-1   |  |   |
|  | Incidents of discrimination and corrective actions taken   | No reported incidents of discrimination in 2019<br>Page 38-39   |
| <b>Occupational Health and Safety</b>   |  |   |
| GRI 403-2   |  |   |
|  | Types of injuries and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities | Pages 32-35   |
| <b>Freedom of Association and Collective Bargaining</b>                             |  |   |
| GRI 407-1   |  |   |
|  | Operations and suppliers in which the right to freedom of association and collective bargaining might be at risk               | The percentage of full-time and short-term employees who are covered by formal collective bargaining agreements is 9%.      |

| INDICATOR                | DESCRIPTION   | PAGE NUMBER OR LINK                |
|--------------------------|---|------------------------------------|
| Security Practices       |   |                                    |
| GRI 410-1                | Security personnel trained in human rights policies and procedures                        | Page 21                            |
| Human Rights Assessments |   |                                    |
| GRI 412-1                | Operations that have been subject to human rights reviews or impact assessments           | Page 18-22                         |
| Local Communities        |   |                                    |
| GRI 413-1                | Operations with local community engagement, impact assessments and development programmes | 100%<br>Pages 18-22, 48-50, 55-58  |
| GRI 413-2                | Operations with significant actual and potential negative impact on local communities     | Pages 18-22, 48-50, 55-58          |
| Public Policy            |   |                                    |
| GRI 415-1                | Political contributions   | No political contributions in 2019 |





