



# Sustainability Report 2016



Sustainability's impact lies in how  
it is operationalised in the field.  
We see it as a process to learn,  
improve and innovate.

# Sustainability

It's a clear message. When the United Nations inaugurated 2016 by launching the 17 Sustainable Development Goals (SDGs), a new road map was designed to transform the world by 2030. While environment protection is integral, sustainability's scope is wider.

To sustain long-term value-creation businesses must not only protect the planet, but also protect and develop civil society and empower people, socially and economically. Businesses can and should drive sustainability.

Traditionally, industries focused on creating basic value – producing goods or delivering services – while abiding by laws and regulations. The social, economic, health and environmental costs were not directly measured or deducted from value creation, but rather more indirectly reflected in public approval. But, society has evolved. Today, there is a much broader sense of businesses role in society, and what long-term value creation requires. If your company is not in line with the wider community's needs and concerns, then its value creation cannot be sustained over time. All stakeholders - governments, investors, customers and the public - will hold companies accountable for their impact on society and their sustainability footprint.

Sustainability is embedded in our business model in the same way our solar plants are embedded in local communities: in our holistic approach, strong partnerships, long-term vision and proven expertise in providing safe, stable, affordable clean energy. In 2016, our plants avoided an estimated 659,000 tons of greenhouse gas emissions. We implement high governance and quality standards all along our value chain. Rather than merely transfer technology from rich to developing countries, we develop solutions with the host countries that best suit their local conditions.

When we developed our approach to sustainability in 2014 we assessed our impact on stakeholders and our stakeholders impact on our business operations, and focused our resources on the material issues among Environmental, Social and Governance topics.

After the launch of the UN's SDGs in 2016, we have chosen to also highlight the six SDGs of highest importance to our business.

Being part of the New Economy and with solar plants in different regions, we attach importance to local value creation – to create local jobs, enhance local skills, strengthen local supply chains, support entrepreneurship, fund research and community development programmes.

The countries that most need energy to fulfil their citizens' basic needs and stimulate economic growth are where electricity is in short supply, expensive or polluting. This is neither fair nor sustainable. Growing public demand for clean energy coincides with the substantial reduction in equipment costs making solar energy competitive. Unfortunately, low sovereign rating raises the cost of capital. Governments and the United Nations acknowledge that goals cannot be met without the private sector. The scope of breakthroughs in the renewable energy industry is not only technological, but financial as well. Innovative sustainable finance that enables investments unlock the benefits of solar energy in these sun-rich countries to promote economic development, bridge energy deficits, tackle pollution and uplift communities – while meeting sustainability and climate goals.




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Raymond Carlsen  
CEO



#### OUR VISION

Improving our future

#### OUR MISSION

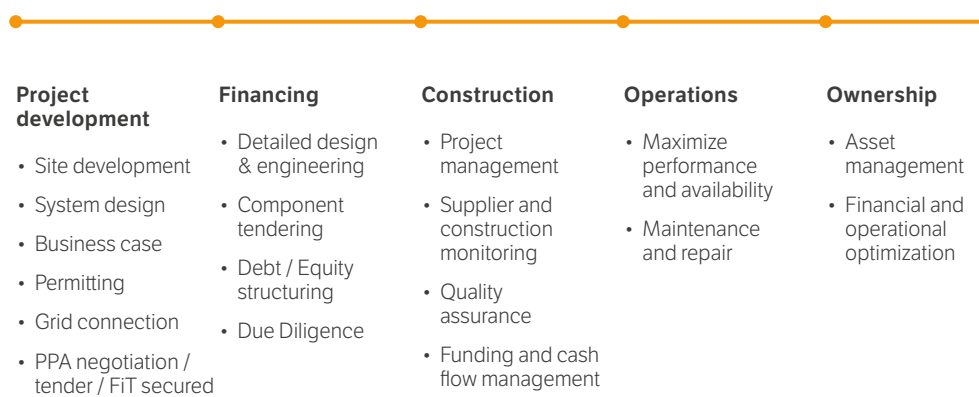
To deliver competitive and sustainable solar energy globally, to protect our environment and to improve quality of life through innovative integration of reliable technology

#### OUR VALUES

Predictable  
Working together  
Driving results  
Changemakers

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## SCATEC SOLAR'S VALUE CHAIN



# Scatec Solar in brief

## OUR LOCATIONS



EMPLOYEES

148

IN OPERATION

322 MW



FY 2016 PRODUCTION

791<sub>GWh</sub>

BACKLOG

731<sub>MW</sub>



# Greenhouse Gas Emissions Reduction

Scatec Solar's solar power plants in operation resulted in avoiding close to 660,000 tons of greenhouse gas emissions in 2016. This emissions number is based on company estimates and certified emission volumes for projects registered under country-specific programmes.



## GREENHOUSE GAS EMISSIONS AVOIDED PER PROJECT

ALL PROJECTS (WHEN IN FULL OPERATION)	INSTALLED MW OF RENEWABLE ENERGY GENERATION (DC CAPACITY)	GHG <sup>1)</sup> EMISSIONS AVOIDED (TONS CO <sub>2</sub> PER ANNUM) <sup>2)</sup>
Kalkbult, South Africa	75	128,538
Linde, South Africa	40	88,539
Dreunberg, South Africa	75	120,928
Czech portfolio, Czech Republic	20	12,000
ASYV, Rwanda	9	8,000
Agua Fria, Honduras	60	60,000
Utah Red Hills, USA <sup>3)</sup>	104	178,000
Oryx, Jordan	10	15,000
EJRE/GLAE, Jordan	33	48,000
Total	426	659,005

1) Greenhouse gases

2) South Africa project emissions obtained from the country's designated Renewable Energy Programme; all others are company's own annual estimates

3) Scatec Solar sold 100% of the sponsor equity in the 104 MW Utah Red hills project in fourth quarter 2016.



# OUR SUSTAINABILITY FRAMEWORK

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# Our Sustainability Framework

Scatec Solar has a fortunate starting point for ensuring sustainable business operations. Our solar power installations contribute directly to improving our planet's social, economic and environmental weave. We consider this a great privilege which we endeavor to respect and develop. To further mature our approach and strengthen our accountability, we work with a framework based on three main pillars that illustrate the vision of our company: "Improving our future":

- Delivering competitive renewable energy
- Contributing to local value creation
- Being a trusted business partner

There are several factors that influence what areas our company wants to prioritise when it comes to maintaining a sustainable business practice. Important elements include the company's strategy, regulatory requirements, input from our stakeholders, global frameworks and initiatives. Two years ago, we started

a comprehensive process to identify and prioritise material sustainability aspects for our company. The first step included a mapping of stakeholders and a prioritisation based on how each stakeholder group is:

- Affected by Scatec Solar
- Affecting Scatec Solar
- Invested in the success/failure of Scatec Solar

A materiality analysis was developed illustrating the aspects of high importance to stakeholders and high relevance for Scatec Solar's strategy. For each sustainability aspect a set of indicators and clear goals were established. These are monitored on a regular basis and receive a high degree of attention from our management and company as a whole. The structure of our sustainability report is founded on this materiality assessment, which also serve as the basis for the sustainability framework presented below.



In this context, a milestone of great significance was reached on January 1st 2016, when the 17 United Nations' Sustainable Development Goals (SDGs) were announced. All countries, businesses and individuals are urged to mobilise efforts to end all forms of poverty, fight inequalities and tackle climate change so that economic growth is sustainable.

In order to strengthen our reporting and show our support for the UNSDGs we have chosen to incorporate aspects of the SDGs in this year's report.

In addition to providing clean and renewable energy, all our solar PV plants establish social and environmental programmes to benefit the local communities surrounding the facilities. The UN development goals are tangible and specific, giving us a solid tool to frame, define and materialise all our activities. For easy recognition, we have prioritised our activities in local communities and other relevant areas under six SDGs. These are:

### UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):

**Goal # 4:** Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**Goal # 7:** Affordable Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all

**Goal # 9:** Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

**Goal # 11:** Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable

**Goal # 15:** Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**Goal # 17:** Partnerships for the Goals: Strengthen the means of implementation and revitalise the global partnership for sustainable development

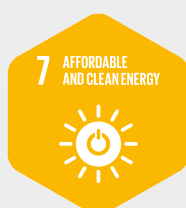
Focusing on the selected goals also gives us the advantage of sharpening and developing our professional expertise within these areas. In 2016, we have strengthened our organisation to address sustainability issues and improve our Environmental and Social Management System. We have thus renewed our sustainability policy (outlined in the end of the report) to support the activities specifically targeted at improving social, economic and environmental conditions. This in turn further ensures that our operations are in accordance with the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation and The Equator Principles of 2013, actively backed by 85 financial institutions in 35 countries.

This sustainability report presents our achievements in 2016 highlighting some of the local development programmes we work with globally.

## UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



Strengthen the means of implementation and revitalise the global partnership for sustainable development





DELIVERING  
COMPETITIVE  
RENEWABLE ENERGY

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## DELIVERING CLEAN AND COMPETITIVE ENERGY

Scatec Solar develops, builds, operates and owns solar power plants that generate clean and reliable electricity. We deliver competitive

renewable energy by providing predictable energy production and securing capacity growth.

### Our policy

We have established a track record for delivering, rapidly deployable and affordable supply of solar electricity. A long-term player, we seek operational excellence for our solar plants, which is essential to earn the trust of host countries and local communities, our customers and our business partners. Our business model is based on the following fundamentals:

- Build solar power plants based on the highest industry standards and according to the “Scatec Solar Quality Policy”
- Operate and maintain the plants to ensure maximum performance throughout the lifetime of the plants

The growth of our business is in itself a positive contribution towards tackling the global challenges of energy deficits, climate change and pollution. We seek to increase access to clean and renewable electricity generation in countries that need it. With cost reductions on all components, solar energy has become competitive and is now the cheapest source of new electricity in many countries. We are mindful that driving change through new solutions and technology is key to growth. Our policy is also to:

- Actively pursue new project opportunities within prioritised regions to secure a robust project pipeline
- Develop projects in collaboration with local partners that can provide clean energy and bridge energy gaps

### Our achievements and results in 2016

During 2016, three new solar plants were constructed in Jordan, bringing the company's total portfolio in the country to 43 MW. Built under the new Jordanian Renewable Energy Programme, all three solar plants are located close to the city of Ma'an, about 230 km south of the capital city Amman.

*“The commissioning of the three Jordanian projects is yet another milestone in our team's proven track record in pioneering and implementing state-of-the-art projects in an emerging country”*

- Raymond Carlsen, CEO Scatec Solar

The three solar plants in Jordan will generate over 100 million kWh of electricity annually to serve the needs of about 20,000 households. All three solar plants are connected to substations built and controlled by the Jordanian state utility NEPCO, with whom Scatec Solar has signed 20-year Power Purchase Agreements.

At year-end, Scatec Solar was producing electricity from twelve solar power plants. The total production in 2016 reached 791 GWh, up from 466 GWh in 2015. The production performance (plant uptime) of our power-producing assets across the portfolio has been above 99%.

Scatec Solar is growing strongly and continuously seeks new and attractive project opportunities worldwide. During 2016, we secured additional capacity growth in several regions of the world. Our project backlog currently stands at 731 MW. This includes the three projects in Upington, South Africa totalling 258 MW, the 33 MW Segou project in Mali, the 53 MW Los Prados project in Honduras, the 40 MW Mocuba project in Mozambique, the 197 MW projects in Malaysia and the 150 MW projects in Brazil.



Engineers at our Oryx solar plant in Jordan

In late 2016, Scatec Solar signed an agreement with the Brazilian company Kroma Energia Limitada and its partners, securing four solar plants totalling 150 MW located in the northeast of Brazil. The plants are expected to produce about 305,000 MWh annually.

We also announced our entry into the Malaysian large-scale solar energy market in 2016 by joining forces with a local ItraMAS-led consortium. The partnership covers three solar projects totalling nearly 200 MW and involves a total investment of close to USD 300 million. The solar projects are expected to generate 285,000 MWh of electricity per year.

### Our ambitions and goals

We seek to realise projects in 2017 based on the current project backlog of more than 700 MW. We will work to develop and complete the projects in our backlog and continue to use our expanding base of experience from existing operations to provide inputs to enhance design and operating procedures for new solar power plants.

## JORDAN PORTFOLIO

Projects: Oryx, EJRE, GLAE  
Total capacity: 43 MW  
Location: Ma'an, Jordan  
Energy produced: 101,000 MWh per annum  
Providing energy for: 20,000 households  
CO<sub>2</sub> reduction per annum: 63,000 tons

Scatec Solar has an ambition to reach 1,300-1,500 MW of solar power plants in operation and under construction by the end of 2018. At the time of publishing this report, we have 322 MW in operation and a pipeline of projects with a combined capacity of 1,085 MW. The pipeline includes projects in South Africa, Egypt, Pakistan, Nigeria, Kenya and Burkina Faso.

*“Our entrance into Malaysia is a unique opportunity to bring our expertise as a holistic solution provider to realise the largest solar energy portfolio in South East Asia. For Scatec Solar and our partners, this is a gateway to enter a fast growing region of the world”*

- Terje Pilskog, EVP Project Development & Project Finance



The 10 MW Oryx plant in Jordan



## PROMOTING AND FINANCING SOLAR ENERGY

### Our policy

The growth of renewable energy production continues to be driven by political determination to create a low carbon economy and increase access to energy. We have knowledge and experience that are valuable in shaping and driving this agenda. Our policy is to:

- Share knowledge and experiences of the benefits of renewable energy in dialogue with policy makers, local authorities, investors and other partners
- Ensure that our efforts to promote renewable energy are done in a balanced manner and with integrity
- Promote and contribute to the reduction of greenhouse gas emissions
- Leverage carbon and climate finance

The majority of our target markets experience energy shortages. This combined with ambitious Government targets to increase renewable energy in the total energy mix provide huge potential for solar energy expansion. In Africa, nearly 600 million people lack access to electricity, a fundamental necessity in life. In an era of digitalisation, lack of electricity further aggravates the Digital Divide, denying millions of people a fair chance to improve their lives, get education, health care and job opportunities. Energy shortages also shave off several percentage points from a nation's GDP.

### Our achievements and results in 2016

Scatec Solar continues to share knowledge on solar energy through active participation at several industry conferences and events worldwide. In 2016, we participated at the Africa Energy Forum in London, the Solar Projects Egypt conference in Cairo, the ZERO conference in Oslo, the Women in Clean Energy conference in Cairo, the World Future Energy Summit in Abu Dhabi, the Clean Development Mechanism (CDM) workshop convened by UNFCCC in Bonn to mention a few. We also organised our first Capital Markets Day and our first Sustainability Seminar, both in Oslo.

The main purpose of our participation and presence in relevant forums globally is to share knowledge about solar energy and promote the implementation of favourable policies that can lead to increased investments in solar energy and get projects off the ground. In addition to solar energy being clean, safe and renewable, it is also rapidly deployable. For instance, we have the capability to construct utility-scale plants in six months to under a year, depending on the size. Through our participation we also increase our Company's partner network and enhance existing and foster new relations. Scatec Solar also shares knowledge through blogs, articles and books.

The knowledge and lessons learned that we have accumulated through the process of interconnecting large-scale solar PV plants to seven different grid operators is valuable and important. We have systematically shared these perspectives with operators with whom we plan to connect our plants in the future, so that we all can benefit from high quality processes that ensure more reliable service.

Although the Paris Climate Agreement has been signed and ratified by most countries, the switch from fossil to renewables is still very much a work in process in most of our markets. This switch is made challenging for several reasons such as regulatory issues, grid constraints but also high cost of finance. To overcome these challenges, most of our markets have emphasised the need for climate financing to achieve their emission abatement targets.

Our projects in developing countries are undergoing the mechanisms of the UN Framework Convention on Climate Change (UNFCCC) to certify that the solar electricity generated by our facilities substitute the use of fossil fuels, and that the greenhouse gas emissions avoided by our power production are real, verifiable and permanent. The aim is to register these projects with the UNFCCC under Scatec Solar's Global Programme of Activities (PoA). On registration, the UNFCCC issues Carbon credits called Certified Emission Reductions (CERs) attributable to the specific plants. The CERs can be used by buyers to offset their greenhouse gas emissions. Scatec Solar signed a carbon purchase agreement with the Norwegian Ministry of Climate and Environment for the sale of credits from the projects included in the POA, with the option to introduce new projects in developing countries.

Following the Paris Climate Agreement and the need for climate finance, Scatec Solar initiated a Norwegian industry-led effort for the establishment of an energy fund to support renewable project implementation in developing countries. With a proposed capitalisation of USD 2 billion, the clean energy fund could contribute to developing 5 GW of new renewables in developing countries by 2027, leverage private sector investment of at least USD 9 billion, achieve emission reductions of over 10 million tons of greenhouse gases and spur job creation within Norway and in developing countries. The proposal has so far received significant support from key stakeholders and a draft implementation document is under discussion. In addition to the Norwegian-led initiative, Scatec Solar has established an internal working group to explore the use of international climate financing to accelerate project implementation in its markets.

*“Quite frankly, there is no answer to climate change without substantially, dramatically increasing the amount of renewable energy in the global energy system”*

- Christiana Figueres, Head of UNFCCC at the time of the Paris Agreement

As the United Nations repeatedly points out, climate goals cannot be achieved without the involvement of Financial Institutions and the private sector. We work with serious and credible financial partners like Norfund, European Bank of Reconstruction and Development (EBRD), World Bank's IFC among others, who return to do business with us because we deliver on projects while maintaining high ethical, quality and governance standards. We also seek new partners. For our project in Nigeria, we signed an agreement with Africa50, the continent's infrastructure Development Fund set up by the African Development Bank (AfDB) and over 20 African countries. This partnership received international attention, as it was the first investment by the Africa50 that seeks to secure private sector expertise and investment in developing infrastructure projects in Africa. Dr. Akinwumi Adesina, President of the AfDB and chairman of Africa50's Board of Directors said "I am pleased that Africa50 is already making its first investment, which fits in squarely with our priority to light up and power Africa." Added Alain Ebobisse, Africa50's CEO "Access to reliable energy is one of the most critical needs in Africa, including in Nigeria, where it is a government priority.

### **Our ambitions and goals**

Scatec Solar shall continue to take a lead role in promoting solar energy and leveraging carbon and climate finance to accelerate deployment of large-scale PV in developing countries.

We will also target to examine the climate effect of our projects during the construction phase. Besides introducing specific measuring tools in our internal activities, we will require that our main suppliers also report on greenhouse gas emissions and energy consumption in the production and logistics process.

We estimate that emission reductions from Scatec Solar projects in 2017 will increase with addition of new projects from our backlog (see page 8 for greenhouse gas emissions reductions per project). It is estimated that the emission reductions from our backlog projects when realised and in full operation will amount to close to 480,000 tons of greenhouse gas emissions per year. We have developed and registered a global Programme of Activity with the UNFCCC and three Component Project Activities are also under registration with completion expected in 2017.

*“This investment fits in squarely with our  
priority to light up and power Africa”*

- Dr. Akinwumi Adesina, President, African Development Bank



# CONTRIBUTING TO LOCAL VALUE CREATION

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Our Plant Manager, Twaha Twagirimana, at our 9 MW ASYV solar plant in Rwanda

## CONTRIBUTING TO LOCAL VALUE CREATION

### Our policy

Solar power plants impact local communities. Changes are usually positive, bringing social, economic and infrastructure improvements. But the possibility of unintended consequences cannot be overlooked. Communication and engagement with the local communities are therefore essential to foresee and minimise potential negative outcomes and maintain good relations with interested parties. Our goal is to positively impact the societies in which we operate, both directly and indirectly. Our policy is to:

- Employ local labour, enable knowledge transfer and generate job creation in local communities
- Use local suppliers whenever feasible
- Plan for and contribute to local development initiatives
- Train and educate our people on how best to operate in a new, often foreign culture to make every project a collaborative enterprise devoid of friction
- Develop a structured stakeholder and management plan for all projects at an early stage to help us inform and communicate with parties that are going to be affected by the project.
- Appoint a designated community liaison manager in our projects to facilitate understanding and communications in local communities
- Maintain an active dialogue during the project phases with the local communities and engage with communities at several levels, from national governments to project neighbours to ensure open and integrated communication

### LOCAL JOB CREATION FROM ALL PROJECTS

PROJECT	JOB CREATION (DURING THE PEAK CONSTRUCTION PERIOD)	% LOCAL EMPLOYEES (CITIZENS)	NO. OF WORKERS WITH DOCUMENTED SKILL ENHANCEMENT
Agua Fria	1,050	82%	27 <sup>2)</sup>
Utah Red Hills	192	92%	30 <sup>1)</sup>
Jordan portfolio	585	N/A	N/A
Linde	550	70%	79 <sup>1)</sup>
Dreunberg	1,400	77%	142 <sup>1)</sup>
ASYV	600	85%	400 <sup>2)</sup>
Kalkbult	900	80%	N/A
Czech portfolio	133	N/A	N/A
<b>Total</b>	<b>5,410</b>	<b>81% on average</b>	<b>926</b>

1) Workers certified.

2) Workers with formalised documentation of experience.

## Our achievements and results in 2016

Sustainability is an integral part of everything we do as a company. It mitigates risk and enables long term growth. When entering new countries and local communities, we strive to employ local labour, identify needs in the local communities for our community development programmes and try to maintain open and transparent dialogue with relevant stakeholders.

*“The world is on the doorstep of a green future. Countries, companies and citizens are making environmental decisions not only because it's good for the climate and planet, but because they make for better societies and stronger economies”*

- Erik Solheim, Head of UN Environment Programme



### Local Job Creation

Without income generation, no community is stable or sustainable. Scatec Solar is strongly committed to contributing to job creation, and we employ local labour and suppliers as far as

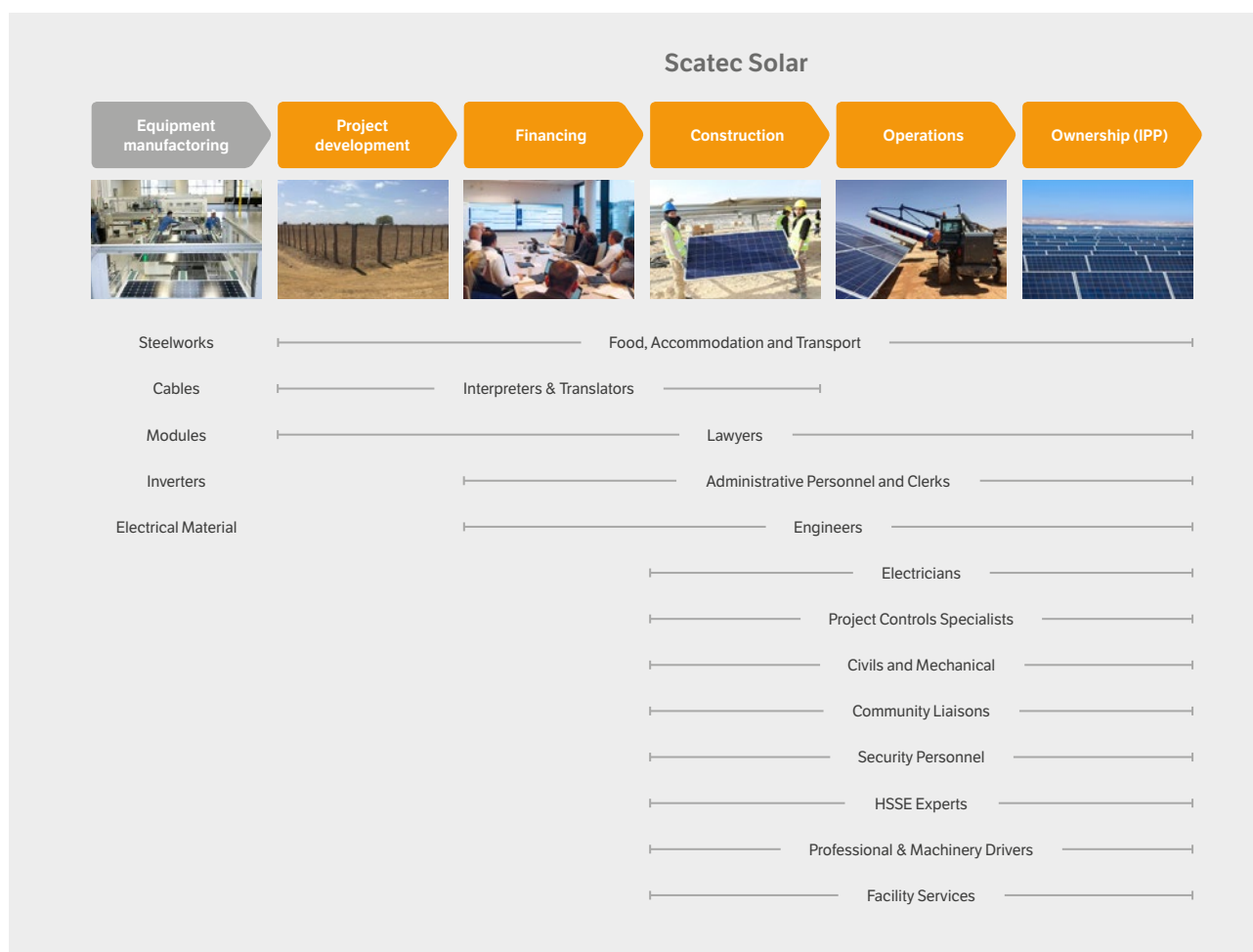
possible, regardless of whether this is a regulatory or contractual requirement. This contributes to reducing unemployment rates and provides knowledge and technical skills transfer to the communities where we are present.

The majority of jobs created through our projects originate during the construction phase, which usually lasts between 6-14 months. Workers are provided with important technical skills and experience that make them more eligible for future jobs. Scatec Solar also tries to hire locally for the permanent positions in the various stages of our value chain. The illustration below shows job positions needed from the stage of project development until operations and ownership of the facilities. The majority of these are considered permanent and falls into the operations phase of our projects including engineers, HSSE experts, civil and mechanical workers, security personnel and community liaison officers to mention a few.

We strive to go the extra mile when it comes to hiring locally. Prioritisation is given to local training to ensure that we equip the local workforce with necessary skills and competencies to perform their jobs.

*“Renewables will improve lives, create jobs, achieve development goals, and ensure a cleaner and more prosperous future”*

- IRENA Director-General Adnan Z. Amin





Loading of solar panels

During 2016, we completed the construction of our solar power plants in Jordan. The total number of workers involved in the construction of the plants is estimated to be close to 600. Both local skilled and semi-skilled workers were employed during the construction phase. The technology used to build and operate these power facilities was state-of-the-art, thereby empowering and equipping local workers with the necessary skills to work hereafter in other projects in the renewable energy sector. During the year, we conducted several audits with regards to our local workers, training and skill certification. In Jordan, we identified a shortfall related to certification of skills of the local workers, meaning that we did not certify as many local workers as targeted. We have taken measures to identify the reason for this to bring about improvements in the future.

The table on the previous page shows the local job creation during peak construction from all of our projects since our establishment. The number of jobs totals 5,410, with the percentage of local employees averaging about 80%.

#### **Utilising local supply chains**

Scatec Solar strives to use and strengthen local supply chains and entrepreneurs to the extent possible in our local operations. For instance, in Jordan we used local suppliers and consultants for hydrological and topographical studies, civil works with regards to construction of internal roads, drainage system, fencing, water and waste management, security, transmission line cabling and for commissioning billing system and network solutions.

#### **Stakeholder Engagement in local communities**

Scatec Solar often operates in countries where legal frameworks and governing structures do not necessarily protect the communities we may impact to the same extent as in more mature economies. Therefore, community and stakeholder engagement is central to our way of doing business. To ensure local support and a well conducted community dialogue when entering a local community, we employ international norms for stakeholder engagement, such as the World Bank's International Finance Corporation (IFC) performance standards. Since our establishment, we have

#### **NUMBER OF STAKEHOLDER MEETINGS HELD IN 2016**

PROJECT	COUNTRY	NUMBER OF STAKEHOLDER MEETINGS IN 2016
Oryx, EJRE, GLAE	Jordan	4
Agua Fria	Honduras	4
Kalkbult, Linde, Dreunberg	South Africa	10
ASYV	Rwanda	1
<b>Total</b>		<b>19</b>





### THE STORY OF VINCENT MNCEDI ELIAS

A journey from the construction of Scatec Solar's Linde plant to the Company's first Community Liaison Officer in Hanover, South Africa

Vincent Elias was born in Hanover, went to school in the Eastern Cape, but returned in 2008 to live with his mother and grandmother. Five years later, he was hired as a driver by one of Scatec Solar's subcontractors for the construction of the 40 MW Linde solar plant. His job was to drive ramming trucks and mount solar panels. "It was a great experience because I was doing this job for the first time," he says. Later he was selected to operate a mini excavating and drilling machine.

The job filled him with pride "I enjoyed every moment and later became a lead installer of solar panels." His team broke the record by installing 6,000 panels in one day. Vincent was hired to be the team leader for installing panels in Scatec Solar's third facility, the 75 MW Dreunberg plant. He helped to train local workers from Burgersdorp nearby to safely, quickly and efficiently install solar panels. He takes great pride in his contribution to the construction of both the Linde and Dreunberg plants on schedule.

In September 2016, Scatec Solar offered him a job as a Community Liaison Officer (CLO). "I was so excited to work for the main company. Till now I had worked only for the subcontractors. What I love about my new job is that I now have an opportunity to bring change and hope in my community. I am eager to do my tasks, because I know I am doing it for my people." Vincent is involved in Scatec Solar's local community development projects ranging from team building for youth through music and sports to transferring skills to local communities to make a variety of products from shoes to handicrafts.

also gained considerable experience when it comes to working with local communities in different countries, and we always try to build upon this knowledge when entering new countries.

All our projects have assigned a Community Liaison Officer (CLO) who is responsible for community engagement and maintaining good relations with the local communities. A formalised stakeholder analysis and stakeholder engagement plan is always carried out in accordance with the expectations set out in the IFC performance standards and the Equator Principles. It is also our experience that by identifying the resources, knowledge and creativity assets, rather than only the needs in the communities, we can achieve and execute more solid and beneficial plans.

During 2016, we increased our efforts in the local communities in which we operate by augmenting staff. For all of our new projects, we have appointed a CLO whose responsibility starts already during the project development phase. In South Africa, four new CLOs were hired during the year. Read the personal journey of Vincent Mncedi Elias above, one of the CLOs hired recently.

During the autumn of 2016, a sustainability event was held in Cape Town to discuss and implement a new strategy for stakeholder engagement including the responsibilities of each CLO along with methods to identify and manage expectations of communities, potential conflict of interest and other challenging areas. We have also worked to develop material to the course "How to be a CLO", which is part of a larger initiative we hope to introduce during 2017.

The course will contain material and lectures related to topics such as public services, relations and authorities, private sector, formal meetings, reporting and conflict management.

To manage expectations and to ensure local support and understanding of our projects, regular meetings with local leaders and representatives are held in all of the local communities where we have presence. For instance, in Jordan we held four community meetings during 2016, which were open to anyone connected directly or indirectly to our three projects. Our CLOs are also starting to attend established forums in the local communities where they are increasingly asked to come and share their experiences and give their opinions. The table on page 20 shows the number of formal stakeholder meetings for all our projects during 2016. It is important to highlight that for us, stakeholder engagement means our presence and interaction with local communities on a regular, ongoing basis. Several meetings and engagements in the local communities have been held in addition to the formal meetings reported in the table on page 20.

### **Local Community Development Initiatives**

Scatec Solar plans and implements community development programmes in all the local areas where we have operations. We want to ensure good relations and cooperation with the communities near our plants and we want to make a positive contribution. As mentioned in the introduction, we have aligned our sustainability vision with the UN's Sustainable Development Goals (SDGs), and our community development programmes are bracketed within the six selected goals outlined in the chapter on our sustainability framework.



### AI Qantara Language Centre

During 2016, a study was first conducted by Scatec Solar to understand the needs and desires of the local communities surrounding our plants in Jordan. The study revealed that the communities wanted to learn English as this opened up better opportunities for higher education and employment. To respond to this need, Scatec Solar established the AI Qantara Language centre as part of Oryx plants' CSR programme. The aim of the centre is to improve the local community's oral and written English skills. It was established in May 2016, a month before the 10 MW Oryx plant was commissioned.

The AI Qantara Language Centre offers free English courses and workshops to male and female job seekers, workers in the public and private sectors, post-graduates, university and school

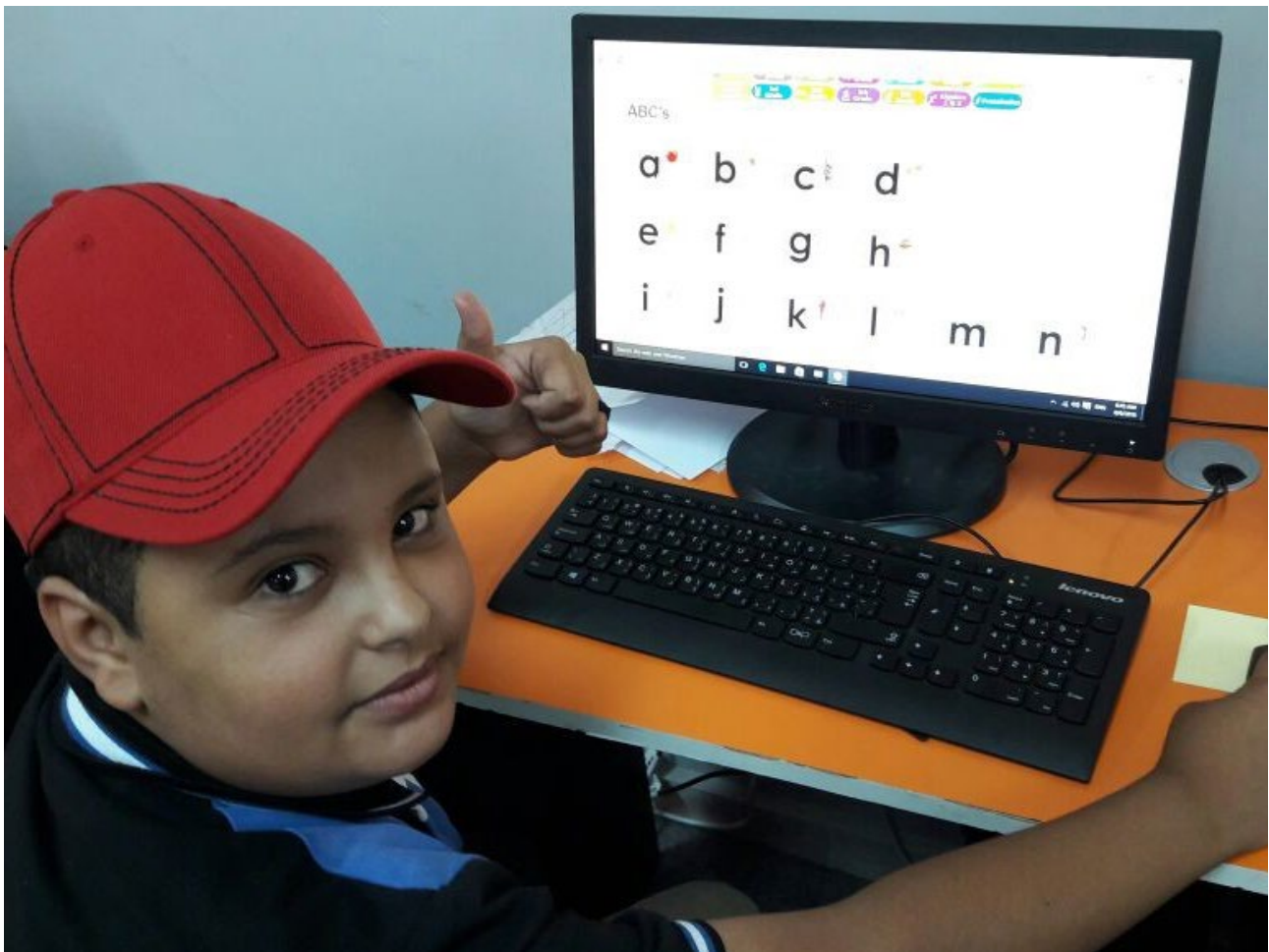
students. The centre has 80 participants enrolled in written and oral English courses.

In conjunction with the Jordan Engineer Association (JEA), Scatec Solar has also held solar energy workshops in the Ma'an and Wadi Musa areas. These workshops aim to raise the community's educational level and improve individual skills and awareness related to issues such as health, safety and solar energy.

Scatec Solar supports the Ma'an Cultural Club, which is a hub for the youth. The company provided the Club with free high-speed Wi-Fi service to enable better and faster communication between communities and open up new networks and opportunities for the local residents in various fields. Further, a project including a PV system providing electricity to the building is currently also being implemented.

*“Through establishing the Language Training Centre we can solve the problem of learning English in Ma'an”*

- Khalid Shamri (Former Ma'an Governor)



Participant at the AI Qantara Language Centre in Jordan



Students from Stellenbosch University on site visit at our 75 MW Kalkbult solar plant in South Africa

### Funding solar energy research

Scatec Solar is providing ZAR 1.5 million every year for five years to South Africa's Stellenbosch University to support solar energy research. A leading public research institution located 50 km from Cape Town, Stellenbosch University has a Photovoltaic Research Facility in its Renewable Energy department. Our endowment is used for professorship, student grants and research into topical areas of interest for the solar energy industry. The fund aims to improve solar energy performance. Under the programme, Scatec Solar's plants will also be made available to the students to conduct research.

During 2016, several initiatives were undertaken. Scatec Solar's Chair in Photovoltaic Systems from the Department of Electrical and Electronic Engineering, Doctor Arnold Rix summarises below the key activities from the year:

- Eight articles and two master theses published in connection with local and international conferences
- Five bursaries given out and 13 students received supervision and support (post- and undergraduates) for undertaking projects
- An advanced PV System course was presented in South Africa and Zambia, as well a Post and undergraduate course at the Stellenbosch university
- The first phase (15 kW tracking) of an outdoor PV research facility was completed outside Stellenbosch to be used by future students (see photo)

This endowment is part of our Company's philosophy to build a new generation of local competence in solar energy, which has beneficial impacts on South African society, environment and economy.

### OREEC solar cluster

Scatec Solar has also entered into a partnership with several companies in Norway to establish a cluster for solar energy, Oslo Renewable Energy and Environment Cluster (OREEC). The purpose of the cluster is to work for increased use of solar energy globally, support the expansion of electricity to new groups in emerging countries and reduce the negative effects from non-environmentally friendly energy sources.



### Generating income while preventing soil erosion

The community development programmes for our ASYV solar plant in Rwanda include several initiatives such as donating solar system kits, constructing drainage channels, cultivating grass and planting mango trees, which prevent soil erosion and generates income for local communities.

Vetiver grass and 5000 mango trees were planted at the solar facility site, located about 60 km from Kigali, the capital of Rwanda. This is expected to have sustainable benefits to both the environment and the surrounding communities through the creation of both temporary and semi-permanent local employment opportunities. To plant and maintain the mango plantations and vetiver grass, a local contractor and 23 workers were appointed for a one-year period.

About 20 households located in the surrounding area of the site benefit from this programme. The grass and bamboo are normally cut once a month and given to the beneficiaries to feed their cows, which are a source of livelihood for the families.





Mango tree plantations surrounding our ASYV solar plant in Rwanda

### AN UPDATE FROM OUR INITIATIVES IN SOUTH AFRICA

An early mover, Scatec Solar built and commissioned the African continent's first utility-scale solar facility, the 75 MW Kalkbult plant in South Africa in 2013. In addition, we have the 40 MW Linde plant and the 75 MW Dreunberg plant in operation. For each of the plants, we make significant financial contributions directly to the local communities under South Africa's Socio-Economic Development (SED) programme. A fixed percentage of the current operating projects' revenues is dedicated to this, and the total contribution amounts to substantial financial support to socio-economic development initiatives across our projects during their planned lifetime.

In 2016, we have continued to be strongly engaged in our SED programmes in South Africa. They are led by teams of dedicated individuals who continuously work to identify, track and manage projects, social risks and opportunities.

### Noluthando Day Care Centre

During 2016, Scatec Solar became involved in developing the Noluthando Day Care Centre after hearing of the facility's needs through its local business networks in South Africa. Started in 1994 with 45 children in a local home in Khayelitsha township in Cape Town, the Noluthando Day Care Centre now has developed into a spacious kindergarten for 395 children, aged between two months and six years, an airy community hall and an administration centre with a staff of 12, an office, bathrooms, sick bay and storeroom. The purpose of the centre is to provide a much needed community service to local parents, who are required to travel long and time consuming distances to their place of work.

The centre is supported by the Norwegian Agency for Development Cooperation (Norad), construction company Selcrete, which uses Norwegian-developed building technology, Scatec Solar and African Bikers, an adventure tour business run by a group of young Germans in Cape Town. The construction

### SUSTAINABLE SMALL BUSINESS IN SOUTH AFRICA

PROJECT	SMALL BUSINESS	ITEMS FINANCED	PERMANENT JOBS CREATED	SCATEC SOLAR'S SOCIAL INVOLVEMENT
Dreunberg	Langa Kleen Laundry	Basic running expenses of the small business including cost of rental, rates and materials	2	A full time Community Liaison Officer (CLO) has been employed to be on the ground to monitor progress. The CLO makes weekly visits to the project
Dreunberg	Garipe Fitment Centre	Purchase of materials, tools and labour costs	3	
Dreunberg	Unique FM	Basic running expenses of the small business including cost of rental, rates and materials	5 (8 volunteers)	
Linde	Together As One	Equipment for the car wash, shelter and flooring	2	



The Noluthando Day Care in Khayaletsha, in Cape Town, South Africa

solutions of the project implement a new environmentally friendly building method that enables premises to be constructed in only a few weeks. The building blocks are light in weight, making it possible for both men and women to take part in the construction.

Scatec Solar will continue to fund this project and its expansion going forward.

*“This project fits perfectly with the UN SDGs’ aim to build sustainable cities and communities. It also highlights the importance of partnerships.”*

- Kari M. Fremme, Vice President Sustainability



### **Sustainable small business in South Africa**

In South Africa, we also have several Economic Development (ED) initiatives with the overall aim of enabling the sustainability of small business in the local communities surrounding

our projects. We seek to provide local businesses with smaller donations and consultancy support to be able to continue to service the local community. The table on the previous page shows some of our ongoing initiatives.

*“No action is small when it comes to supporting an entrepreneur’s dream. It can transform his life”*

- Sozabile Nkuna, Economic Development Manager, South Africa

We refer to the world map on the next page for an overview of some more of our ongoing programmes.

### **Our ambitions and goals**

We will continue to develop our policy of hiring local labour when constructing new solar power plants in 2017 and use and strengthen local supply networks. We will also strengthen our sustainability team, both at local and corporate levels, as well as our base of CLOs.

We will continue to develop and formalise the CLO position with clear guidelines about the role and responsibilities. This will include guidance as to how the formal engagement process should proceed such as duration, how meetings should be conducted and how the dialogue process must be documented. It is important for us to maintain consistently high standards across all our projects to protect our reputation and maximise local community benefits.

Finally, we will continue to manage our SED programmes in local communities with integrity. We will also plan for and contribute to new local development initiatives in new projects to ensure that we positively impact the local communities and uphold an active and open dialogue with them.

# Selected local development programmes

## HONDURAS

### Food Security Project

- Small centers are set up in smaller family farms to facilitate technical training and production technologies that improve food security such as establishing water harvesting mechanisms, solar pumps, low pressure drip irrigation and cultivating kitchen gardens

*“The southern region of Honduras is an area greatly affected by droughts that have worsened due to the effects of climate change; through this project the local communities learn about the benefits of simple ideas such as diversifying crop to improve production with available natural resources”*

- Melissa Irias, Environmental Advisor, Honduras

### ZIKA Virus Campaign

- Campaign to destroy places where the Zika-transmitting mosquito breeds in the communities of Agua Fria and Nagarejo in coordination with the Health Committee of Agua Fria
- Transportation of waste and distribution of information brochures on how to prevent spread of the mosquito and the disease

### Medical Brigade

- Medical care to the communities of Agua Fria and Nagarejo through primary and paediatric medical consultations to 250 of the inhabitants

### Dental Hygiene Campaign

- Workshop conducted in 11 schools in the Nacaome area of Honduras in cooperation with Colgate
- Children were given information on the importance of proper dental hygiene to prevent future diseases and during the workshop fluoride was applied to all the children to strengthen their teeth

### Environmental Education Campaign

- A campaign carried out in two local schools in Honduras to teach school children about diverse environmental issues like water management, the importance of forests, and management of solid waste, through opportunities that come from recycling and reusing waste.



## SOUTH AFRICA

### FARR Programme

- Managed by the Foundation for Alcohol Related Research (FARR) to educate mothers about the risk of consuming alcohol while pregnant
- Benefits 152 mothers

*“I am 41, I have never learnt about not smoking and drinking in pregnancy. This programme “picked us up”, allows us to be hopeful, changes us. Every day I tell the kids who are pregnant: You are young! Go to that programme, you’ll learn everything there.”*

– One of the participants of the programme





## JORDAN

### Municipality annual grant

- Scatec Solar has provided an annual grant to Ma'an Municipality worth JOD 40,000 to be divided and paid annually over 20 years to support the local community during the life time of the solar projects in Jordan

### Maan Government Hospital

- The hospital is an important medical structure in the south of Jordan serving large numbers of inhabitants from Ma'an
- Scatec Solar has donated two air conditioner systems for the Emergency Department in the hospital as part of the company's local community development programmes

### Maan Public Schools

- After a visit to the Directorate of Education in Ma'an, Scatec Solar engaged in supporting the local community through the donation of 100 white boards to public schools in the area

### Local workshops

- Scatec Solar has held several solar energy workshops in Ma'an and Wadi Musa in cooperation with the Jordan Engineer Association (JEA) to raise the community's educational level and improve individual's skills and awareness of topics such as solar energy and health & safety

## RWANDA

### Bamboo and mango trees plantation

- Planting bamboo and mango trees for the local community surrounding the plant
- The planting of the bamboo reduces the risk of flooding and contributes to grass to feed cows

### Dreamfield Project

- Engage local school children in soccer and netball to create positive attitudes towards attending school, develop appreciation for teamwork, discipline and healthy lifestyles
- Estimated number of beneficiaries is over 1000

### Field Band Foundation Project

- Use music, dance and youth leadership to model active citizenship, where young people are encouraged to develop a sense of responsibility and commitment to making healthy choices for a productive future
- Estimated number of beneficiaries is close to 600

### Visual Arts Network Project

- Facilitate skills development amongst youth through training of wire crafting, silk screening, shoe making and weaving
- Launched in 2016 and so far 40 local community members have received training that has equipped them with new skills they can use for future jobs



# BEING A TRUSTED BUSINESS PARTNER

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTEGRATION

### Our policy

The environmental, social and governance (ESG) impact of our projects is largely determined during the project development phase. Proactive management of ESG issues in this phase is therefore essential to managing the impact and the success of the project. Our policy is to:

- Conduct environmental and social impact assessments and additional ESG due diligence if significant matters are uncovered in initial impact assessments
- Conduct risk assessments of potential partners, operating countries and locations to limit governance-related risk such as criminal records, creditworthiness, breaching sanctions and engaging in bribery and corruption
- Develop all projects in accordance with the IFC performance standards and the Equator Principles
- Integrate ESG considerations in project development tools and processes
- Design systems and services to minimise the environmental impact, with an emphasis on protecting the local environment

### Our achievements and results in 2016

Scatec Solar is committed to operate in line with the Equator Principles and the International Finance Corporation (IFC) Environmental & Social performance standards to ensure consistent standards across all projects. 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 impacts. See the table below for an overview of some of the partners we have worked with during the year.

## SOME OF OUR PARTNERS



ADRA (Adventist Development and Relief Agency)  
 Caritas  
 Climate Mundial  
 DNV GL (Det Norske Veritas)  
 EksportKreditt  
 Environics  
 ERM (Environmental Resource Management)  
 GIEK (Norwegian Export Credit Guarantee Agency)  
 Golder Associates  
 KLP  
 Norad  
 Norconsult  
 Norfund  
 OREEC (Oslo Renewable Energy and Environment Cluster)  
 Proparco  
 Selcrete  
 Tshikululu  
 University Stellenbosch

According to the Equator Principles, our three projects in Jordan completed in 2016 fall under "Category B" projects. This means that they have "potential limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures".

During the year we conducted environmental and social impact assessments for our backlog projects in Mozambique, Mali, Malaysia and South Africa. We have also developed Environmental and Social Action Plans based on these assessments to be executed for each project.

Scatec Solar has a systematic and in-depth process for site selection when searching and planning for new markets, which involves relevant government bodies for assessment and approval. This regulated process gives us insight into the potential impact on the environment and communities surrounding the site. The work is often very comprehensive and involves many stakeholders over a prolonged period. The assessments developed for the portfolio in Jordan did not reveal any long-term material negative impact on the environmental or social dimension.

### "Umuganda" voluntary work

We are committed to not only complying with Development Bank standards, but also with National guidelines. In Rwanda, voluntary work called "Umuganda" is compulsory.

Scatec Solar's O&M team at our ASYV solar plant in Rwanda engages in taking a lead in organising "Umuganda" on a monthly basis. People living in the local community are gathered to engage in voluntary work such as renovation of roads, building houses and supporting people in need. The initiative also represents a meeting point for local leaders to communicate important messages and information to the local community. The Scatec Solar O&M team in Rwanda consists of two permanent employees and five contractors, all Rwandan.



Volunteers taking part in the "Umuganda" voluntary work in Rwanda





School children participating in the reforestation programme in Honduras



### Reforestation Programme

In some places, trees have to be cut in order to develop solar plants. In Honduras, the law requires the planting of three trees for every tree that is cut, and we have exceeded this

expectation. With this we also contribute to mitigating the larger issue of deforestation that is taking a huge toll in Honduras, a country that has lost 33% of its once luxuriant forests over the last few years. Causes for this devastating loss are complex – from illegal logging of mahogany trees to the bark beetle pest that devoured flora in 600,000 hectares of forest to poor communities forced to eke out a living by encroaching upon forests to plant coffee crops and collect firewood for cooking. Employees of Scatec Solar's 60 MW Agua Fria plant in Nacaome in southern Honduras organised a massive reforestation programme during 2016 in which a large group of school children participated.

### Grievance Mechanism

Scatec Solar has a publicly available grievance mechanism for all projects through the company website and at each local site. The grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects and covers five different languages: English, Arabic,

Spanish, Portuguese and French. The mechanism offers a channel to present issues to the administration of the projects, and it is directly supervised by one of the members of the corporate management team. All grievances are taken seriously, and we aim to have a response time of maximum 30 working days.

During 2016, we identified a few different interpretations with regards to how the grievance mechanism is managed across some of our projects. We therefore increased our efforts to centralise our work and handling of the grievance mechanism. This involved setting up training workshops from the head quarter with all our new project locations to ensure that we all use the grievance mechanism in the same systematic and structured manner. Workshops were held with the local project and community workers, as well as other relevant stakeholders.

The table below shows the number of grievances received during the execution phase of projects in 2016. The majority of grievances were solved by communicating our processes and principles to the plaintiffs. Some of the grievances were received towards the end of the year, and these are in the process of being addressed and resolved.

### COMMUNITY DIALOGUE AND ENGAGEMENT INDICATORS

INDICATOR	2016 RESULTS
Percentage of operations with implemented local community engagement, impact assessments, and development programmes	100 %
Number of grievances received	16
Number of grievances addressed and resolved	10



The suggestions and grievances box for our projects in Jordan

### Our ambitions and goals

We will work further to formalise Environmental, Social and Governance integration in the project development phase and in all the stages of our operating model.

Going forward, we will continue to hire specialist consultants such as environmental engineers to ensure that we are compliant in our operations and that we contribute with a high degree of quality and control.

We will continue to strengthen our grievance mechanism in all stages of our projects – from the development to the operational phase. We will also work to ensure that the established grievance mechanism for all our projects is available for the public and all reported grievances are handled in a systematic and timely manner. In addition, we will ensure that all our employees receive training related to managing the grievance mechanism.

## HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

### Our policy

Health, Safety, Security and Environmental focus are key elements of Scatec Solar's approach to operational excellence. HSSE is particularly emphasised through project execution. We take

responsibility for HSSE, because we care about the people, the environment and our Company. We define and communicate the health and safety standards to our employees and contractors. Please refer to our HSSE policy for more information. Our policy is to:

- Continuously work for zero harm to personnel, materials and the environment
- Always put safety first, evaluate risk and secure our working environment
- Ensure that all our business activities are conducted in accordance with applicable labour standards and fundamental human rights norms as prescribed by the International Labour Organisation and the Universal Declaration of Human Rights
- Apply a zero tolerance approach to alcohol or other drugs in the work environment
- Ensure fair working hours and wages for all employees and contractors' employees working on site
- Ensure that our operations have a minimum environmental impact with a focus on protecting local biodiversity and using water responsibly
- Always undertake risk assessments of new countries and regions we plan to enter and develop security plans based on this
- Always inform all employees about travel requirements and security briefings when relevant

### Our achievements and results in 2016

HSSE is a key priority for Scatec Solar. We take responsibility, set requirements and monitor HSSE performance in the development, construction and operations phase of our projects.

In 2016, there were no fatal accidents. We had one lost time injury on our Kalkbult plant in South Africa, which was a first-aid injury that resulted in time lost from work. Additionally, we reported thirteen environmental incidents during the year. The majority of these occurred in connection with our Jordanian projects. Ten of the incidents were due to oil spillage from ramming machines and flooded waste water tanks. All these incidents were handled effectively and did not cause any long-term effects. Due to the

### HSSE INDICATORS FOR OUR PROJECTS IN 2016

PROJECTS	HOURS WORKED ON SITE <sup>1)</sup>	FATAL ACCIDENTS	LOST TIME INJURIES (LTIS) <sup>2)</sup>	LTIS PER MILLION HOURS WORKED	NEAR MISSES	ENVIRONMENTAL INCIDENTS
<b>Under construction:</b>						
Oryx, EJRE, GLAE, Jordan	386,212	0	0	-	0	10
<b>In operation:</b>						
Kalkbult, South Africa	37,022	0	1	-	0	0
Dreunberg, South Africa	34,637	0	0	-	1	2
Linde, South Africa	32,545	0	0	-	1	1
ASYV, Rwanda	33,550	0	0	-	0	0
Agua Fria, Honduras	88,592 <sup>3)</sup>	0	0	-	1	0
Portfolio, Czech Republic	N/A	0	0	-	0	0
<b>Total</b>	<b>612,558</b>	<b>0</b>	<b>1</b>	<b>1.6</b>	<b>3</b>	<b>13</b>

1) Hours include SSO contractors.

2) An occurrence that results in a permanent disability or time lost from work of one day/shift or more.

3) Includes security service hours from third party.



increased environmental incidents in Jordan, we have taken several measures to identify the cause of this and ascertain what can be done to avoid new incidents going forward. For instance, we have implemented stricter HSSE clauses in contracts with contractors and more thorough monitoring routines.

Detailed injury statistics for each project is shown in the table on page 31. These indicators include the operations conducted by our contractors. We choose to manage, monitor and report on these indicators since the health, safety and security on our sites are our responsibility, regardless of whether the solar plants are constructed by contractors.

We put a strong emphasis on creating safe and good work sites for our employees including competitive wage levels above the minimum requirement, limits to long working hours and basic issues such as ensuring access to clean drinking water. Our Supplier Code of Conduct and Labour policy for site personnel is now integrated into all our subcontracts to ensure that these basic principles are respected, also in the parts of the values chain we do not control directly.

Scatec Solar has operations in regions where mitigating security risk is crucial. During last year, an extensive assessment of the regions where we have presence was undertaken, and based on this several initiatives were implemented. We have a partnership with an international, third party security assessment company that provides country risk assessments, security and operational advice, pre-enter preparations, immediate security advice for special situations, emergency response and mandatory training of all employees. The agency electronically monitors the movement of our travelling personnel constantly to safeguard them. During

2016, we expanded our coverage by entering into a partnership with a global company offering medical assistance, emergency services, healthcare, evacuation and repatriation services.

Safety and security are of primary importance when Scatec Solar employees travel abroad, particularly in environments where there is potential for exposure to health hazards, regions of political unrest and areas of high risk. Travel related hazards need to be identified and managed for the safety and security of Scatec Solar employees who travel. They are to adhere to and follow several steps prior to a business trip. These steps involve obtaining approval of trip from management, familiarise with the company's travel policies and guidelines, complete a travel security e-learning programme, read country risk assessments and follow specific procedures when travelling to countries with high risk rating.

### **Our ambitions and goals**

We work continuously for zero harm to personnel, materials and the environment, and we believe that all incidents can be prevented through awareness, training and preparedness. We will continue to set high HSSE standards in the countries where Scatec Solar operates. Further, we will build on developing our approach for a common understanding of our expectations with regard to high levels of work ethics and quality control on our sites. We also aim to better analyse the data on accidents, lost time injuries and other HSSE indicators to be able to identify and respond to all types of challenges that can arise in this area.

We will also work to further develop our two partnerships for security, medical and emergency services to ensure that we offer accurate risk assessments and access to medical assistance in the regions where we operate.



Inspection at the Oryx solar plant in Jordan



## ANTI-CORRUPTION

### Our policy

We depend on a sustainable business environment and set out to comply with high standards of business ethics. The selection of, and cooperation with, business partners is of vital importance to ensure a non-corruptive business environment. Our policy is to:

- Have a zero-tolerance principle to bribery and corruption
- Continuously strive to maintain high ethical standards
- Build a culture that values honesty, integrity and transparency, and require each partner and/or supplier to adhere to the same
- Reflect our own high standards of anti-corruption behaviour in the contracts with our partners
- Provide anti-corruption training for relevant employees
- All projects must pass four separate decision gates where screening, compliance and risk of corruption must be cleared

### Our achievements and results in 2016

A truly global company, Scatec Solar operates in several countries exposed to various levels of corruption according to the Transparency International Corruption Perceptions Index. We therefore undertake a thorough assessment of the potential host country, region and partners before we decide to conduct our business. We also demonstrate a high level of awareness in relation to any indicators of corrupt activities while conducting our business.



We always undertake due diligence of potential partners and suppliers. For the screening process, we use a widely adopted source of structured intelligence to identify heightened risk or blacklisted individuals and organisations.

We also have collaborations with an international risk-consulting firm for conducting background checks of business partners and individuals. Some of our main financial collaborators include Norfund, the International Finance Corporation (IFC), member of the World Bank Group, and other leading Development Banks. This ensures a high level of ethical standards. As mentioned previously, all of our projects are developed in accordance with the IFC performance standards and the Equator Principles, whilst all subcontractors and suppliers must adhere to our supplier conduct principles.

As part of our continuous improvement and in light of our expanding global reach one of our main goals of the 2015 report was to establish a revised anti-corruption programme in line with best practice. During 2016, we have, together with external advisors established such a programme designed on the basis of the exposure and risk associated with the Group's business. The structure of this programme is in line with COSO's (Committee of Sponsoring Organisations of the Treadway Commission) 2013 Internal Control-Integrated Framework, which is one of the most widely recognised frameworks on enterprise risk management and internal control, comprising of five key areas:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring and improvement

Additionally, these key areas have been embedded into the group's operating system and forms part of each decision gate for an investment. As part of the re-launch of the programme, the Company has also undertaken training of its employees and will continue to hold training sessions twice a year.

### Our ambitions and goals

We will continue to raise awareness of corruption and the high expectations we have of our employees and business partners in this regard. We will continue to review our current processes and initiatives to better position ourselves to operate in accordance with best practices.

We also aim to develop further our integrity, dilemma and anti-corruption training in the induction process for all new employees in 2017, particularly for business development and procurement, and will undertake an audit of the programme by external parties.

## RESPONSIBLE PROCUREMENT

### Our policy

The selection of suppliers and sub-contractors impact our social and environmental performance. Our policy is to:

- Choose suppliers based on relevant sustainability criteria including transparency, HSSE standards and environmental performance
- Ensure that suppliers commit to our Supplier Conduct Principles and monitor compliance through regular supplier audits of significant and high-risk suppliers
- Take a life-cycle approach<sup>1)</sup> to our carbon footprint and choose suppliers that contribute positively to our climate impact
- Ensure that our solar energy systems can be reused, recycled or disposed of safely
- Avoid procuring products from any supplier who relies on dangerous or harmful substances to the environment



### Our achievements and results in 2016

In 2016, we worked to integrate and implement the formalised and standardised pre-qualification due diligence and tender processes in the Scatec Solar operating system, so that our requirements meet the same standards in all our projects. All our contracts contain details regarding HSSE standards and labour rights. We further require all our suppliers to comply with and sign our supplier code of conduct. The code focuses on compliance with laws and regulations, as well as internationally recognised standards. Topics covered by the code include; anti-corruption and ethical business practices, human rights, the environment, HSSE and labour rights. With regard to production of our purchased products, our current requirements include good life expectancy and safe end-of-life disposal options.

In 2016, we visited 15 of our current and potentially new major suppliers. Although there were no major findings during the visits, a few suggestions for minor HSE improvements were identified. Overall, the suppliers and sub-contractors demonstrated a strong awareness and drive towards sustainability.

1) Lifecycle approach: Accounting for total energy footprint from raw materials to decommissioning.



Inspection of solar panels

Innovation is important in a fast moving industry such as ours, and we collaborate with suppliers to drive the development of new and better solutions such as reducing the use of precious metals in solar modules. In 2016, we continued with quarterly meetings with key technology providers where we share and co-develop ideas for improvement on every front possible, including sustainability. An innovative idea developed during 2016 that impacts sustainability, is a revised packaging concept for modules. This method envisages the discarding of carton boxes and wood pallets which will be replaced by re-usable and collapsible cradles. The implementation of this method is forecasted to save 30% space in container shipments, reduce waste management at project sites and reduce the carbon footprint involved in transportation.

#### **Our ambitions and goals**

We will continuously evaluate our approach to responsible procurement and will as part of our supplier development include sustainability as an agenda point in quarterly meetings, to not only create awareness, but to foster ongoing improvements.

The solar energy we produce positively contributes to avoiding greenhouse gas emissions. The way in which we procure has the potential to further improve our impact on the environment. We will continue to adopt a life-cycle perspective and evaluate greenhouse gas emissions and energy consumption all along our supply chain, and also for the introduction of new technologies in our plants.

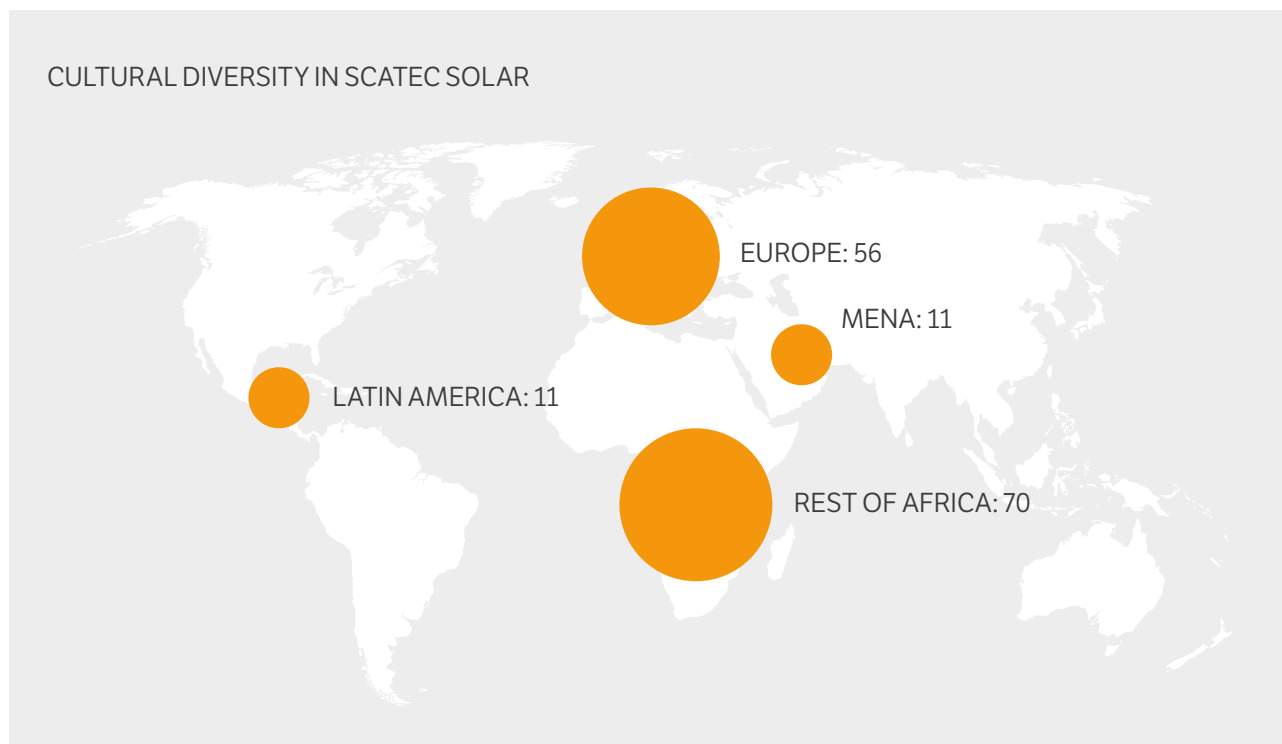
### **LABOUR CONDITIONS, TALENT ATTRACTION AND RETENTION, DIVERSITY**

#### **Our policy**

The people of Scatec Solar make up who we are. A highly skilled and motivated workforce is essential to the success of our Company; the execution of our strategy and our continued growth. A competent and motivated workforce driving towards the same goals is vital to our success. Our policy is to:

- Encourage a working environment guided by a culture based on our values
- Support our people with opportunities to develop according to their aspirations
- Build a high performance working environment, recognising peoples' achievements and rewarding them based on their results
- Ensure that each employee knows what is expected of them in their role
- Provide our people with direct feedback and guidance on their work performance
- Provide equal opportunities and value diversity of people
- Provide a safe place to work
- Support the right of workers to organise unions
- Abolish the use of child labour regardless of local labour law and only conduct business with third parties that follow the same ethical child labour standards

## CULTURAL DIVERSITY IN SCATEC SOLAR



Figures indicate number of employees

### Our achievements and results in 2016

Scatec Solar is expanding into new regions and countries to develop and realise solar projects. During 2016, the human resource department worked dedicatedly to meet our resource plan, which entailed the hiring of 73 new employees and consultants worldwide. The facilitation of the recruitment processes in our upcoming projects in Malaysia, Brazil, Mali and Mozambique was an important activity throughout the year. We also began the process of implementing a new recruitment system and platform to further professionalise and structure the recruitment of new people.

As a global company, Scatec Solar is characterised by great diversity. Our global workforce of full time employees is represented by different nationalities. Diverse backgrounds and experiences help our organisation to remain flexible and agile, and ultimately to be better equipped for responding to fluctuating and complex markets and environments. A diverse workforce provides greater variety of solutions to the challenges we face in the various countries we are present. The representation of diversity among our 148 full time permanent employees is illustrated in the map above.

During 2016, we started developing a leadership programme in South Africa to provide leaders with the tools and mechanisms necessary to improve, make better decisions and develop their leadership. We have identified four leadership traits that seek to provide guidance for our managers and leaders in their roles and responsibilities. These traits include being a clear thinker, having drive and initiative, being externally oriented and being accountable.

We report and monitor the health and working environment of our employees on a regular basis. An overview of sickness absence rate, gender diversity and numbers of complaints for the headquarter in Norway, and the Company as a whole, is shown in the table on next page. The percentage of women working in Oslo, the headquarter of the company increased from 31% in 2015 to 40% in 2016. We also have formalised a system for dealing with internal complaints, and we did not receive any complaints during 2016.

*“We are a global company of great diversity. Our 148 full time permanent employees represent 22 different nationalities”*

- Roar Haugland, EVP People Development & Sustainability



We are currently in the process of looking into ways in which we can encourage internal reporting, and our channels and systems for this are also being evaluated to ensure availability and openness.

*“The percentage of women working in our Oslo headquarter increased from 31% to 40% in 2016”*

- Raymond Carlsen, CEO Scatec Solar

#### INDICATORS RELATED TO HEALTH AND WORKING ENVIRONMENT 2016

PROJECT	SICKNESS ABSENCE RATE (%) <sup>1)</sup>	GENDER BALANCE (% WOMEN)	NO. OF COMPLAINTS
Head quarter (Norway)	2.37%	40%	0
Total company	2.21%	28%	0

1) Includes full time employees (FTEs) and short term employees (STEs)

#### Our ambitions and goals

As we expand globally, we continue to develop and professionalise our approach to human resource management. During 2017, we target to hire over 150 new employees and consultants primarily across countries such as Malaysia, Mozambique, Brazil, Mali and Norway. We will work to further establish recruitment partnerships in several of these countries and maintain a global workforce characterised by strong diversity and talent.

In 2017, we will further develop initiatives established during the year with a focus on the leadership programme. Additionally, we will work to develop our approach to performance management and our internal communication platforms.

We will continue our work of attracting great employees with the best competencies by promoting ourselves as a fast-growing, solar energy company that contributes to positive social and environmental impact in all the countries where we have presence.

We will continue to have benchmark compensation and benefit plans to ensure that we offer competitive conditions.

#### CONCLUDING REMARKS

We have outlined a new sustainability framework to guide us on our journey going forward. These principles include:

- All our activities comply with Equator Principles and IFC performance standards
- We support scientific research in the area of renewable energy
- We strive to better understand and report upon the greenhouse gas emissions we produce and the emissions we abate through our projects, in all their phases. We will always strive to minimise these emissions.
- In all our infrastructure projects we will re-invest a percentage of the revenues in the local community or country where the project is located to support the achievement of the UN Sustainable Development Goals
- In all our activities we use a significant component of local labour, professionals and contractors,
- We contribute to the communities in such a way that they grow and improve by themselves and not become directly dependent on us as a development agent.
- We maintain a comprehensive, effective and consistent Environmental and Social Management System in compliance with all relevant legal requirements to achieve all our objectives
- We maintain a process for capturing, recording and solving grievances which our communities and partners perceive we have inflicted
- We pro-actively investigate new technologies and methods to improve our environmental and social performance

Sustainability is all about protecting the planet and empowering the people as we pursue economic prosperity. As the UN Sustainable Development Goals affirm, we have the collective responsibility to transform our planet by 2030. Our main contribution to a sustainable world is solar energy. Sustainability, however, covers far more than energy and climate issues. 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.

*“The Sustainable Development Goals have set targets for us to achieve an environmental shift. A large part of achieving these targets will involve a shift to the energy sources of the future, like solar and wind. We should all be striving to reach these goals - they will make our planet a better home for everyone.”*

- Erik Solheim, Head of UN Environment Programme



**We appreciate your feedback. For any enquiries or comments, please contact:**

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