Environmental, Social and Governance (ESG) management

Our policy

The development of solar projects involves environmental and social implications. In alignment with Scatec Solar's policies, requirements of local legislations and adhering to international standards and best practices, we endeavour to minimize our impacts and build positive dialogue with project affected communities and other stakeholders. The environmental, social and governance (ESG) impacts of our projects are largely determined during the project development phase. Proactive management of ESG issues in the development and construction phase is essential to managing the impact and the success of the project.

Our policy is:

- To be committed to develop all projects in accordance with the IFC Performance Standards and the Equator Principles
- Conduct environmental and social impact assessments and additional ESG due diligence if significant matters are uncovered in initial impact assessments
- Integrate environmental, social and governance 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 2017

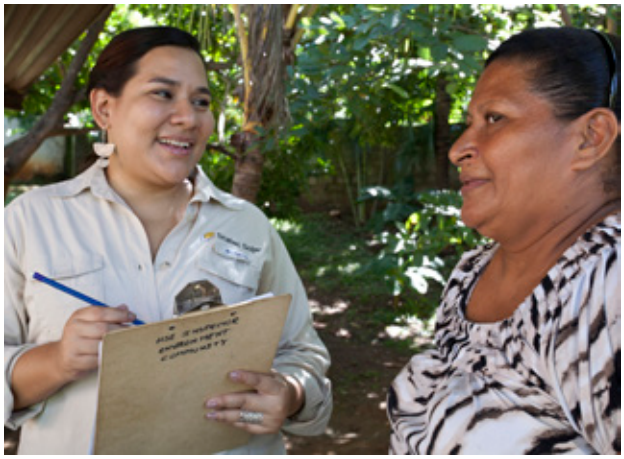
Scatec Solar is committed to operate in line with the Equator Principles and the IFC Environmental & Social Performance Standards to ensure consistent practices across all projects. We work with trusted partners such as the IFC, Norfund, KLP and several larger development banks that all have high standards for the projects and their associated impacts.

We have three projects currently under construction in Brazil, Malaysia and Honduras. According to the Equator Principles, the projects fall under "Category B" projects, meaning 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".

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



IFC Performance Standards

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

www.ifc.org

Management of environmental and social impacts

In line with the IFC Performance Standards and Equator Principles, our activities are conducted in accordance with our sustainability policy and the requirements defined by these international standards for specific areas of impact including labor and working conditions, pollution prevention, community health and safety, land acquisition and involuntary resettlement, biodiversity conservation, indigenous people and cultural heritage.

We conduct environmental and social impact assessments (ESIAs) for all our projects to identify potential environmental and social risks posed by our activities. In 2016, we developed ESIAs for our projects in Mozambique, Mali, Malaysia and South Africa, and in 2017 assessments were completed for Brazil, Egypt and Nigeria. We also develop Environmental and Social Action Plans based on initial assessments and establish Environmental and Social Management Systems in all our projects to integrate environmental and social actions and requirements into our business activities for avoiding, minimizing and compensating for our impacts throughout our projects' life cycles.

The degree and type of impacts caused by solar projects vary from project to project based on several factors such as site location, environmental characteristics of the site and distance to settlements. Most of the environmental and social impacts from our projects occur during the development and construction phase.

During the development phase, the land clearing process may impact biodiversity by causing loss of habitats and disturbance of species. Whenever possible, we avoid impacts on biodiversity and ecosystem services. If an impact is unavoidable, we implement measures to minimize impacts and restore biodiversity. Habitat enhancement or creation of new conservation areas are options to be considered whenever impacts cannot be fully mitigated. For our Agua Fria project in Honduras, measures introduced prior to construction activities included limiting the removal of grass vegetation and trees only to the areas necessary for the construction of the plant by using colour paint marking to prevent unnecessary cutting and strictly forbidding any pollutant element in areas with presence of vegetation. A biological monitoring program is also planned for monitoring vegetation cover, inventory of flora and birds at the project site over time.

Securing land is another important aspect that can impact local communities surrounding the site, particularly when physical and/or economic displacement cannot be avoided. In this case, we follow strict requirements in accordance with the IFC Performance Standards to address and mitigate impacts by developing and implementing resettlement and livelihood restoration plans. Our target is always to ensure that the affected local households are assisted in adapting to the new situation and restoring their livelihoods to pre-project standards at a minimum.

Noise, air emissions, solid waste, waste water generation and increased transportation to and from the site area are typical impacts during the construction phase of a project. Each of these impacts are monitored and mitigated by implementing specific management plans.

Project classification according to the Equator Principles:

Category A: Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

Category B: Projects with potential 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 impacts

Resettlement program in Mozambique

The implementation of our Mocuba project resulted in an economic displacement of 223 households. To address the loss of income sources or means of livelihood due to the acquisition of land or the obstruction of access to natural resources because of project construction or operation, the project developed a Simplified Land Use and Compensation Plan (SLUCP) and a Livelihood Restoration Plan (LRP) in accordance with the Mozambican law and the recommendations of the IFC Performance Standard 5, for projects involving economic displacement.

The goal is to mitigate the effects of long-term impacts by ensuring that the local households are assisted in adapting to the new situation and in restoring their livelihoods to pre-project standards at a minimum. The plans are approved by local authorities and the following programs have been successfully implemented:

- Agricultural activity Support Program: Ensure food security and promote cash crops production and access to markets by restoring agriculture activity and improve productivity
- Domestic awareness: Training the beneficiaries in business planning and management, follow-up with functioning groups, and savings and loans procedure
- Additional agricultural activity support: Distribution of improved seeds, gum boots, agricultural tools and establishment of boreholes on the replacement land

Scatec Solar respects human rights and recognizes our responsibility of avoiding the infringement of rights of employees, local communities or other stakeholders wherever the company operates. In guidance with the IFC Performance Standards, we acknowledge that individuals of certain groups may require particular attention in relation to human rights risks (indigenous people, minorities and vulnerable groups), and we work to mitigate any adverse effects by specially designed measures. Meaningful consultations with project affected communities and other stakeholders on a regular basis and a well-functioning grievance mechanism that local communities trust are main tools for continuous review of risks and development of appropriate mitigating actions.

Stakeholder engagement

For all projects, dialogue with a broad range of stakeholders including the local communities are commenced at the early stage of a project. This provides a better understanding of a project's impacts and ensures that inputs are integrated into the project development process. Engagement with local communities is a continuous process during the entire project life of identifying and mitigating impacts and maintaining a good relationship based on openness and trust. Stakeholder engagement plans are developed for all projects that sets the requirements regarding consultation needs, frequency of consultations and methods of communication. Grievance mechanisms are also established at all projects as a channel for continuous communication and facilitating opportunities for Scatec Solar and communities to identify problems and develop solutions together.

Scatec Solar's carbon footprint

One of our main 2016 targets was to examine the climate effect of our projects during the various project phases. Our solar plants contribute to the reduction of greenhouse gas emissions in every country where we operate by providing clean electricity, but we also acknowledge that our own operations and the construction of our solar plants produce greenhouse gas emissions. In 2017, we therefore took an important step towards calculating our own climate effect by collecting emissions data from all our operating sites, office spaces and employee air travels. Reporting of greenhouse gas emissions is key to establish an accurate overview of our emissions and how to potentially reduce them.

Scatec Solar's emissions inventory [1] was prepared according to the Greenhouse Gas Protocol Corporate Standard and GRI Standards. Greenhouse gas emissions are reported in three scopes following the operational control approach:

Scope 1: Direct GHG emissions from our operations

Scope 2: Indirect GHG emissions from purchased electricity and heat

Scope 3: Other indirect GHG emissions

1) The inventory boundary includes all of Scatec Solar's operations; solar power plants managed by the company, associated machinery and vehicles and our office spaces. The table below shows the estimated emissions calculations from scope 1, 2 and 3. Scope 3 includes air travel from our employees globally. Refer to the appendix for a more detailed description of methodology.

The total greenhouse gas emissions for 2017 were estimated to 2,879 tons of CO_2. This includes scope 1 emissions, market based scope 2 emissions and emissions from air travel, see table below for a breakdown.

EMISSIONS REPORTING	2017 TONS OF CO_2 EQUIVALENT [1]
Scope 1: Total direct GHG emissions	210
From offices and sites	52
From vehicles	158
Scope 2: Total indirect GHG emissions from purchased electricity and heat	766
Location-based	715
Market-based	766
Scope 3: Total other indirect GHG emissions	1,903
From air travel	1,903

1See appendix 2 for a detailed overview of methodology used.

Given the international nature of our company's business and operations, we are aware of our significant footprint related to air travel. We are working to raise awareness of the matter and reducing this figure when possible by for instance encouraging and facilitating the use of video conference meetings. When we have collected and analyzed all the data we seek to develop a reduction program for our company.

Further, we are aware of the industry developments to address climate risk and we intend to implement measures towards more comprehensive climate risk disclosure, specifically risk and opportunities assessments and risk management. We enter into local communities for 20-25 years and it is important to try to foresee and evaluate potential climate-related risks and opportunities to our people, business and physical assets. Over these timescales one of the most serious climate related risks for our business relates to the physical impacts of extreme weather including drought and floods. We have procedures in place to evaluate potential climate effects related to our sites. In Malaysia for example, we conducted an assessment of the potential for floods. Based on this, we developed a plan to manage and mitigate the risk.

Simultaneously, we see substantial opportunities related to the solar energy industry both from technology development, cost reductions and the transition to a low carbon economy. Solar energy is becoming cheaper and is now competitive with coal in many countries. Technology is developing rapidly enabling solar panels and other equipment to become more efficient. We 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. This displaces fossil fuel use leading to improved access to climate finance and lower cost implementations for solar projects. One important result related to climate financing in 2017 was the approval of our Egyptian projects for debt by the Green Climate Fund (GCF). This enabled all six projects to achieve financial close by the end of 2017.

Our ambitions and goals

We will work further to formalise Environmental, Social and Governance integration in the project development phase and in all aspects of our operating model. During 2018, we will increase our efforts to further strengthening our environmental and social management processes defined in our operating system and further enhance our systems for new projects.

For greenhouse gas reporting, the ambition for next year is to improve reporting quality and increase the reporting scope. This will include reporting of additional indirect sources of emissions to provide a better understanding of our wider greenhouse gas footprint. Based on this information we will be able to direct our efforts to reduce emissions as efficiently as possible, including those we are responsible for throughout our supply chain.

As part of developing our GRI reporting, we plan to report on water withdrawal by source and volume in 2018 for our plants in operation as another important sustainability topic.

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Roar Haugland, EVP Sustainability & HSSE