

Anti-corruption

Our policy

We depend on a sustainable business environment and always seek to comply with high standards of business ethics. The selection of, and cooperation with, business partners including suppliers, agents, local partners, banks, governments and local authorities 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
- 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
- Ensure that our own high standards of anti-corruption behaviour are clearly reflected in contracts with our partners
- Provide anti-corruption training for all employees
- Pass all solar projects through four separate decision gates where screening, compliance and risk of corruption must be cleared

As a global company with strong growth in emerging markets, Scatec Solar operates in countries exposed to various levels of corruption as per the Transparency International Corruption Perceptions Index.

We undertake thorough assessments of the potential host country, region and partners before we decide to conduct our business. We always perform due diligence of potential partners and suppliers through a screening process from structured intelligence to identify heightened risk or black-listed 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 IFC, member of the World Bank Group, and other leading Development Banks who are also concerned with high ethical standards. We are committed to develop all our projects in accordance with the IFC Performance Standards and the Equator Principles, whilst all subcontractor and suppliers must adhere to our supplier conduct principles.

Our achievements and results in 2017

In 2017, all operations including projects and business partners of Scatec Solar have been assessed for risks related to corruption. Projects moving from the opportunity, development and structuring phase to the delivery and power production phase are assessed through Decision Gates (DGs). There are four decision gates with clear criteria and requirements related to screening, compliance and risk of corruption (see illustration below). During 2017, all projects passing decision gate 3 were screened for risk related to corruption. This includes four projects in Brazil, three projects in Malaysia, six projects in Egypt, three projects in South Africa, one project in Mozambique and one project in Mali.

Project phases and decision gates





Confirmed incidents of corruption

Confirmed incidents of corruption	1
Confirmed incidents in which employees were dismissed or disciplined for corruption	1
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	1
Public legal cases regarding corruption against the organization or its employees during the reporting period	-

The table above shows the 2017 statistics related to corruption. We reported one confirmed incident of corruption through our whistleblower channel during the year, which resulted in the termination of a contract with an employee and a supplier.

Specific corruption risk assessment

Scatec Solar operates in partnerships and seeks equity co-investments on a project basis to enhance value and reduce risk whenever feasible. The large-scale solar energy industry is characterized by high-value investment and significant

government interaction through award of power purchase agreements, either through public tenders or bilateral negotiations, concessions and regulations. In addition, companies operating in the solar power industry needs licenses and permits to operate in a given country, to rezone land and to be allowed to produce and sell power. Most of the projects Scatec Solar undertakes involves an inherent risk of corruption. A high-level list of risk areas identified for our company is outlined on the next page, which applies to all our projects (alphabetical order).

RISKS	BRIEF DESCRIPTION	KEY MITIGATING ACTIONS
Customs	Importing of goods and services during the construction phase	Anti-corruption training for all employees
Employment	Personal relations and connections in hiring processes	Screening of all potential recruitments Ethics and dilemma training for all employees
Foreign exchange controls	Foreign exchange operations	Due diligence Strict control and authorization processes
Gifts and hospitality	Excessive gifts and/or hospitality	Raising awareness Anti-corruption training for all employees
Licenses and permits – lobbying	Projects are dependent on a range of permits and licenses	Internal policies and training Thorough due diligence of all partners
Local partner	Selection of partners	Screening and due diligence Background review by international risk-consulting firm if necessary
Power Purchase Agreement	Securing contracts	Pre-determined auction rules Public auction
Procurement	Sourcing of engineering, procurement and construction (EPC) services and components from suppliers	Frame agreements with management involvement Adherence to our Supplier Code of Conduct Anti-corruption training for all employees
Political donations	Political donations in relation to projects	Due diligence Anti-corruption training for all employees External assessments if necessary

Whistleblower function

A whistleblower function is available to all employees, suppliers, partners and clients of the company through internal channels and our corporate website. The mechanism includes a hotline available 24/7 operated by a neutral third party. All whistleblowers have the option to be anonymous.

During 2017, we received four reported incidents (one substantiated incident) through the whistleblower function. Two of the concerns related to the same matter and were investigated internally and solved. One concern was investigated externally by a third party, and the investigation led to the removal of an employee and a potential supplier. All relevant stakeholders were informed about the incident and the corrective actions that were taken. The fourth concern was investigated internally and solved without the need for further escalation.

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. In 2018, we will undertake an internal audit to review our current processes and initiatives to better position ourselves to operate in accordance with best practices.

We will ensure that all employees, regardless of position and region, complete the mandatory integrity, dilemma and anti-corruption training during the induction process. Additionally, we plan to organize training sessions on a quarterly basis in 2018 to increase availability of the course and encourage existing employees to update their knowledge in the areas whenever necessary.