Scatec

TCFD report

2020

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Content

CEMAsys.com
sustainability management

This report has been prepared in collaboration with CEMAsys, a specialised sustainability consultancy delivering solutions within the Environmental Social Governance (ESG) segment (link to website).

The TCFD Recommendations

There is a growing demand for standardised, climate-related risk disclosure in the financial sector, and creditors and investors are increasingly asking for reporting that is consistent, comparable, and clear. The Task Force on Climate-Related Financial Disclosure (TCFD) developed the TCFD disclosure recommendations to enhance market transparency and stability. TCFD encourages standardised reporting of financially material climate-related risks and opportunities to provide investors, lenders, and insurers with comparability when assessing and pricing companies.

The TCFD recommendations are grouped into four areas of disclosure that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Moreover, the framework separates recommended disclosures into three main categories: risks related to the transition to a lower-carbon economy, risks related to the physical impacts of climate change, and climate-related opportunities. The TCFD has also incorporated potential financial impact as an integral part of its disclosure recommendations.

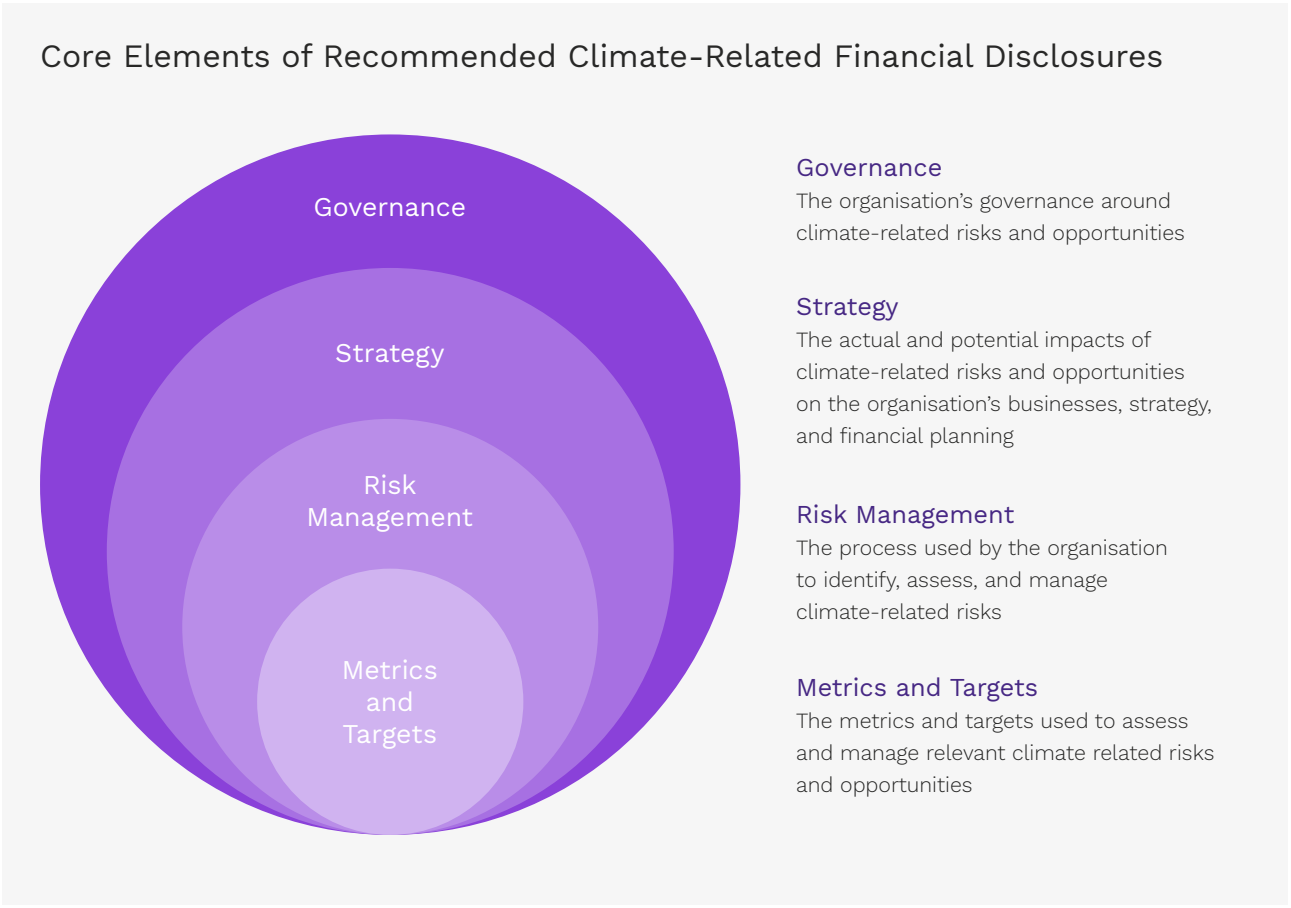


Figure 1: Reprinted from "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (June 2017)

TCFD Content Index

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b) Describe the organisation's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2-degree or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

CDP Climate and TCFD reporting

Scatec has reported to the Carbon Disclosure Project (CDP) Climate questionnaire since 2019. Reporting to CDP represents an important step for us to better identify and manage the climate-related impact of our business activities globally. This year will be the first aligned with the TCFD framework. Our core business is the development, construction, ownership, and operation of renewable power plants. The TCFD's focus and guidance on our climate-related financial impact and scenario analysis will be an important process, both to ensure transparency, but also to improve our understanding of how climate-related issues can affect us, and how we will mitigate the upcoming changes.

TCFD disclosure summary

Governance

a) Climate-related issues are an integrated part of our overall business strategy and the entire Board of Directors, led by the Board Chair who sits with the highest-level responsibility. All risks and opportunities (R&Os) are subject to a full risk review assessed by the Board.

b) The Executive Management Team, led by the CEO, is responsible for assessing and managing climate-related risks and opportunities. Their responsibilities include taking a proactive role in understanding the environmental risks related to a project, reviewing and monitoring environmental assessment for new and existing projects. The team report directly to the Board of Directors.

Strategy

a) Climate-related R&Os influence most areas of our financial planning, and we consider both the short-, medium- and long-term. Physical risks, specifically in terms of extreme weather, have been identified as our main risk, while our key opportunities are access to new markets and increased demand for our low-carbon energy production.

b) Our strategy has been influenced by climate-related R&Os in all business areas, including own operations, value chain, products and services, and investments in R&D.

c) We aim to perform a scenario analysis aligned with the TCFD recommendations during 2021. So far, we have applied scenario analysis based on Bloomberg New Energy Finance's New Energy Outlook (BNEF NEO) to further inform our strategy and business decisions.

Risk Management

a) Our process of identifying and assessing climate-related risks are integrated into our multi-disciplinary company-wide risk management process.

b) We have extensive policies and procedures in place as part of our Operating System. The system actively manages risk connected with various parts of our operations, and it sets the agenda for our Decision Gates. In the process of developing an asset, critical decisions will be taken at each step of the Decision Gates, deciding to either proceed with a project or not. Each project will need to pass all stages before being realised.

c) The outcome from our climate-related risk review is a risk matrix showing all our key risks defining potential impact in terms of financial, reputational, and at the organisational level. The matrix is presented by the Executive Management Team to the Board of Directors both monthly and annually where new risks, deterioration or existing risks are highlighted.

Metrics and Targets

a) Scatec is focusing on the development of key metrics used to measure and manage climate-related risks and opportunities, associated with water, energy, land use, and waste management where relevant and applicable.

b) Our carbon footprint accounting is in accordance with the Greenhouse Gas (GHG) protocol and have been calculated since 2018. In 2020, our carbon footprint accounting was based on activity data from 12 countries where we operate, including our headquarter in Norway. The total GHG emissions from our activities in 2020 amounted to 7,359 tonnes, reflecting a reduction from 11,021 tonnes in 2019 [1]. This includes scope 1 emissions, market-based scope 2 emissions and air travel which falls under scope 3. The overall decrease in emissions from 2019 is primarily due to less air travel following the restrictions imposed by the global pandemic in 2020. The increase in electricity is due to five projects moving into the operations phase during 2020. The decrease in transportation reflects less construction activities in 2020.

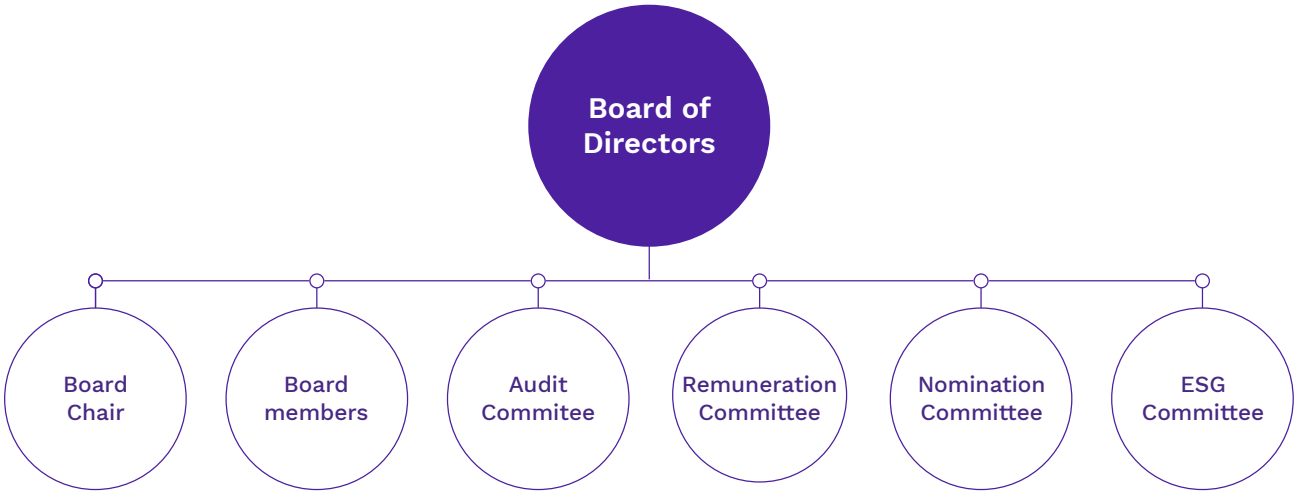
c) We have set an absolute reduction target for Scope 1 and 2 to reduce our GHG emissions 50% by 2030, and 96% by 2050, from a 2019 base year. It can be considered as a science-based target since it meets the 1.5°C ambition target criteria set by the Science Based Target Initiative (SBTi), however it has not been applied for approval by the initiative yet.

1) In 2019, due to a change in the calculation methodology for office electricity in South Africa, an additional 49 tonnes of GHG emissions should have been reported.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Board-level Oversight



Climate-related issues are an integrated part of our overall business strategy and the overall highest-level responsibility sits with the entire Board of Directors, led by the Board Chair. All risks to Scatec are subject to an annual full risk review and climate-related risks are assessed by the Board as part of the annual review of the Decision Gate (DG) framework and processes and procedures within the Operating System (OS) that are being further described in the Risk Assessment chapter. As climate-related issues influence our overall risks and opportunities these are scheduled agenda items in all meetings. The Board receives monthly risk reports from the Executive Management Team on the projects and business functions. The Board monitors and reviews the reports highlighting the risks per location and per project. This includes identifying risks that would impact our achievement of strategic objectives and can as such guide major plans of action and business plans. The risks are being ranked and prioritised according to a traffic light system, indicating the importance and urgency relating to proposed actions. The traffic light system, often taking the form of a risk matrix, is created at each DG level where the probability and potential impact of each risk is evaluated. Key policies are reviewed and approved by the Board of Directors annually.

Executive Management Team Oversight

The highest-level management position responsibility for climate-related issues is the Chief Executive Officer and the Executive Vice President Sustainable Business & Health, Safety Security and Environment (EVP Sustainable Business & HSSE). They are part of the Executive Management Team reporting directly to the Board of Directors on a monthly basis.

The CEO and the EVP Sustainable Business & HSSE are responsible for assessing and managing climate-related risks and opportunities. Given that we are exposed to a variety of operational, political, and financial risks through our business activities, Scatec has extensive policies and procedures in place as part of its Operating System (OS), further described in the chapter Risk Management. This to actively manage risks related to the various parts of our operations. Their responsibilities also include taking an early and active role in understanding the environmental risks related to a project; reviewing and monitoring environmental assessment for new and existing projects. It also requires following-up on any non-compliances or severe risks identified in a project.

Pursuing and delivering on the climate-related opportunities that arise with regulatory changes opening and expanding markets for renewable energy is tied to our growth strategy. As such, pursuing climate-related opportunities is a key responsibility of the CEO. Internal sustainability-related capacity building is also a deliverable for both the CEO and EVP Sustainable Business & HSSE.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Climate-related risks and opportunities (R&O's) influence most areas of our financial planning, and Scatec considers both the short-, medium- and long-term financial and strategic time horizons when assessing these R&O's.

Definition Time Horizons

Time horizon	Year	
Short-term	0-1	Risk horizon for financing the project
Medium-term	1-3	Risk horizon for construction and energization of projects
Long-term	3-25	Risk horizon for operations and dismantling

Table 1: Definition time horizons.

The Paris Agreement and the focus on reducing GHG emissions in transitioning to a low-carbon economy has opened up new markets and as such affected our strategy. Our growth opportunities are connected to the efforts made across the world to combat climate change and the related energy market changes linked to regulation, market access, costs and demand. The regulatory changes that develop are guiding our strategy and our confidence in different markets. We have invested strategic efforts into developing decentralised renewable energy production for industrial clients to capture the growing demand for low carbon products and services. A dedicated team had been established to pursue this strategic priority.

Assessments and analysis have led to detection of among others the climate-related risks and opportunities addressed, and our key findings are summarised in tables 2 and 3 on the next pages.

Climate-related risks

Risk Category		Risk Type	Likelihood	Potential Financial Impact	Time Horizon	Description of Risk	Mitigation Strategy
Physical	Acute and chronic	Extreme weather: Heavy precipitation and flooding	Likely	Medium	Short-term	Scatec owns three solar plants in Malaysia, located in areas prone to high risk of heavy precipitation and flooding. These types of extreme weather events risks disruption of operations and damaging equipment as flooding can cause erosion around the steel substructures and to infrastructure leading to limited access to the site.	Risk assessments for all plants are done in every stage of our Decision Gate system and, once a project is in operation, risk assessments continue on an annual basis. All sites have been constructed with enhanced flooding design, which drastically reduces the risk of complete production loss.
		Extreme wind and lightning	Likely	Low	Short-term	Scatec owns and operates two solar plants in Brazil and South Africa where there is a risk of extreme wind and lightning, which could lead to disruption of production and damage to equipment/infrastructure. Lightning interferes with the solar panels tracking system, which could mean that the panels cannot track the sun, but only stay in one position. These conditions can lead to lowered production capacity and lead to decreased revenues for a period of time.	Implementing more resilient requirements for high-risk areas includes ensuring enhanced wind design through, e.g. stronger sub-structures and mounting systems, more robust steel structures on which the solar panels are mounted, and improved mechanisms that fix each panel to the sub-structure. Installed lightning protection systems that reduce the risk of interference with the panels tracking system.
		Extreme heat and sandstorms	Likely	Low	Medium-term	Scatec owns and operates six plants located in the western desert in Egypt. This area is naturally exposed to extreme heat and sandstorms which may cause harm in terms of potential damage to equipment/ infrastructure, namely solar panels, and limited or no access to the site when sandstorms are severe. An extreme increase in temperatures and heat could negatively affect our operations as the solar panels' efficiency is reduced leading to lower production capacity for a period. Another risk that extreme heat poses to Scatec operations is to our employees who can experience various health issues such as heat strokes. Should employees not be able to work or travel to the plant the operations and maintenance of the solar plant can be affected.	To mitigate the risk and maximise the output within a desert environment, bifacial modules are being used as they produce energy from both sides of the solar panel, increasing the total clean energy generation. As for the risk of sandstorms, we ensured that during these events only the minimum possible number of people are moving and working outside wearing personal protective equipment. To mitigate the risk that extreme heat poses to our employees, we monitor working conditions and employees' health and well-being according to the Environmental and Labour Laws.

Table 2: Description of risks identified.

Climate-related opportunities

Opportunity Category		Opportunity Type	Likelihood	Potential Financial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Transition	Technology	Increased demand for low-emission goods	Virtually certain	Medium-high	Short-term	The global increase in the demand for low-emission goods as a result of the Paris Agreement have increased the market for replacing fossil fuel generators and offsetting fossil fuels with renewables, specifically in decentralised industrial production. We have noted various groups of customers that would benefit from and have expressed interest in low-emission goods and primarily replacing fossil fuels with renewables. These customers include mining companies that have off-grid operations powered by diesel, the United Nations and various NGOs, small utilities with diesel or thermal generation, as well as on-grid users with high cost and unreliable power. This opportunity can lead to returns on our investment in low-emission technology, where solar PV solutions offered by Scatec, are increasing in demand.	Our strategy to realise the opportunity includes the provision of pre-assembled and containerised solar and battery equipment that can be quickly installed as it is modular, scalable and redeployable. In order to execute this strategy, a dedicated New Business Venture team that will be responsible for leading this development successfully, was appointed. The ability to build strong partnerships with financing and project partners, such as lenders, Governments, NGOs and industry players, will also be essential.

	Market	Access to new and emerging markets	Virtually certain	Medium-high	Short-term	We have identified opportunities as new business are opening up in emerging markets due to the transition from fossil energy sources to low emissions energy sources. According to the Bloomberg New Energy Finance's New Energy Outlook (BNEF NEO) results:
						The Government of Bangladesh aims to boost the share of renewable sources in its energy mix up to 10% of generation by 2021 and double it by 2030.
						
						• The electricity demand in Southeast Asia will grow by an average of 152% from 2018 to 2050.
						  • This increased demand for electricity is fueled by a growing population.
						  • Given an expected increase in new PV capacity from approx. 6GW in 2018 to approx. 602GW in 2050, this provides a significant opportunity for Scatec.
						  • In addition, new markets are opening up due to climate-related financing, such as subsidies and partnerships with regional development banks to increase access to energy.
						• The electricity demand in Middle East and North Africa (MENA) will surge over the next three decades:
						  • This region will see strong growth in both gas and renewables.
						  • Rising consumption levels, a growing population and economic expansion will also lead to further electricity demand.
							We are well positioned to capture these opportunities through our experience with public-private partnerships and innovative finance solutions in collaboration with i.e. the World Bank, the IFC, regional development banks, export credit agencies and Norfund. We have a scalable business model and continue our expansion and growth in new and existing markets led by our Business Development Team.

Table 3: Description of opportunities identified.

Our strategy has been influenced by climate-related risks and opportunities in all our business areas, as further described in table 4 below.

Climate-Related R&O's Influencing our Strategy

Business Areas Influenced by Climate-Related R&O's	Description	Strategic Decisions Made
Products and Services	Our strategy was influenced in that we ensured the incorporation of increased investment in renewable energy and showed preparedness for increased competition and a reduction in margins. The increased investment and technological improvements in renewable power plant components lead to more competition in the industry, and it also significantly expanded our market reach.	• Expand our reach to more countries by offering solar solutions to the Governments and utilities • Diversify our utility scale-scale service offering to include containerised solar (including battery storage) on a smaller scale • Expand our Business Development Team to ensure we are able to identify and access increased opportunities • Make use of the latest and most technologically improved components when constructing a renewable energy plant.
Value Chain	The risk is that the demand side will outweigh the supply side which can drive costs up, and hence reduce the competitiveness long term or reduce margins short term. Scatec has therefore ensured that our strategy incorporates the increased investment in renewable energy, i.e. have oversight of this investment per technology (solar, hydro, wind, etc.) and market (various countries globally), as well as show preparedness for increased competition and a reduction in margins.	• Launch and implementation of our Supplier Development Program (SDP) which aims to proactively work with our key suppliers to enhance their social and environmental performance. • Kick off our Supplier Sustainability Initiative that will be an extension of our SDP. The initiative aims to promote closer collaboration with our key suppliers on sustainability matters where knowledge sharing can take place and lessons learned can be discussed. • Deliberate steps taken to formalise collaboration with suppliers and maintain relationships in the areas of climate reporting and emissions reduction programs.
Investments in R&D	We have ensured that our strategy incorporates the swiftly changing technological environment as well as show preparedness for potential renegotiation of power sales agreements.	• Our technology and business development departments continuously monitor all developments in the industry. • We maintain good and solid relationships with our customers, i.e. Governments and utilities, to be able to actively participate in discussions leading up to potential renegotiation of power sales agreements.
Operations	We have ensured that our strategy incorporates the preparation and consideration of physical climate-related effects as well as show preparedness for the mitigation of such events, i.e. extreme weather.	• Acute physical risks are actively considered in every stage of each renewable power plant project. • All Financial planning activities account for risk mitigation measures, including mandatory insurance on all climate-related risks.

Table 4: Description where and how Climate-Related Risk and Opportunities have influenced our Strategy.

Scatec aims to perform a scenario analysis aligned with the TCFD recommendations during 2021. Until recently, we have applied scenario analysis based on Bloomberg New Energy Finance's New Energy Outlook (BNEF NEO) to inform strategy and business decisions.

BNEF NEO focuses on the annual long-term economic analysis of the world's energy sector towards 2050 and focuses on technology that is driving change in markets and business models across the sector, such as solar, hydro, wind, and battery technology. NEO includes price forecasts for coal, oil, and gas around the world, and assesses the impact of the energy transition on fossil fuel demand.

The analysis is both qualitative and quantitative, and BNEF NEO includes a 2°C scenario based on electricity-based heating and road transport, and an updated coal phase-out scenario. This scenario included information on coal and gas power technology, the future grid, energy access, policy and the levelised cost of electricity (LCOE) of phase II decarbonisation technology such as carbon capture and storage (CCS), biogas, hydrogen fuel cells, nuclear, and solar thermal.

The time horizon considered in our scenario analysis was 2 to 3 years and due to markets and regulation changing rapidly in the renewable energy sector, it was not possible to apply our analysis with certainty for periods longer than this. The tool also informed our analysis on a market-by-market and project-by-project basis.

The scenario analysis has been a tool used for guiding and adjusting our strategy and risk analysis. How the BNEF NEO scenario analysis informed us in terms of opportunities, and also influenced our strategy, are further described in table 3 (Climate-related Opportunities) and table 4 (Climate-Related R&O's Influencing our Strategy).

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Scatec's process of identifying, assessing and responding to climate-related risks and opportunities (R&O's) is integrated into our multi-disciplinary company-wide risk management process.

Scatec has extensive policies and procedures in place as part of our Operating System to actively manage risk connected with various parts of our operations. The main climate-related risks relate to the development, construction and operations phase of each project. Our Operating System sets the agenda for the Decision Gates (DG) that each project will need to pass before being realised. To ensure that the group assesses and manages risks in each business phase, our Operating System offers the blueprint for understanding, evaluating, and managing all company risks, assessing both short-, medium- and long-term time horizons.

The steps in our risk management process are as follows:

1. Identification of a risk. Prior to each DG, specifically DG2 and DG3, various departments (including Business Development, Solutions, Project Finance, Engineering, Procurement and Construction) list all risk identified related to a project within their areas of specialty, reporting into the complete project risk matrix.
2. Assessing the potential magnitude and impact of a risk
3. Presentation and discussion of each risk through monthly reporting processes and meetings
4. Continuous monitoring and reporting of each risk
5. Annual review of company-wide risk landscape and management system to the Board of Directors.

Threshold for what risks and opportunities that are evaluated to have a substantive financial impact is defined below.

Financial impact	Low	Medium	High
USD	<50,000	50,000 - 5,000,000	>5,000,000

Table 5: Definition of substantive financial or strategic impact.

The Operating System has defined clear Decision Gates to ensure that decisions are made based on a thorough review and understanding of the risks and exposures associated with each project. The definition of a Decision Gate is a specific point reached within each phase in the process of developing an asset where a critical decision will be taken, either to proceed with a project or not. Each power plant project will need to pass three Decision Gates prior to a final investment decision and the project is realised.

Decision Gates (DG)

Process description for assessing development of new projects

	Phase	Description of Phase
Continous Risk Assessment	DG 0 Opportunity	The possibility of a project is being explored and assessed via desktop research, applications to tender, environmental and social screening, etc. The Business Development team is responsible for this phase. Within this phase, the responsibility to identify and map climate-related risks lie with both the Business Development and Solutions departments.
	DG 1 Development	An opportunity is developed, including site development, system design, business case development, permitting, PPA negotiation, etc. The Business Development team works on the practicalities around developing a renewable power plant, conducting assessments, undertaking stakeholder engagements, and securing partnerships. Within this phase, various departments (including Business Development, Solutions, Project Finance, Engineering, Procurement and Construction) work together to list all risk identified related to a project within their areas of specialty, reporting into the complete project risk matrix.
	DG 2 Structuring	The financing and ownership components including debt/equity structuring and due diligence of the renewable power plant are discussed and formalised. The Finance and Tax teams as well as Project Structuring team are responsible in this phase.
	DG 3 Delivery	The final investment decision where equity is committed, is made in this phase. Should the project be approved, the construction phase will begin. The Engineering, Procurement and Construction team as well as the Operations & Maintenance team will be actively involved in this phase.
	DG 4 Power production	Prior to a renewable power plant being placed in operation, it must clear DG 4 where the same risks are addressed once again. Once the plant has been constructed, the operations phase will commence where energy will be generated for a period of 20-25 years. The Asset Management and Operations and Maintenance teams will take control over the renewable power plants in this phase.

Table 6: Description of the Decision Gates.

Each Decision Gate requires that a full matrix of risks, including climate- and environmental impact on the asset itself, must be reviewed and associated risks must be mitigated. Decision Gate 0, 1 and 2 are supervised by the Executive Management Team. Decision Gate 3 is supervised by the Management Team and the Board of Directors. Prior to an asset being placed in operation, it must clear Decision Gate 4 where the same risks are addressed once again.

As part of these decision gates a wide range of risks are assessed by the various disciplines working in Scatec. These, among other risks, relate to physical conditions and weather, technology, engineering, legal, reputational, the market and regulatory risks as further described in Table 3. The risks are included in the relevant project's risk registry and updated on a monthly basis.

Risk types in climate-related risk assessment

Risk type		Relevance in risk assessment	Description
Transition risks	Emerging and current regulations	Relevant, always included	• Emerging and current regulations, such as countries national energy mix, investments in renewables, energy subsidies, is thoroughly assessed by both internal and external consultants. Potential new regulations or amendments of existing regulation is thoroughly assessed both with internal and external parties. • New investment decisions in an existing market • New market entry • Annual review of portfolio diversification
	Technology	Relevant, always included	• In each Decision Gate, a risk review is performed as to the adequacy of the technical solution chosen and also the future risk that new technology entering the market, may have on the asset. • Renewable power technology developments • Development of alternative renewable energy technologies
	Legal	Not relevant	• Scatec predominantly develops and constructs renewable power plants and is not exposed to serious environmental lawsuits in comparison with other energy companies, primarily in the oil and gas sector, who are run the risk of severe environmental externalities. • Environmental legal litigation related to climate change is therefore not considered relevant for Scatec.
	Market	Relevant, always included	• The current market as well as >20 year projections of the market are thoroughly assessed both with internal and external consultants. Market developments in pricing and demand related to renewable power plants are included in our risk assessment, e.g.: • Annual review of portfolio diversification • New investment decisions in an existing market • Market entry
	Reputation	Relevant, always included	• Each of our business decisions are taken after reputational risk has been fully reviewed. Examples of reputational risks: • Amount of air travel • Heavy transport of equipment • Handling of waste • Negative impact on local communities associated with the project
Physical risks	Acute	Relevant, always included	• We operate globally, and it is always a relevant risk that extreme weather may cause physical impact on both people and assets. Acute physical risks included in our risk assessments: • Extreme weather • Related winds and lightning • Flooding
	Chronic	Relevant, always included	• Chronic impacts of climate change are addressed on a 25 - 30 years basis as part of the Decision Gate. Typical risks discussed, assessed and mitigation sought are: • Increases in annual flooding • Seasonal drought which reduces access to water •Extreme heat, which results in efficiency losses.

Table 7: Description of risk types included in climate-related risk assessment.

The outcome from the annual management risk review is a risk matrix showing all our key risks defining potential impact in terms of financial, reputational, or at the organisational level. The matrix is presented by the Executive Management Team to the Board of Directors both monthly and annually where new risks, deterioration or existing risks are highlighted. For the annual reporting, each of the most significant risks are placed as an agenda point on each of the board meetings the following year. The matrix is monitored, reviewed, and updated on a biweekly basis in management team meetings.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Our total carbon footprint

Scatec's carbon footprint accounting is in accordance with the Greenhouse Gas (GHG) protocol and our GHG emissions have been calculated since 2017. In 2020, 12 countries reported their activity data that was included in the carbon footprint accounting.

The total GHG emissions from our activities in 2020 amounted to 7,359 tonnes, reflecting a reduction from 11,021 tonnes in 2019. This includes scope 1 emissions, market-based scope 2 emissions and air travel which falls under scope 3. The overall decrease in emissions from 2019 is primarily due to less air travel following the restrictions imposed by the global pandemic in 2020. The increase in electricity is due to five projects moving into the operations phase during 2020. The decrease in transportation reflects less construction activities in 2020.

GHG Emissions 2019-2020

Metric	Unit	2019	2020
Energy	MWh	18 283	14 393
Scope 1	tCO2e	1 846	755
Scope 2 (Location-based)	tCO2e	5 109	5 688
Scope 2 (Market-based)	tCO2e	5 126	2 909 [1)]
Scope 3 - Business travel	tCO2e	3 658	739
Scope 3 - Fuel- and energy-related activities	tCO2e	408	177
Total GHG Emissions (Market-based)	**tCO2e**	**11 038**	**4 580**

Table 8: GHG emissions 2019-2020.

1) For scope 2 (market-based) figures, we purchased International Renewable Energy Certificates (I-REC's) verifying that 6.862 MWh (100%) of our consumption in Egypt originated from 100% renewable energy from wind power in 2020.

Scope 1 covers all direct emission sources, including all use of fossil fuels for stationary combustion (predominantly diesel generators) and transportation.

Scope 2 includes indirect emissions related to our purchased energy (i.e., electricity and heating/cooling). This includes purchased energy for our offices and sites globally.

Scope 3 comprises indirect emissions resulting from our value chain activities. Air travel covers all business-related travel by employees, this particular category has been reported on since 2018. We are in the process of mapping our main sources of indirect emissions in scope 3. The main categories include purchased goods and services, and transportation. Purchased goods and services include our major procurement items such as solar panels, steel structures and inverter stations, as well as activities from subcontractors during the construction of a power plant. Transportation primarily includes local and international transportation of equipment to the project sites. Scatec will continue to evaluate and include more aspects of our emissions from its value chain activities in 2021.

Climate target to reach net zero by 2050

We have set an absolute reduction target for Scope 1 and 2 to reduce our GHG emissions 50% by 2030, and 96% by 2050, from a 2019 base year. We consider it as a science-based target since it meets the 1.5°C ambition target criteria set by the Science Based Target Initiative (SBTi), but we have not applied our target to the initiative yet.

To measure our progress against the targets, we have developed a low-carbon transition plan. We are also monitoring old and implementing new emissions reduction initiatives. Until our initiatives are sufficient to reduce our GHG emissions to a level of what is required to be aligned with our absolute target, we have used some temporary initiatives for this intermediate phase.

I-RECs purchased to reduce emissions

As we are reporting our Scope 2 figures with a market-based approach, we purchased International Renewable Energy Certificates (I-REC's). The certificate from EcoHZ verifies that 6.862 MWh (100%) of our consumption in Egypt originated from 100% renewable energy from wind power in 2020.

Design and layout: Artbox AS

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