

## Transparency Act media query from E24

Received 23.04.24.

Responded to 13.05.24.

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### The Transparency Act

The Transparency Act is a Norwegian law that requires larger companies to report on the work they conduct to ensure compliance with fundamental human rights and decent working conditions in their organisation, supply chain and with their business partners. The law entered into force on 1 July 2022 and provides the public with the right to request information regarding a company's due diligence assessments and activities.

#### **Norwegian:**

*I henhold til åpenhetsloven ber jeg om innsyn i Scatec's aktsomhetsvurderinger av solcellevirksomheten i alle land som selskapet opererer i, fra 2020 og frem til dags dato. Vi ønsker all informasjon om funn knyttet til menneskerettigheter, risiko og eventuelle andre forhold.*

*Vi ønsker også innsyn i Scatec's aktsomhetsvurderinger av kinesiske leverandører/leverandørkjeder til solkraft siden 2020 og frem til dags dato. Vi søker all informasjon om funn knyttet til tvangsarbeid, menneskerettigheter, risiko og eventuelle andre forhold.*

#### **English:**

*In accordance with the Transparency Act, I am requesting access to Scatec's due diligence assessments of the solar business in all countries in which the company operates, from 2020 until today. We want all information about findings related to human rights, risks, and any other conditions.*

*We also want insight into Scatec's due diligence assessments of Chinese suppliers/supply chains for solar power since 2020 and up to date. We seek all information about findings related to forced labour, human rights, and any other conditions.*

In the following, we will explain Scatec's overall approach to human rights and the company's procedures to identify and manage human rights and forced labour risks. In short, we conduct thorough risk assessments, due diligence, and traceability audits to assess potential risks, and impact areas. Based on this, mitigating actions and measures are undertaken. Ongoing monitoring ensures continued compliance with Scatec requirements.

Through our due diligence assessments since 2020, we have not uncovered any actual forced labour or human rights incidents in our projects or concerning suppliers for our projects in our main supplier categories. An incident is defined as a negative finding that is substantiated.

Scatec has strong measures in place to manage concerns regarding forced labour, human rights, or other labour rights issues. Because of the strong measures we have in place, Scatec has not had to terminate any existing solar module agreement due to concerns regarding forced labour, human rights, or other labour rights issues, although Scatec has decided against awarding contracts to certain suppliers due to assessed heightened risk. Scatec continuously seeks to improve measures to better identify potential issues in our projects, supply chain and general business environment.

### **Scatec's overall approach to human rights**

Scatec opposes all forms of slavery, forced labour and violations of human rights. This is explicitly set out in our [Code of Conduct](#) and our [Human Rights Policy](#) and we have embedded what we regard as

international best practice<sup>1</sup> into our operations to prevent, address, and remedy human rights abuses. We pay special attention to the human rights of indigenous peoples, minorities, women, children, migrant workers, and other vulnerable groups. Read more about our focus on human rights on our [corporate website](#), in the human rights chapter of our [ESG Performance Report 2023](#) (p. 29-31), in our [online ESG report - human rights chapter](#) and our Transparency Act Statement 2023.

As a multi-faceted renewable energy provider, Scatec faces different human rights-related risks in relation to its solar, hydropower, and wind operations as well as within the respective value chains. Aided by a third-party consultant, Scatec has undertaken an in-depth saliency assessment to identify, prioritise and finalise a list of salient risks. Human rights risks were identified across specific operational and value chain areas, and categorised according to severity (considering scale, scope and remediability) and likelihood. Salient human rights risks were also mapped according to Scatec's main operational portfolios consisting of solar, wind and hydropower within each operational and value chain geography. Lastly, current management controls were assessed against each salient risk to identify improvement areas in management practices, and several measures were implemented to further strengthen our human rights work and procedures.

The table below summarises the salient risks identified. Risks are material due to their potential impact, relevance and the strength of current management controls implemented.

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1) IFC Performance Standards (January 1, 2012).

2) World Bank Group/IFC General Environmental, Health and Safety Guidelines (EHS) Guidelines (30th April 2007).

3) The International Labour Organization Core Labour Standards and Basic Terms of Employment.

Salient risks	Main impact
<b>High risk</b>	
Displacement / Loss of livelihood	Own operations
Forced, compulsory and child labour	Own operations and supply chain
Indigenous peoples' rights	Own operations and supply chain
Health and safety	Own operations and supply chain
<b>Medium risk</b>	
High-risk raw materials	Own operations and supply chain
Protection of human rights defenders	Own operations
Abuse of force – security	Own operations
<b>Low risk</b>	
Freedom of association and collective bargaining	Own operations and supply chain
Access to water	Own operations
Right to healthy environment	Own operations

### Scatec's procedures to identify and manage risks

Scatec has implemented procedures to identify and manage risks related to human rights consistent with the World Bank - [IFC Performance Standards](#) and UN Guiding Principles on Business and Human Rights. We systematically conduct risk assessments including due diligence of human rights risks using targeted tools including Environmental and Social Impact Assessments (ESIA), Environmental and Social Due Diligence (ESDD), Environmental and Social Action Plans (ESAP), and Environmental and Social Management Plans (ESMP).

When initial assessments point to potential human rights risk, we conduct focused human rights due diligence assessments to gain a deeper understanding of the risk and to develop appropriate mitigating measures.

Scatec also has both a whistleblowing channel and grievance mechanism available on its [corporate website](#) in line with the [UN Guiding Principles on Business and Human Rights](#). Together, these tools offer our employees, suppliers, partners, and local communities the opportunity to report concerns and potential human rights abuses. These tools are available in local languages in the countries where we operate, and we actively encourage their use. This is to ensure that Scatec can be made aware, at the earliest opportunity, of any concerns so that appropriate corrective actions may be taken.

### Solar supply chain and human rights

There are industry-wide risks and human rights challenges associated particularly with the solar supply chain. Scatec proactively engages with the industry and suppliers to further develop and broaden the supply chain, implement stronger processes to mitigate and address risks and industry-wide challenges. Scatec has implemented processes to identify and manage risks and to systematically conduct risk assessments including human rights aspects in all our projects. Refer to our [online ESG report - human rights chapter](#) for more information on our work related to human rights.

Scatec strives to work with business partners that reflect our values and integrity. We purchase goods and services from a wide variety of third parties, from multinational global suppliers to specialist local suppliers. Our supply chain management work is guided by international standards including the [OECD Due Diligence Guide for Responsible Business Conduct](#). Building a responsible supply chain and increasing our value chain focus is a key part of our sustainability efforts. Read more about our responsible supply chain efforts in our [online ESG report - supply chain chapter](#).

### **Chinese solar power suppliers and human rights**

Given the potential link between forced labour in the Xinjiang region of China and the production of polysilicon, which is a key raw material in the solar supply chain, Scatec has over the last years systematically increased scrutiny of our solar supplier base, part of which is based in China.

In 2022, the UN High Commissioner for Human Rights published a comprehensive report on the use of forced labour of minority populations in Xinjiang. While the report does not specifically reference solar module production, market data indicates that in 2022 over 85% of the world's solar-grade polysilicon was produced in China and, of this, 50% was produced in Xinjiang.

In the event that a potential forced labour violation by a solar module supplier were to be identified, our internal requirements (see [Transparent Supply Chains](#) on our corporate website under the "ESG resources" tab) compel Scatec to work with the supplier to address adverse findings. If we are unable to confirm that our standards can be satisfied by the supplier, even with our support, we will seek an alternative supplier.

Our due diligence procedure for all solar module procurement includes the following:

- We conduct Integrity Due Diligence (IDD) on potential solar suppliers. This includes a thorough review of publicly available information regarding a potential supplier's commitment to the protection of human rights. Our projects are project financed and suppliers are also vetted by lenders, including Multilateral Development Banks (MDBs) and Development Financing Institutions (DFIs) we work with. Read more about our third-party screening in the responsible supply chain chapter (p. 32-34) of our [ESG Performance Report 2023](#) and the Scatec [online ESG report - supply chain chapter](#).
- We request all solar module suppliers to register on our [Ecovadis](#) platform which assesses four main categories (environment, labour/human rights, ethics, and sustainable procurement). All module suppliers are issued Ecovadis overall scorecards based on their policies, actions, and performance within these areas.
- We request and review company and facility level documents regarding labour standards and working conditions at the suppliers own facilities.
- We undertake Compliance Orientation meetings with potential solar suppliers to better understand the adequacy of their processes and procedures to prevent forced labour in their operations and supply chains.
- In 2021, we strengthened our supplier qualification procedure with a phased approach to qualifying a supplier:
  - We conduct a desktop traceability audit on all shortlisted suppliers to determine their ability to map and document the origin of their supplies.
  - Upon signing a contract, to ensure that the components are not sourced by entities associated with forced labour, potential suppliers are obliged to be evaluated by an independent third-party on its ability to trace the origin of solar module components. This is done through document audits (level 1), and where possible, through physical assessments of production facilities (level 2).

- We require solar module suppliers to provide a complete list of sub-suppliers which we independently vet. If during this initial investigation, we were to find that a supplier's supply chain contains products from Xinjiang, we would either request that the specified supplier be removed from the supply chain, or we would cease further engagement with the supplier and secure an alternative supplier with a traceable and compliant supply chain.
- We audit and conduct performance reviews of all solar suppliers and follow an integrated approach by planning for coordinated audits together with third party auditors or internally between quality, health, and safety, and ESG teams. To further strengthen our supplier management and monitoring, Scatec enrolled in a three-year program in 2021 with a reputable global ESG supplier management platform. Refer to the supply chain chapter (p. 32-34) in our [ESG Performance Report 2023](#) for more information on our supplier screening and audits.
- We strengthened our contract templates in 2022 to include traceability and audit rights to verify that materials procured within the supply chain are not sourced from Xinjiang. We also made contractual prohibitions on forced labour more robust and included strict termination rights should we identify breaches of forced labour provisions.

We continue to assess new suppliers with production outside of China. The solar-grade polysilicon production is shifting away from China and Xinjiang's share of solar-grade polysilicon production is decreasing, potentially by half within 2025. This increases the opportunity to source from alternative supply chains outside of regions with high human rights risks.

### **Industry Perspective**

The risk of forced labour is an industry concern and Scatec regularly collaborates with peers to understand their approach, evolve best practice, and create collective pressure on supply chains to ensure compliance.

However, managing this risk is complicated by current geopolitics. China strenuously denies the use of forced labour in Xinjiang and is reported to prohibit Chinese companies from co-operating with foreign audits on labour rights. Scatec participates in and actively supports industry and government collaboration to increase long-term solutions, including the development of alternative supply chains outside of regions with high human rights risks.

We are engaged in several industry and peer collaboration forums including [SolarPower Europe](#), [Ultra Low-Carbon Solar Alliance](#) and [Sustainability Hub Norway](#), reinforcing responsible, transparent and sustainable supply chains. For example, together with SolarPower Europe and in close collaboration with other members, we are working to enhance traceability systems and reconfiguring suppliers' own supply chains. Suppliers are already being observed to respond positively to industry demand.

We hope this response provides sufficient information to address all the questions in the query.

Transparency Act media query from DN

Received 28.03.23

Responded 17.04.23

Query:

Since 2018, what compliance assessments have you made related to forced labour, human rights, risks and other relevant matters related to Chinese solar power suppliers and supply chains? What findings have you made related to forced labour, human rights and any related matters and risks?

What relevant information have you identified regarding the negative consequences of this value chain since 2018, what are the findings and which suppliers are those?

Response:

Scatec opposes all forms of slavery, forced labour and violations of human rights. This is explicitly set out in our [Code of Conduct](#) and our [Human Rights Policy](#) and we have embedded what we regard as international best practice<sup>1</sup> into our operations to prevent, address, and remedy human rights abuses. We pay special attention to the human rights of indigenous people, minorities, women, children, migrant workers, and other vulnerable groups. Read more about our focus on human rights on our [corporate website](#), in our [ESG Performance Report 2022](#) in the human rights chapter (pages 36-39) and our [online ESG report - human rights chapter](#).

There are industry-wide risks and human rights challenges associated with the solar supply chain. Scatec is proactively working with the industry and suppliers to further develop and broaden the supply chain, implement strong processes to mitigate and address those risks and industry-wide challenges. Scatec has implemented processes to manage the risks and systematically conduct risk assessments including human rights aspects in all our projects. Refer to our [online ESG report - human rights chapter](#) for more information on our work related to human rights.

In our following response we will lay out our procedures to identify and manage risks to human rights and forced labour associated with the solar supply chain in general, and Chinese suppliers specifically. We will first present our standards and procedures with regards to Human Rights

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1) IFC Performance Standards (January 1, 2012) applicable to the Project, inclusive of:

2) World Bank Group/IFC General Environmental, Health and Safety Guidelines (EHS) Guidelines (30th April 2007)

3) The International Labour Organization Core Labour Standards and Basic Terms of Employment.

in general, followed by how this relates to the supply chain specifically. Following this, we address the challenges with solar module suppliers from China specifically. Because of the strong measures we have in place, Scatec has not terminated a solar module agreement due to concerns regarding forced labour, Human Rights or other labour rights issues. We are always working to improve these measures to better identify potential issues.

### **Renewable Projects and Human Rights**

Scatec has implemented procedures to identify and manage risks related to human rights consistent with the *World Bank - [IFC Performance Standards](#)* and UN Guiding Principles on Business and Human Rights in our projects, we systematically conduct risk assessments including due diligence of human rights risks using targeted tools including Environmental and Social Impact Assessments (ESIA), Environmental and Social Due Diligence (ESDD), Environmental and Social Action Plans (ESAP), and Environmental and Social Management Plans (ESMP).

When initial assessments point to potential human rights risks, focused human rights due diligence assessments are conducted to gather a deeper understanding of the risks and to develop mitigation measures. Further information on our work in this area is available in our [online ESG report - human rights chapter](#).

Scatec has both a whistleblowing channel and grievance mechanism available on our [corporate website](#) in line with the [UN Guiding Principles on Business and Human Rights](#). Together, these tools offer our employees, suppliers, partners, and local communities the opportunity to report concerns and potential human rights abuses. These tools are available in local languages in the countries that we operate, and we actively encourage their use. This is to ensure that Scatec can be made aware, at the earliest opportunity, of any concerns so that appropriate corrective actions may be taken.

### **Supply Chains and Human Rights**

Scatec strives to work with business partners that reflect our values and integrity. We purchase goods and services from a wide variety of third parties, from multinational global suppliers to specialist local suppliers. Our supply chain management work is guided by international standards including the [OECD Due Diligence Guide for Responsible Business Conduct](#). We align across the industry to continuously identify and meet evolving best practice standards. Building a responsible supply chain and increasing our value chain focus is a key part of our sustainability efforts. Read more about our responsible supply chain efforts in our [online ESG report - supply chain chapter](#).

Scatec systematically avoids engagement with companies that contribute to serious or systematic human rights violations such as torture, cruel or inhuman treatment, deprivation of liberty, forced or compulsory labour, and other serious violations of international humanitarian law.

### **Solar Module Suppliers and Human Rights**

Given the potential link between forced labour in Xinjiang and the production of polysilicon, which is a key raw material in the solar supply chain, Scatec has systematically increased scrutiny of our solar suppliers.

In 2022, the UN High Commissioner for Human Rights published a comprehensive report on the use of forced labour of minority populations in Xinjiang. While the report does not specifically reference solar module production, market data indicates that in 2022 over 85% of the world's solar-grade polysilicon was produced in China and, of this, 50% was produced in Xinjiang.

In the event that a potential forced labour violation by a solar module supplier were to be identified, our internal requirements (see [Transparent Supply Chains](#) on our corporate website "ESG resources" page under the section titled "Transparency Act") compel Scatec to work with the supplier to address adverse findings. If Scatec were unable to confirm that our standards could be satisfied by the supplier, even with our support, we would seek an alternative supplier. Because of the strong measures we have in place, Scatec has not terminated a solar module agreement due to concerns regarding forced labour, human rights or other labour rights issues. We are always working to improve these measures to better identify potential issues.

Our measures include the following:

- We conduct Integrity Due Diligence (IDD) on potential solar suppliers. This includes a thorough review of publicly available information regarding a potential supplier's commitment to the protection of human rights. Our projects are project financed and suppliers are also vetted by lenders, including DFIs we work with. Read more about our third-party screening in our [ESG Performance Report 2022](#) in the supply chain and ethics and compliance chapters (pages 40-43 and 54-56) and our [online ESG report - supply chain chapter](#).
- We undertake Compliance Orientation meetings with potential solar suppliers to better understand the adequacy of their processes and procedures to prevent forced labour in their operations and supply chains.
- We strengthened our supplier qualification procedure in 2021 with a phased approach to qualifying a supplier:
  - Conduct a desktop traceability audit on all shortlisted suppliers to determine their ability to map and document the origin of their supplies.
  - Upon signing a contract, to ensure that the components are not sourced by entities associated with forced labour, potential suppliers are obliged to be evaluated by an expert third-party on the supplier's ability to trace the origin of solar module components. This is being done through document audits, and where possible, through physical assessments of production facilities.
  - We require solar module suppliers to provide a complete list of sub-suppliers which we independently vet.
- We audit and conduct performance reviews of all solar suppliers and follow an integrated approach by planning for coordinated audits together with third party auditors or internally between quality, health and safety, and ESG teams. To further strengthen our supplier management and monitoring, in 2021 Scatec enrolled in a three-year program with a reputable global ESG supplier management platform. Refer to our [ESG Performance Report 2022](#) in the supply chain chapter (pages 40-43) for more information on our supplier screening and audits.
- We strengthened our contract templates in 2022 to include traceability and audit rights to verify that materials procured within the supply chain are not sourced from Xinjiang. We



also made contractual prohibitions on forced labour more robust and included strict termination rights should any breaches of forced labour provisions be identified by Scatec.

- We continue to assess new suppliers with production outside of China. The solar-grade polysilicon production is shifting away from China and Xinjiang's share of solar-grade polysilicon production is decreasing, potentially in half by 2025. This increases the potential to source from alternative supply chains outside of regions with high human rights risks.

### **Industry Perspective**

The risk of forced labour is an industry issue and Scatec regularly collaborates with our peers to understand their approach, evolve best practice and create collective pressure on supply chains to ensure compliance.

However, managing this risk is complicated by current geopolitics. China strenuously denies the use of forced labour in Xinjiang and is reported to prohibit Chinese companies from co-operating with foreign audits on labour rights. Scatec participates in and actively supports industry and government collaboration to increase long-term solutions, including the development of alternative supply chains outside of regions with high human rights risks.

We are engaged in several industry and peer collaboration forums including [SolarPower Europe](#), [Ultra Low-Carbon Solar Alliance](#) and [Sustainability Hub Norway](#), reinforcing responsible, transparent and sustainable supply chains. For example, together with SolarPower Europe and in close collaboration with other members, we are working to enhance traceability systems and reconfiguring suppliers' own supply chains. Suppliers are already being observed to respond positively to industry demand.