

Scatec

Scatec Benban Solar PV Projects

Virtuo Finance S.à r.l. (Compartment 2022-3)

Green Bond Framework

February 2022

1 Introduction to Scatec

Scatec is a leading renewable power producer, delivering affordable and clean energy worldwide. As a long-term player, Scatec develops, builds, owns and operates solar, wind and hydropower plants and storage solutions. Scatec has more than 3.5 GW in operation and under construction on four continents and more than 500 employees. The company is targeting 15 GW capacity in operation or under construction by the end of 2025. Scatec is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker symbol 'SCATC'.

2 Introduction to the Projects

Scatec ASA ("Scatec") as the Project Sponsor has developed, and operates and maintains six solar photovoltaic (PV) projects – Aswan, Kom Ombo, Upper Egypt, Red Sea, Zafarana and Daraw (the "Projects" and each a "Project") – in the 1.8 GW Benban solar park ("Benban"). Benban is located 40 kilometres north of Aswan City and is one of the world's biggest solar parks. Scatec is the largest developer at Benban. The Projects comprise six separate project plots at Benban and the Project Companies (as defined below) are only responsible for the project plots applicable to the Projects and not any other part of Benban. As set out in further detail below, the capacity of each of the six Projects is approximately 66.456 MWp.

Project Information:

The Projects are all grid connected and capable of exporting their maximum output to the grid.

The Projects do not produce any fossil fuel generated electricity.

	Aswan	Daraw	Kom Ombo	Red Sea	Upper Egypt	Zafarana	Total
Construction Start	Jun-18	Oct-17	Jun-18	Sep-18	Jun-18	Jul-18	
TTO	Oct-19	Oct-19	Nov-19	Nov-19	Nov-19	Nov-19	
Rated Capacity (MWp)	66.456	66.456	66.456	66.456	66.456	66.456	398.736
AC-Capacity (MWAC)	50.0	50.0	50.0	50.0	50.0	50.0	300.0

All projects have the following :

Sub-structure System	MONOLINE Horizontal Single-Axis Tracker
Sub-structure Supplier / Model	PVH / Monoline 60-2V-BF
No. Sub-structures	2938 Tracker
Module Supplier / Type	Longi / bifacial modules 355Wp and 360Wp 1500V
No of Modules	176,272 Module
Inverter-system	GAMESA Pedestal type inverter Station Arrangement 2 Inverters per ITS
Inverter supplier / Model	GAMESA / E-2.5 MVA-SB-1
No of Inverters	22 units
Transformer station Supplier / Model	GAMESA / SGB-SMIT - 5MVA 660v/22kV
No of Transformer Stations	11 units

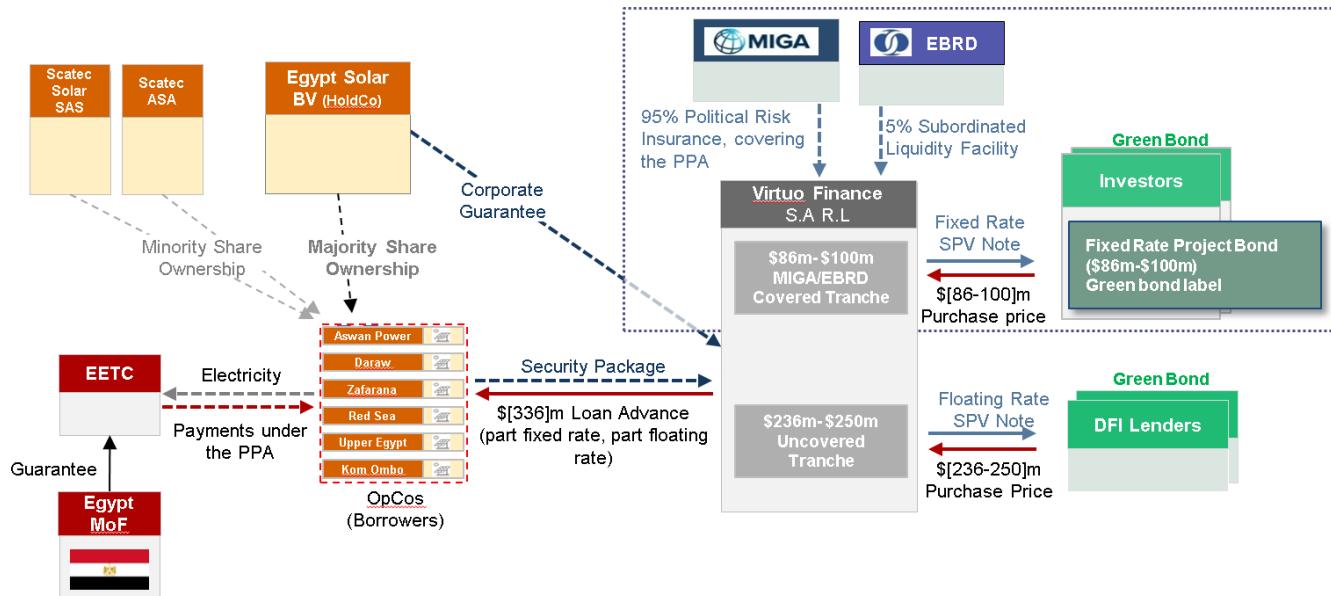
Project companies with the following legal names have been incorporated in relation to the financing of each of the Projects:

- (i) Aswan PV Power S.A.E.
- (ii) Kom Ombo For Renewable Energy S.A.E.
- (iii) Upper Egypt Solar Power S.A.E.
- (iv) Red Sea Solar Power S.A.E.
- (v) Zafarana Solar Power S.A.E
- (vi) Daraw Solar Power S.A.E.,

(each a "Project Company" and, together, the "Project Companies").

The Project Companies are each majority owned by Egypt Solar B.V. which is in itself majority owned by Scatec Solar Netherlands B.V. (a wholly owned subsidiary of Scatec).

Virtuo Finance S.à r.l. (the “**Issuer**”), a special purpose entity established for loan repackagings, via its compartment 2022-3 related to the Projects, will be the issuer of any Green Bonds under this Framework (as defined below).



The Issuer will use the proceeds of two bond issuances to fund term facilities extended to the Project Companies by the Issuer. The Issuer will benefit from a security package consistent with project financings of this nature. Additionally, bond issuances may subscribe to certain credit insurance and liquidity facilities for the benefit of the noteholders of a particular series of note. The revenue from the loans to the Project Companies, together with (where applicable) the amounts due to the Issuer under any insurance and facility extended to it, will be the sole source of revenue used by the Issuer to pay the Issuer's liability (in other words, the assets and liability of a particular compartment are segregated from any other compartment of the Issuer).

3 Sustainability at Scatec and at the Projects

Sustainability is an integral part of Scatec and is embedded in all of its business units including project development, solutions and execution, asset management and operations. Scatec is committed to operate in line with the Equator principles and IFC's Environmental and Social Performance Standards to ensure consistent practices across all projects. Scatec's work is also guided by the OECD Guidelines for Multinational Enterprises. Please refer to our most recent Sustainability Report ([Scatec-Sustainability-Report-2020.pdf](#)) for more information.

The demand for electricity in Egypt has seen a significant rise, due to the country's expansion in energy infrastructure and industrial projects. It reached 27.6 GW in 2019 and is expected to reach 67 GW by 2030. This led the government to build large combined-cycle power plants and adopt renewable energy projects, wind and solar, in order to increase the installed capacity, fulfil demand, and ensure economic growth (MESIA, 2020).

One of such large projects is Benban, which was connected to the electricity grid officially in September 2019. The Projects are part of Benban - one of the world's biggest solar parks. The Projects are in-line

with Egypt's development strategy and use environmentally friendly technology; thus, meeting the criteria for sustainable development in the long term.

The Projects contribute directly to UN Sustainable Development Goal (“**UN SDG**”) 7 (Affordable and Clean Energy). Access to energy is fundamental for economic development and people's standard of living, which implies that contribution to UN SDG 7 has a positive impact on several other SDGs. The Projects power approximately 420,000 households and have led to actual greenhouse gas (“**GHG**”) emissions avoided of 486,152.14 tonnes in 2021.

The Projects have also contributed to UN SDG 8 (Decent Work and Economic Growth) as during the peak construction period in 2019, direct jobs amounted to 4,010 and local and unskilled labour comprised 82% of all direct jobs created.

4 Green Bond Framework

As part of Scatec's continued commitment to sustainability, the Issuer, acting in respect of its compartment 2022-3 and in collaboration with Scatec, has developed this Green Bond Framework (the “**Framework**”) in accordance with the Green Bond Principles 2021¹ (the “**GBP**”), administered by the International Capital Market Association (“**ICMA**”), and the Climate Bonds Standard (the “**CBS**”), under which the Issuer is intending to issue Green Bonds specifically to finance and/or refinance expenditures related to the Projects.

For any Green Bonds issued under this Framework, the following will be adopted as set out in this Framework:

1. Use of Proceeds
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting

This Framework also describes the approach to External Review.

¹ Green Bond Principles 2021 (International Capital Market Association acting as secretariat to the Principles).
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

4.1 Use of Proceeds

The net proceeds from any Green Bonds issued under this Framework will be applied solely to finance or refinance expenditures related to the Projects, in line with the eligibility criteria described below (“Eligible Green Project”):

Eligible Green Project Category	Eligible Green Project	Alignment with the EU Environmental Objective ²	Alignment with the UN SDG targets ³
Renewable energy	<p>The Projects⁴ Financing of expenditures, project costs and hedging costs, specifically associated with the development, construction, operation and maintenance of the Projects</p>	<p>Climate Change Mitigation 4.1 Electricity generation using solar photovoltaic technology</p>	

Project	Construction costs and transaction fees associated with the development and construction of each Project (USD)
Aswan PV Power S.A.E.	77,195,000
Kom Ombo For Renewable Energy S.A.E.	77,195,000
Upper Egypt Solar Power S.A.E.	77,195,000
Red Sea Solar Power S.A.E.	77,195,000
Zafarana Solar Power S.A.E	77,195,000
Daraw Solar Power S.A.E.	77,195,000
Total project cost (USD)	463,170,000

By contrast, the amount of Green Bonds issued under this Framework will be **below USD 400m**, which is well below the initial construction cost of the Project.

4.2 Project Evaluation and Selection Process

The proceeds of any Green Bonds issued under this Framework will be solely used to finance and/or refinance expenditures related to the Projects. The Projects are in compliance with the Climate Bonds Standard Sector Technical Requirements for ‘Solar Energy’. Scatec as the Project Sponsor has suitably determined the project financing requirements as green financing.

Each Project has secured local Environmental Permits from pertinent Authorities and has had environmental and social impact assessments conducted.

² Additionally, a high level alignment is included with the list of activities included in the EU Taxonomy Climate Delegated Act (Annex 1): https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

³ UN Sustainable Development Goals <https://www.un.org/sustainabledevelopment/sustainable-development-goals>

⁴ The total project cost of the Projects for the initial construction is over USD463m

The proceeds of any Green Bonds will be allocated as described above in accordance with the relevant offering documents for such Green Bonds and related finance documentation.

4.3 Management of Proceeds

In connection with the issuance of any Green Bonds, the Issuer expects that all proceeds will be fully utilized for expenditures related to the Projects at closing of the Green Bond.

In the event of unallocated proceeds, any amounts will temporarily be held by the Issuer in its ordinary bank account or short-term money markets until deployed to the Projects. For the avoidance of doubt, any net proceeds will not be invested in fossil fuel related projects.

4.4 Reporting

On an annual basis, Scatec prepares an Environmental and Social Monitoring Report (the "**E&S Monitoring Report**") for the Projects as a part of the financing agreements, in order to determine whether their financiers' investments are being implemented in accordance with the Environmental and Social Guidelines, applicable E&S Laws, the Environmental and Social Plans set forth in or required by the Environmental and Social Action Plan (the "**ESAP**") and other related requirements. The ESAP was agreed between the Issuer and the Obligors prior to the signing of the finance documents for each Project. In addition to the project specific actions, this ESAP includes collective actions to address the cumulative impact on the whole Benban area. The Projects are expected to demonstrate the ability to abide by collective management plans as developed by the facility manager to manage collective issues across the entire Benban Area, and satisfactory development of these collective management plans will be a condition of Financial Close.

Pursuant to the E&S Monitoring Report, an independent environmental and social consultant is monitoring environmental and social performance of the Projects, as a part of financing agreements with the Issuer (annually as feasible). The objectives of such assessment are to:

- comment on the E&S performance of the Projects during the monitoring period against the applicable EBRD Performance Requirements and good international industry practice ("**GIIP**");
- ascertain if adequate management and monitoring measures between the Sponsor and their contractors and sub-contractors are in place to ensure that necessary provisions are made to safeguard the environment, workforce and community from potential operational risks and impacts; and
- highlight any shortcomings and, where necessary, recommend time-bound actions or measures to close potential gaps in implementing the EHSS management plans.

Additionally, Environmental and Occupational Health and Safety Legal Compliance Audits are conducted for the Projects. The audit assesses compliance with the applicable environmental and health and safety legal requirements, in terms of national and provincial legislation and local authority by-laws via a remote audit.

Impact Reporting

The net proceeds of any Green Bonds will be fully used to refinance and/or finance expenditures related to the Projects. The Projects all began commercial operations between April and October in 2019, and the impact of the Projects is outlined below.

The table below shows the actual GHG emissions avoided in tonnes per project.

Facility	Technology	Year	Actual GHG emissions avoided (tonnes)
Aswan, Egypt	Solar	2021	80,039.8
Daraw, Egypt	Solar	2021	81,014.9
Kom Ombo, Egypt	Solar	2021	81,560.3
Red Sea, Egypt	Solar	2021	81,324.8
Upper Egypt, Egypt	Solar	2021	80,907.9
Zafarana, Egypt	Solar	2021	81,304.5
Total			486,152.14

GHG emissions avoided (in tonnes of CO₂): Actual annual production from projects multiplied by the country and region-specific emissions factor (source [IEA](#)).

For avoidance of doubt, this section of the Framework should be considered as Impact Reporting, and neither Scatec nor the Issuer is intending to publish any further impact reports during the life of any Green Bonds.

Allocation Reporting

The total project cost of the Projects from initial construction is greater than **USD463m**. The Issuer expects the net proceeds of any Green Bonds to be fully allocated at closing, as specified in the relevant offering documents. Should that not be the case for any reason, Scatec as the Project Sponsor will publish a separate Allocation Report(s) disclosing the amount of any unallocated proceeds, and subsequently a confirmation that the proceeds of the bond have been allocated to expenditures related to the Projects.

4.5 External Review

Pre-issuance:

The Issuer together with Scatec has appointed DNV to provide verification of the Green Bond as an independent and approved verifier under the CBS. DNV has provided assurance that the Green Bonds meet the CBS's requirements for a Climate Bonds Certification.

Post-issuance:

The Issuer together with Scatec has appointed DNV to provide a Post-Issuance Certification in line with the CBS's requirements, up to 24 months after the issuance of any Green Bonds. References to any external criteria or standards are only in respect of such criteria or standards as in effect on the issue date.

CBI Certification Agreement Disclaimer

The certification of the Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the CBS and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds or any of the Projects, including but not limited to the offering documents, the transaction documents, the Issuer or the management of the Issuer.

The certification of the Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the Bonds and such certification does not address the market price or suitability of the Bonds for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any nominated project and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any nominated project (including but not limited to the financial viability of any nominated project) other than with respect to conformance with the CBS.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any nominated project or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any nominated project. The certification may only be used with the Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.