Scatec

EU Taxonomy report 2023

Scatec ASA

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The report has been republished on 30 April 2024 to include pages 22-25

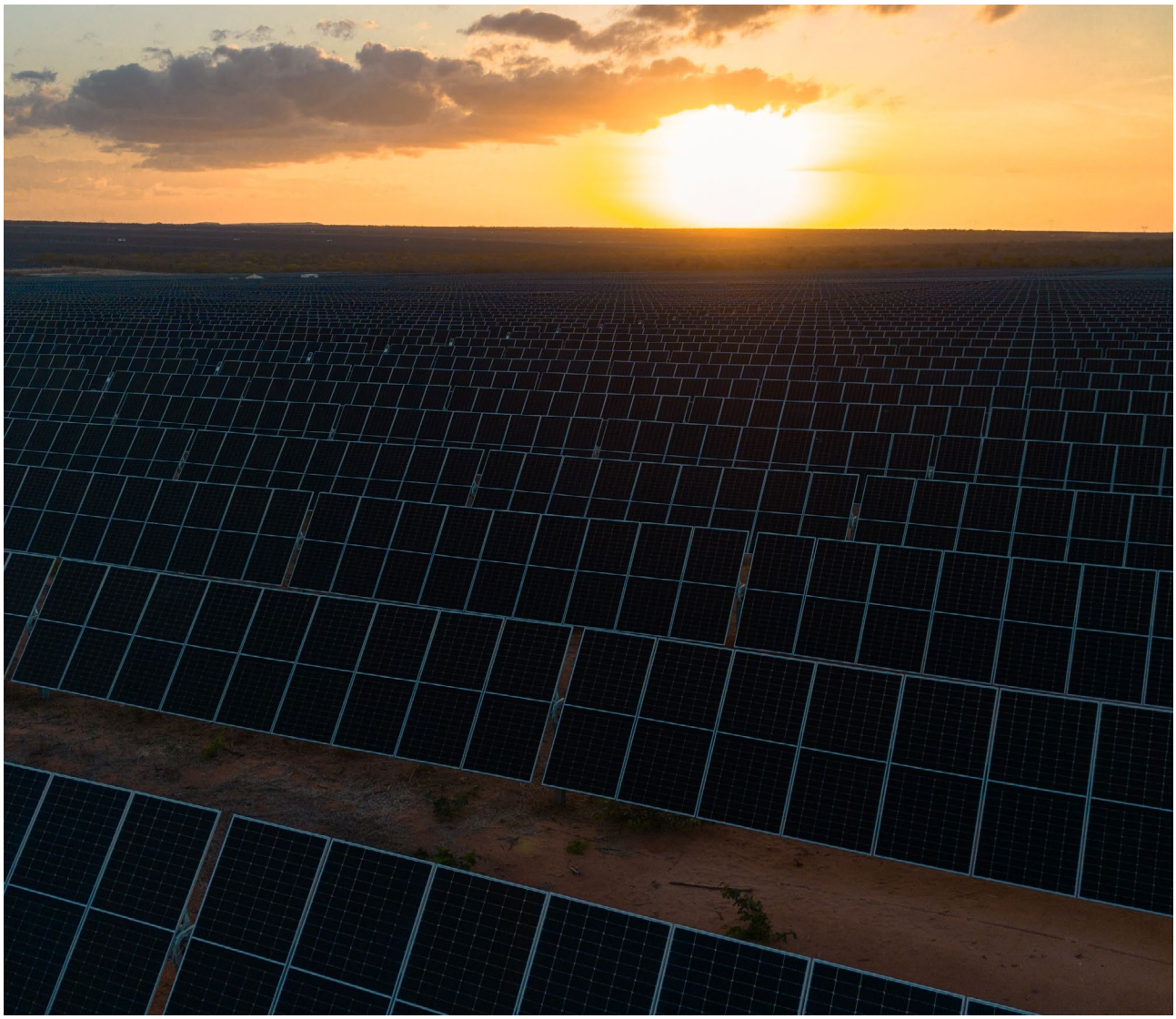
1. Introduction

The EU Taxonomy for sustainable activities (the 'Taxonomy') is a green classification system that translates the EU's climate and environmental objectives into criteria for specific eligible economic activities. Scatec reports on the financial KPIs for eligible economic activities in accordance with Regulation (EU) 2020/852 and the supplementary delegated acts.

For eligible economic activities to qualify as Taxonomy-aligned, the economic activities must fulfil the technical screening criteria defined in the Taxonomy's delegated acts, according to which they should:

1. make a substantial contribution to at least one environmental objective and
2. do no significant harm (DNSH) to any other environmental objective.

Furthermore, the company carrying out the activities must comply with the Taxonomy's minimum social safeguards.



2. Identification of eligible economic activities

As a leading renewable energy solutions provider, Scatec is dedicated to accelerating access to reliable and affordable clean energy in emerging markets. At the core of Scatec's strategy is the development, construction, financing, ownership and operation of renewable energy plants, with 4.2 GW either in operation or under construction on four continents at yearend 2023. Additionally, Scatec started construction for 0.3 GW in the first quarter of 2024.

Scatec's contribution to the objectives of the Taxonomy and the economic activities carried out by the Scatec Group ('the Group') is defined on the basis of the integrated business model and strategic activities. Scatec is a project organisation that performs economic activities related to different renewable energy technologies and solutions across a range of markets along the value chain. As we have a global project portfolio, most of Scatec's economic activities are outside of the EU and not directly covered by EU requirements.

Accordingly, Scatec identified the Taxonomy-eligible activities outlined below. The table illustrates the countries where Scatec carries out projects with details on project phase as of yearend, technology and capacity. Identification of economic activities is based on technology, while the project phase is used to determine whether the project generates revenue or capex.

	Technology	Capacity MW	Economic interest
In operation			
South Africa		730	49%
Philippines		673	50%
Laos		525	20%
Egypt		380	51%
Ukraine		336	59%
Uganda		255	28%
Malaysia		244	100%
Brazil		162	44%
Honduras		95	51%
Jordan		43	62%
Vietnam		39	100%
Czech Republic		20	100%
Release		38	68%
Rwanda		9	54%
Total		3,549	
Under construction			
Brazil		531	33%
Pakistan		150	75%
Release		9	68%
Total		690	
Projects in backlog			
South Africa		273	51%
Egypt		260	52%
Tunisia		120	51%
Botswana		120	100%
South Africa		103	51%
Total		876	

2.1. Electricity generation through use of solar photovoltaic technology (4.1)

This includes the electricity generation, operation, construction and development of solar photovoltaic (PV) technology plants. For an overview of Scatec's electricity-generating plants, refer to the table above.

Assets under construction in 2023 that will contribute to increased electricity generation going forward include the Kenhardt projects in South Africa and the Sukkur project in Pakistan. The Battery Energy Storage System (BESS) storage capacity of the Kenhardt projects is included in this activity, as Scatec does not sell storage capacity externally.

The activity also includes the development of new projects that will generate electricity from solar PV technology in the future, such as the 273 MW solar project Grootfontein in South Africa and the 120 MW solar project in Botswana.

Scatec is carrying out operations and maintenance (O&M) services on plants that it does not own, an activity classified as operation of electricity-generation facilities in line with the current contextual interpretation of the definition of the activity of electricity generation through the use of solar photovoltaic technology.

During the year, Scatec constructed and leased modular, movable and redeployable solar PV equipment for the utility market through the Release solution (Release). Release uses the same solar technology as the solar PV technology described above. However, Release projects consist of portable energy equipment leased on site to customers. During the year, the Release business was partly sold and deconsolidated, then subsequently accounted for as a joint venture – refer to section 5 ('Equity consolidated entities') below. The KPIs include the financials generated in Release up to the date of deconsolidation.

2.2. Electricity generation from wind power (4.3)

This includes electricity generation and the operation of wind power plants, namely the Dam Nai plant in Vietnam.

2.3. Manufacture of hydrogen (3.10)

Scatec is pursuing various Power-to-X (P2X) solutions, including the construction of a green hydrogen production facility in Egypt, which is classified as being within this activity. The facility will be fully powered by renewable solar and wind energy, and the hydrogen will be used as feedstock for the production of green ammonia.

2.4. Storage of electricity-enabling activities (4.10)

This includes the construction and operation of electricity storage, including pumped hydropower storage. BESS projects in Scatec include the 103 MW Mogobe project in South Africa. As of the publication of this report, this is a backlog project, meaning that it has a 90% probability of being realised. Refer to Annual Report 2023 page 38 for more information.

As regards activity 4.5 (electricity generation from hydropower), see the section titled 'Equity-consolidated entities.

3. Assessment of economic activity alignment

3.1. Making a substantial contribution to at least one environmental objective

Scatec's overall company mission is to deliver competitive and sustainable renewable energy globally, to protect our environment and to improve quality of life through the innovative integration of reliable technology.

The requirements for assessing the substantial contribution of Scatec's economic activities are summarised below:

Electricity generation from solar PV technology:

- In order to make a substantial contribution to the environmental objective of climate change mitigation, the relevant asset should use solar photovoltaic technology to generate electricity.
- Scatec's solar projects use solar PV technology to generate renewable electricity on an annual basis.

Electricity generation from wind power:

- In order to make a substantial contribution to the environmental objective of climate change mitigation, the relevant asset should use wind power technology to generate electricity.
- Scatec's wind project uses wind power technology to generate renewable electricity on an annual basis.

Manufacture of hydrogen:

- In order to make a substantial contribution to the environmental objective of climate change mitigation, the relevant asset should comply with the lifecycle greenhouse gas (GHG) emissions savings requirement for hydrogen of 73.4%.
- Scatec's green hydrogen production facility in Egypt will be fully assessed once operational, and we expect this project to be aligned.

Activity enabling the storage of electricity:

- In order to make a substantial contribution to the environmental objective of climate change mitigation, the relevant activity should comprise the construction and operation of electricity storage, including pumped hydropower storage.
- Scatec's BESS project will be fully assessed once operational, and we expect this project to be aligned.

3.2. Doing no significant harm (DNSH) to any other environmental objectives

Since 2020, Scatec, along with third parties, has carried out multiple assessments to confirm the alignment of its economic activities with the Taxonomy criteria and to identify potential gaps. The assessments are specific to the six environmental objectives and the DNSH technical criteria. In 2022, an internal climate risk and risk mitigation assessment was performed for each solar and wind plant. During the previous year, Scatec screened each project[1] according to a standardised template covering the criteria for substantial contribution and all applicable DNSH criteria, as well as the minimum social safeguards criteria (on the corporate level).

Renewables must be deployed with respect for nature and social inclusion and in close cooperation with broader society. The impact of renewable power plants on biodiversity and local communities needs to be understood and minimised, and economic development and job creation are essential for renewable deployment to gain support.

Sustainability is fundamental to Scatec's organisation. It is rooted in all business units and integrated across the value chain. Scatec is committed to operating in line with the Equator Principles and the International Finance Corporation (IFC) 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. Scatec works with trusted partners such as the IFC, Norfund, KLP and several larger development banks, all of which maintain high standards for the projects and their associated impact.

IFC International Finance Corporation WORLD BANK GROUP
Creating Markets, Creating Opportunities

IFC Performance Standards

Standards that define IFC clients' responsibilities for managing their environmental and social risks

EQUATOR PRINCIPLES

The Equator Principles

Risk management framework adopted by financial institutions for assessing and managing environmental and social risk in development projects

OECD

Guidelines for Multinationals

Recommendations from governments to multinational enterprises on responsible business conduct

[1] Where projects are physically adjacent, the assessment was completed per project portfolio.

3.2.1. Climate adaptation

The environmental objective and DNSH criteria related to climate adaptation are relevant to all of Scatec's eligible activities as discussed above.

Screening and key findings:

Scatec considered the resiliency of its own power projects that it itself operates, using data from the World Bank Climate Change Knowledge Portal to update its quantitative physical climate risk scenarios. The parameters assessed for each operational site included:

1) change in days over 35 degrees (extreme heat exposure)

2) change in maximum 5-day rainfall (as an approximation for flood risk)

Analytical choices made included assessing the increase in days with temperatures over 35 degrees during 2020–2039 and 2040–2059 in RCP 8.5 (high emission) and RCP 4.5 (intermediate emission) scenarios. Extreme rainfall risk was assessed by looking at the change in maximum 5-day rainfall for the same locations, scenarios and time frames. The results were combined with our existing natural catastrophe risk database to better understand related risks across our project portfolio. RCP 4.5 and RCP 8.5 were chosen, as they represent a probable base case and worst-case physical climate risk scenario. The years 2040–2059 were chosen as the timeframe as Scatec's projects have typical Power Purchase Agreement (PPA) lengths of 20 years and thus many are likely to still be operating in 2040, especially considering the potential for re-powering later on.

Assumptions made related to approximate geographical areas with sites close to one another and assumed to be exposed to similar climatic changes. Given that the climate models have limited resolution, in some cases averages for various geographical areas were used as opposed to specific values.

In 2024, Scatec will focus on tailoring its corporate climate-risk assessment template to align with the requirement in the Taxonomy climate adaptation criteria, including a greater focus on chronic risks.

3.2.2. Protection and restoration of biodiversity and ecosystems

The environmental objective and DNSH criteria related to biodiversity are relevant to all eligible Scatec activities as discussed above.

Screening and key findings:

Scatec reviewed the applicable national legislation for each country and the relevant international standards that require the completion of an environmental impact assessment and/or screening, mitigation and compensation measures in the event of risks being identified with regard to the conservation of natural habitats, wild fauna and wild flora.

Scatec owns and operates a variety of renewable energy technologies with varying potential for impact on nature and biodiversity. It has a framework for identifying and managing all environmental and social (E&S) aspects of the business under its Environmental and Social Management System, which combines policies, procedures, and tools. This system guides the management of biodiversity risks throughout the project lifecycle, from initial project assessment, planning, construction and operations to the project decommissioning phase.

Scatec undertakes to identify relevant impact, avoid sensitive areas where possible and implement mitigation measures to minimise impact and restore biodiversity. It follows the precautionary principle and will not develop projects in areas where a threat to critically endangered species cannot be mitigated. Scatec follows the mitigation hierarchy for negative impact: avoid, minimise, restore and finally offset residual negative impact, and aim to achieve a net gain for critical habitat and no net loss of natural habitat in all projects. Where it is not possible to sufficiently mitigate impact, Scatec ensures additional biodiversity high-quality offsets to compensate for potential biodiversity losses.

Scatec maps the proximity of protected areas during the project development phase and has assessed all operational projects reporting on its project sites in, or adjacent to, protected areas and areas of high biodiversity value outside of protected areas. Biodiversity assessments during project planning include the mapping of species that occupy or are near the site to be developed. Scatec reports on the red list and national conservation list species identified in the E&S impact assessments and due diligence.

3.2.3. Transition to a circular economy

The environmental objective and the DNSH criteria related to a circular economy are relevant to Scatec's solar (4.1), wind (4.5) and storage (4.1) projects.

Screening and key findings:

Scatec is committed to being a responsible business by considering the long-term performance and end-of-life decommissioning of all projects, with the aim of minimising the potential for negative impact upon society and the environment, as well as maximising economic value. It takes a circular, cradle-to-cradle approach, and every project will develop a plan for end of life and decommissioning. At end of life, after 20 to 25 years in operation, Scatec aims to reuse or recycle all major components such as solar panels, batteries and turbine blades.

Scatec takes account of various lifecycle considerations aligned with the phase a project is in. During the opportunity and feasibility phase, the focus is on site selection and E&S impact and due diligence studies. In the structuring phase, the focus is on component sourcing, project design and financing. Key considerations include the quality of components purchased, obsolescence risk, supplier take-back schemes, components' carbon footprint, disassembly, the decommissioning plan and funds. Within the construction and operations phases, we focus on minimising accidental component damage, scheduled and preventative maintenance, monitoring and the safe disposal of any damaged components.

In alignment with the lifecycle considerations described above, for all new projects Scatec assesses the durability and recyclability of major components and the ease of dismantling and refurbishing them.

3.2.4. Sustainable use and protection of water resources, and pollution prevention and control

The environmental objectives and DNSH criteria related to water and pollution are relevant only to Scatec's hydrogen (3.10) project. Scatec currently has a green hydrogen production facility in Egypt that will be fully powered by renewable energy from solar and wind, and the hydrogen will be used as feedstock for the production of green ammonia. As this project is under development and not yet operational, only a high-level screening was performed. A detailed screening will be undertaken when the project is realised.

High-level screening and preliminary findings:

Water usage is an important aspect of Scatec's environmental management. We optimise water usage during operations and focus on limiting water use in areas with high water stress. We avoid having a negative impact on natural aquifers or developing within or near wetland areas where possible.

We follow the waste hierarchy for waste management: first we seek to prevent waste generation, then minimise, reuse, recycle, recover energy, and dispose of waste responsibly, undertaking to avoid landfill as far as practically possible. We develop plans for hazardous substance and waste management during the construction and operations in all projects. All Scatec-operated sites must have a waste management procedure in place based on Scatec's corporate guidelines and requirements.

The environmental management plans of all projects (including water, waste, air emissions, wastewater, hazardous material etc.) are implemented in accordance with and within the scope of the ISO14001 certified management system. Accordingly, Scatec's Health, Safety, Security and Environment (HSSE) team is responsible for carrying out regular inspections and scheduled audits to monitor compliance with these requirements.

The production of green hydrogen requires the use of a natural resource (water), as it is the main feedstock for the process of hydrogen generation. Therefore, in this context, resource efficiency takes the form of using lower-quality water, minimising water use and ensuring that the project's water use does not have a significant adverse impact on communities, other users or the environment.

Most of Scatec's economic activities were considered to be aligned with DNSH criteria in 2023. The following projects are considered not to be aligned as of the publication of this report:

- Electricity generation through the use of solar photovoltaic (PV) technology:
  - Czech portfolio: The 20 MW Czech portfolio was developed and constructed back in 2009/2010. Due to insufficient documentation addressing circularity criteria, we do not consider the project to be aligned as of the publication of this report.
  - Release: Any Release projects not yet under construction or in operation are considered not aligned, as they have not yet been fully screened.
- Storage of electricity-enabling activities:
  - The 103 MW Mogobe project in South Africa currently under development has not yet been screened and is therefore considered non-aligned.

3.3. Complying with minimum social safeguards

The minimum social safeguards in the Taxonomy entail ensuring that certain minimum governance standards are adhered to, such as anti-corruption and fair competition, and that social norms are not violated, including human and labour rights. Last year, on the corporate level, Scatec's alignment was screened according to a standardised template addressing the detailed minimum social safeguards criteria. Last year, our assessment reviewed the Sustainable Finance Disclosure Regulation's Principal Adverse Indicators (PAI), including environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.

3.3.1. Human rights

Scatec was assessed with regard to the following criteria:

- Adopting a commitment to human rights due diligence and embedding it in policies and procedures.
- Identification and assessment of adverse impact, including through stakeholder engagement, and systematically avoiding and addressing human rights risks and impact.
- Tracking the effectiveness of the due diligence approach.
- Communicating externally about how human rights impact is being addressed and reporting formally on any severe human rights risks.
- Providing a remedy when causing or contributing to an actual negative impact on human rights and establishing operations-level grievance mechanisms.
- Whether any cases have been taken up or allegations made against Scatec, and if so, how this occurred, whether processes have subsequently improved, and whether Scatec responded within required timeframes.

Key findings:

Scatec's human rights policy is aligned with the United Nations (UN) Guiding Principles on Business and Human Rights to prevent, address and remedy human rights abuses committed in business operations. The policy confirms Scatec's responsibility to respect all internationally recognised human rights, including the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Within our business operations and wherever we operate, we pay special attention to the human rights risks of certain groups, such as indigenous people, minorities, women, children, migrant workers and other vulnerable groups.

We follow standardised processes in all our projects to identify, mitigate and monitor our E&S risks and impact, including those related to human rights, under the IFC's performance standards framework. We conduct human rights due diligence as part of our overall E&S due diligence process. Project risk registers and all E&S assessments, due diligence, management and action plans contain human rights aspects. When initial assessments point to potential risk to human rights, focused human rights due diligence assessments are conducted to form a deeper understanding of the risks that the development of project may trigger and of mitigation measures.

Scatec has both a whistleblowing channel and a grievance mechanism in place, in line with the IFC's performance standards and the UN Guiding Principles on Business and Human Rights. The whistleblower function is available to all of the company's employees, suppliers, partners and customers through internal channels and its corporate website. The function, which is operated by an independent third party, is available in eight languages. All whistleblowers have the option to be anonymous. Our grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects. It is a channel to present issues to the administration of the projects and is directly supervised by our global sustainability unit. The mechanism is available at each local project site and in five different languages on our corporate website.

No cases or allegations were brought against Scatec in 2023 by the OECD or the Business and Human Rights Resource Centre.

Scatec responded to a media query received under the Transparency Act and responded within the required timeframe as indicated in the Act.

3.3.2. Anti-corruption

Scatec was assessed against the following criteria:

- Policy in place that represents a commitment to preventing and detecting corruption and which is applicable to all individuals and entities in the organisation.
- Risk assessments undertaken for risk of bribery and corruption.
- Anti-corruption and bribery programmes and measures put in place to end, mitigate and prevent identified risks and which cover the following areas: gifts and hospitality; entertainment and expenses; customer travel; political contributions; charitable donations and sponsorships; facilitation payments; and solicitation and extortion.
- Financial and accounting procedures implemented, including a system of internal controls, and training of all employees in the anti-corruption and bribery programme.
- Grievance mechanism in place with standard operating procedures detailing the actions to take in response to reports, and periodic reviews of anti-corruption and bribery programmes undertaken to evaluate and improve their effectiveness.
- Public communication of commitment to anti-bribery and anti-corruption, relevant management systems, internal controls, programmes, and measures adopted.
- Whether Scatec or its senior management have been convicted in court on corruption and or bribery charges, and if so, whether processes have subsequently improved and a remedy been provided where an infringement was caused or contributed to.

Key findings:

Scatec opposes all forms of corruption and strives to meet the highest ethical standards across its business activities. Our approach is risk-based, and we maintain a special focus on markets and activities particularly exposed to corruption. We are subject to national and international laws prohibiting bribery and corruption. All Scatec employees and subsidiaries must comply with the Norwegian Penal Code, the US Foreign Corrupt Practices Act and the UK Bribery Act, all of which have international effect. In addition, Scatec complies with applicable anti-corruption laws in the countries where it operates.

Our Code of Conduct prohibits all forms of corruption and, through our Anti-Corruption Compliance Programme, we implement internal controls to prevent, detect and remedy improper conduct. The code sets out the essential requirements for ethical business conduct within our company, which applies to all employees, hired consultants and directors, including our subsidiaries, joint ventures and affiliates. In addition, we do not enter into any contractual relationship with a third party without appropriate integrity due diligence.

Our Anti-Corruption Compliance Programme provides references for the key procedures in the governance system aimed at preventing and detecting corruption. We have adopted a set of policies and procedures designed to adequately prevent and detect corruption risks the organisation faces. These documents aim to provide our employees with necessary guidance to make the right decisions. They are also designed to prevent deliberate unethical conduct by our business partners and suppliers. The Scatec Governance System consists of procedures that cover a broad range of risks, many of which also include measures to mitigate corruption risks.

Corruption risk assessments form the basis for selecting areas that require specific mitigating actions and resource allocation. Each business unit is required to regularly assess and prioritise corruption risks in their activities. The Global Compliance Officer supports the business unit's risk assessments and identification of mitigating measures. We conduct corruption risk assessments at country, project and contract level. Scatec utilises the assessments to pinpoint areas which require specific attention, mitigating action and resource allocation. When a risk is identified, it is recorded and reported to the relevant stakeholders in each project to ensure awareness and implementation. In addition, we conduct a group risk assessment for every business unit each year.

Our management, shareholders, banks and partners rely on the accuracy of our financial statements and the effectiveness of our internal accounting controls. Recording and reporting on financials accurately and objectively is essential for Scatec's credibility and reputation. It is also a prerequisite for meeting legal and regulatory obligations and standards. We prepare our financial books and records with sufficient detail to accurately and fairly reflect our business activities. We meet best practice standards, including Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).. We maintain a system of internal accounting controls sufficient to assure that transactions are executed in compliance with management's authorisation. We provide full, fair, accurate and understandable disclosures in our financial and non-financial reports, in documents filed with regulatory authorities and in other public communications.

Scatec requires all employees to complete training in its anti-corruption policies. We have developed advanced, gamified training in our Code of Conduct in the form of an interactive game consisting of dilemma training and mini games. The course introduces the Code of Conduct and the main procedures adopted to prevent and detect corruption. Employees require an 80% pass rate for each module to be certified on the training platform. The objective of the training is to ensure that Scatec's employees are familiar with applicable anti-corruption laws and prepared to identify and manage the corruption risks they may encounter while working for Scatec. Employees with a high level of exposure to corruption are required to attend tailored anti-corruption training.

Neither Scatec nor its senior management have been convicted in court of corruption or bribery charges in recent years.

3.3.3. Taxation

Scatec has been assessed against the following criteria:

- Tax strategy established, owned by the senior management and documented, including a statement that the company complies with the relevant tax legislation.
- Tax control framework established.
- Cooperation with tax authorities and provision of information required to ensure the effective and equitable application of tax law.
- Whether Scatec or its subsidiaries have been convicted in court for violating tax laws, and if so, whether processes have subsequently improved and a remedy been provided where an infringement was caused or contributed to.

Key findings:

Scatec pursues a responsible, fair and transparent approach to tax and applies the highest standards of tax compliance in all relevant jurisdictions. A general principle that guides the company's approach is that taxes are collected in the jurisdiction where the economic value is created. Scatec is committed to following the best practices of responsible taxation and tax governance, including international principles and recommendations, such as the OECD Compliance and Risk Management Standard. Our tax policy presents the Group's position and principles regarding taxes across the jurisdictions in which it operates, including its compliance, transfer pricing and risk management.

When it comes to tax reporting obligations, we ensure that tax returns are completed accurately and submitted in a timely manner, and that we maintain a cooperative relationship with tax authorities and other officials, aiming to avoid risks and disputes. Scatec acknowledges the complexity of ever-changing international tax rules and the various tax risks that a global business structure such as ours entails. Therefore, we have a centralised global team of tax professionals qualified to navigate and assess taxes in complex business structures and transactions, working hand in hand with local tax specialists in each market. Tax is also widely recognised by all Scatec teams as an important area of our activities and projects. Hence, the Scatec tax team is involved from the early stages of a potential project up to and during the operation of the project, managing all areas of tax governance and risk management.

Our approach to tax planning involves pursuing efficient project structures while ensuring that these comply with international tax standards. Scatec does not engage in aggressive tax planning or consider artificial structures to minimise its tax burden across the jurisdictions in which it operates.

Scatec believes that a transparent relationship with governments and tax authorities is fundamental to carrying out business responsibly and sustainably in the jurisdictions in which it operates. We take a proactive approach towards tax authorities, with whom we pursue ongoing dialogue, which we believe mitigates risks and prevents tax disputes. We also monitor and participate in debates related to tax policy, at both international (e.g. OECD and EU) and local levels. Scatec provides commentary and input to policymakers, including in public consultation procedures, offering these unilaterally or via relevant industry associations. Our goal is to positively influence tax frameworks globally and locally to promote a fair business environment and tax transparency, avoid economic double taxation, harmonise tax systems and minimise compliance costs.

Neither Scatec nor its subsidiaries have been convicted in court for violating tax laws in recent years.

3.3.4. Fair competition

Scatec has been assessed against the following criteria:

- Policy statement in place expressing a commitment to complying with all applicable competition laws and regulations.
- Employee and senior management training in relation to competition issues.
- Whether Scatec or its senior management have been convicted in court for violating competition laws, and if so, whether processes have subsequently improved and a remedy been provided where an infringement was caused or contributed to.

Key findings:

Our Code of Conduct prohibits all forms of corruption, and we implement internal controls to prevent, detect and remedy improper conduct through our Anti-Corruption Compliance Programme. Scatec is committed to fair and open competition and it complies with applicable anti-trust laws. We compete on the quality of our services and do not tolerate bid rigging, price fixing, market sharing or abuse of market power. We do not engage in or tolerate anti-competitive behaviour. When we collaborate with partners, we ensure compliance with applicable anti-trust or competition laws. We do not share non-public commercially sensitive information unless this is necessary and legal.

Scatec requires all employees to complete the gamified Code of Conduct training, which is an interactive game consisting of dilemma training and mini games. The course introduces the Code of Conduct and the main procedures adopted to prevent and detect corruption, including those relating to fair competition and highlighting Scatec's principles and standards. Employees require an 80% pass rate for each module to be certified on the training platform.

Neither Scatec nor its senior management have been convicted in court for violating competition laws in recent years.

4. Reporting on financial key performance indicators (KPIs)

The extent to which Scatec carries out activities in line with the Taxonomy is quantified through the key performance indicators (KPIs) of revenue, capital expenditure (Capex) and operating expenditure (Opex).

According to the Taxonomy, KPIs are to be reported on the basis of a company's IFRS consolidated figures. This implies that revenue, capex and opex are to be disclosed for economic activities in the companies included in the consolidated financial statement. These KPIs do not include figures from joint ventures (JVs) or associated companies, such as the hydropower-producing companies.

	Revenue		Capex		Opex	
	NOK million	Percentage	NOK million	Percentage	NOK million	Percentage
Eligible	3,352	99%	8,812	100%	345	100%
Aligned	3,193	94%	8,529	97%	334	97%
Not aligned	159	5%	283	3%	11	3%
Non-eligible	44	1%	9	0%	-	-

4.1. Revenues

Scatec's revenue gives a clear picture of where the company is today relative to the Taxonomy. The revenue KPI reflects revenue generated by economic activities carried out by the Group and sold externally. Net revenues for the purpose of Taxonomy reporting align with heading 'Revenues' in the financial statement as reported in the consolidated statement of profit and loss. Scatec's consolidated revenues are primarily from the sale of electricity from solar and wind power plants to third parties. A smaller portion of the revenues are generated by the sale of power plant maintenance services and the lease of portable solar PV to third parties. The consolidated revenues are disaggregated based on the economic activities in the SPVs (single purpose vehicles), the operating entities.

94% of Scatec's revenue is derived from eligible activities that are aligned with the Taxonomy. 5% of the revenue relates to the sale of electricity from the Czech portfolio that is assessed as non-aligned, as explained above in section 3.2 ('Doing no significant harm to any other environmental objectives'). The remaining 1% relates to miscellaneous goods and services sold from various entities in the Group classified as non-eligible.

4.2. Capex

Scatec's capex gives investors a sense of the company's strategic direction. Capital expenditure reflects which economic activities will generate future revenue. Capex for the purpose of Taxonomy reporting relates to additions as presented in note 10 ('Property, plant and equipment') and note 11 ('Goodwill and other intangible assets') in the Group's annual report and covers additions to tangible and intangible assets during the financial year, recognised in line with IFRS. Capex is disaggregated by economic activity level based on the structuring of power plants in separate SPVs and the capitalisation of project costs.

97% of the capex recognised during the year relates to Taxonomy-aligned economic activities, namely the generation of electricity through solar PV technology. This is related to the construction of solar plants, mainly the Kenhardt projects in South Africa. All projects under construction in 2023 (Kenhardt and Sukkur) are considered to be aligned with the Taxonomy, except for Release Mexico and Cameroon, as explained above in section 3.2 ('Doing no significant harm to any other environmental objectives').

4.2.1. Capex plan

Capex also includes capitalisation of projects under development that are a part of the plan to expand Taxonomy-aligned economic activities, referred to as the Capex plan. Key to Scatec's strategy is the development of new projects within the renewable energy space to make a substantial contribution to the climate mitigation objective. All projects under development within solar, wind and hydrogen technologies are expected to expand the scope of Taxonomy-aligned economic activities in the Group. The timeline and total capital expenditure related to projects expected to expand Taxonomy-aligned economic activities in the Group are based on our growth target and the strategic direction of the Group. The project development timeline varies, but all projects follow a streamlined decision gate process whereby management approval is given at different stages of the development phase. The timeline depends on external factors, including securing land, negotiations with offtake and government approval. Total capex from projects in the backlog and pipeline will be disclosed in Scatec's quarterly reporting when reliable estimates are available.

Key early-phase activities relevant to identifying alignment include mapping potential environmental and social impact, climate risk assessments and key considerations linked to responsible supply chains, resource use and circularity. Scatec expects most projects under development to be aligned with the Taxonomy for the reasons that follow. Scatec is committed to operating in line with the strictest industry standards, namely the Equator Principles and the IFC Environmental and Social Performance Standards, to ensure consistent practices across all projects. Our work is also guided by the OECD Guidelines for Multinational Enterprises. We work with trusted partners such as the IFC, Norfund, KLP and several larger development banks who all have high standards for the projects and their associated impact. We also have a standardised corporate framework for identifying and managing all E&S aspects of the business under our Environmental and Social Management System, which combines policies, procedures and tools, and is applicable to all projects. This system guides the management of E&S risks throughout the project lifecycle, from the initial project assessment, planning, construction and operations up to the project decommissioning phase.

Capitalisation of projects in the backlog and pipeline is disaggregated by economic activity in the table. Scatec reports on the status of projects under development in the quarterly report, as well as in the annual report in the section 'Overview of project portfolio'. This section gives an overview of the main capex-driving projects in the backlog and pipeline.

Non-aligned capex of 3% relates to additions to storage projects and Release projects, as discussed above in section 3.2 ('Doing no significant harm to any other environmental objectives'). In addition, non-aligned capex includes additions of office leases accounted for as right-of-use assets. Leasing is classified as an eligible activity, namely 7.7 (acquisition and ownership of buildings), and Scatec has not screened the activity against the related criteria making it non-aligned. Purchase of fixtures and equipment is not classified as an eligible activity.

4.3. Opex

Opex is to cover, among other items, non-capitalised costs relating to research and development and direct expenditures relating to the day-to-day servicing of assets used to generate eligible revenue. Opex gives information about maintenance and repair costs incurred to ensure the efficiency of the projects in operation.

Opex covers costs reported in the financial statement under 'personnel expenses' and under 'other operating expenses' in the consolidated statement of profit and loss, but it excludes certain costs, such as overhead costs, costs of administering the plants and early-phase project costs. Judgement is applied in assessing the cost incurred according to the definition of opex as per the Taxonomy. Opex is identified and disaggregated by economic activity level based on the structuring of power plants in separate SPVs and the booking of costs in segments and on projects.

Scatec's revenue is mainly derived from eligible economic activities aligned with the Taxonomy, and operating expenses incurred in relation to the same activities are also aligned. Opex related to revenue generation from the power plants in the Czech Republic is considered non-aligned opex.

5. Equity-consolidated entities

Reporting in accordance with the Taxonomy for operating plants structured as JVs is not required. However, Scatec discloses information on Taxonomy alignment for these entities on a voluntary basis, as it is believed to provide valuable information about eligible activities carried out by the Group.

Eligible economic activities carried out in the equity-consolidated entities include 4.5 (electricity generation from hydropower) and 4.1 (electricity generation through solar photovoltaic technology).

The hydropower plants are located in the Philippines, Uganda and Laos and became part of the Group after the acquisition of SN Power in 2021. Activity 4.5 includes the construction or operation of electricity-generation facilities that produce electricity from hydropower. Scatec carried out substantial contribution and DNSH assessments for the plants in line with the requirements.

- In 2021, all hydropower projects were assessed against the criteria for lifecycle greenhouse gas (GHG) emissions and the principle of DNSH.
- The assessment of lifecycle GHG emissions for the operating hydropower assets confirmed that emissions are significantly below the threshold of 100g CO2/kWh. The DNSH assessment (focused on the climate adaptation environmental objective) confirmed that the assets are aligned with the Taxonomy DNSH criteria but lack a detailed site-specific climate risk assessment.
- In 2022, assessments of physical climate risk were carried out for all our hydropower assets by a third party. The findings provide detailed insights and valuable information about individual sites, with no high risks identified without existing mitigation measures being in place.
- Last year, assessments of the remaining DNSH criteria were completed, focusing on biodiversity, water and pollution criteria. Key findings for our acquired hydropower projects are summarised below:
    - As regards non-EU hydropower plants, the process of documenting compliance with DNSH criteria proved to be challenging because local regulations are not identical to the Water Framework Directive (WFD). In addition, where projects are multiple decades old, certain E&S documentation had not been required at the time of development and construction and was thus not available.
    - Therefore, it is challenging to ascertain whether our projects allow for good ecological potential or status in the connected water bodies, given that this assessment needs to consider both the current and the former ecological environment, as well as the actual requirements of the WFD.
    - Based on the points above, we do not have sufficient documentation to conclude that the hydropower assets are aligned, and we therefore categorise the hydropower portfolio as non-aligned.

The solar power plants structured in equity-consolidated entities include the operational plants (Apodi in Brazil) and the plants under construction during 2023 (Mendubim in Brazil). Additionally, the activity includes power generation by the plant in Argentina, which was sold in October 2023, and generation by and construction of plants within the Release business, which was partly sold in October 2023. Alignment of the Release projects is discussed above and only the financials from the period after the partial sale are excluded from the KPIs, as disclosed in line with the Taxonomy. Refer to sections 2 and 3 of this report, which detail the DNSH criteria and minimum social safeguard screening undertaken for solar projects.

Revenue generated in the equity-consolidated entities comes from the hydropower plants and solar plants in Brazil and Argentina. Capital expenditure in the JVs relates mainly to the construction of the Mendubim solar project in Brazil, an economic activity aligned with the Taxonomy. The estimated total capital expenditure for the project is USD 430 million, and the plant has a capacity of 531 MW.

6. Specification of KPIs for the financial year 2023

The report has been republished on 30 April 2024 to include pages 22-25.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, year N (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*NOK millions*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**99%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3	94	3%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	3%		
Electricity generation using solar photovoltaic technology	CCM 4.1	3 098	91%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	91%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**3 193**	**94%**	**94%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**94%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation using solar photovoltaic technology	CCM 4.1	159	5%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**159**	**5%**																
Total (A.1+A.2)		**3 352**	**99%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**44**	**1%**																
Total (A+B)		**3 396**	**100%**																

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code (2)**	**Absolute CapEx (3)**	**Proportion of CapEx (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity and ecosystems (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxonomy aligned proportion of total CapEx, year N (18)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
Text		*NOK millions*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**100%**																
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power (CapEx A)	CCM 4.3	3	0%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	0%		
Electricity generation from wind power (CapEx B)	CCM 4.3	55	1%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	1%		
Electricity generation using solar photovoltaic technology (CapEx A)	CCM 4.1	8 195	93%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	93%		
Electricity generation using solar photovoltaic technology (CapEx B)	CCM 4.1	182	2%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	2%		
Manufacture of hydrogen (CapEx B)	CCM 3.10	93	1%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	1%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**8 529**	**97%**	**97%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**97%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology (CapEx A)	CCM 4.1	204	2%																
Storage of electricity (CapEx B)	CCM 4.10	5	0%																
Acquisition and ownership of buildings (CapEx A)	CCM 7.7	75	1%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**283**	**3%**																
Total (A.1+A.2)		**8 812**	**100%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**9**	**0%**																
Total (A+B)		**8 821**	**100%**																

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity and ecosystems (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Taxonomy aligned proportion of total OpEx, year N (18)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
Text		*NOK millions*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**100%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power (OpEx A)	CCM 4.3	(18)	5%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	5%		
Electricity generation using solar photovoltaic technology (OpEx A)	CCM 4.1	(315)	91%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	91%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**(333)**	**97%**	**97%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**97%**	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation using solar photovoltaic technology (OpEx A)	CCM 4.1	(11)	3%																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**(11)**	**3%**																
Total (A.1+A.2)		**(345)**	**100%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**0,00**	**0%**																
Total (A+B)		**(345)**	**100%**																

Note on nuclear and fossil gas related activities		
Row	**Nuclear energy related activities**	**Yes/No**
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

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