

Scatec

Transparency Act Statement

2022



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1. Introduction and background

Scatec is a leading renewable energy solutions provider, accelerating access to reliable and affordable clean energy in high growth markets. As a long-term player, we develop, build, own and operate renewable energy plants, with 4.6 GW in operation and under construction across four continents today. We aim to build a stronger and long-term position in specific focus emerging markets, with experience accelerating demand for renewable energy, where Governments with a clear green agenda, and where we see the potential to build scale and apply our integrated business model. Our focus markets are: South Africa, Brazil, the Philippines, Hydro-Africa, Egypt, India, and Poland.

Sustainability is a fundamental part of our organisation, rooted in all our business units and integrated across our value chain. We have dedicated sustainability resources, both at the project and corporate level, involved in all project phases for long term approach and impact.

Scatec is committed to operating in line with the [Equator Principles](#) and [IFC's 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 renewable energy projects and their associated impacts. Scatec's Environmental and Social Management System (ESMS) provides a framework to identify, assess and manage the company's environmental and social risks throughout the project lifecycle and value chain. Our ESMS is aligned with international best practice, such as the IFC ESMS Implementation Handbook, [ISO](#) standards, among others.

In this Transparency Act Statement we detail how we, across our global operations and value chain activities, embed our commitment to respect human rights and provide decent working conditions in line with the objectives of the [UN Guiding Principles on Business and Human Rights](#) (UNGPs) and the [Norwegian Transparency Act](#).



2. Transparency Act readiness assessment

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 general public with the right to request information regarding a company's due diligence assessments and activities.

In early 2022, Scatec engaged a third party, [Position Green](#) (formerly The Governance Group), to conduct a gap analysis against the requirements of the OECD Guidelines for Multinational Enterprises. The purpose of the analysis was to identify any potential gaps to ensure compliance. The result of the completed process was a report that summarised key findings and recommendations.

Key findings

- Scatec's human rights due diligence processes are largely aligned with the requirements of the OECD Guidelines for Multinational Enterprises.
- Human rights impacts and risks are continuously assessed and managed in Scatec's project development and supplier management processes.
- Most of Scatec's systems are either good enough or require small adjustments to be good enough for compliance.
- Annual and quarterly ESG reporting on human rights risks have an adequate level of detail.

Main recommendations

- Conduct an in-depth saliency assessment and embed the “cause, contribute, linkage” framework to decision making.
- Improve human rights related stakeholder engagement to better understand impacts and actions.
- Assessments should be more specific and management of risks more systematic within the organisation.
- Ensure an increased focus on human rights in supplier assessments.
- Further structure communication of human rights due diligence and processes.
- Comprehensive reporting on significant risks and impacts should be published and signed by the Board.

Summary of actions taken

- Established an internal working group between Sustainability, Compliance and Supply Chain.
- Created a separate section on our corporate website for all relevant documentation.
- Updated policies and procedures to ensure clearer descriptions of human and labour rights violations.
- Revised and strengthened our Integrity Due Diligence (IDD) Questionnaire to gather more information from third-parties on human rights.
- Updated the IDD Tracker with risk categories for human and labour rights for improved analysis and reporting.

During 2022 to first quarter 2023, Scatec worked to close the gaps towards compliance, implemented recommendations and will be further embedding best practice aligned to the Act during 2023. Refer to the external review summary by Position Green included at the end of this statement.



3. Scatec's management of human rights

3.1 Governance

The Board of Directors is responsible for ensuring that Scatec conducts its business using sound corporate governance. Scatec's values constitute a key premise for our corporate governance, namely: predictability, driving results, being changemakers and working together. These values aim to characterise our behaviour and form the basis for our ethical guidelines. Compliance with national, regional and international laws and regulations is mandatory in all Scatec activities. However, business ethics extend beyond simple compliance.

Our key governing documents are listed and briefly described below:

- **Our Code of Conduct** sets out the essential requirements for ethical business conduct in Scatec, applicable to all our employees, hired consultants and directors, including our subsidiaries, joint ventures and affiliates.
- **Our Human Rights Policy** confirms Scatec's responsibility to respect human rights and applies to our business activities wherever we operate and pay special attention to the human rights risks associated with certain groups, such as indigenous people, minorities, women, children, migrant workers and other vulnerable groups.
- **Our Integrity Due Diligence (IDD) Procedure** requires Scatec to assess potential business partners to confirm commercial competence and corporate integrity, and to review a business partner's ability to meet our standards and values.
- **Our Partner Conduct Principles** sets out Scatec's values and selected rules and expectations for our business partners, service providers and suppliers.
- **Scatec's Human Resources Policy** guides the effective, efficient, and engaging management of people or human resources within the company internationally. We do not allow any kind of forced labour or utilise any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty.

Our policies and procedures (available on our [corporate website](#)) were reviewed and updated to reflect what constitutes human rights and labour violations, as well as the classification of such violations.

Scatec's Sustainability, Supply Chain and Compliance business units collaborate and are responsible for:

- assessing human rights risks
- screening our projects and value chain partners
- conducting due diligence and implementing mitigating actions
- reporting externally on human rights.



3.2 Salient risks

As a multi-faceted renewable energy provider, Scatec faces varying human rights-related issues in relation to its solar, hydropower, and wind operations as well as within the respective value chains. Scatec and Position Green undertook an in-depth saliency assessment comprising of the following main steps: identification, prioritisation, and finalisation of the list of salient issues.

Human rights risks were identified across 25 specific operational¹ and value chain areas, and categorised according to severity (considering scale, scope and remediability) and likelihood. Thereafter, salient human rights risks were mapped according to Scatec's main operational portfolios 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.

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

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

3.3 Due diligence

Scatec can be connected to human rights impacts on our own employees, workers in the supply chain, and local communities affected by our business and supply chain. This connection to risks and impacts can happen mainly through these paths:

- Directly through our operations.
- Through suppliers and their sub-suppliers.
- Through partnerships, where we do not have operational control.
- Together with partners, in joint ventures or other forms of shared responsibility for projects.

In all the areas listed above, we have established due diligence processes to assess risks and impacts on human rights.

¹Scatec's own operations comprise the development, construction, operation and ownership of renewable energy projects and solutions.

Due diligence in our solar, wind and hydro projects

- We follow standardised processes in all our projects to identify, mitigate and monitor our environmental and social (E&S) risks and impacts including human rights under the [IFC Performance Standards](#) framework.
- We conduct human rights due diligence as part of our overall E&S due diligence process. Project risk registers, Environmental and Social Impact Assessments (ESIA), Environmental and Social Due Diligences (ESDD), Environmental and Social Action Plans (ESAP), Environmental and Social Management Plans (ESMP) all contain human rights aspects.
- When initial assessments point to potential human rights risks, focused human rights impact assessments are conducted to gather deeper understanding of the risks the development of a project can trigger and explore mitigation measures.

Due diligence in our supply chain

- All new third parties, hereunder business partners, suppliers and corporate customers must undergo appropriate Integrity Due Diligence (IDD) in accordance with the IDD Procedure.
- The IDD requirements for third parties are risk-based and determined by the risk of the country, scope of work, and annual value of the contract.
 - Our IDD Questionnaire was revised and strengthened in 2022 to require more information from third-parties on human rights due diligence within their own organisations.
 - Our IDD Tracker was updated with the risk categories for human and labour rights. This provides Scatec with an overview of the country, sector, third-party type, and human or labour rights risk categories of our third-parties for reporting purposes.
- No relationship with a third party may be established without appropriate assessments of the business relationship, and no contract shall be entered into without adequate undertakings covering governance, social (including human rights) and compliance matters.
- All third party relationships shall undergo sufficient monitoring.
- An Enhanced Due Diligence (EDD) process is followed when there is a high risk of human rights violations identified in a potential business partner's operations or supply chain. The EDD process includes a public records review, reputational review and potential red flags review conducted by a third party.
- 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.



3.4 Access to remedy

Scatec has both a whistleblowing channel and grievance mechanism in place in line with the IFC Performance Standards and UN Guiding Principles on Business and Human Rights.

The whistleblower function is available to all employees, suppliers, partners and customers of the company through internal channels and our [corporate website](#). The function is operated by an independent third party and 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 business unit. Each grievance is logged in our system, allocated to the responsible person and systematically processed according to our grievance procedures. We aim to have a response time and initiate action to resolve the grievance in a maximum of fifteen working days. The mechanism is available at each local project site and in five different languages on our [corporate website](#).

We report on the number of grievances received and resolved, as well as whistleblowing reports received and outcomes after investigations aligned to our internal processes. Refer our online ESG report on our [corporate website](#) for more information.

3.5 Training and capacity building

Scatec's human rights training programme for security personnel was launched in 2020. We collaborated with a third party to develop and standardise the training programme in line with the [Voluntary Principles on Security and Human Rights](#). All Scatec facilitators were trained by a third party with international best practice human rights experience to be able to present this training to the security guards at their respective locations. The training is provided to third party security service providers and staff based on Scatec's project sites.

In addition, the interactive corporate training for all employees continues and provides background to human rights and focuses on business and human rights and the specific role human rights play within Scatec and its operations. Further, Scatec provides training for other exposed groups, primarily community workers, including Community Liaison Officers (CLOs) and social staff.



4. Human rights findings in 2022

Further to Scatec's salient human rights issues identified, two cases are presented below related to our work in 2022.

4.1 Displacement and loss of livelihood

Land acquisition for our projects may negatively impact people that depend on this land. If any physical (loss of shelters) and/or economic displacement (loss of assets or income sources) cannot be avoided by considering alternatives and site optimisation, the resettlement process has to be properly managed to protect human rights of affected people and avoid any long-term hardship and impoverishment. Scatec adheres to [IFC Performance Standard](#) 5: Land Acquisition and Involuntary Resettlement, which guides the planning and implementation of a broad range of mitigation measures such as fair compensation and living conditions' improvement, with active engagement of the affected people during the process.

During the last year, physical resettlement was completed at two of our projects in the construction phase. Early E&S studies in 2021 pointed to the need for resettlement actions for the two planned projects and Scatec started the formal processes aligned to regulations and international best practice.



Sukkur project (150 MW) under construction, Pakistan

The highlights of the physical resettlement process that was successfully completed in Pakistan are as follows:

- The process involving 81 households was planned and implemented in full alignment with the principle of informed consultation and participation, and achieved improved living conditions for the affected households.
- To start the process, a survey was carried out to collect socio-economic baseline data and identify the affected households who will be eligible for compensation and assistance.
 - Since affected households comprised members of different tribes, detailed consultations were held with each tribe separately.
 - Approvals for the resettlement approaches and entitlements were attained afterwards at household level, and specifically from the female household members.
 - For each household, tailored resettlement plans were developed and implemented under close support and monitoring.
- A functional grievance mechanism supported this process by receiving and addressing all concerns in a timely manner.
- In order to proactively address inequalities and empower women, who are identified as a key vulnerable group in our human rights assessment, a Gender Action Plan (GAP) was developed for the project in partnership with [UN Women](#). The plan addressed gender aspects of both the resettlement process and project's construction and operation activities in a comprehensive and coherent manner and presented management measures, including a wide range of initiatives:
 - equal ownership rights to the replacement land of men and women.
 - special allowances to women-headed households for income generation activities.
 - training programmes for Scatec and our contractors' employees to address gender-based violence and harassment.
- Following the completion of the resettlement process, the third party experts engaged by the project financiers confirmed achievement of the Broad Community Support per IFC's Sustainability Policy¹ early in 2023 which was based on interviews with affected households and communities neighbouring the project site.

Scatec also specifically focused on monitoring our contractors to ensure that compliant labour practices are established and maintained in all projects. In line with our own commitment, we require all contractors to comply with IFC Performance Standard 2: Labor and Working Conditions, in addition to local law and regulations. These standards are requested to be cascaded down to subcontractors with contractual arrangements. As part of periodic inspections and audits, we monitor working conditions, recruitment practices, welfare services and efficient grievance mechanisms on a regular basis.

¹The policy states that the projects with potentially significant, adverse impacts must have "broad community support" in order to receive IFC financing.

4.2 Forced, compulsory and child labour

Scatec continued to collaborate with key stakeholders to address the alleged forced labour issues in the solar PV production industry in Xinjiang, China.

Transparency in solar module supply chains

There are industry-wide risks and human rights challenges associated with the solar supply chain. Scatec is proactively working with the industry and suppliers, such as [SolarPower Europe](#) among others, to further develop and broaden the supply chain, implement strong processes to mitigate and address those risks and industry-wide challenges. We implemented processes to manage the risks and systematically conduct risk assessments including human rights aspects in all our projects.

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, such as the [Clean Energy Associates](#) (CEA), 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.

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 systematically increased scrutiny of our solar suppliers over the last years. In the event that a potential forced labour violation by a solar module supplier were to be identified, our internal requirements compel us to work with the supplier to address adverse findings. If we are unable to confirm that our standards could be satisfied by the supplier, even with our support, we would seek an alternative supplier.

The risk of forced labour is an industry issue and we regularly collaborate 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 cooperating with foreign audits on labour rights. We participate in and actively support industry and government collaboration to increase long-term solutions, including the development of alternative supply chains outside of regions with high human rights risks.

For further information on the measures implemented and actions taken by Scatec related to our solar module suppliers, refer to the 'Transparency Act' section on our [corporate website](#).



5. Scatec's focus on human rights in 2023

The primary focus of our human rights work continues to be structured and systematic human rights due diligence. This includes fully implementing the “cause, contribute, direct link” framework with action plans for all issues identified.

We will follow comprehensive processes detailed with our third parties for human rights impacts identified in our own operations, or within our supply chain. We are updating our Supply Chain risk register to include the management of human rights risks, already embedded in our E&S risk register. In doing so we will be able to better monitor and follow up on these risks both on a project and corporate level. The effectiveness of our short term actions will be assessed during the next year.

In the medium term, Scatec will further work towards developing a performance framework on human rights. In this regard, we will continue, through both internal and external efforts, to pursue meaningful key performance indicators (KPIs) to track human rights due diligence performance.



Transparency Act: Scatec ASA

Background

The Transparency Act (Åpenhetsloven) 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 organization, supply chain and with their business partners. The law entered into force on July 1, 2022, and provides the general public with the right to request information regarding a Company's due diligence assessments and activities.

Scope of work

In early 2022, Scatec engaged a third party, Position Green, to conduct a gap analysis against the requirements of the OECD Guidelines for Multinational Enterprises. The purpose of the analysis was to identify any potential gaps in Scatec's human rights due diligence in order to close them and to ensure compliance with the law. The scope did not include an in-depth assessment of the actual impact Scatec had, rather the management systems it had in place. As such, reliance was placed on the statements of Scatec in this regard. The result of the gap analysis was a report summarizing key findings and recommendations.

Key findings and results

The gap analysis showed that Scatec's human rights due diligence processes were largely aligned with the requirements of the OECD Guidelines for Multinational Enterprises. The majority of the due diligence process met the minimum requirements of the Transparency Act.

Most of the Company's systems were either good enough or required small adjustments to be compliant. Therefore, many of the recommendations for improvement related to best practice, rather than to compliance.

Key recommendations

The Transparency Act expects companies to carry out human rights due diligence that is reasonable and proportionate to their size, industry and geographic footprint. In addition, the law includes an expectation for companies to keep improving and deepening their human rights due diligence processes. As such, in order to meet the expectations of the law, and ensure continued adequate human rights due diligence, Position Green recommended that Scatec prioritise three actions:

1. Conduct a saliency assessment which prioritises the most significant human rights risks and impacts for action, based on severity and likelihood. This will meet the requirements within the OECD Guidelines for Due Diligence on identifying and assessing actual and adverse impacts.
2. Integrate the “cause, contribute to and directly linked to” framework into its approach to stopping, ceasing and mitigating adverse impacts on human rights.
3. Develop key performance indicators (KPIs) that will allow Scatec to track its effectiveness of its human rights management.

Conclusion

Since receiving the recommendations, Scatec has worked on implementing them. It has refreshed its saliency assessment, taking into account severity and likelihood, and considered risks throughout its supply chain. This resulted in additional potential human rights issues being identified as salient to Scatec.

Scatec has also worked to strengthen its human rights risk identification and evaluation process, within its own operations (including engineering, procurement and construction contractors), existing equipment suppliers and potential new equipment suppliers. The new processes strengthen the consideration of human rights issues, placing an emphasis on those with knowledge of human rights issues making decisions, as well as cross-functional knowledge sharing. In addition, the new processes integrate the “cause, contribute and directly linked to” framework, to help guide the mitigation plans Scatec will devise when considering what actions to take when issues are identified.

Scatec is also in the process of developing and testing appropriate KPIs to track the effectiveness of its human rights due diligence actions. Given the complexity and challenges within the renewable energy industry supply chains, it is important for Scatec to continuously review its approach, which is something that its new processes contribute towards. Scatec has shown an understanding that compliance does not stand still and that it must constantly work to improve its human rights due diligence work.

The Transparency Act Statement prepared by Scatec for publication before 30 June meets the requirements of the Act to account for human rights due diligence in external reporting, signed by the Board of Directors.

Oslo, May 31, 2023



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