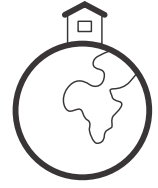


Contributing to local value creation





Contributing to local value creation

Our goal is to positively impact the communities in which we operate, both directly and indirectly. We strive to employ local labour, to identify needs in the local communities for our community development programmes, and to maintain open and transparent dialogue with relevant stakeholders.

Solar power plants impact local communities. Changes are usually positive, bringing social, economic, and infrastructure improvements. But the possibility of unintended consequences cannot be overlooked. Potential impacts include physical and economic displacement, changes in vegetation and infrastructure, and increased activity levels in the area. Impacts during construction such as traffic, noise, and dust are considered limited and effectively mitigated if and where nearby communities exist.

We often operate in countries where legal frameworks and governing structures do not necessarily protect the communities we might impact to the same extent as in more mature economies. Solid interaction with our project neighbours and establishing good relations are therefore essential. In all our operating projects, we have local community engagement and impact assessments. If dialogue with affected parties is not carried out in a timely and integrated manner, misinterpretations and concerns in local communities might arise.

Since our founding, we have gained considerable experience in working with local communities in different countries. We follow the IFC's Performance Standards when we develop our stakeholder engagement analyses and plans for all projects.

Our policy

- Employ local labour, enable knowledge transfer and create jobs in local communities
- Use local suppliers whenever feasible
- Plan for and contribute to local development initiatives
- Train and educate our people on how best to operate in a new, often foreign culture
- Develop a structured stakeholder engagement plan for all projects at an early stage to help us inform and communicate with affected parties.
- Appoint a designated community liaison officer in our projects to facilitate understanding and communications in local communities
- Maintain an active dialogue during the project phases with the local communities and engage at several levels, from national governments to project partners.



International principles for stakeholder engagement

- A stakeholder analysis and stakeholder engagement plan is always carried out in accordance with the IFC's Performance Standards and with the Equator Principles.
- All projects have assigned a Community Liaison Officer (CLO) who is responsible for community engagement and maintaining good relations with the local communities.
- We implement a grievance mechanism for all our projects, available locally at the project site and on our corporate website.

Our achievements and results in 2018

In 2018, we entered several new communities to construct solar plants across eight countries. Our key efforts were focused around stakeholder and community engagement, local recruitment processes, handling grievances, and planning and implementing new development programmes. We also worked to ensure that our stakeholder engagement plans and procedures are aligned with international standards across projects.

Local Job Creation

Without income generation, no community is stable or sustainable. Scatec Solar is strongly committed to contributing to job creation, and we employ local labour and suppliers as

far as possible, regardless of whether this is a requirement. This practice contributes to reducing unemployment rates and provides knowledge and technical skills transfer to the communities where we are present.

Most of the jobs created through our projects originate during the construction phase, which usually lasts 6–14 months. Workers are provided with important technical skills and experience that make them more eligible for future jobs.

In 2018, we generated approximately 6,000 jobs from our projects under construction, with the percentage of local employees averaging about 70–80%.



6,000 jobs created

in 2018 from projects under construction
– majority local and unskilled labour





Local recruitment in Brazil:

Project: Apodi with a capacity of 162 MW

Number of jobs created during the peak construction period: 1,400

Percentage of local employees (citizens): 80%

- The unemployment rate in the local community surrounding the site was close to 50%, with low prospects for job opportunities.
- The announcement of the local recruitment needs by the project generated strong engagement, with hundreds of individuals lining up outside the project site.
- Through open dialogue with the job seekers, a “virtual queue” was created on an app platform where all individuals were registered while keeping their positions in the physical line.
- The virtual list was published in the governmental office for local employment and a group containing all registered job seekers was created for information and communication.

We also try to hire locally for the permanent positions in the various stages of our value chain including engineers, plant managers, HSSE experts, civil and mechanical workers, security personnel, and community liaison officers, to mention a few. The table below shows some examples of permanent local job creation on a senior management level and other positions across our projects in operation for the last two years.

Local supply chain development

Scatec Solar strives to use and strengthen local supply chains and entrepreneurs to the extent possible in our local operations. We seek to procure and contract between 20-30% of local goods and services such as accommodation, vehicles, staff, fencing and civil contractors, depending on the country and availability of goods and services. Once a solar plant is in operation, we usually achieve a minimum level of 60–80% of local contracts of goods and services.

Permanent local job creation for plants in operation

PERMANENT EMPLOYEES	2018	2017
Senior management level		
Plant Managers	11	9
Other Levels		
Operation & Maintenance operators	48	32
Community Liaison Officers	10	8



“To perform our business in a sustainable way is the only way to ensure success for our projects and a respectful experience for the neighbors we affect”.

Roar Haugland, EVP Sustainable Business & HSSE

Stakeholder engagement in local communities

There are various ways in which projects engage with local communities. To inform the communities about the project and about potential impacts, manage expectations, and to ensure local support and understanding of our projects, regular meetings with local leaders and representatives from local communities are held in all communities where we have a presence.

We usually experience a lot of engagement in local communities during the initial project phases of development and construction.

Topics and issues raised during local stakeholder meetings that are considered material are communicated to the management through biweekly progress reports, usually from project managers or other project team members.

Grievance mechanism

Scatec Solar has a publicly available grievance mechanism for all projects through the corporate website and at each local project site. The total number of grievances received during 2018 for projects in operation, under construction, and under development totalled 92. We see a large increase in the number of grievances from 2016 to 2017, while there was a decline from 2017 to 2018. The higher numbers in 2017 and 2018 are primarily explained by additional projects under development or construction, which usually represents the

phases with most feedback and concerns from stakeholders of the projects.

Of the total number of grievances, 54 were related to the Mocuba project in Mozambique and 17 were related to our projects in Malaysia. The remainder were related to our projects in Brazil, South Africa, Egypt, and Honduras.

Most grievances in Mozambique were connected to the construction period, when workers raised concerns with subcontractors regarding salary payments, miscommunication, and other work-related issues. Some of the grievances were also linked to the final stage of the resettlement programme. All such grievances were solved during the year. Most of the grievances in Malaysia involved concerns related to impacts such as dust and minor damage to local roads and compensation payments for impacts on agricultural production.

The majority of grievances were solved by engaging with the local communities regularly and communicating our processes and principles. At the end of the year, five grievances in Mozambique and four grievances in Malaysia were still being resolved. Nine of these were resolved during the first month of 2019. The remaining four unresolved grievances from other locations are still being addressed and are expected to be resolved in the near future.

Community dialogue and engagement indicators

	2018	2017	2016	2015
Percentage of operations with implemented local community engagement, impact assessments, and development programmes	100%	100%	100%	100%
Number of grievances received	92	118	16	19
Number of grievances addressed and resolved	79	103	10	19

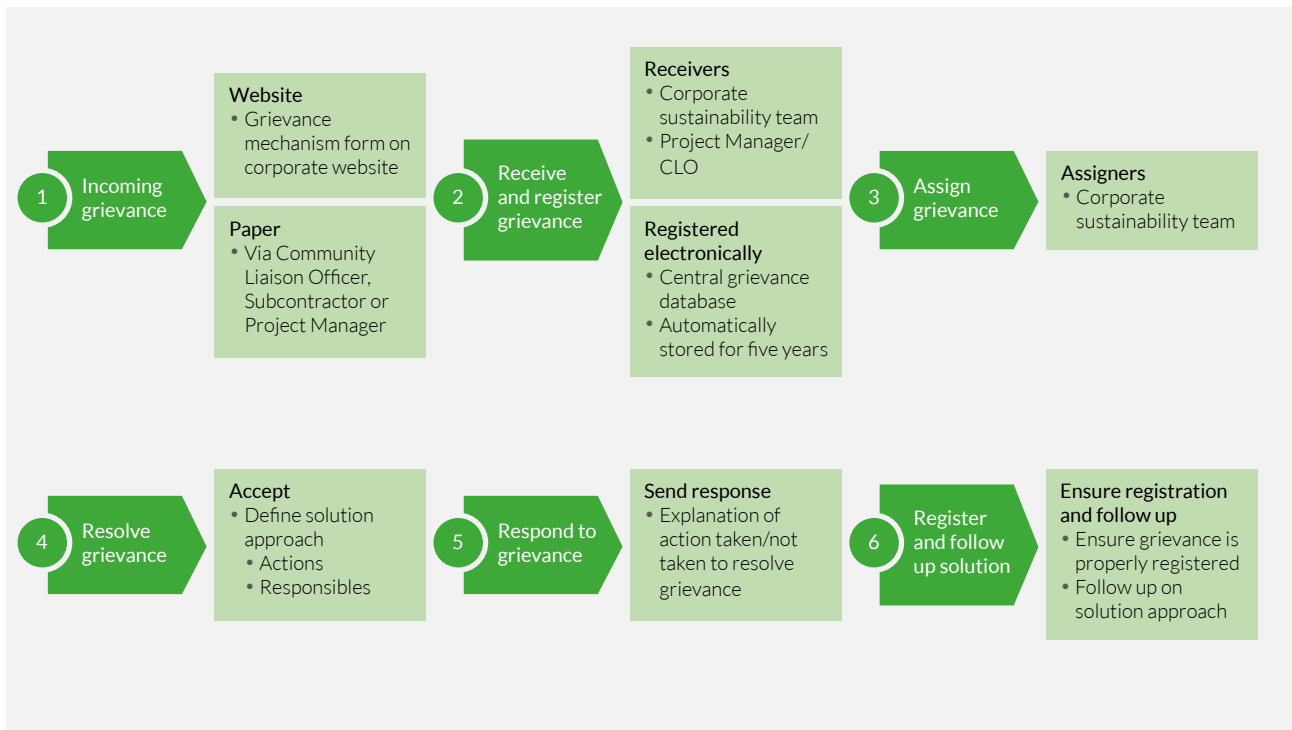


Grievance mechanism

The 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 the sustainability unit.

All grievances are taken seriously and processed according to our procedures. We aim to have a response time of a maximum of 30 workdays. The mechanism is available at each local project site and in five different languages on our website: English, Arabic, Spanish, Portuguese, and French, and represents a valuable platform for engaging with communities.

Grievance mechanism process





Challenges with local community relations in Honduras

Project information

- Project: Los Prados
- Capacity: 35 MW (phase I)
- Location: Southern Choluteca region of Honduras
- Grid connected: Third quarter 2018
- Project partners: Scatec Solar and Norfund
- Energy produced: 73,000 MWh annually
- Providing energy for: 16,300 households
- CO₂ reductions: Approx 40,000 tonnes annually

Short background

- In November 2015, Scatec Solar and Norfund acquired the Los Prados project in Honduras from a local developer. The development of the project had started back in 2014 with all permits in place at the time of acquisition.
- The local population consists of more than 4,000 inhabitants. According to surveys most inhabitants were in favour of the project. However, a small group of people of about 20 individuals protested violently against the project. Our employees were assaulted, and the protesting group caused damages to our physical facilities.
- Our analyses uncovered that the protests were largely based on misconceptions about the nature of the project and its effect on the local community. Rumours were that pregnant women would lose their unborn child if they went nearby the plant, if looking at the plant you could go blind, that the installations were toxic and could ruin the environment and deprive the locals of their ground water.
- Scatec Solar realised that there was a need to enhance our effort in informing the public about the project.

Key measures implemented

- We assessed the situation, significantly strengthened our social team locally and recruited Community Liaison Officers and involved the HQ Sustainability team.
- We conducted a new baseline study identifying the community and stakeholders affected.
- We developed information material which addressed all misconceptions in a simple and understandable way and established a community house as a place for neutral dialogue; including forums, meetings, social programmes and other communication initiatives.
- We implemented our social programmes more quickly: We were able to shorten the timeline for local community development programmes together with the local village representatives and the mayor, to ensure that local communities could clearly see and influence the programs we planned to implement.

Local ripple effects of the project

- Employed 272 workers, of which 80% were local workers
- Engaged in local training and knowledge transfer at various levels
- Funded and implemented numerous social programmes and activities such as:
 - Home improvement project covering about 450 houses across three communities (improve roofing, walls and flooring)
 - Electrification project benefiting 83 households
 - Water project benefiting 81 households
 - Other initiatives include support to several local institutions such as libraries, churches and schools, as well as general food and tree planting donations in the communities

Local development programmes – key highlights 2018



Early childhood development

South Africa: Custoda Trust ECD resource and training centre

- 8 ECD practitioners trained towards a full NQF Level 5 qualification

South Africa: FARR programme

- Foetal Alcohol Spectrum Disorder prevention and awareness programme
- Healthy Mother Healthy Baby programme recruited 128 mothers in 2018
- Support is provided to mothers through group sessions and individual home visits

Honduras: Clean energy informative talks

- Quarterly information sessions at 5 schools in the communities



Technical and vocational education

South Africa: Business Administration course

- 60 entrepreneurs received Business Administration Training in South Africa
- Capacitating unemployed youth and community members by enabling employability
- Upskilling small, medium and micro enterprises (SMMEs) to run their businesses effectively

Jordan: Al Qantara Center

- Language Lab set up offering free training courses and workshops
- The centre aims to improve the English skills of community members of all ages

Honduras: Women Empowerment programme

- Construction at the Los Prados Project
- 80 women from the local community including non-skilled and female technicians received HSSE training

Malaysia: Training programme at local prison facilities

- Recycling waste wood program in collaboration with the Malaysian Prison Department
- In excess of 1 000 workers (of which 40% were skilled and semi-skilled locals) benefitted from the training focused on carpentry and mechanics

Our main contribution is towards SDG 4 sub-targets:

- By 2030, substantially increase the number of youths and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship
- By 2030, ensure that all girls and boys have access to quality early childhood development, care, and pre-primary education so that they are ready for primary education





Mozambique

Malaria Vector Control Programme

Project: 40 MW project located in Mocuba, Mozambique

Background: High risk malaria area

Program partnership: Funded by Scatec Solar and Norfund. Implemented by IMCC (Integrated Malaria Control Consulting) and Scatec Solar.

The programme consists of two main phases:

- Phase I: Work-based programme to cover the approximately 700 workers on the project site and their households
- Phase II: Community based programme to cover local households in the surrounding communities

Local job creation: Recruited four individuals from the local communities surrounding the project site to become spray operators in the first phase of the programme.

Current status: The first phase was kicked off in late 2018 with training of local spray operators. The local team is currently initiating indoor residuals spraying of households, for phase I.

To increase local job creation, we recruited four individuals from the local communities to become spray operators in our malaria programme in Mozambique.



Brazil

Local entrepreneurship project

Location: Quixere in the state of Ceará, Northeast region of Brazil

Purpose: Establish an innovation and knowledge hub for existing and new entrepreneurs locally

Partners: Partnership with CIEDS – NGO specialising in education and training with more than 20 years of experience

Total budget: USD 88,000

Community mapping: Developed a Social Diagnosis Report mapping demographics, local challenges, and skills and education levels. Local authorities were involved in the mapping phase and an open dialogue was established to explore where we can contribute the most.

Current activities: Established a local project group and selected 20 established contractors and 50 new entrepreneurs to become part of the network, with access to specialists in their relevant fields.

Goal: To support the group with their local challenges and improve their existing businesses and new business proposals

Our ambitions and goals

Our targets for 2019 and onwards are outlined below:

Community engagement

- Initiate our community engagement efforts at least six months prior to the expected construction start
- Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards
- Resolve all project grievances within two months of their registration
- Appoint a designated Community Liaison Officer in all projects

Local job creation

- Hire 70–80% local workers in every project during the construction period

Local development

- Dedicate a specific budget for development programmes for each project, aligned with local community needs
- Minimum one long-term education-related programme in all solar projects
- Start to implement small-scale solar PV projects to benefit local communities in new projects – implement at least one new project in 2019

