

Anti-corruption



We depend on a sustainable business environment and always seek to comply with high standards of business ethics. The selection of, and cooperation with, business partners including suppliers, consultants, local partners, banks, governments, and local authorities is vital to ensure a non-corruptive business environment.

We undertake thorough assessments of the potential host country, region, and partners before we decide to conduct our business. We always perform due diligence of potential partners and suppliers through a screening process to identify heightened risks or blacklisted individuals and organisations. This effort includes using renowned third-party international risk specialists to conduct background checks of business partners and individuals. Some of our main financial collaborators such as Norfund, the International Finance Corporation (IFC), members of the World Bank Group, and other leading Development Banks are widely acknowledged for having high ethical standards and rigorous due diligence requirements.

Our policy

- Maintain a zero-tolerance principle for bribery and corruption
- Continuously strive to maintain high ethical standards
- Build a culture that values honesty, integrity, and transparency, and require each partner and/or supplier to adhere to the same
- Conduct risk assessments of potential partners, operating countries, and locations to assess governance-related risks such as criminal records, creditworthiness, breaching sanctions, and engaging in bribery and corruption
- Ensure that our own high standards of anti-corruption behaviour are clearly reflected in contracts with our partners
- Provide anti-corruption training for all employees
- Pass all solar projects through four separate decision gates where screening, compliance, and risks of corruption must be cleared



“We work systematically to prevent corruption and unethical practices in all projects and operations”.

Snorre Valdimarsson, EVP Legal Counsel

The Transparency International Corruption Perceptions Index

(0–19) EXTREME RISK	(20–39) HIGH RISK	(40–59) HIGH-MEDIUM RISK	(60–79) MEDIUM	(80–100) LOW
	Mozambique (23)	Argentina (40)		Norway (7)
	Honduras (29)	South Africa (43)		
	Ukraine (32)	Malaysia (47)		
	Egypt (35)	Rwanda (48)		
	Brazil (35)	Jordan (49)		
		Czech Republic (59)		

Scatec Solar is committed to develop all projects in accordance with the IFC’s Performance Standards and the Equator Principles. This commitment includes, for example, the screening of all potential partners against the World Bank Listing of Ineligible Firms & Individuals. All subcontractors and suppliers must adhere to our Supplier Conduct Principles.

Specific corruption risk assessments

Scatec Solar operates in partnerships and seeks equity co-investments on a project basis to enhance value and reduce risks whenever feasible. The large-scale solar energy

industry is characterized by high-value investment and significant government interaction through the awarding of power purchase agreements, either through public tenders or bilateral negotiations, concessions, and regulations. In addition, companies operating in the solar power industry need licenses and permits to operate in a given country, to rezone land, and to be allowed to produce and sell power. Most of the projects Scatec Solar undertakes involve an inherent risk of corruption. A high-level list of risk areas identified for our company is outlined in the table on next page, which applies to all our projects (alphabetical order).



RISKS	BRIEF DESCRIPTION	KEY MITIGATING ACTIONS
Customs	Customs processes are vulnerable to corruption. Scatec Solar can be held liable for corruptive behaviour on the part of its suppliers, distributors, and agents when importing goods and services during the construction phase.	<ul style="list-style-type: none"> • Anti-corruption training for all employees including project teams during construction phase • Responsible procurement policy • Country risk assessment • Trial shipment of components pre-execution of project to verify document requirements upfront
Employment	Employment opportunities through Scatec Solar, especially where there are local content requirements, can be misused for private gain.	<ul style="list-style-type: none"> • Screening of all potential recruitments • "One-over-one" approval principle for new hires
Foreign exchange controls	Several of the countries where Scatec Solar operates have foreign exchange operations susceptible to manipulation and informal exchange processes, which may include corrupt practices.	<ul style="list-style-type: none"> • Due diligence, control and authorization procedures • Country risk assessment • Trial transfer of funds pre-construction to verify document requirement upfront
Gifts and hospitality	Practice of giving or receiving gifts and/or hospitality in exchange for advantage as an inducement to something which is illegal or a breach of trust.	<ul style="list-style-type: none"> • Anti-corruption training for all employees • Ethic's Policy that specifies limits on gifts
Licenses and permits - lobbying	Projects are dependent on a range of permits and licenses, which make Scatec Solar vulnerable to solicitation, collusion or other forms of corruption.	<ul style="list-style-type: none"> • Perform due diligence of all permits, licenses and awards. • Monitor, flag and clear deviations in the permitting process • External due diligence report / legal opinion on process • Transfer funds through accounts held by the recipient under their name in a bank located in the host country. • Anti-corruption clauses and obligations for the counterparty in all contracts
Stakeholders and Partners	The selection of local partners may expose Scatec Solar to their previous actions that may be sanctionable. Social investments a mean for embezzlement and/or elite capturing.	<ul style="list-style-type: none"> • Perform integrity due diligence of all parties involved, including due diligence questionnaire and background checks on key partners • Screen company, board, managers, key employees and ultimate owner/beneficiary through RDC • Transfer funds through accounts held by the recipient under their name in a bank located in the host country. • Anti-corruption clauses and obligations for the counterparty in all contracts
Power Purchase Agreement	Power Purchase Agreements in high risk countries are vulnerable to corrupt practices with regard to contracting.	<ul style="list-style-type: none"> • Pre-determined auction rules • Public auction • Due diligence of criteria and external legal assessment on transparency/lender's due diligence
Procurement	Sourcing of engineering, procurement, and construction services and components from suppliers exposes Scatec Solar to several corruption risks including selection of local vendors.	<ul style="list-style-type: none"> • Management screening of framework agreements • Adherence to our Supplier Code of Conduct • Four eye principles
Community investments	Solar projects subject to political and governmental interests with regard to concessionary and licensing processes. Underlying risk of political corruption in form of donation or favoritism.	<ul style="list-style-type: none"> • Zero tolerance principle • Anti-corruption training for all employees • Country risk assessment

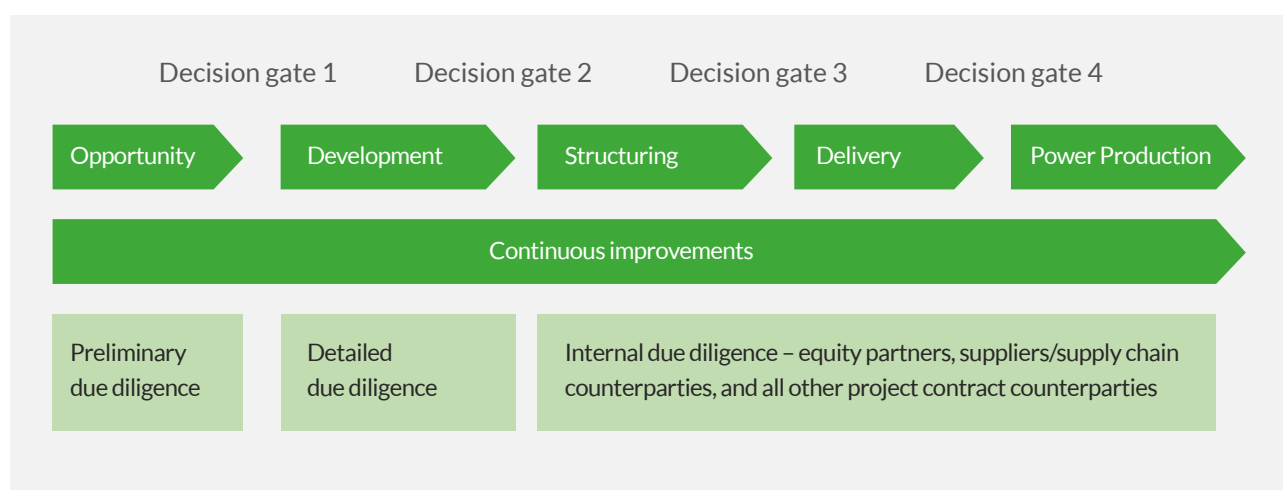
Our achievements and results in 2018

All operations, including projects and business partners of Scatec Solar, were assessed for risks related to corruption in 2018. Projects moving from opportunity, development, and structuring to the delivery and power-production phases are assessed through Decision Gates. There are four Decision Gates with clear criteria and requirements

related to screening, compliance, and risks of corruption (see illustration below).

During 2018, all projects passing Decision Gate 3 were screened for risks related to corruption: three projects in Ukraine, one project in Argentina, and three projects in South Africa.

Due diligence process



Reporting

During 2018, we worked to make our internal reporting channels more accessible to employees. This work involved setting up a new platform on our Company intranet that compiles all reporting channels into one channel. We registered a total of four reported incidents through our whistle-blower channel, of which three related to corruption and one related to discrimination. The investigation of the three concerns related to corruption did not result in any confirmed incidents of corruption.

Training

In line with one of our main goals from 2017, we started mandatory anti-corruption training for all employees, offered quarterly, which increased the availability of the course and encouraged new and existing employees to update their knowledge whenever necessary. In addition, we organised specific anti-corruption and integrity due diligence training for particularly exposed business units including our Supply Chain and Business Development units.

Corruption incidents 2018 and 2017

	2018	2017
Confirmed incidents of corruption	0	1
Confirmed incidents in which employees were dismissed or disciplined for corruption	0	1
Confirmed incidents when contracts with business partners were terminated or not renewed because of violations related to corruption	0	1
Public legal cases regarding corruption against the organisation or its employees during the reporting period	0	0
Number of companies or individuals on Scatec Solar projects subject to IFC investigation or sanctioning	0	0



Our ambitions and goals

We will continue to raise awareness of corruption and of the high expectations we have for our employees and business partners. In 2019 we will:

- Review, audit, and update our Anti-Corruption programme and ensure that our Ethics Policy, Anti-Corruption

programme and Partner Conduct principles are available and known by all stakeholders

- Continue to provide anti-corruption training for all employees quarterly, with a target completion rate of 100% over a 2-year period
- Ensure that all business units receive continuous training sessions and dilemma training tailored to their specific needs



2018 recognition:

Scatec Solar's legal team was listed as one of the most influential and innovative in-house legal teams working in the Nordic region by the Legal 500 GC Powerlist.

2018: Whistleblower function

A whistleblower function is available to all employees, suppliers, partners, and clients of the company through internal channels and our corporate website. The mechanism includes a hotline available 24/7 operated by BDO, a neutral third party. All whistleblowers have the option to be anonymous.

Number of incidents reported in 2018: 4
Related to potential corruption: 3

All incidents reported in 2018 were received anonymously by BDO and investigated according to the established investigation procedure.

No breach of policies or regulations was detected.

Two of the incidents were concerns about potential corruption relating to the process of awarding contracts in a project. Both concerns were investigated and cleared, as the two incidents complied with our Corporate Procurement policy.

The third incident was a concern about potential corruption linked to an allegedly private sale of damaged solar panels in a project. The concern was thoroughly investigated and cleared, as the sale was approved by the Company.