



Green Finance Report

2021

Improving our future

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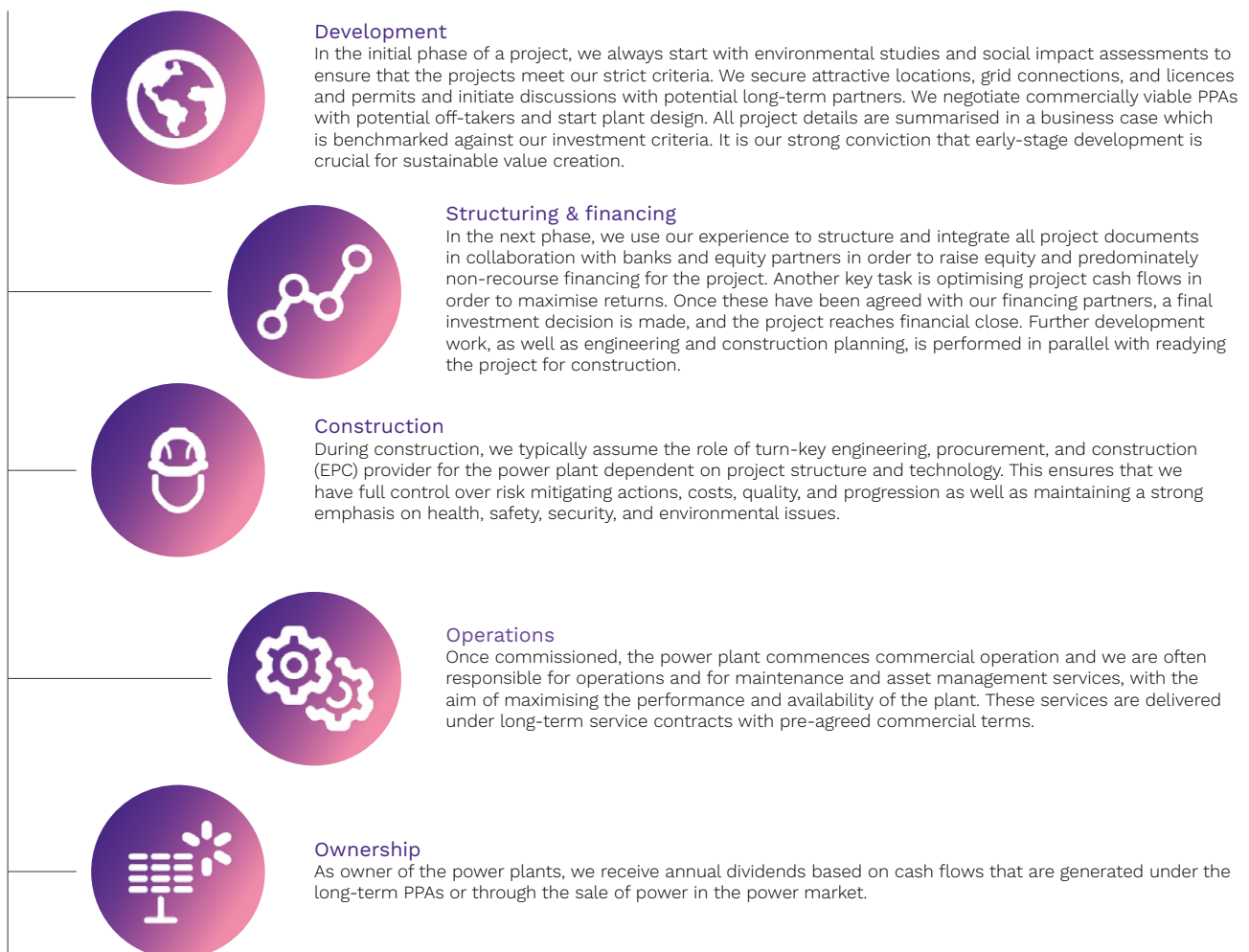
1. Introduction

1.1 About Scatec ASA

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 3.5 GW of installed capacity across four continents. We are targeting 15 GW of renewable capacity to be in operation or under construction by the end of 2025, delivered by our 600 passionate employees who are driven by a common vision of ‘Improving our Future’. Scatec is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker symbol ‘SCATC’.

An integrated business model

Over time we have developed a business model which allows us to capture the total value of a renewable project while retaining control over health and safety matters and managing the potential effects on people, communities, and the environment. Our business model involves the development, construction, ownership, and operation of renewable energy plants in emerging economies and the sale of power predominantly under long-term power purchase agreements (PPAs). Our approach is to offer the most cost-efficient solution for each project which could either be a single technology or a combination of several integrated renewables technologies.



1.2 Scatec and Green Financing

Scatec issued its first Green bond in November 2015 to finance investments in solar power. With the acquisition of SN Power and the broadening scope of renewable energy investments, Scatec chose to establish a new Green Financing Framework (the “Framework”) in February 2021, enabling the Company to finance its contribution towards a low-carbon and climate resilient future.

The Framework has been developed in alignment with the Green Bond Principles 2018¹ (“GBP”) and Green Loan Principles 2018² (“GLP”). The Framework is applicable for issuance of Green Finance Instruments (GFI) including Green bonds, Green loans and other types of debt instruments where net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing projects and asset with clear environmental benefits, as defined in the Framework.

The Framework is aligned with the four recommended components of the GBP and GLP; Use of Proceeds, Process for Project/Asset Evaluation and Selection, Management of Proceeds and Reporting.

The selection of Green Eligible Assets is managed by the Green Finance Committee (“GFC”), which is led by EVP Sustainable Business & HSSE and the Scatec Group of Management. All decisions are made in consensus. Only assets and projects that comply with the criteria defined in the Use of Proceeds section of the Framework are eligible to be financed with Green Finance Instruments. The CFO and Treasury Department are responsible for keeping an updated register of Green Eligible Assets.

The GFC monitors the development of the green finance market and may update the Green Financing Framework to reflect future market practices, such as the EU Taxonomy and potential updates to the GBP and GLP. Scatec aims to follow the development in a close way by:

- Conducting annual evaluation of the Framework’s alignment with EU Taxonomy within the GFC. The GFC is responsible for decisions on any potential adjustments of the Framework in light of the EU Taxonomy
- Including information on the alignment of underlying use of proceeds in the annual Green Finance Report

The Green Financing Framework has been reviewed by an impartial firm, which has provided a second party opinion to confirm its alignment with the GBP and GLP.

The Framework and second party opinion from CICERO Shades of Green are available on [Scatec’s website](#).

To enable investors, lenders and other stakeholders to follow the development of Scatec’s assets and projects funded by Green Finance Instruments, this Green Finance Report will give an overview of allocation of proceeds and environmental impact. The Green Finance Report will be published annually as long as there are Green Finance Instruments outstanding.

¹Green Bond Principles published in June 2018 are voluntary process guidelines for issuing Green bonds established by [International Capital Markets Association \(“ICMA”\)](#)

²Green Loan Principles published in March 2018 are voluntary process guidelines for issuing Green loans established by [Loan Markets Association \(“LMA”\)](#)

1.3 ESG in Scatec

Scatec's overall mission is to deliver competitive and sustainable renewable energy globally.

Sustainability is an integral part of Scatec's organisation and embedded in all business units. The Company has dedicated sustainability resources both at the project and corporate level involved in all project phases for long term approach and impact.

Governance and compliance

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 and the UN Global Compact. 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 impacts. [Refer to Scatec's website "ESG resources"](#) for a comprehensive overview of corporate policies and other relevant documentation.

In addition, several of the Company's projects in developing countries are assessed against the UN Framework Convention on Climate Change (UNFCCC) to certify that the renewable electricity generated by Scatec's facilities substitute the use of fossil fuels, and that the greenhouse gas emissions avoided by the Company's power production are real, verifiable and permanent.

ESG reporting and ratings

Scatec reports in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and regards our report to be our Communication on Progress (COP) to the United Nations Global Compact (UNGC), meeting the requirements of the UNGC Active Level. Furthermore, the Company reports to the Carbon Disclosure Project (CDP) and in line with the Task Force on Climate-related Financial Disclosures (TCFD).

Being transparent and open is a key responsibility Scatec has to its stakeholders. In 2021, an external auditor conducted a limited assurance covering all GRI indicators. The assurance report conducted in accordance with the International Standard for Assurance Engagements on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) is available on [Scatec's website](#).

Scatec holds top ESG ratings from leading global ESG rating agencies actively covering Scatec, namely Sustainalytics (Rated with low risk and top score in Utilities industry group), ISS ESG (rated A-), Morgan Stanley Capital International (MSCI – rated AAA) and once again included in the CDP A List. During the year, Scatec was awarded with top rating (A+), placing the Company, along with Norsk Hydro, as a leader in ESG reporting in Norway.

EU Taxonomy alignment

All Scatec's revenues, operating expenses and investments are derived from Taxonomy eligible activities. In 2021, third-party assessments were carried out to evaluate the Company's alignment with the EU Taxonomy. The solar PV projects were considered Taxonomy aligned through an external assessment early in 2021. The hydropower and wind assets were assessed during the third and fourth quarter against the criteria for lifecycle greenhouse gas (GHG) emissions and the Do No Significant Harm (DNSH) principle.

The assessment of the lifecycle greenhouse gas (GHG) emissions for the operating hydropower assets confirmed that emissions are significantly below the threshold set out in the EU Taxonomy (100gCO₂/kWh). The assessment of the DNSH principle of the EU Taxonomy Annex 1, Technical screening criteria, confirmed that the assets are aligned with the Taxonomy DNSH criteria, but lack a detailed site-specific climate risk assessment. Such assessments are currently being implemented in order for the assets to be Taxonomy aligned by year end 2022.

Third-party assessments and verification statements are available under "EU Taxonomy" on [Scatec's website](#).


















2. Reporting

In accordance with Scatec's Green Financing Framework, the following sections will report on our allocation of proceeds, in addition to the environmental impact of the Green Eligible Assets financed under the Framework.

2.1 Green Eligible Assets

Green Eligible Assets are defined as investments that promote the green energy transition, such as direct investments in renewable energy sources. This also includes acquisitions of such projects as well as investments in share capital of companies with such assets, where Scatec has significant operational influence. In these investments, use of proceeds should be directly linked to the book value of the Green Eligible Assets owned by the acquired company, adjusted for the share of equity acquired.

Scatec currently has solar, wind and hydro power plants with 3.5 GW of capacity installed and under construction in more than 15 countries and seek to continue a high rate of responsible growth in our core markets. Our long-term perspective on all of our investments is based on profitability and potential impact on the environment, people, local communities, and other stakeholders.

	Technology	Capacity (MW)	Annual energy generation (GWh)	Estimated GHG emissions avoided (thousand tonnes) ¹
In operation				
Philippines		642	1,458	980
Laos		525	3,262	1,330
South Africa		448	1,006	940
Egypt		380	965	486
Ukraine		336	243	89
Uganda		255	1,556	557
Malaysia		244	343	228
Brazil		162	296	31
Argentina		117	145	42
Honduras		95	158	53
Jordan		43	101	42
Mozambique		40	68	6
Vietnam		39	94	61
Czech Republic		20	22	10
Rwanda		9	13	8
Under Construction				
Pakistan		150		
Release projects		45		
Total		3,550	9,729	4,861

¹Emissions avoided: The figure includes the actual annual production for all projects (solar, wind and hydro) where Scatec has an ownership share. The source for the country and region-specific emission factors are the International Energy Agency

2.2 Green Finance Instruments

At the end of 2021, Scatec had the following Green Finance Instruments outstanding:

Green Finance Instrument	Maturity	Currency	Million	NOK million
Green Term Loan	Q1 2025	USD	150	1,323
Senior Unsecured Green Bond	Q3 2025	EUR	250	2,475
Total				3,798

In addition, Scatec has a USD 180 million, ESG linked, Multicurrency Revolving Credit Facility (RCF) with maturity in March 2023 with Nordea Bank, Swedbank, BNP Paribas and DNB. The RCF was not drawn at year end 2021.

2.3 Allocated Proceeds and Environmental Impact

An amount equivalent to the net proceeds from Scatec's Green Finance Instruments shall be used to finance or re-finance, in part or in full, projects or assets providing distinct environmental benefits ("Green Eligible Assets"). New financing is defined as financing of assets that have been taken into use during the previous 12 months prior to issuance of a Green Finance Instrument. The Company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Green Eligible Assets. The impact reporting aims to disclose the environmental impact of the Green Eligible Assets financed under the Green Financing Framework. Impact reporting covers all assets financed by Green Finance Instruments.

In February 2021, Scatec issued a senior unsecured EUR 250 million Green Bond with maturity in August 2025 and a coupon rate of Euribor plus 250 bp. The proceeds were used to refinance the NOK 750 million green bond issued in 2017 and to partially repay the Bridge-to-Bond facility that was committed in 2020, in relation to the acquisition of SN Power. In addition, Scatec entered in 2021 a USD 150 million Green Term loan agreement that was included in the financing of the acquisition of SN Power.






The proceeds from the refinanced NOK 750 million green bond, were allocated as Project Equity to solar projects that Scatec has economic interest in. Project Equity comprise both equity and shareholder loan investments in power plant companies. The proceeds from the NOK 750 million green bond were allocated to the following projects after the issuance in 2017. The proportionate Project Equity in the tables below is per year end 2021.






Project	Technology	Economic interest	Proportionate Project Equity (NOK million)	NOK 750m Senior Green Bond (NOK million)	Share of cost financed with GFI %	Renewable Energy capacity added (MW)	Annual generation (MWh)	Annual GHG emission avoided (thousand tonnes) ¹
Total			835	750	90%	917	2,032	1,145
Benban	✱	51%	227			380	965	486
Apodi	✱	44%	172			162	296	31
Upington	✱	46%	194			258	626	586
Guanizuil IIA	✱	50%	242			117	145	42

Project	Impact financed with GFI				Impact according to Scatec's equity share		
	Technology	Renewable Energy capacity added	Annual generation	Annual GHG emission avoided	Renewable Energy capacity added	Annual generation	Annual GHG emission avoided
		(MW)	(MWh)	(thousand tonnes) ¹	(MW)	(MWh)	(thousand tonnes) ¹
Total		824	1,825	1,028	442	983	552
Benban	✱	341	866	437	194	492	248
Apodi	✱	146	266	28	71	130	14
Upington	✱	232	562	526	119	288	270
Guanizuil IIA	✱	105	131	38	59	73	21

¹The figure includes the actual annual production for all projects (solar, wind and hydro) where Scatec has an ownership share. The source for the country and region-specific emission factors are the International Energy Agency

The acquisition of SN Power secured the following project portfolio of Green Eligible Assets within hydro and wind. In the tables below, we summarize the capacity, annual renewable energy generation and greenhouse emissions avoided in the acquired projects.

Project	Technology	Economic interest	Acquisition cost	USD 150m Green Term Loan	EUR 250m Senior Green Bond	Share of cost financed with GFI	Renewable Energy capacity added	Annual generation	Annual GHG emission avoided
		%	(NOK million)	(NOK million)	(NOK million)	%	(MW)	(MWh)	(thousand tonnes) ¹
SN Power			10,284	1,323	1,725	30%	1,461	6,370	2,928
Theun Hinboun		20%					525	3,262	1,330
Magat & Maris Hydro		50%					397	802	540
Binga & Ambuklao		50%					245	656	440
Bujagali		28%					255	1,556	557
Dam Nai		100%					39	94	61

Project	Technology	Impact financed with GFI			Impact according to Scatec's equity share		
		Renewable Energy capacity added	Annual generation	Annual GHG emission avoided	Renewable Energy capacity added	Annual generation	Annual GHG emission avoided
		(MW)	(MWh)	(thousand tonnes) ¹	(MW)	(MWh)	(thousand tonnes) ¹
SN Power		433	1,888	868	536	1,911	973
Theun Hinboun		156	967	394	105	652	266
Magat & Maris Hydro		118	238	160	199	401	270
Binga & Ambuklao		73	194	130	123	328	220
Bujagali		76	461	165	71	436	156
Dam Nai		12	28	18	39	94	61

¹The figure includes the actual annual production for all projects (solar, wind and hydro) where Scatec has an ownership share. The source for the country and region-specific emission factors are the International Energy Agency

3. Selected projects

Contributing to long-term local value creation is a key success criteria towards achieving the overall company goal of delivering competitive and sustainable renewable energy.

Community investments are our voluntary initiatives that contribute to the long-term common good of the local communities closest to our sites and come in addition to efforts made to mitigate or compensate for project-related impacts. We are committed to contributing to the communities in a way that allows them to develop by themselves without becoming dependent on us.

Benban, Egypt

In 2017, Scatec signed 25-year Power Purchase Agreements for delivery of electricity from six plants totalling 380 MW with the Government of Egypt. The Benban site near Aswan in Upper Egypt was in 2019 the world's largest one-site project. This is Scatec's largest and our first project using bifacial solar modules. Scatec has a 51% economic interest in the project and the equity partners are KLP Norfund Investments AS and Africa 50. Lenders are EBRD, FMO, IsDB, ICD and Green CF. Annual energy production is 965 GWh and GHG emissions avoided are 486 thousand tonnes.

In Egypt, Scatec promotes decent work and economic growth in the rural villages of Benban through the Cattle Head Project. Working with local NGO Orman Association, we provided bearing cows to 150 households in need, prioritising female-headed households. 80% of households are already generating income through selling milk and dairy products.





Apodi, Brazil

The Apodi project is located in the municipality of Quixere in the north-eastern state of Ceara. The project was established as a 50/50 joint venture with Equinor. Start of construction was late 2017 and the solar plant reached commercial operation in November 2018. The electricity is sold under a 20-year Power Purchase Agreement with the Brazilian Power Commercialization Chamber (CCEE). Scatec has a 44% economic interest in the project and the equity partners are Equinor and Kroma, and lender is BNB. The Apodi project has a capacity of 162 MW, the annual energy production is 296 GWh and GHG emissions avoided are 31 thousand tonnes.

In Apodi, Scatec partnered with global NGO love. futbol to design and develop a physical space for the community of Bom Sucesso, located only a few hundred meters away from our solar plant. The initiative aim to contribute to sustainable social change in the neighbouring community. 500 people, including children and youth, benefit from the renovated space each year.

Upington, South Africa

The three solar power plants have a capacity of 258 MW and are situated on adjacent plots, 25 km outside of Upington in the Northern Cape. Scatec was awarded preferred bidder status for the Upington project in the fourth bidding round under REIPPP in 2015 and the grid was connected in 2020. The projects hold 20-year PPAs with Eskom, the national utility company. Scatec's economic interest in the project is 46% and the equity partners for all three solar plants are Norfund, BEE Industrial (H1) and BEE Trust. Lenders are Standard Bank and syndicate lenders. Annual energy production is 626 GWh and GHG emissions avoided are 586 thousand tonnes.

The broader Upington community benefits from socioeconomic, as well as enterprise development funding. Socio-economic development projects include gender-based violence awareness and self-defence programmes, school teacher assistants, and Covid-19 support. Enterprise development projects include the SMME Capacity Development Programme (including mentorship, training and access to grant funding), support to farmers, local sewing co-operatives and other businesses.





The Philippines

The Philippines' power sector is a commercial market and features a well-established wholesale market, with all fuel groups represented. The sector boasts robust fundamentals with steady demand growth supporting investment opportunities. Policy continues to be supportive of renewables and the Government has launched a Renewable Energy (RE) Roadmap with an ambition to increase reinstalled RE capacity to at least 20 GW by 2040. SN Power entered the Philippine market in 2005, with investments in the following projects; Magat, Maris, Binga, and Ambuklao. Today, the joint venture company owned by Scatec and Aboitiz Power, SNAP, is the largest private hydropower company in the country with 642 MW in operation. Annual energy production is 1,458 GWh and GHG emissions avoided are 980 thousand tonnes.

In 2021, SNAP implemented 56 projects on infrastructure, education, livelihood, health and environment in cooperation with local governments, host communities and indigenous peoples' organisations. This includes SNAP's flagship education programme for students from the company's immediate host communities.

4. External review

External part/verifier

Allocation of proceeds will be subject to an annual review by an external part/verifier. A verification report provided by Ernst & Young is attached to this report

To the Scatec ASA Green Finance Committee

Independent accountant's assurance report

Scope

We have been engaged by Scatec ASA to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Scatec ASA's allocation and impact of net proceeds as presented in Scatec ASA's Green Finance Report 2021 as of December 31 2021, and for the period from 1 January 2021 to 31 December 2021, against the relevant criteria in Scatec ASA's Green Bond Framework.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Green Finance Report 2021, and accordingly, we do not express a conclusion on this information.

Criteria applied by Scatec ASA

In preparing the Green Finance Report 2021, Scatec ASA applied relevant criteria from the Scatec ASA's Green Financing Framework dated February 2021, available on Scatec's web page (Criteria).

Scatec ASA's responsibilities

Scatec ASA's management is responsible for selecting the Criteria, and for presenting the Green Finance Report 2021 in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'). Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend

on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Review of Scatec ASA's process for the preparation and presentation of the Green Finance Report 2021 to provide us with an understanding of how the Green Bond proceeds have been allocated in accordance with the Green Financing Framework.
- Interviewed those in charge of Scatec ASA's Green Finance Report 2021 to develop an understanding of the process for the preparation of the Green Finance Report 2021.
- Verified on a sample basis the information in the Green Finance Report 2021 on the allocation and impact of net proceeds against source data and other information prepared by Scatec ASA.
- Assessed the overall presentation of selected information in the Green Finance Report 2021 against the criteria in Scatec ASA's Green Financing Framework, including a review of the consistency of information.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to selected information in the Green Finance Report as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Oslo, 25 March 2022
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant (Norway)

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Petter Frode Larsen

Statsautorisert revisor

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