



Green Financing Framework

February 2021

Improving our future

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1. Introduction

1.1. About Scatec ASA

Scatec ASA (“Scatec” or the “Company”) is a leading integrated independent renewable power producer, delivering affordable, rapidly deployable and sustainable clean energy worldwide, with focus on emerging markets.

In February 2021, Scatec closed the acquisition of SN Power, the Norwegian hydro power developer and IPP. Scatec and SN Power have a unique and complementary portfolio of assets, geographical footprint and capabilities, and will together hold a large project pipeline across solar, hydro, wind and energy storage. In November 2020, the Company changed its name from Scatec Solar ASA to Scatec ASA to reflect a broader renewable energy business.

At the beginning of 2021, the combined company has 485 employees, power plants in 14 countries and gross 3.3 GW of plants in operation and under construction. When all plants are in full operation from first half 2021, the median annual production is expected to be 4.1 TWh.



Development



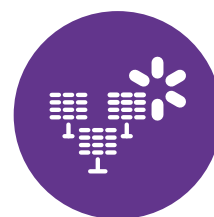
Financing



Construction



Operations



Ownership

Business model and value chain

Scatec develops, builds, owns and operates renewable power plants with focus on solar, hydro and wind power projects and other naturally related activities, including financial and physical power trading. Through an integrated business model, Scatec captures value in the full value chain in the renewables market. From early origination to an operating asset, Scatec develops projects either from green field or by acquisition of single projects, or portfolios of partly or fully developed projects. Once secured or acquired, the Company structures the debt and equity finance, then constructs the plants, and finally operates and manages the assets.

A key success factor for Scatec lies in its partnering model. The Company seeks partnerships through early stage development, debt and equity financing, construction and long-term ownership. The model adds value in terms of local partners understanding the local market, professional lenders ensuring that the entire structure is vetted, while co-investors reduce risk and bring added financial capabilities. Operational and financial control of the power plants lays within the Company ensuring that the integrated model is applied to ensure maximum value creation.

1.2. Scatec's sustainability contribution

Scatec's mission is to deliver competitive and sustainable renewable energy globally. Three main sustainability pillars contribute to achieving this goal:

1. Managing social and environmental impact, including targets such as:

- Map and report on the Company's CO₂ emissions in scope 1,2 and 3 in line with the GHG Protocol
- Corporate Accounting and Reporting Standard and set a company climate target in line with the Science Based Target Initiative to reduce emissions

2. Being a trusted business partner including targets such as:

- Reach annual HSSE KPIs (including for ex targets related to TRIF, LTIF and near misses)
- Increase the percentage of female employees globally
- Plan and organize a Supplier Sustainability Initiative for key suppliers as part of the supplier development programme

3. Contributing to local value creation, including targets such as:

- Target to hire 70% to 80% local workers in every project during the construction phase
- Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards
- Implement a grievance mechanism in all projects that is monitored by the corporate sustainability team as well as local teams

Sustainability is an integral part of Scatec's organisation and embedded in all business units, including project development, solutions/execution, asset management and operations. Development of solar, hydro, wind and storage projects may have environmental and social impacts. Scatec thus endeavours to minimise its negative impact, as well as contribute towards meeting the climate challenge and bridging the global energy gap.

Governance

Scatec's Code of Conduct and Sustainability Policy form the basis of the Company's sustainability work and aims to ensure that the business is steered in a sustainable direction. It is applicable to all Scatec employees, hired consultants and directors, including subsidiaries, joint ventures and affiliates. The Company also has Partner Conduct Principles reflecting Scatec's basic values (incl. compliance with laws, labour conditions, environment), and applies to partners, suppliers and collaborates. In addition, Scatec has developed a policy for each material sustainability topic (examples of topics include anti-corruption, diversity, labour conditions, land resettlement etc.), outlining the key principles and management approach governing the way the Company's operates and address such issues. Please refer to Scatec's Corporate website "ESG resources" for a comprehensive overview of corporate policies and other relevant documentation.

To conduct its business responsibly, Scatec further supports and follows international principles and initiatives. For example, the Company is a member of the UN Global Compact, which outlines governing principles on anti-corruption, human rights, environment and labour conditions. Scatec is also committed to operating all projects in line with the Equator Principles and the IFC's Environmental and Social Performance Standards to ensure consistent practices across all projects. The sustainability work is further guided by the OECD Guidelines for Multinational Enterprises and the Company works with trusted partners such as the IFC, EBRD, Norfund, KLP and several larger development banks that all have high standards for the projects and their associated impact.

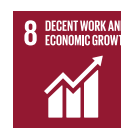
In addition, several of the Company's projects in developing countries are assessed against the UN Framework Convention on Climate Change (UNFCCC) to certify that the renewable electricity generated by Scatec's facilities substitute the use of fossil fuels, and that the greenhouse gas emissions avoided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

Sustainability and climate reporting

Since 2017, Scatec has reported on its sustainability work and performance in accordance with the Global Reporting Initiative ("GRI"). To better address climate risk, the Company has implemented more comprehensive climate risk disclosures in 2019, based on the recommendations of the Task Force for Climate Related Financial Disclosures ("TCFD"). In addition, Scatec started reporting to CDP ("Carbon Disclosure Project") in 2019. This involved comprehensive climate-related disclosures connected to governance and policy, risks and opportunity management, reporting and strategy, and scenario analysis. Scatec obtained top score (A) in CDP in 2020, indicating that the company is a leader in environmental transparency and action. In addition, Scatec holds top ESG ratings from the leading global ESG rating agencies actively covering Scatec, namely Sustainalytics (Rated with low risk and ranked as 1 out of 450 companies in the renewable energy industry), ISS ESG (rated A-) and Morgan Stanley Capital International (MSCI – rated triple A).

Scatec's operations linked to UN Sustainable Development Goals

Scatec seeks to contribute to the global agenda in line with the UN Sustainable Development Goals ("SDGs"). The Company has prioritised three primary SDGs to which the Company deems to contribute most, based on a materiality assessment including feedback from key stakeholders on strategic priorities. These include: Goal 7 – Affordable and clean energy, Goal 8 – Decent work and economic growth, and Goal 17 – Partnerships for the goals.



1.3. 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 has chosen to establish a new Green Financing Framework (the "Framework"), enabling the Company to finance its contribution towards a low-carbon and climate resilient future.

This 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 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 assets clear environmental benefits, as defined in this Framework.

The Framework is aligned with the four recommended components of the GBP and GLP; Use of Proceeds (Section 2), Process for Project/Asset Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5).

Furthermore, the Green Financing Framework is 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.

1) Green Bond Principles published in June 2018 are voluntary process guidelines for issuing Green bonds established by International Capital Markets Association ("ICMA"), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

2) Green Loan Principles published in March 2018 are voluntary process guidelines for issuing Green loans established by Loan Markets Association ("LMA"), https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

2. Use of proceeds

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.

Green Eligible Assets





Green Eligible Assets is 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 and where the 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.

EU Taxonomy alignment

Scatec has started to explore what the EU Taxonomy will mean for the Company's activities. At this stage, Scatec has engaged a third party to undertake an independent assessment of the Company's alignment with the EU Taxonomy. The assessment will be executed during first quarter 2021. Internally, the Company is in the process of evaluating its activities substantial contribution to environmental objectives and compliance with the technical screening criteria per industry. The Company's preliminary assessment suggest that its activities contribute to the environmental objective - Climate change mitigation. The technical screening criteria for hydropower is still subject for consultation in the Delegated Act published by the EU Commission ³⁾.



3) GEU Commission, "Draft delegated regulation", <https://ec.europa.eu/info/law/better-regulation/>

Green Asset categories	Sub-category	Related SDG ⁴⁾	EU Taxonomy
Renewable energy	Investment activities, and related expenditures, directed towards the acquisition, development, construction, operation, improvement and maintenance of electricity generation facilities that produce electricity from: <ul style="list-style-type: none"> • Solar power • Wind power • Hydropower 	   	Climate change mitigation: <ul style="list-style-type: none"> • Electricity generation using solar photovoltaic technology • Electricity generation from wind power • Electricity generation from hydropower • Storage of electricity
Energy storage, and other energy solutions	Investments in energy storage and other energy solutions to accommodate the build-out and integration of renewable energy		

4) GICMA, "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals", <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds-2020-June-2020-090620.pdf>

3. Process for asset evaluation and selection

3.1. Selection of Green Eligible Assets

The evaluation and selection process for Green Eligible Assets is a key process in ensuring that the amount equivalent to the net proceeds from Green Finance Instruments is allocated to assets and expenditures which meet the criteria in the Framework.

The Company conducts Environmental and Social Impact Assessments (ESIA) for all projects, regardless of what financing option is utilized, to identify and manage potential impact on the environment and communities surrounding the site. Scatec is in close dialogue with key stakeholder groups, including local communities, during the project phases. The environmental and social profile of a prospected project forms part of the process for project evaluation and selection.

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 such assets and projects that comply with the criteria defined in the Use of Proceeds section of this 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 will monitor the developments of the green finance market and may update the Green Financing Framework to reflect future market practices, such as the upcoming EU Taxonomy and potential updates to the GBP and GLP (please see Section 1.3). Hence, Scatec aims to follow the development in a close way by:

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

3.2. Exclusion

The proceeds of Scatec’s Green Finance Instruments will not be used to finance fossil fuel energy generation (e.g. standalone projects connected to high-polluting activities such as oil, gas and mining), nuclear energy generation, weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.



4. Management of proceeds

An amount equal to the net proceeds from Scatec's Green Finance Instruments will be used for financing and refinancing of Green Eligible Assets as defined in this Framework.

The Finance department will endeavour to ensure that the value of Green Eligible Assets at all times exceed the total amount of Green Finance Instruments outstanding. If a Green Eligible Asset already funded by Green Finance Instruments is sold, or for other reasons loses its eligibility in line with the criteria in this Framework, the Company will strive to replace such asset by another qualifying Green Eligible Asset.

Any unallocated proceeds temporary held by Scatec will be placed in the Company's ordinary bank account or short-term money markets until deployed.

5. Reporting

To enable investors, lenders and other stakeholders to follow the development of the assets and projects funded by Green Finance Instruments, a Green Finance Report will be made available on the Company's website. The Green Finance Report will include an Allocation Report and an Impact Report and be published annually as long as there are Green Finance Instruments outstanding.

Allocation of proceeds reporting

- Summary of main activities in green finance and related projects
- Total amount of Green Finance Instruments outstanding and split breakdown per instrument
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section 2 and per renewable energy technology (solar power, wind power, hydropower and storage)
- Share of unallocated proceeds (if any)
- Some examples of financed projects

Impact reporting

The impact report aims to disclose the environmental impact of the Green Eligible Assets financed under this Framework. Impact reporting will, to some extent, be aggregated and depending on data availability, calculations will be made on a best intention basis. The impact assessment may, where applicable, be based on the metrics listed below. Impact reporting covers all assets financed by Green Finance Instruments. If assets are only partly financed by Green Finance Instruments, impact reporting will reflect the relevant shares.

Renewable energy

- Annual renewable energy generation (MWh or GWh), in total and per renewable energy technology (solar power, wind power and hydropower)
- Capacity of renewable energy plants constructed or rehabilitated (MWh or GWh), in total and per renewable energy technology (solar power, wind power and hydropower)
- Estimated annual greenhouse gas emissions avoided (tCO₂e)

Energy storage, and other energy solutions

- Capacity and technology of electricity storage installed (MWh)



6. External review

Second party opinion

To confirm the transparency and robustness of Scatec's Green Financing Framework, it is verified and approved by an external second party opinion provider. The second party opinion by CICERO Shades of Green is available on the Scatec's website, together with this Framework.

External part/verifier

Allocation of proceeds will be subject to an annual review by an external part/verifier. A verification report provided by the external part will be published on the Company's website.



Scatec

www.scatec.com