

# Contributing to local value creation



## Local Value Creation



Our goal remains to positively impact the communities we operate in, both directly and indirectly. Contributing to local development, recruitment of local labour, identification of community-specific needs, as well as open dialogue and working closely with our stakeholders.

### Key risks:

- Potential negative impacts from project construction
- Land resettlement
- Corruption
- Community unrest
- Unresolved grievances

### Key opportunities:

- Increased access to clean energy in communities
- Local job creation and training
- Socio-economic development in the areas of health, education and infrastructure



[Corporate policies](#)

In 2020, we expanded into more communities across the globe with development and construction in several new markets. Priority activities included community engagement, local recruitment, grievance handling, as well as planning and implementation of new and existing development programmes.

While we aim to create value, there is a risk of unintended consequences from project construction. We are continuously conscious of this and strive to complete risk identification and mitigation. The truly global reach of the organisation means that, in some instances, legal and governance frameworks are not always present to govern the standards of impact control within project communities. Our work is aligned with our internal governance systems and established international standards like the IFC Performance Standards across all projects.

### Stakeholder engagement in local communities

Solid interaction with our project neighbours and establishing good relations is 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.

### Long-term and transparent engagement is critical



to ensure project support and good relations

To engage with local communities means to inform people about our projects and their impact, to manage expectations and to ensure local support and understanding. Regular meetings are held with local leaders and representatives in all communities where we have a presence. Early dialogue is critical, and long-term engagement is equally important.

Through biweekly progress reports from project teams, the executive management receives communication on all material matters raised by our communities.

## 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 the Equator Principles.
- All projects have an assigned Community Liaison Officer (CLO) who is responsible for community engagement and maintaining good relations with the local communities.
- A grievance mechanism is implemented for all projects, available locally at the project site, CLO office and on our corporate website.



### Our achievements and results in 2020

In 2020, the pandemic impacted the way we engage in communities. We found alternative ways to connect with several of our stakeholders by adopting physical and digital strategies for engagement. This included hosting virtual meetings and forums as well as strong support provided from our CLOs, based in the local communities, in times when travel was suspended globally.

Establishing dialogue with a broad range of stakeholders, including local communities, at an early stage in a project, is critical for understanding a project's impact and for integration of relevant considerations into the project development process. Community stakeholder engagement is not a series of isolated events, but rather a continuous process throughout the entire life of a project.

### Stakeholder engagement: South Africa

Project: Upington solar complex, 258 MW

Grid connected: 1H 2020

Programme: Part of the fourth round of the REIPPPP (Renewable Energy Independent Power Producer Procurement Programme)



#### Background:

- Scatec has engaged with the local communities in Upington since 2018, prior to construction start
- The solar complex employs two permanent Community Liaison Officers and an ED Manager who are responsible for local engagement and managing our grievance mechanism.

#### Target:

- In 2020 we experienced social unrest in the communities due to perceived unmet local expectations with regard to local empowerment and procurement rates. Expectations in communities are sometimes higher than what is possible in practice, especially in severely economically challenged communities

**Mitigation:** Key activities to ensure transparent and solid engagement in the community were implemented:

- Quarterly stakeholder engagement forums involving a broad range of stakeholders
- Substantial early spend on socio-economic & enterprise development programmes
- Monthly meetings and contact with the community forums
- Weekly slots on the local radio to inform the community about our programmes and local job creation

### Grievance mechanism in all projects

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 our global sustainability 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 15 working days. The mechanism is available at each local project site and in five different languages on our website: English, Arabic, Spanish, Portuguese and French. The mechanism provides a valuable platform for engaging with communities.

The total number of grievances received during 2020 for projects in operation, under construction and under development totalled 79. Given the reduced activity level of construction in 2020, coupled with the pandemic placing some restrictions on mobility, this reduction from earlier years was to be expected.



| AS OF 31 DECEMBER   | 2020 | 2019 | 2018 |
|---|------|------|------|
| Percentage of operations with implemented local community engagement, impact assessments and development programmes | 100% | 100% | 100% |
| Number of grievances received   | 79   | 174  | 92   |
| Number of grievances addressed and resolved   | 65   | 137  | 79   |

Of the total number of grievances, 37 were related to the Redsol project in Malaysia that was under construction in 2020, of which all 37 grievances were addressed and resolved. A further 18 grievances were related to our projects in Egypt that involved smaller disputes between our contractors and their sub-contractors. 11 of the 18 grievances received were resolved in 2020. The remaining 24 grievances were related to our projects in Brazil, Honduras, Mozambique and South Africa. The majority of these grievances were resolved by regular engagement with the local communities and communicating our processes and principles.

At the end of the year, 11 grievances in Egypt, 2 in Honduras and 1 in Mozambique were still in the process of being resolved. In the first months of 2021, we closed 7 grievances in Egypt and the remaining 2 in Honduras. Please refer to our corporate website for our grievance mechanism process.

**79 grievances** registered in 2020, of which 82% were resolved

### Local job creation

Project initiation in communities can only be sustainable if there is localised income generation. Scatec employs local labour and contractors as far as possible, whether there are legal requirements or not. This process not only provides employment opportunities, but transfers knowledge, skills and spill-over opportunities to community members.

The construction phase generally generates more employment opportunities, where workers and suppliers gain valuable experience to increase employability in the future.

In 2020, Scatec had projects under construction in four countries, all of which had commenced construction in 2019.

We generated 3,775 direct jobs from projects under construction, with the percentage of local employees averaging nearly 60%. Our target for 2020 was for this figure to be 70-80%. Although the availability of local labour, as well as several other factors influence the achievement of these targets, we continue to strive towards maximising local components and capacity across projects. In addition, as a result of the COVID-19 pandemic, construction activities were suspended for a few months in multiple countries.



### Permanent positions

Aligned with our focus on local employment, Scatec employs in country permanent positions in various stages of the value chain, across all organisational business functions including engineers, plant managers, HSSE experts, civil and mechanical workers, security personnel and community liaison officers, to mention a few. In 2020, Scatec permanently employed 66 O&M Operators in addition to our 19 Plant Managers and 20 Community Liaison Officers. The table to the right shows examples of permanent local job creation on a senior management level and other positions across our projects in operation for the last three years.

### Permanent local job creation for plants in operation

| PERMANENT EMPLOYEES               | 2020 | 2019 | 2018 |
|-----------------------------------|------|------|------|
| <b>Senior Management level</b>    |      |      |      |
| Plant Managers                    | 19   | 15   | 11   |
| <b>Other levels</b>               |      |      |      |
| Operation & Maintenance operators | 66   | 65   | 48   |
| Community Liaison Officers        | 20   | 18   | 10   |

“In an environment with an otherwise conservative mindset, a strong focus on how we achieve and maintain gender equality is particularly important”

- Ehab Adel,  
O&M Manager,  
Scatec Egypt



### Female engineers at our Benban Solar Park, 390 MW

- In Egypt, we are building a robust, highly efficient team of engineers working in operations and maintenance.
- A consistent focus on skills over gender in recruitment processes, training and education are among the measures implemented to raise the share of female engineers and ensure gender equality.
- The effects of the measures taken are clear: the percentage of female candidates applying for similar roles has increased, as has the proportion of high school female students looking to pursue engineering.
- Our engineers, Asmaa Mahrous, Zeinab Ramadan and Ghada Ahmed are role models and they are inspiring other women in their community. The President’s office has even recognised their efforts as significant to empower other young women.
- “We are proud of what we have achieved, and we will continue to be consistent in our efforts going forward”, Ehab Adel concludes.

### Local supply chain development

We work to strengthen our local supplier base by identifying short, medium and long-term services that could be supplied by entrepreneurs in the local communities surrounding our solar plants. This can be achieved through targeted supplier development initiatives that promote local capability and capacity building. This is not always an easy or feasible task.

Typically, our engineering, procurement and construction (EPC) scope has 30% or more local content attributed to construction, staff, accommodation, travel and other minor procurement. In regions where we have established operations and there is a developed supply chain in country, a local content of 60–80% has been achieved. We strive to engage local service providers for various essential operations and maintenance (O&M) projects such as module washing and vegetation control.



### Vegetation Control project in South Africa

Project: Dreunberg, 75 MW  
Local service provider: Vizz Tech

- Vizz Tech is a small local construction business that also focuses on training within the construction industry
- Engaged by our Supply Chain team for vegetation control at our Dreunberg solar plant
- Throughout the duration of the project, Vizz Tech made good progress against weekly milestones, but encountered difficulty with unreliable machinery
- Scatec provided support in the form of additional brush cutters from our South African enterprise development funds, committed to supporting small businesses as per the Implementation Agreement with the Government



### O&M Building Maintenance project in South Africa

Project: Linde, 40 MW  
Local service provider: Libumbe Trading

- Libumbe Trading is a small local construction business
- Engaged by our Supply Chain team for maintenance work at our Linde solar plant
- Scatec provided training focusing on construction compliance documentation, understanding tender submission and operational aspects related to executing a construction project
- The building maintenance project was completed successfully with positive feedback on Libumbe Trading’s performance from our Plant Manager and team

### Local development programmes globally

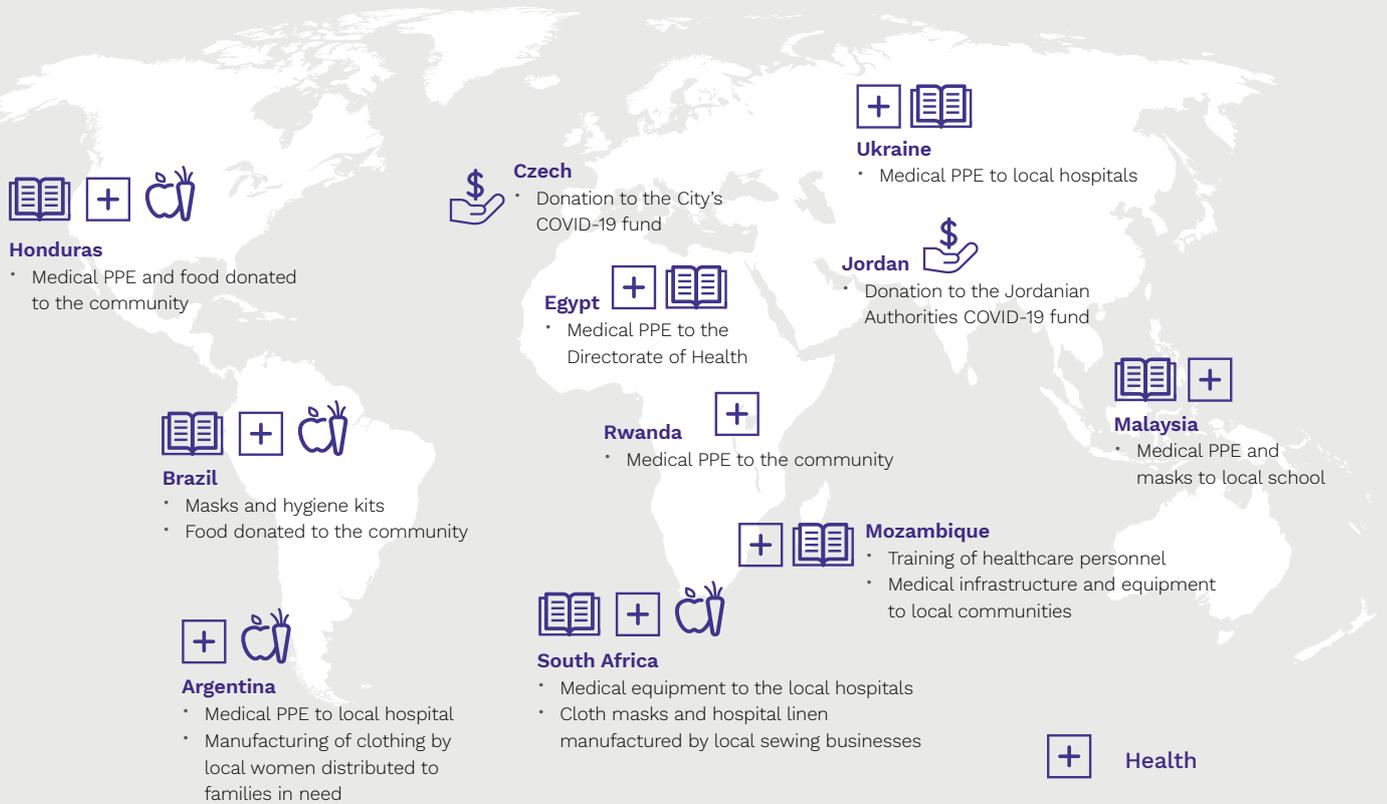
Contributing to long-term local value creation is a key success criterion towards achieving the overall company goal of delivering competitive and sustainable renewable energy.

Scatec plans and implements community development programmes in line with our Community Investment Policy within the communities where we have operations. All initiatives and programmes are identified in close dialogue with local stakeholders and in consultations with local

community members to ensure that the prioritised needs and significant social challenges of the communities are addressed.

The focus of our socio-economic and environmental development includes, but is not limited to, access to energy, capacity building, health and education. Community PV or small-scale solar systems will form a larger part of our local development programmes over the coming years. Refer to our corporate website “Sustainability” for a feature on local development programmes globally.

## COVID-19 relief efforts in all local communities we operate in covering 11 countries



We are content with our approach and efforts around local development and engagement and will continue to strive towards strengthening local supply chains and creating jobs in the communities we operate in.

### Our ambitions and goals

Our targets for 2021 and onwards are outlined below:

#### Community engagement

- Develop a stakeholder engagement plan for all projects in line with the IFC's Performance Standards to be reviewed annually to reflect any potential changes
- Perform environmental and social due diligence for each project prior to Decision Gate 2
- Appoint a designated Community Liaison Officer in all projects
- Respond to and action all project grievances within 15 days of their registration

#### Local job creation

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

#### Local development

- Develop local needs assessment for all local development programmes
- Develop 3-5 key impact measures for all local development programmes
- Community PV: 2-3 new projects initiated in 2021