

## **Statement regarding Scatec Solar's project in Choluteca, Honduras**

Scatec Solar is committed to high standards for sustainability management, including health and safety, environmental sustainability, ethical conduct and human rights. We are guided by and comply with internationally recognized standards such as the IFC Performance Standards on Environmental and Social Sustainability and the Equator Principles.

Scatec Solar is also committed to conduct its business in line with the United Nations Guiding Principles on Business and Human Rights and the United Nations Global Compact. Our commitment in this area is reflected in our global policies on sustainability, and human rights, as well as human relations. Our activities are conducted in accordance with the requirements defined by these international standards for specific areas of impact.

Photovoltaic solar energy is a renewable energy utilizing the sun for power production. Although impacts to the natural surroundings are limited, one of the impacts of solar power plants is land-use change. In this particular case however, the land where the solar plants have been installed is privately owned land and was previously used for other activities, primarily extensive cattle grazing, which is economically inefficient, environmentally destructive and provides almost no benefits to local communities. These previous land uses created more environmental impacts and fewer community benefits.

### **Scatec Solar's background in Honduras**

Scatec Solar entered the solar market in Honduras in the third quarter of 2014 to build the solar power plant Agua Fria. Scatec Solar partnered with Norfund, Norway's Development Finance Institution and KLP, one of the largest pension funds in Norway. Agua Fria is in the municipality of Nacaome in Valle Department of Honduras, providing clean energy for approximately 80,000 households. The project created 1,050 jobs during peak construction period, of which 82% were Honduran workers. Several environmental and social programs have been planned and implemented in the local communities within areas such as education, health and infrastructure.

### **The Los Prados Solar Project**

Scatec Solar together with Norfund, acquired a second project in Honduras at the end of 2015, the Los Prados Solar Project, with the environmental approvals from the Honduran authorities. The first phase of the project started operation towards the end of 2018 and provides energy for approximately 16,000 households. The project created 786 jobs during peak construction period, of which 97% were Honduran workers and 38% came from the neighbouring communities.

In environmental matters, the project considers avoidance, mitigation, or compensation measures for any negative effects of the project, including reforestation to offset the impact of vegetation clearing. The Los Prados Solar Project has been conducting replacement of the 1,148 cut trees with 4,360 new trees in a designated reforestation site in the nearby Rancheria community area, in line with regulatory

requirements. The cutting of trees has been limited to what was necessary and the wood resulting from the cut trees was donated to the neighboring communities. Temporary water courses have been respected and the project has worked consistently to mitigate impacts according to international best practice in close dialogue with stakeholders. During the design work prior to construction of the solar plant, measures were put in place to secure the creeks that occur in the rainy season and as a result the plant is designed in a way so that the seasonal water course runs through the middle section of the parks allowing for the waterways not to be affected. It is important to note that there are no natural springs on the property where the solar parks are installed, and the seasonal water courses are not a source of drinking water for the neighbouring communities.

### **Stakeholder dialogue with neighboring communities**

Following recognized international good practice, consultation meetings with local stakeholders were initiated prior to construction. The objective of these meetings was to share information about all aspects of the project, including technical aspects of a solar plant, impacts and potential benefits from the projects' presence and for the stakeholders to ask questions and share their view on the project.

The initial stakeholder dialogue and approval of photovoltaic solar projects in the municipality of Namasigüe was carried out through an Open Town Hall meeting on April 10<sup>th</sup>, 2014, by the previous developer where an agreement for community development initiatives for the neighboring communities was presented. Los Prados 1, Los Prados 2, Rancheria, and El Obraje all participated in this initial meeting.

The local population consists of more than 4,000 inhabitants and according to surveys conducted for local employment, most of these inhabitants were supportive to the project. The actual number of persons experiencing any kind of negative impacts such as noise, dust and increased traffic was quite small and impacts only occurred during the nine-month construction period. Despite what Scatec Solar believed to be satisfactory information sharing and support in the communities based on experience and best practices, the project experienced opposition from some 20 members of the local communities at the start of construction in January of 2016.

Following international best practice guidelines on Human Rights, Scatec Solar continued a dialogue process of informed participation with the communities, local and national authorities and different local associations, giving priority to those opposing the development. During this period, and to date, Scatec Solar conducted numerous open meetings to share information about the project. Social media was a vehicle of communication in addition to town halls and direct meetings. The project has always had an IFC-compliant grievance mechanism and an open-door policy to engage in peaceful, respectful dialogue with all stakeholders, even if they disagree.

### **Consultation meetings met with hostility**

In January 2016, a small group of villagers blocked entry to the construction site and resorted to threats, intimidation and violence. This was at the time when the process of dialogue regarding the project with the communities in the area of direct influence was ongoing. After close to 18 months of dialogue and information sharing, Scatec Solar resumed field activities in August 2017. Work commenced at the electric substation, but again work was blocked using threats and intimidation.

The company maintained a process of permanent dialogue with the community heads, patronatos, of the communities and with the representatives of the opposition group, with the aim to reach agreements of mutual respect and peaceful coexistence that would allow Scatec Solar to start the construction of the solar plant. Despite the community support for the project, the opposition group continued to engage in obstructions. In several instances the opposition took to violence and performed physical harm to workers and property of the solar plant.

Scatec Solar respects and operates within local laws and legislation. The episodes of violence and obstruction were documented and later filed with the local police. These cases were heard by the judge in the Choluteca Court and the defendants were investigated. As a responsible operator our goal was to obtain a safe and predictable operation of the solar plant without risk to personnel or assets.

The company worked, through meeting with the defendants and their legal advisors, to reconcile the cases. By respecting the law, a signed conciliation agreement is the only way for the accused to avoid sentencing by the judge. The agreements include the promise by the defendants not to do harm to the people and assets at the solar plant. Scatec Solar also provided legal counsel for the defendants, per their request.

Despite the efforts, there are still ten cases running in court with no conciliation agreement signed. Scatec Solar is actively working to conciliate these cases in a similar manner as the abovementioned. Irrespective of any individuals' connection to the legal proceeding people from the community were included in the recruitment process during construction of the solar plant. This also applied to any other people from communities that were opposed to the Project.

A separate instance of illegal violence to our people and assets which in the end was conciliated took place in July 2018. Work had resumed, and the solar plant was to be constructed. A planned meeting with the project's social management team took place in the Costa Azul community. The objective of the consultation was to share updates of the project and respond to questions from the community regarding misconceptions of the solar plant, as well as discuss a community development program. One misconception to be addressed was that the solar plant would generate radiation and as such have negative health effects on the neighbouring population. The consultation came to an end when the project social management team was met with violent protests and assaulted causing physical damages to the vehicle upon leaving the premises. This was an unfortunate set-back as the company was experiencing progress and improved dialogue with the neighbouring communities.

The claims of physical assault were filed with local police against the persons in charge of the violence, according to standard procedure. A prosecutor's indictment followed the police investigative process, but finally the case was conciliated at Court and consequently closed.

### **Local community development**

The local community development programmes are running over the lifetime of the project. So far, the Los Prados Solar Project has worked consistently with the local communities to define and address needs which can contribute to the sustainable development of these communities. The Company has honored all the agreements inherited from the original developer and gone well beyond the requirements for community development stipulated under local law, investing close to half a million USD dollars in community development programs. Prioritized areas have been education, public health and community infrastructure and in agreement with the respective communities, the planned activities have been executed in different stages.

Examples of ongoing and/or completed programme contributions are i) community reforestation with close to 10000 fruit trees planted in homes and in public areas, ii) local school infrastructure improvements, including painting, restoration of floors and installment of fans iii) community infrastructure, including electrification and water systems and refurbishments of more than 400 homes as well as iv) public health campaigns providing free medical attention to more than 3000 people.

Examples of strategic partnerships to deliver these works are with Social America Group for medical brigades and with The Swiss Agency for Development and Cooperation, for agroforestry projects.

Scatec Solar's mission is to deliver sustainable solar energy and to do this in a way that protects the environment and improves the quality of life for the communities close to our operations. We have a long-term perspective on our investments and acknowledge that a successful operation can only be achieved when harmonized with the sustainable development of the communities impacted by our presence. We are committed to be a responsible operator and neighbor creating lasting solutions for the societies where we have activities.