

Ethical screening of: Scatec Solar ASA

For:

Date: 16th August 2018

Company overview:

Scatec Solar ASA is a Norwegian company that develops, builds, owns, operates and maintains solar power plants in a number of countries worldwide including in the Czech Republic, South Africa, Rwanda, Honduras, and Jordan. In October 2017 it commenced projects in Egypt, Malaysia and Brazil.

In August 2014 Scatec Solar signed a partnership agreement with Norfund, the Norwegian Investment Fund for Developing Countries, to set up a joint investment company (held 70% by Scatec Solar and 30% by Norfund) to develop solar power projects in all countries within Norfund's mandate.¹

It was reported on the CNBC website in March 2018 that "three solar plants planned by Norway's Scatec Solar were among 27 energy deals blocked by a South African court". They were challenged on the basis that they would lead to coal industry job losses.²

According to the Scatec Solar ASA Annual Report 2017 it has 184 employees and had revenues of 1.5 billion Norwegian Krone (about £140 million) in 2017.³

The company was established in 2007 and is listed on the Oslo Stock Exchange.

Ownership:

According to the Scatec Solar ASA Annual Report 2017, the following five companies own shares of more than 3% of the company:

- Scatec AS (18.88%)
- Ferd AS (13%)
- Geveran Trading Co Ltd (4.08%)
- Folketrygdfondet (4%)
- Verdepapirfondet DNB Norge (IV) (3.48%)

Ethical Consumer rating (including what EC identifies as the main ethical issues with this company):

Scatec Solar ASA receives an Ethiscore of **11.5 out of a possible 15** under Ethical Consumer's rating system.

It loses full marks in the categories of Environmental Reporting and Supply Chain Management for having inadequate reporting or systems in place in these areas.

It loses half a marks in the Human Rights category for having operations in countries considered to be governed by oppressive regimes, and half a mark in the Anti-social Finance category for having a corporate structure of moderate risk of being used for tax avoidance purposes.

It gains a positive half mark in the Company Ethos category for only selling products that were considered to be environmental alternatives.

1 www.scatecsolar.com/About/Press-and-media/Press-releases/Scatec-Solar-and-Norfund-sign-partnership-agreement-to-develop-and-invest-in-solar-power-projects-in-developing-countries

2 www.cnbc.com/2018/03/15/reuters-america-norways-scatec-solar-says-three-projects-caught-in-south-africa-row.html

3 annualreport2017.scatecsolar.com/wp-content/uploads/2018/01/Scatec-Solar-Annual-Report-2017.pdf

No external criticisms of the company were found.

Information only

Ethical concerns in the solar energy sector include the industry's involvement in the Israeli occupation of Palestinian territories (for information see reports by Who Profits⁴, which tracks corporate involvement in the occupation). Searches were conducted to see if Scatec Solar was linked. The company has a project in Rwanda with Gigawatt Global, which is based in the Netherlands. Gigawatt Global is reported to have an operational team in Jerusalem⁵ but is not named in any reports by Who Profits and states on its website that it has a pipeline project in the Palestinian territories which it appears will serve the Palestinian population rather than the settlement population.⁶ Ethical Consumer found no evidence that Scatec Solar has involvement in the Israeli occupation of Palestine.

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Ethical Consumer database records:

Environment

Environmental Reporting

Worst Ethical Consumer rating for environmental reporting (August 2018)

In August 2018 the Scatec Solar Sustainability Report 2017 was downloaded from the company's website, www.scatecsolar.com. This stated that the company had started reporting in accordance with the Global Reporting Initiative (GRI) Standards.

It was said to have started to examine its own climate effect by collecting emissions data from all its operating sites, offices and employee air travel.

The company was said to have initiated a Supplier Development Programme for its key suppliers with a focus on social and environmental targets to be evaluated annually. It stated that it screened 100% of its new suppliers in 2017 for social and environmental criteria.

The document stated: "We always work to minimize our impact on the environment. We conduct environmental and social impact assessments for all projects to anticipate risks and we establish management systems to avoid, minimize and compensate for our impacts. We recognize that solar energy development may result in loss or fragmentation of habitat and/or disturbance of protected species. Whenever possible, Scatec Solar avoids impacts on biodiversity and ecosystem services. If

4 whoprofits.org/content/greenwashing-occupation-solar-energy-industry-and-israeli-occupation

5 www.jpost.com/Business-and-Innovation/Gigawatt-Global-breaks-ground-on-its-second-East-African-solar-field-479298

6 gigawattglobal.com/projects2/jericho/

an impact is unavoidable, measures are implemented to minimize impacts and restore biodiversity.”

The company recognised that noise, air emissions, solid waste, waste water generation and increased transportation to and from the site area are typical impacts during the construction phase of its projects. It was said to monitor each of these and mitigate the impacts by implementing specific management plans.

Regarding responsible procurement, the company was said to take a life-cycle approach to its carbon footprint and choose suppliers that contribute positively to its climate impact.

Meaningful carbon emissions data was provided, provided in terms of tonnes of CO2 or equivalent and broken down into Scope 1, 2 and 3 emissions.

The company stated that it planned to report on water withdrawal by source and volume in 2018.

Scatec Solar had a Sustainability Report that was dated within the last two years and was considered to have demonstrated a reasonable understanding of its main environmental impacts. However, no dated, quantified targets to reduce its impacts were provided and the company did not provide data about its environmental performance that was independently verified. As a result it received Ethical Consumer's worst rating for environmental reporting. (ref: 1)

People

Human Rights

Operations in four oppressive regimes (2017)

According to the Scatec Solar ASA Annual Report 2017, the company had subsidiaries in the following countries which were considered to be governed by oppressive regimes at the time of writing: Honduras, India, Jordan and Nigeria. (ref: 2)

Economic displacement reporting (information only) (August 2018)

In August 2018 the Scatec Solar Sustainability Report 2017 was downloaded from the company's website, www.scatecsolar.com. This stated that the company's Mocuba project in Mozambique had “resulted in an economic displacement of more than 200 households.” According to the document, the company had “worked actively to mitigate the effects of this by ensuring that all households are assisted in adapting and restoring their livelihoods to pre-project standards at a minimum.” The company was said to have worked according to the International Finance Cooperation (IFC) Performance Standards. It recognised that “Securing land is another important aspect that can impact local communities surrounding the site, particularly when physical and/or economic displacement cannot be avoided.”

Although Ethical Consumer would have liked to see systematic reporting of all economic and physical displacements resulting from its projects, and details of how the company addressed them, it considered the company's disclosure on the displacement resulting from its Mocuba project a positive step in terms of transparency. However, no mention was made of obtaining Free, Prior and Informed consent of local people. This reference is for information only. (ref: 1)

Supply Chain Management

Worst rating for supply chain management (August 2018)

In August 2018 Ethical Consumer searched the Scatec Solar website, www.scatecsolar.com, for information on how the company managed workers' rights in its supply chain. The company's Sustainability Report 2017 was downloaded.

SUPPLY CHAIN POLICY (POOR)

The company's Sustainability Report 2017 stated that it had a Supplier Code of Conduct which included more than 20 compliance topics such as compliance with laws, safety and security, anti-corruption, human rights, environment and use of drugs and alcohol. However, a copy of the Code could not be found in the Sustainability Report or on the company's website.

The entire workforce of Scatec Solar was said to be covered by the company's Global HR policy and related procedures, which were said to state that all employees were to be paid fair salary levels in accordance with local laws and regulations. As this was a policy covering the company's direct employees it was not considered to constitute a supply chain management policy. A definitive copy of the Global HR policy was not found in the Company's Sustainability Report or on the company's website.

The company was said to have a policy to support the right of workers to organise unions. It was also said to have a policy to abolish the use of child labour regardless of local labour law and "only conduct business with third parties that follow the same ethical child labour standards".

The company was said to always avoid the use of child or forced labour. In the Global Reporting Initiative (GRI) section of the report, the company was said to not fully report on the Freedom of Association and Collective Bargaining indicator.

The company's clause regarding child labour was not considered adequate as it failed to define a 'child'. Due to the fact that its Supplier Code of Conduct was not available it was not possible to assess the adequacy of its approach regarding other supply chain policy issues specifically: payment of a living wage, discrimination, working hours, freedom of association and forced labour.

STAKEHOLDER ENGAGEMENT (POOR)

Ethical Consumer deemed it necessary for companies to demonstrate stakeholder engagement, such as through membership of the Ethical Trade Initiative, Fair Labour Association or Social Accountability International. Companies were also expected to engage with Trade Unions, NGOs and/or not-for-profit organisations which could systematically verify the company's supply chain audits, and for workers to have access to an anonymous complaints system, free of charge and in their own language.

In its 2017 Sustainability Report Scatec Solar did not demonstrate that it had engagement with multi stakeholder groups regarding labour standards in its supply chain.

AUDITING AND REPORTING (POOR)

The company was said to have a policy to monitor compliance with its Supplier Code of Conduct through regular supplier audits of significant and high-risk suppliers. It was said to have audited two suppliers in 2017. The report stated: "One of the suppliers had fourteen serious findings and subsequently was not selected for the project. The other supplier had two serious findings, which were both corrected and closed within a period of 30 days."

The company was said to have screened 100% of its new suppliers in 2017 for social and environmental criteria. The pre-selection supplier audit process was said to include a sustainability assessment based on supplier policies and self-assessment.

For a good auditing and reporting programme, Ethical Consumer deemed it necessary for companies to have a scheduled and transparent audit plan that applies to their whole supply chain, including some second tier suppliers. Results of audits should be publicly reported and quantitatively analysed. The company should also have a staged policy for non-compliance and the costs of the audit should be borne by the company.

Scatec Solar was considered to have a poor approach to auditing and reporting as it did not meet any of these requirements.

DIFFICULT ISSUES (POOR)

Ethical Consumer also deemed it necessary for companies to address other difficult issues in their

supply chains. This would include ongoing training for agents, or rewards for suppliers, or preference for long term suppliers. It would also include acknowledgement of audit fraud and unannounced audits, and measures taken to address the issue of living wages, particularly among outworkers, and illegal freedom of association.

Scatec Solar had none of these things, therefore it received Ethical Consumer's worst rating for Supply Chain Management.

Overall Scatec Solar received a worst rating for its supply chain management systems. (ref: 1)

Politics

Anti-Social Finance

Middle Ethical Consumer rating for likely use of tax avoidance strategies (August 2018)

When viewed by Ethical Consumer in August 2018 the corporate information website, Hoovers, its entry for Scatec Solar ASA displayed a corporate structure for the company which Ethical Consumer considered to be of moderate risk of being used for tax avoidance purposes.

One holding company was based in the Netherlands which had 11 subsidiaries, also based in the Netherlands. A number of these subsidiaries were potentially financing companies for projects in other parts of the world, for example, 'Scatec Solar Bangladesh B.V.', 'Scatec Solar Mali B.V.' and 'Scatec Solar Vietnam B.V.'. They were all based at the same address.

At the time of writing the Netherlands was considered by Ethical Consumer to be a tax haven. Ethical Consumer considered it questionable that a Norwegian company would have a corporate structure with a network of companies in the Netherlands serving projects in other parts of the world. They were considered unlikely to be serving the local population in the Netherlands.

As the company with one high risk subsidiary in a tax haven (the holding company) and eleven subsidiaries considered medium risk of being used for tax avoidance purposes Scatec Solar ASA received Ethical Consumer's middle ranking for having a corporate structure likely to be used for tax avoidance purposes. (ref: 3)

Company Ethos (+ve)

All products are innovative environmental alternatives (August 2018)

A search was made of the Scantec Solar website in August 2018. It was found that the company only traded in solar power, and as such was deemed by Ethical Consumer to be selling products that were all environmental alternatives. (ref:2)

References

- 1 - Scatec Solar ASA Corporate Communications:Sustainability Report 2017 (2017)
- 2 - Scatec Solar ASA Corporate Communications:Annual Report 2017 (2017)
- 3 - Hoovers 2018 www.hoovers.com:Generic Hoovers ref 2018 (2018)