

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Scatec ASA

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *Scatec ASA Green Financing Framework*

Independent External Review provider's name: CICERO Shades of Green

Completion date of this form: 17 February 2021

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

<https://cicero.green/our-second-opinions>

Scatec ASA is an integrated independent power producer with a global portfolio of utility-scale solar PV, wind power and hydropower projects. Starting out in 2007 as a solar PV company, in October 2020 the company acquired SN Power, thus adding 1.4 GW of hydropower assets to its PV portfolio. At the end of 2020, the combined company had 450 employees, power plants in 14 countries and gross 3.3 GW of plants in operation and under construction. Scatec ASA is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange.

Scatec's Green Financing Framework allows for financing and refinancing of assets in two categories: renewable energy (solar, wind and hydropower) and energy storage/solutions. Both categories are crucial for reaching the objectives of the Paris Agreement and for providing access to modern clean energy in developing countries. In the next 12 months a majority of the proceeds will be used to finance the acquisition of SN Power. Investors should be aware that a majority of the assets have back-up diesel aggregators, but that hybrid ('release') projects and those which sell power to oil & gas exploration and mining operations have been excluded from the use of proceeds.

Scatec has set out a robust procedure for adhering to the Green Bond/Loan Principles and its approach is best-in-class on various governance metrics. The selection process for green eligible assets is well defined and includes a requirement of consensus-based decisions. We are impressed by the company's strong climate risk focus, as exemplified by its use of Science-Based Targets for emissions reductions, resilience analysis of assets and its early adoption of TCFD guidelines.

Although undoubtedly crucial contributors to a decarbonised energy system, investors should be aware that renewable energy projects can have negative sustainability impacts – this is especially true of hydropower. Hydropower dams can have high GHG emissions and lead to land/resettlement conflicts. Investments in storage assets will involve sourcing decisions related to conflict minerals, and the production of PV panels can have high carbon footprints. The acquisition of SN Power entails a new set of climate risks and we encourage Scatec to develop streamlined and robust sustainability assessment systems to cover these risks.

Based on an assessment of the framework's alignment with the Green Bond/Loan Principles, the project categories and the company's governance score, Scatec's green financing framework receives a CICERO Dark Green shading and a governance score of Excellent. To improve governance even further, Scatec could consider integrating its Sustainability Report (fully) into its Annual Report and adopting Life-Cycle-Analysis when screening suppliers.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

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.

Green Eligible Assets are defined as investments that promote the green energy transition, and includes renewable energy generating and energy storage assets. Acquisitions of such projects as well as investments in share capital of companies with such assets are permitted – under the condition that Scatec has significant operational influence and that the use of proceeds is directly linked to the book value of the green eligible assets owned by the acquired company, adjusted for the share of equity acquired.

The proceeds of Scatec's Green Finance Instruments will not be used to finance fossil fuel energy generation, nuclear energy generation, weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.

Scatec has started to explore what the EU Taxonomy will mean for the Company's activities, including engaging a third party to undertake an independent assessment of alignment.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable):*

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

The selection of Green Eligible Assets is managed by Scatec's Green Finance Committee ("GFC"), which is led by the EVP for Sustainable Business & HSSE. The group has eight members in total and will meet on an as-needed basis. All decisions are made in consensus and in accordance with the criteria defined in the Use of Proceeds section.

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.

The Company conducts Environmental and Social Impact Assessments (ESIA) for all projects, regardless of what financing option is utilized, and engages with key stakeholder groups such as local communities during the project phases. Scatec's corporate policies on supply chain and subcontractors will be applicable. It is in the process of rolling out a policy on conflict minerals.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

CICERO Green finds the management of proceeds of Scatec to be in accordance with the Green Bond/Loan Principles. An amount equal to the net proceeds from Scatec's Green Finance Instruments will be tracked and used for financing and refinancing of Green Eligible Assets. The company 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, 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.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

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 will be published annually as long as there are Green Finance Instruments outstanding. The Allocation Report will be subject to external verification and published on the Company's website. The Allocation Report will contain the following:

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 various eligible categories

Share of unallocated proceeds (if any)

Some examples of financed projects

The Impact Report will to some extent be aggregated (per category and depending on needs) and depending on data availability, calculations will be made on a best intention basis. If assets are only partly financed by green finance instruments, impact reporting will reflect the relevant shares. Impact metrics may include:

Annual renewable energy generation (MWh or GWh), in total and per renewable energy technology

Capacity of renewable energy plants constructed or rehabilitated (MW or GW), in total and per renewable energy technology

Estimated annual greenhouse gas emissions avoided (tCO₂e)

For energy storage, and other energy solutions: Capacity and technology of electricity storage installed (MW)

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify): Generation capacity and annual generation from assets

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify): report on homepage

☒ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): allocation

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☒ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (please specify):

Review provider(s): CICERO Shades of Green

Date of publication: 05 February, 2021

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.