

# Communication on Progress 2016





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# Message from the CEO

**Michael Fuge**

It gives me great pleasure to confirm that in 2016 Pacific Hydro reaffirmed its support for the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anticorruption.

Amidst significant change, including the acquisition of Pacific Hydro by State Power Investment Corporation (SPIC) early in the year, our commitment to continue developing, operating and constructing sustainable renewable energy projects remains steadfast, along with our commitment to health and safety.

SPIC's wealth of experience as one of the top five power generation groups in China provides Pacific Hydro with outstanding growth opportunities and adds significant value to our global cultural diversity.

Highlights of the year included audiences between SPIC's Chairman Hou Xuezhong and President Michelle Bachelet in Chile and, in Australia, with Federal Minister for Energy, Hon. Josh Frydenberg. Commercially, 2016 was a strong year for Pacific Hydro in all areas of the business from development, through construction to acquisition and the launch of a full retail business, Tango Energy.

Acquisition of Taralga Wind Farm, with 107MW of installed capacity occurred within the first 100 days of Pacific Hydro's new ownership while construction commenced at Yaloak South, Victoria and Punta Sierra – our first wind farm in Chile.

Diversification into large scale solar was also a strong focus in Australia with two sites identified in Queensland now in advanced stages of planning.

Pacific Hydro received two important awards in Chile:

the Carlos Vial Espantoso Award which recognized our company for its superior labour practices and Foundation Chile Unido and Ya magazine, which rate the best companies for working parents, gave us a fourth-place award in the category of SMEs.

In Australia, neighbour satisfaction at our South West Victoria cluster of wind farms has doubled since 2014, further underpinning our deep commitment to the communities in which we operate.

But with success, come challenges and 2016 was no exception. In February the spillway of our 111MW Chacayes run-of-river hydro plant failed. However, we acted swiftly and safely to guarantee resumption of its operations. After five months of hard work from all areas of the company we had the asset operating with a partial flow which was increased in November. We are currently working in the definitive spillway.

The incident precipitated major reviews of our practices, from design and engineering through to quality control and management, to ensure firstly that safety remains our number one priority and that preventable incidents are prevented.

Pacific Hydro's commitment to working collaboratively and sharing the benefits with our communities throughout the entire life cycle of our projects is stronger than ever and we are assessing new ways to improve the way we work with these important stakeholders to maintain our competitive advantage and meet or exceed our communities' expectations.

Our support and promotion of the Ten Principles of the United Nations Global Compact will continue across the business during 2017.



# Sustainability at Pacific Hydro

Our commitment to sustainability has been reaffirmed since Pacific Hydro's acquisition. Our new owner has confirmed their commitment to continue developing, operating and constructing renewable energy projects in a sustainable way, thus creating economic, social and environmental value.

We also continued to strengthen our commitment to the principles of the United Nations Global Compact. Considerations of human rights, labour, environment and anti-corruption are integrated in our day-to-day business operations and activities.

To Pacific Hydro, our stakeholders are a key group

that requires a tailored approach. We define our stakeholders as individuals and groups who are impacted by our activities or those who can have an impact on our future development.

Due to the diverse interests of each group, which varies in each of our business units, we adapt our approach, communication channels and engagement activities as appropriate.

The table below displays our key stakeholder groups and illustrates some of the ways we have engaged with them in the reporting period.

| Stakeholders                       | How we engage   |
|------------------------------------|---|
| <b>Owner</b>                       | Monthly Board and periodic Committee meetings; regular strategy reviews; representative offices of SPIC in three business units.  |
| <b>Banks and Financiers</b>        | Regular formal and informal meetings; ad-hoc reporting; written correspondence and phone calls; on-site visits; health, safety, sustainability and operational reporting as required.   |
| <b>Communities and Landholders</b> | Formal and informal community consultation sessions and work tables as required; one-on-one meetings as required; on-site visits; ongoing interaction with community and landholder liaison officers; regular newsletters; regular community engagement and investment activities; employee visits to community; social media; claims and suggestions tab. In Chile, in 2016 we adopted the Guidelines of Participation launched by the Ministry of Energy. |



| Stakeholders   | How we engage   |
|--|---|
| <b>Employees</b>   | Monthly CEO or business updates; regular HSS updates, monthly line manager communications; monthly lunchtime forums hosted by CEO, general managers or functional teams; six monthly and annual performance reviews; regular social functions and events; internal communications survey; regular intranet news updates; mailings; social media.                      |
| <b>Contractors and suppliers</b>                                 | Expressions of Interest; execution of quotations and tender processes; consideration of formal economic and technical evaluations; regular meetings; Sustainable Supplier Assessments as required; contracts across the project lifecycle – development, delivery and operations; social media.   |
| <b>Customers</b>   | Regular meetings; ongoing written communications and phone conversations with existing customers; on-going relationship development with a range of prospective customers through meetings, attendance at market events and sponsorship of market-related seminars and conferences; social media; ad hoc screenings for free market clients and the regulated market. |
| <b>Water right holders (irrigators) and landholders in Chile</b> | Regular formal participation in the Board of Water User Organizations; one-on-one meetings with landowners and negotiations as required; on-site visits; ongoing interaction with landholder liaison officers; social media.  |
| <b>Government authorities- local, state and federal</b>          | Regular meetings; regular written submissions as required; on-site visits; ongoing formal participation and representation in industry associations and other bodies; social media.   |
| <b>Opinion leaders</b>   | Regular meetings; regular written information; occasional on-site visits; social media.   |
| <b>General Public</b>  | Media; social media, mostly Facebook, but also LinkedIn, and YouTube.   |





# Human Rights Principles

**Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and**

**Principle 2: Make sure that they are not complicit in human rights abuses.**

## **Assessment, Policy and Goals**

We respect the rights of our employees, contractors and the broader community. Specific human rights commitments are covered by the following high-level documents:

- ✓ Code of Conduct
- ✓ Equal Opportunity Policy
- ✓ Health, Safety, and Environment Policy
- ✓ Sustainability Policy
- ✓ Community Charter, Engagement Framework and Investment Guidelines
- ✓ Flexible Working Guidelines
- ✓ Whistleblower Disclosure and Investigation Procedure
- ✓ Enterprise Wide Risk Management Framework

## **Implementation**

We have a broad range of strategies within our global Health and Wellbeing program designed to prevent serious conditions and illnesses in employees. Our Health and Wellbeing Policy raises awareness about these issues and promotes a positive and equitable workplace for employees. Our Employee Assistance Program offers confidential, external counselling for employees and their immediate families.

Flexible Working Guidelines in Australia, Brazil and Chile allow all employees to achieve a balance between managing personal affairs and ensuring that individual, team and business objectives are met.

Our workplace is family-friendly and we encourage employees to balance family commitments with work responsibilities. Our Parental Leave Policy in Chile and Australia extends beyond statutory requirements.

We offer a broad spectrum of internal and external training courses to all staff. Relevant health and safety training is provided to site and office-based employees and contractors to ensure our staff are equipped with the knowledge required to perform their job safely.

The Compliance pillar within our risk management framework sets guidelines for us to identify and comply with all relevant laws, including those laws relating to human rights. A Breach Register enables a transparent process to record, investigate and rectify any breach in a timely manner.

We seek to establish and maintain respectful and collaborative relationships with our local communities. Community support is fundamental to the success of our projects and we believe that mutual trust and respect is only earned through transparency, open and early engagement, and communication.



We recognize and respect the rights, local laws, customs and cultures of the people living in the communities where we develop, build and operate. Through established policies and procedures and through the entire life cycle of our projects, we work with local communities to identify and mitigate potential impacts (social, cultural, health, safety, environmental). We also believe that our work in this area must continue to evolve to ensure we are meeting and exceeding community expectations.

#### Measurement of outcomes

Targets are embedded in our Business Plan and are measured periodically throughout the year and annually.

#### What we said we would do

Health and Safety Excellence: continue to build and sustain a healthy and safe culture and workplace, with zero harm to employees and others.

### Safety program for turbine operators

Australia pioneered the successful implementation of a safety training program: 10 of our wind turbine operators undertook a blended learning process of face to face and practical classes designed around the health and safety aspects of wind farm and hydro operation.

All 10 received certificates and now similar programs will be introduced across all business units.

#### What we did

2016 presented relevant challenges in H&S.

During the first half of the year, Chile recorded six incidents. Fortunately, the Health and Safety injuries sustained were minor in nature, but served as a reminder that we must remain diligent when it comes to safety.

In order to address this situation, Chile's business unit assembled a program to generate more awareness which included meetings with all contractors, celebration of Safety Week, training of Contractor Administrators, Driving Campaign ("gamification").

In Australia, we pioneered the implementation of a safety training program for 10 turbine operators on our windfarms.

*State Power Investment Corporation visiting site*



In Brazil, our assets achieved a great health and safety performance under OHSAS 18001 standard: it was recommended we be allowed to keep international certification until July 2017.

Brazilian Contractor Management System reviewed us based on HSE standards. Our contractors were audited internally to verify that they were complying with Brazilian law and Pacific Hydro's requirements.

We continued to promote our H&S culture with a number of safety leadership initiatives. On average, every employee in the business submitted more than 24 safety observations each, and each member of our leadership team conducted more than 4 safety walks.

Across all business units, we achieved an incredible number of 5950 safety observations and our leadership team conducted 140 safety walks.

All three business units made significant improvements in closing out gaps in our Health, Safety, and Environmental Management System (HSEMS), reaching all 12 management standards by the end of 2016. This will benefit the business by providing a relevant framework.

Our Leadership Team has been involved in regular conversations with staff, talking about the importance of a safe workplace.

## What we said we would do

Earn community trust and have positive relationships with a high level of integrity.

## What we did

We continued to work and support our host communities through a range of relations activities that included community funds in our three markets.

In Australia, we applied our innovative Community Engagement Tool kit. Community engagement to date had focused mainly on compliance but, as part of a major overhaul, Pacific Hydro decided to change course and draw on experience and lessons learned; and create a community awareness culture across the business. The outcome was Pacific Hydro's Community Engagement Tool kit; a way of collaborating with and empowering project neighbours in decisions on matters that affect

them. Using International Association of Public Participation (IAP2) methodology and principles Pacific Hydro went back to basics to better understand risks from a community perspective. The tool kit can now be applied in the field as a direct response to feedback and project neighbour concerns. This has helped to address several legacy issues in a fair, transparent, and empowering way.

Through Pacific Hydro Australia's Sustainable Communities Fund more than AUD\$2M has been provided to over 600 sustainable projects. This has further cemented our relationship and commitment to the communities within which we operate. Other changes are being considered which would provide a simpler method for local community groups and organizations to apply to the fund, and empower members of the community with greater involvement in how funds are allocated.



*Community initiatives in Australia*



## Community Engagement Tool kit and Community Sustainable Funds

In Australia, Pacific Hydro's Community Engagement Tool kit is a way of collaborating with and empowering project neighbours in decisions on matters that affect them.

This tool kit assesses the impact of the Sustainable Community Fund, ensuring that the projects are both safe and create a lasting legacy. This case study is also a demonstration of how far-reaching and important our engagement can also be for other stakeholders including our owners and investors.

In 2012, Basalt to Bay Landcare Network Inc. applied for and was successful in obtaining funding for remote sensor cameras to try and capture evidence of the southern brown bandicoot's existence in St. Helen's Flora Reserve, which is situated in the vicinity of one of Pacific Hydro's oldest wind farms, Yambuk.

Being able to capture the bandicoot and a fox in the same location has provided evidence of pest animal threats in a visual form and has helped to mobilize action to eradicate such animals.

After several years, in 2016, the project gained worldwide attention and has been featured in R.M. Williams magazine, viewed on YouTube more than 12,000 times.



It has caught the attention of senior people in politics and environmental government organizations.

Finally, as a direct consequence of Pacific Hydro's community investment, wool buyers as far away as Italy are now building their sustainability credentials on the back of this heart-warming case study as neighboring farmers are accommodating shelter belts on their property where sheep graze and live hand-in-hand with the southern brown bandicoot. It is a clear demonstration of what can be achieved when big industry works together with multiple stakeholders and community groups to delivery enduring legacies that reach far beyond the wind farm.

*Celebrating with the communities of the Alto Cachapoal Valley*

In Chile, we celebrated 10 years of our Community Fund Creciendo Juntos with over 140 initiatives implemented in the community of the Alto Cachapoal Valley, Region of O'Higgins. Aware that needs and requirements change, we developed impact measurement tools and started reviewing the application guidelines. The process will be finished during 2017.

We also closed another version of the training workshops for our neighbours. 33 people were trained in welding and sewing. In addition, we celebrated the third version of "My View of Pacific Hydro." Through this initiative, students of the three Valley schools draw and paint how they see the area where they live and the influence of our company. The 12 winners are part of an internal and external calendar.



## Celebrating a successful 2016 with the communities of the Alto Cachapoal

With important attendees from regional and local authorities and the community of the Alto Cachapoal, we celebrated a successful year of work with our host communities. We awarded the 19 projects that were selected in the 10th version of the Creciendo Juntos community fund; the 33 people trained in welding and sewing workshops; and the 12 children who

won the third version of "My view of Pacific Hydro". Their drawings and painting are part of our internal and external calendar.

Also, the story that won the first version of the tale category, "A life in the Valley," was represented through a play with the presence of the proud author.

In 2016, we also launched the first version of "A Life in the Valley" tales oriented towards seniors.



*Winners of the Version of the Tails "A life in the Valley"*

Focusing on the construction of Punta Sierra wind farm, we increased our work with residents in the area, applying the Guidelines of Participation that were launched by the Ministry of Energy. We organized workshops with the communities of Mantos de Hornillos and Caleta Sierra and developed the "Program of Local Development", which will be implemented during the construction and operation of the wind farm.

In 2016, we were also re-certified with the ProPyme Seal granted by the Ministry of Economy. Through this initiative over 400 Small and Medium Entrepreneurs benefit with a 30-day payment policy.

We developed the Local Suppliers and Employment Program which contributes to the local development of our host communities and increases the number of services provided by them.

In Brazil, we launched the third version of our Sustainable Community Fund, supporting 11 projects applied for by community.



*Winners of the Sustainable Community Fund in Brazil*

In addition, we conducted a Community Survey, interviewing 25 leaders in Barra do Camaratuba.

We created a Community Committee for Barra do Camaratuba residents to help define community requirements. They will be our advisors, establishing yearly investment priorities based on regional needs.



## Community Survey

In Brazil, we conducted a Community Survey: we interviewed 25 leaders of Barra do Camaratuba to learn what the local residents think about our sustainability strategy. The people interviewed were community leaders, project promoters financed by the Sustainable Community Fund and project beneficiaries.

The results showed that over 80% believe that the Community Fund has contributed to local development.

Achieving our objectives, the results of the survey also showed that Pacific Hydro's investments, in terms of entrepreneurship and professional courses, has increased the families' incomes and incentivized women's empowerment locally. Most participants in the

courses are jobless women who learned to make wares which they can sell to tourists in the region.



## Pacific Hydro Brazil joins Ethos

Ethos Institute Business and Social Responsibility is a non-governmental organization created to mobilize, sensitize and help companies manage their business in a socially responsible way, making them partners

in building a sustainable and fair society. With this focus, Pacific Hydro Brazil joined Ethos and is working with the organization to reinforce its community and sustainability commitment.

### What we said we would do

Know and manage risks and associated strategies in order to deliver our growth strategy's compliance obligations.

### What we did

Under the Compliance pillar of our Enterprise Wide Risk Management Framework, each divisional or functional general manager has processes and tools in place to identify and comply with relevant legislation, industry codes, policies and procedures affecting their areas of responsibility.

Any non-compliance is subject to a rectification plan and opportunities for avoidance of similar non-compliance in the future are identified.

The Enterprise Wide Risk Management Framework is embedded in the business.

An automated risk management tool is used across all business units.



# Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

## Assessment, Policy and Goals

We respect the rights of our employees, contractors and the broader community. Compliance mechanisms within our risk management framework allow us to identify and comply with all relevant laws, including those relating to human rights. Specific human rights commitments are covered by the following high-level documents:

- ✓ Code of Conduct
- ✓ Equal Opportunity Policy
- ✓ Health, Safety, and Environment Policy
- ✓ Sustainability Policy
- ✓ Community Charter
- ✓ Flexible Working Guidelines
- ✓ Whistleblower disclosure and investigation Procedure
- ✓ Enterprise Wide Risk Management Framework
- ✓ Parental Policy Chile and Parental Leave Policy Australia

## Implementation

Our Inclusion and Diversity Strategy currently focuses on gender, culture and work life balance.

Our workplace is family-friendly and we encourage employees to balance family commitments with work responsibilities utilizing our Flexible Working Guidelines. Our Parental Leave Policy extends beyond statutory requirements relating to parental leave rights in Chile and Australia. When returning to work after parental leave, we encourage staff to gradually increase their days of work thus acknowledging the challenges of returning to work with young children. We also offer return-to-work coaching in Chile and Australia to assist mothers transitioning back to the workplace.

Cultural awareness training was provided to staff in each of our regions. Mandarin lessons were also provided to staff in Chile and Australia.

All new employees and contractors at Pacific Hydro are informed of these Policies and Procedures in the Human Resources new starter induction. This is an obligation for all members of the company, as a part of the principles that we must know and respect. In addition, we conduct seminars to reinforce staff awareness.





Our formal complaint procedures can be utilized by employees and community members for concerns relating to Pacific Hydro. Employee grievances are covered by our Grievance Procedure, Whistleblower Disclosure and Investigation Procedure, Equal Opportunity Policy and Code of Conduct. These

policies and procedures encourage employees to seek and use appropriate mechanisms to address any grievances. Any issue not adequately addressed through these provisions can be taken to relevant external organizations.

## Scholarship and training

Pacific Hydro believes that people are our most valuable asset and therefore we seek to develop our staff in line with business needs and personal aspirations.

The company promotes growth and development opportunities for staff. This also helps to improve morale and employee engagement.

One of the policies is to offer a Scholarship and Training Program that supports staff to keep learning and achieve greater professional development. In the 7th version of the program in Chile, there were 11 beneficiaries. They studied pre- and post-graduate studies. Furthermore, on- average, each worker receives 53.3 hours of training per year.

In Australia, there is a budget allocation in each department for employee training that can be used for external courses and workshops to further advance technical and professional skills. The recent average annual expenditure for training in PHA is AUD\$183,209.

Due to the global interactions between Chile, Brazil and Australia and our shareholders, languages classes including English, Mandarin and Spanish are arranged. These classes are conducted either individually or in group setting. Currently in Australia there are 7 employees undertaking these classes and in Chile, over 25% of the team take part in English classes.



## Measurement of outcomes

Targets are embedded in our Business Plan and are measured periodically throughout the year and also annually.

## What we said we would do

Health and Safety Excellence: continue to build and sustain a healthy and safe culture and workplace, with zero harm to employees and others.

## What we did

Our H&S culture was strengthened with a number of safety leadership initiatives. On the average, every employee submitted more than 24 safety observations each, and our leadership team conducted more than 4 safety walks.

All three business units made significant improvements in closing out gaps in our Health Safety and Environmental Management System (HSEMS), with all 12 management standards to become active by the end of 2017. This will benefit the business by providing a framework.

| Total Group                | Target | Total |
|----------------------------|--------|-------|
| <b>Safety observations</b> | 5280   | 5950  |
| <b>Safety walks</b>        | 84     | 140   |

## What we said we would do

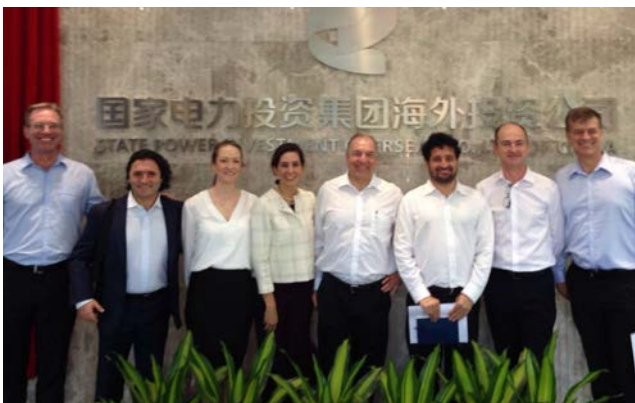
People Excellence: smooth, efficient and timely transition of ownership with an agreed method of leveraging from our owner's expertise.

## What we did

A formal Transition Team was established to manage business-critical transition items during the first three months of the new ownership with representation of the three business units.

Key staff from each region visited our owner in China to better understand their operations and leverage from their expertise.

Although the Transition Team was disbanded as we moved into steady-state operations, we continue to work with our owners on the implementation of a number of longer term transition-related activities.



*Pacific Hydro Team visiting State Power Investment Corporation offices*

Cultural awareness training was provided to staff in each of our regions. Mandarin lessons were provided to staff in Chile and Australia.

Chinese staff at the offices were trained in Spanish and local culture also.

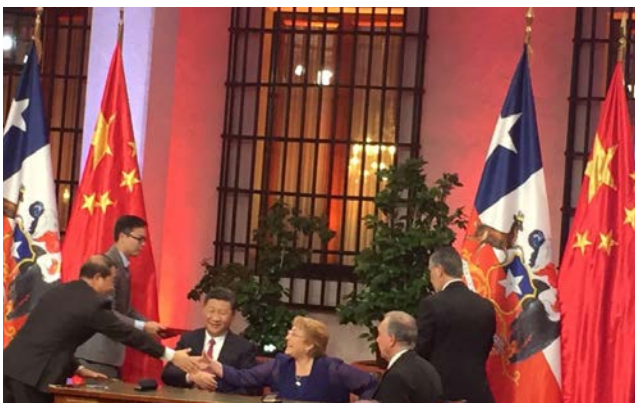
A Representative Office of State Power Investment Corporation (SPIC), was established in each business unit.

## What we said we would do

People Excellence: Employee engagement, maintaining a lean structure which fosters a culture of simplicity and agility.

## What we did

An Operating Model was developed, defining 'the Pacific Hydro way' and providing a framework to identify and execute the transformation required to maintain and enhance our business performance using a simplified, standardized and strengthened approach.



*Pacific Hydro and State Power Investment Corporation signing an agreement during the visit of the President Xi Jinping to Chile*



## President Bachelet meets our owners

In April 2016, the Chairman of State Power Investment Corporation (SPIC), Mr. Wang Binghua, visited Chile. In this opportunity, in addition to visiting our assets and meeting the management and the staff, Mr. Wang was received at La Moneda Government Palace by the President of Chile, Michelle Bachelet, and the Minister of Energy of that moment, Máximo Pacheco.

In these meetings, Mr. Wang promised authorities that SPIC and Pacific Hydro would continue to respect all Chilean laws, the environment and generate local benefits for communities that are close to Pacific Hydro's projects in order to be successful and continue developing, constructing and operating projects in Chile.



*Opening Ceremony of State Power Investment Corporation Overseas Representative Office in Chile*

## Operational Structure in Chile

In order to respond to new challenges and expectations of the business, aligned with world-class safety performance, the operational structure of the company has changed, bringing key frontline operations and maintenance activities in-house. This strategy has resulted in a reduction of the external labour required to perform key frontline activities, by increasing the number of full time equivalent staff in Pacific Hydro structure.

The new structure has helped achieve world-class asset management excellence,

by improving the quality standards across the operating portfolio, with Pacific Hydro management being able to have closer control of the execution of frontline activities, as well as assuring the training and competence of the people assigned to such tasks. The implementation of this strategy has also resulted in a simplification of the operational structure, by reducing the layers within the organization, in order to deliver more efficient reporting lines within the business.

In 2016, Pacific Hydro Chile implemented a process review analysis under the Lean Methodology. The Lean analysis included 10 different processes across IT, Finance and Health and Safety areas, in which we reduced costs and time in each process.

In addition, in Chile, we were awarded recognition that highlights our programs and policies. One of the awards is the Carlos Vial Espantoso Award

that distinguishes Pacific Hydro as a company with excellent labour practices.

We earned another important award by being one of the best companies for working parents in the category SMEs of Foundation Chile Unido and Ya magazine. This award is very relevant because it provides feedback and inputs in how we can improve.



*Staff with Carlos Vial Espantoso recognition*

## Communications Survey

In Chile, during 2016, we conducted our first Internal Communications Survey for staff to provide feedback on the company's internal communications.

The results showed, staff satisfaction in relation to communication of strategic business information was an average of 80%. Furthermore, Pacific Hydro's internal communication media received an average rating of 4.2 out of 5.



## Pacific Hydro awarded

In 2016, Pacific Hydro Chile received two important awards. We ranked among companies with the best labour practices in the notable “Carlos Vial Espantoso” Award, with over 16 years of trajectory in Chile. The aim of this award is to show that focusing on people is good business. Winners were selected through interviews with H&S leaders and management, on-site visits and interviews with contractors. The ceremony was led by the Minister of Labour.

Additionally, Pacific Hydro achieved fourth place among the best companies for working parents in the category SMEs of Foundation Chile Unido and Ya magazine. To select winners a

questionnaire was given to all parents at Pacific Hydro who have children under 15 years of age and a Human Resource survey was distributed. The President of Chile, Michelle Bachelet, and relevant ministers participated in the ceremony.



Our Inclusion and Diversity Strategy currently focuses on gender, culture and work-life balance. Equal employment opportunity and anti-discrimination are also specifically covered in our

Code of Conduct and Equal Opportunity Policy. Our Global Senior Leadership Team (SLT) gender breakdown is 6:3.

Table: Employee profile as at 31 December 2016

|                          |   | Australia | Brazil | Chile | China |
|--------------------------|---|-----------|--------|-------|-------|
| <b>Staff</b>             | ♂ | 49        | 12     | 93    |       |
|                          | ♀ | 34        | 13     | 31    |       |
| <b>Executive Manager</b> | ♂ | 6         | 2      | 5     |       |
|                          | ♀ | 5         | 0      | 1     |       |
| <b>General Manager</b>   | ♂ | 4         | 0      | 2**   |       |
|                          | ♀ | 2         | 1      | 0     |       |
| <b>Director</b>          | ♂ | 2*        | 0      | 1     | 4     |
|                          | ♀ |           | 0      |       |       |

\*Includes CEO

\*\*Includes Executive Chairman of Pacific Hydro Chile

# Environmental Principles

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** Undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** Encourage the development and diffusion of environmentally-friendly technologies

## Assessment, Policy and Goals

As a global clean energy solutions provider, we develop, build and operate renewable energy projects and sell electricity and carbon abatement products to customers in our chosen markets.

Our new owner is fully committed to respecting the laws and the environment. We are committed to managing the impacts of our activities, and strive to set an example of best environmental management practices for renewable energy, based on principles of sustainable development.

Our Health, Safety, and Environment Policy addresses the prevention and management of environmental risks, while the Code of Conduct requires all employees and Company Directors to respect and comply with our Health, Safety and Environmental Management System (HSEMS).

## Implementation

Our HSEMS helps us identify all environmental impacts of constructing and operating projects and allows us to respond promptly and effectively to any known or new significant environmental impact caused while under our control. We have the responsibility to protect and improve the environment, and are committed to conducting our business in accordance with the spirit and letter of all applicable environmental laws and regulations.

## Puma Working Table

Our commitment to local flora and fauna, has led us to expand our studies of protected species in the Upper Cachapoal Valley.

We have been studying pumas in the Cachapoal Valley. Scientific studies and workshops conducted between 2014 and 2016 generated a Working Table with the regional authorities led by the Agriculture and Livestock Service (SAG).

The main objective of this Working Table was to address the conflict between the Puma and the muleteers in the Upper Cachapoal Valley and to provide tools to resolve the conflict.







All Pacific Hydro Directors and employees are obliged to observe the HSEMS as part of our Code of Conduct. At an operational level, responsibility for environmental management is undertaken by relevant line managers, with additional support from dedicated environmental professionals.

We recognize the importance of educating and engaging the broader community in environmental issues and we strongly advocate wind power, renewable energy, action on climate change, and the environment. In Chile and Brazil, we speak at schools and community groups, publish information and support studies on local flora and fauna, and participate in other activities that promote local environmental sustainability.

All Business Units have developed initiatives related to the reduction and/or measurement of greenhouse gas and energy.

#### **Measurement of outcomes**

Targets are embedded in our Business Plan and are measured periodically throughout the year and also annually.

Since Pacific Hydro commenced operations in the Cachapoal Valley in Chile, we have studied the socio-environmental impacts of our current assets and future projects. These analyses have allowed us to identify potential challenges which could arise as a result of our activity and take steps to minimise these impacts and ensure we are compliant with our HSE policy.

### **Scientific Fund Seminar brings together students and the community**

During March 2016, a seminar was held to discuss the results of the second and third versions of the Scientific Fund of Pacific Hydro. The objective of this initiative was to increase knowledge of the culture, flora and fauna of the Cachapoal Valley.

Regional authorities, members of the community and students of different universities and educational establishments of the country participated in this activity. Studies of amphibians, guanacos and the society of the Cachapoal were presented.

Since the first version of the fund, a total of 20 initiatives presented by students throughout Chile have been awarded and the results are available to improve awareness about the

society, and flora and fauna of the Cachapoal Valley, where we operate.



Our commitment to the local flora and fauna, has led us to expand our studies of protected species in the Upper Cachapoal Valley. In 2016, We prioritized the collection of information to learn more about the ecology of the short breast duck. In 2017, we incorporated studies that will allow us to understand its displacement, feeding and nesting preferences: with this information we can implement future measures to mitigate the impact on this species.

## What we said we would do

Portfolio Excellence: Develop and build outstanding pipeline greenfield projects that provide portfolio benefits and achieve growth, with a strong focus on building scale and diversity throughout the portfolio using best capital management practices.

## What we did

We further progressed and delivered our development portfolio of renewable energy assets:

In Chile, we started the construction of Punta Sierra (82MW), our first wind farm in the country.

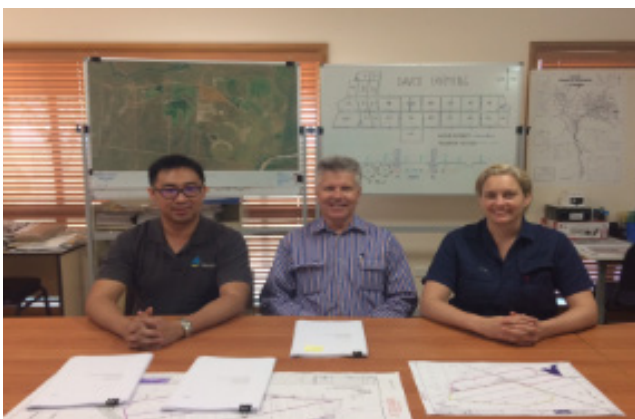
The Environmental Impact Assessment for our Nido de Águilas hydro power plant in Chile continued.

In Australia, we acquired Taralga wind farm (107MW), located in Golburn, New South Wales. We also commenced construction of Yaloak South wind farm.

In Brazil, we pursued the development of a cluster strategy with a number of proposed wind farms like the Paraíso Azul and Paraíso Farol projects, located in the municipality of Touros, Rio Grande do Norte state in NE Brazil.

Given resource levels, infrastructure and our owners' expertise as the largest solar operator in the world, we established a solar business in Australia and Chile.

In Australia, we signed agreements for 1GW of greenfield solar and are actively pursuing further opportunities in both countries.



*Pacific Hydro Australia Staff on site*

## Taralga

Pacific Hydro acquired Taralga windfarm, which has an installed capacity of 107 MW and began commercial operation in June 2015.

The project has 51 wind turbines, and produces enough energy to power approximately 45 thousand homes and reduce CO2 emissions by more than 255 thousand tons per year.

In addition, Taralga has a long-term community relations program in which funds were allocated for initiatives of interest to local organizations and the park's direct neighbours.





## What we said we would do

Help our customers to meet their climate change mitigation, obligations or targets by providing suitable products.

## What we did

After its approval in March 2016, a full retail business was launched in Australia, primarily focused on the Small to Medium Enterprises (SME) and Commercial and Industrial (C&I) sectors, as well as some residential customers.

The business developed a new retail brand, 'Tango,' in late 2016 and completed the year having exceeded all its milestone targets.

Our focuses for 2017 are on completing the brand transition, further developing systems, increasing Tango's presence in its chosen sectors and supporting the rapid growth of Pacific Hydro's generation business in Australia.

We also sold Large Scale Generation Certificates (LGCs) to a range of large electricity customers in

Australia including electricity retailers and large corporate energy users.

The projects we have built in Chile are all registered under the UNFCCC and can trade Certified Emission Reductions (CERs) globally.

After joining the UNFCCC platform, Chacayes run-of-river hydro power plant became one of two projects in Latin America authorized to sell bonds to natural persons, in order to mitigate their impacts.

## What we said we would do

Embed sustainable procurement practices.

## What we did

Procurement Policy at the global level was launched. This includes requirements for our suppliers regarding respect for the environment and communities in which we operate.

These requirements apply to all suppliers.

## Lollapalooza

During 2016, Pacific Hydro renewed the sustainable partnership with Lotus Producciones in Chile. This company is responsible for presenting - among other shows - the Lollapalooza Rock Festival and Cirque du Soleil.

The partnership establishes that Pacific Hydro is responsible for mitigating the emissions of all shows of 2016.

For the second year in a row, Pacific Hydro also participated in Lollapalooza's "Green Village" which brings together associations committed to sustainability. Our company was able to raise awareness among young people about the effects of climate change emissions and how renewable energies contribute to a greener world.



# Anti-Corruption Principles

## Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### Assessment, Policy and Goals

We are committed to complying with all relevant laws, regulations and standards, with various compliance mechanisms built into our Enterprise Wide Risk Management Framework to ensure we are aware of and meeting all compliance obligations.

Our Code of Conduct provides direction on the ethical behaviours expected of our employees and Directors. As part of our HR Policies and Procedures induction, all new employees are required to review the Code of Conduct. The Code of Conduct outlines our approach and responsibilities to stakeholders and guides employees and contractors on issues such as bribery and anticompetitive behaviour.

Our Whistleblower Disclosure and Investigation Procedure covers allegations of improper or corrupt conduct, as well as breaches of Company policy, the Code of Conduct and relevant laws.

### Implementation

In Australia, Pacific Hydro provides periodic training on Australian Competition and Consumer Law.

In Chile, Pacific Hydro initiated the procedure to become certified as a company that complies with Law 20393, Criminal Responsibility of Companies regarding the crimes of money laundering, financing terrorism, and bribery of national or international public employees.

We also initiated the procedure of establishing a Compliance Manual and designated a Compliance Officer to ensure the fulfilment of our policies.

A new antitrust Law was promulgated in Chile and in order to comply with this law we informed the authorities about the history of our Directors.

All new employees and contractors at Pacific Hydro are trained in Policies and Procedures as part of the Human Resources new starter induction. This is an obligation for all members of the company, as a part of the principles that we must know and respect.

### What we said we would do

Ensure a transparent governance structure.

### What we did

The scope of the Board Charter is reviewed periodically to ensure ongoing relevance and avoid duplication.

*State Power Investment Corporation Overseas Offices in Zhuhai, China*





# CONTACT US

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