

COP 2018

UN Global Compact
Communication on Progress



PacificHydro



Yaloak South Wind Farm, Victoria Australia

CoP 2018

UN Global Compact
Communication on Progress





CEO Message

It is with great pride that I bring you this communication on progress for 2018, and re-state Pacific Hydro's commitment to uphold the Ten Principles of the United Nations Global Compact.

This document describes our actions over the past year to further integrate the Global Compact and its principles into our business strategy, culture and daily operations.

After first making our commitment to the UN Global Compact in 2010, we have continued to build on and exceed the ten principles, guided by our vision, core values and culture statements. In a time of immense growth mired by political and policy instability, we continue to maintain our position as a leading renewable energy business.

Pacific Hydro works hard to apply our expertise and resources to harness the power of the wind, water, and sun to create economic, social and environmental value. In the 26 years since our founding, we have achieved this through the successful development, construction, and operation of renewable energy projects; and through our leading approach to sharing the benefits of our work with our communities.

As a global renewable energy owner, operator and developer, we operate a high quality, diversified portfolio with an installed capacity of 1 GW+ across Chile, Australia, and Brazil under the ownership of China's State Power Investment Corporation (SPIC).

Despite the planet facing a magnitude of environmental, social, economic and geopolitical issues, a very present trend is the growing number of corporate organisations moving to manage market risks themselves, through power purchasing agreements. Our highly awarded Melbourne Renewable Energy Project is a great example of this, and is in partnership with our retail arm, Tango energy.

As Tango continues to grow, it will be an enabler for Pacific Hydro to build more renewable energy projects, advancing the decarbonisation of the energy sector while providing competitive and affordable electricity offerings to customers large and small.

2018 didn't come without immense challenges. After reaching financial close on Pacific Hydro's first solar farm in Haughton, Queensland in October, the following month our EPC contractor went into voluntary administration. Pacific Hydro made the decision to therefore lead the completion and commissioning of the project.

I can say without a doubt that I am proud of the teamwork, dedication and agility of my colleagues at Pacific Hydro. After a short halt in works, we were able to take over coordination of the site and re-start works while also attempting to keep as many of the workers as possible, over the period of just a few weeks.

During mid-2018 our Chile team celebrated a huge milestone that we're all very proud of. During the evening of 8 July, successful energisation

of Punta Sierra's substation was achieved. As Pacific Hydro's first wind project in the country, the successful energisation achieved the goal of diversifying the energy mix of our Chile business.

The Punta Sierra project is located in the Coquimbo Region, in the commune of Ovalle, approximately 316 km north of Santiago de Chile. First monitoring of the wind resource on the site occurred in 2008. Anticipated to supply approximately 280 GWh every year to Chile's main grid, the Central Interconnected System, the project can send enough energy to supply approximately 170,000 Chilean homes. Its operations will abate the emission of 200,000 tons of greenhouse gases.

Without these challenges, we wouldn't continue to grow, and I am pleased to say that in December we secured a planning decision for another major solar project in Victoria with our 240MWac Prairie Solar Farm.

Most importantly, throughout this growth we continue to deliver on our commitment to protect and enhance the quality of our work; maintain the health and safety of our staff, contractors, and communities; continue our responsible stewardship of the environment, and perform best practice asset management.

Building on the Australian business unit's certifications in ISO 9001 Quality Management, ISO 14001 Environmental Management, BS OHSAS 18001 OHS Management and ISO 55001 Asset Management, in 2018 Chile and Brazil achieved ISO certification in the following: ISO 9001, ISO 14001 and OHSAS 18001.

In a complex and issue-rich industry, forming and maintaining harmonious relationships with local communities is essential to our work, and Pacific Hydro is known for pioneering best practice engagement in renewables. We are proud to give back to the community-identified projects and organisations that benefit the people who neighbour our wind farms.

Since the launch of our Community Investment Program in 2015, Pacific Hydro has funded more than 700 projects totalling \$3.15 million and in 2018 alone we funded more than half a million dollars' worth of projects; from facility upgrades to community gardens to renewable energy projects like solar panels.

Our support and promotion of the Ten Principles of the United Nations Global Compact will continue across the business in 2019 as we continue to take new shape within our corporate structure.

I am very proud of what we have accomplished in 2018 and it is my pleasure to present these achievements to you.

Rachel Watson
CEO, Pacific Hydro Australia

Culture Statements

The way we work begins with our values and culture statements. These inform all aspects of how we do business.

IT ALL STARTS from OUR VALUES...



COOPERATION

"WORK TOGETHER. SUPPORT OTHERS."



TEAM-ORIENTED



ACTION

"ACT. DON'T JUST REACT."



DYNAMIC + PASSIONATE



LEADERSHIP

"LEAD by EXAMPLE."



OPEN + TRANSPARENT



INNOVATION

"BE THE CHANGE"



INITIATIVE, CHALLENGING GROWTH



DEDICATION

"SHOW UP. SPEAK UP. DON'T GIVE UP."



***** ENTHUSIASM, OUTCOMES, QUALITY



ADAPTABILITY

"BE FOCUSED & FLEXIBLE"



FLEXIBILITY



DIVERSITY

"VALUE STRENGTH IN DIFFERENCE"



RESPECT

S T R E N G T H S



Our Approach

Haughton Solar Farm, QLD Australia

Governance

As a leading global renewable energy company, Pacific Hydro is committed to maintaining the highest standards of accountability, transparency, and honesty in our work. We are proud to be a signatory to the United Nations Global Compact (UNGC) and the ten universal principles.

Pacific Hydro is fully owned by State Power Investment Corporation (SPIC) through its subsidiary, State Power Investment Overseas of China (SPICOI). As a State-Owned Enterprise, SPIC is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (SASAC).

In turn, Pacific Hydro is governed by its Board, which comprises seven directors; four representing the shareholder (SPICOI); three independent directors, and our CEO.

Our team

As a part of State Power Investment Corporation's overseas investment arm, we are part of a global business comprising business units in Australia, Chile, and Brazil, with an international team of almost 500 staff. We are proud of the diverse, rich experience and knowledge of our people.

Our business supports individual rights; enhances well-being and positive personal growth; supports new ideas and innovation; provides modern tools and facilities; and ensures the needs and concerns of the community are a central consideration.

How we work

For our partners, contractors, suppliers, and communities, we seek to add value and build relationships that provide mutual benefit across environmental, social, and economic dimensions.

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 to reflect the unique geographical locations of where our assets are located and where we would like to locate them.

Accordingly, the Ten Principles of the UN Global Compact are mirrored in our management decisions, our strategies, policies and procedures, operations, and our corporate culture.

For us, it is not enough to meet our basic responsibilities, but also to exceed them wherever possible. This is key to our ongoing success.

Human and labour rights

Principles 1 and 2– Supporting human rights and preventing abuses

Principles 3, 4, 5, and 6– Preserving labour rights and equal employment opportunities

A respectful approach

Pacific Hydro is committed to respecting the human rights of our employees, contractors and the broader community in accordance with international, national, and local laws, guidelines, and requirements.

We do this by:

- Maintaining and enhancing safety, health, and wellbeing; both within and outside our company;
- Providing a company culture, working conditions, benefits, and facilities that are competitive, contemporary, and attractive; and uphold and maintain the rights of all;
- Actively involving and empowering staff, stakeholders, and the community to help develop solutions and outcomes to matters that affect them;
- Applying compliance mechanisms within our risk management framework, to allow us to identify and comply with all relevant laws, including those relating to human rights;
- Ensuring our governance, management, policies, and procedures support, uphold, and enhance human and labour rights.

Policies

Our Our Code of Conduct, values, and culture statements provide direction on the ethical behaviours expected of our employees, management team, and Directors.

As part of our Human Resources Policies and Procedures induction, all new employees receive training in and are required to sign our Code of Conduct. This outlines our approach and responsibilities to stakeholders, and guides employees and contractors on the standards we expect to be upheld and applied in our work.

We are also proud of our inclusive and diverse company culture, and have taken steps to strengthen this through a comprehensive Inclusion and Diversity Strategy. Equal employment opportunity and antidiscrimination are also specifically addressed in our Code of Conduct and Equal Opportunity Policy.

Our policies are tailored to meet the legal, regulatory, and customary requirements of each jurisdiction we operate in, while also upholding our values, culture statements, and objectives. Australia based policies include:

- Employee Code of Conduct
- Equal Opportunity Policy
- Health Safety and Environment Policy
- Sustainability Policy
- Community Charter, Engagement Framework and Investment Guidelines

- Clean Energy Council Best Practice Charter for Renewable Energy Developments
- Flexible Working Guidelines
- Whistleblower Disclosure and Investigation Procedure
- Enterprise Wide Risk Management Framework

Diversity and Inclusion

As a global business operating in different markets, we are proud that our team represents and reflects the communities where we work. We value the strength in difference that this diversity brings to our business; and have worked to create an environment where these unique traits are valued, celebrated, and engaged.

We achieve and maintain this commitment with:

- Our hiring policies and procedures – ensuring we provide equity of access, and assess applications for employment on a merit basis of qualifications, skills, and experience;
- Our culture – ensuring we develop and maintain a corporate culture that values diversity, builds a climate of tolerance, and provides equal opportunity;
- Robust grievance resolution and anti-discrimination policies – ensuring we uphold equal employment opportunity and remove discrimination, unconscious bias, and other barriers;
- Cultural intelligence training – providing all staff with knowledge and insights about communicating and negotiating across cultural differences;
- Strict anti-discrimination and equal employment opportunity policies, procedures, training, and refreshers (mandatory training session for all staff once a year);
- In-house advertisement of vacant positions and support for staff to undertake professional development to transition to new skill areas and diversify their experience;
- Accommodations for all religious observance and practices.

Female Leaders

The success of these measures is clearly indicated by the diverse nationalities, genders, and other characteristics represented in our workforce. In 2018 our Senior Leadership Team comprised a 50/50 split between men and women; and over 40% of our staff identifying as women.



Pacific Hydro staff representing International Women's Day 8 March

Our Reconciliation Action Plan

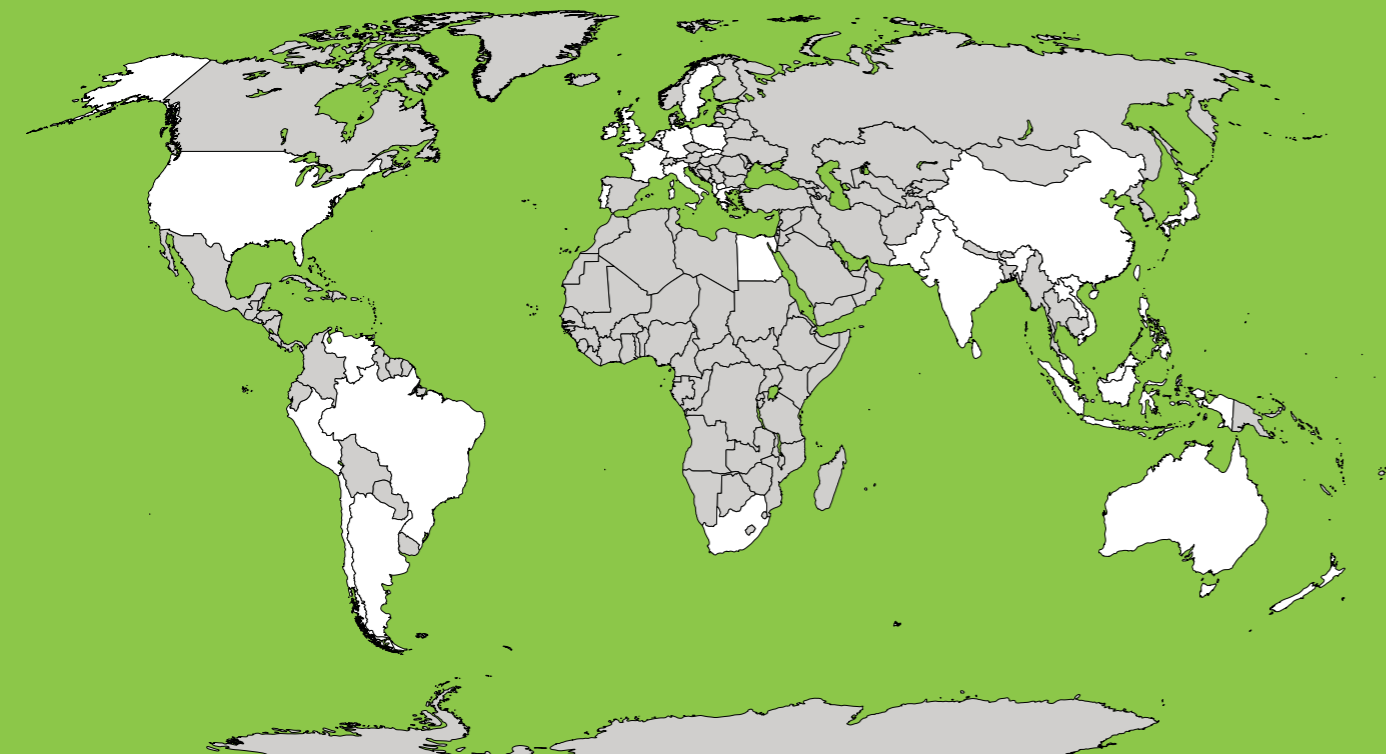
Pacific Hydro is committed to working toward meaningful recognition of and engagement with the traditional owners of the lands on which we work, and is currently developing a reconciliation action plan (Australia) to further enshrine this goal.

At a practical level, this includes ensuring the preservation of cultural heritage at our project sites through staff training, assessment, and ongoing management in accordance with Cultural Heritage Management Plans (CHMPs) developed in consultation with the RAP; and ensuring wider staff and contractor awareness of indigenous culture and history.



A Pacific Hydro Wind Farm Manager participates in the smoking ceremony

Pacific Hydro's team includes representation from over 40 countries and ethnic backgrounds.



Pacific Hydro Chile celebrates cultural diversity for World Day

World Day

The Chile business unit celebrated cultural diversity digesting it! During World Day in 2018 we hosted a safari of traditional foods from our culturally diverse colleagues. Emphasising the richness of the team's cultural heritage, lunch was followed by an exhibition demonstrating the major characteristics of each represented country or city.

During the celebration, the SPIC team also took the opportunity to share the cultural contrasts with China through its history and its present day modernisation.

Contemporary Working

Flexible Working Guidelines in Australia, Brazil and Chile allow all employees to achieve a balance between managing their personal circumstances and ensuring 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 extends beyond statutory requirements relating to parental leave rights in Chile and Australia.

Training and Development

Pacific Hydro offers a broad selection of internal and external training and development opportunities to all staff. Relevant health and safety training is also provided to site and office-based employees and contractors, to ensure our staff are equipped with the knowledge required to perform their job safely.

All staff undergo a comprehensive induction process that covers the training on non-discrimination policies and procedures.

Internships and Work Experience

We strongly believe that the exchange of professionals enriches our work and also our company. That is why we encourage our professionals to undertake internships or apply for positions in different business units, in order to expand their knowledge and networks.

During 2018, three professionals from our business unit in Chile moved to Australia to contribute their knowledge and work. In Australia we also partner with Deakin University to take on student interns.

Safety

Central to the way we work is our commitment to maintaining safety. We do this with a company-wide focus on HSE and comprehensive safety practices, which are embedded into our working culture.

This is underwritten by a focus on safety at the highest level of our leadership, with regular safety walks completed by each senior executive.

In 2018, the operational business within Australia had a remarkable Lost Time Injury (LTI) free year, along with 31 Leadership Walks.

Across the business, individual employees are encouraged to live their safety values through Pacific Hydro's Safety Conversations initiative. In Australia alone in 2018, the business unit completed 7,315 safety conversations.

Safety conversations allow employees to record the details of safety conversations and activities they undertake, both inside and out of the workplace; and to complete short safety checklists covering different work tasks with an element of risk, such as vehicle pre-start checklists and ergonomic assessments for workspaces.

Safety conversations are now evolving into 'Action' based tasks to empower employees to not just identify but resolve issues.

Throughout 2018, Pacific Hydro worked extensively to maintain safety amongst contractors and suppliers by specifying our detailed health, safety and environmental requirements in our contracts; ensuring these are defined as deliverables; and engaging construction, project, and contract management staff to ensure these requirements are being met by all contractors and sub-contractors.

The teams also work to maintain safety in the communities where we operate with a comprehensive complaints management process; and by ensuring all of the initiatives supported by our Community Investment Program are assessed for safety considerations, and recommendations made as applicable. As a member of the community, Pacific Hydro strives for best possible outcomes in response to enquiries, complaints and feedback from our stakeholders.

ISO Certifications

Building on the Australian business unit's certifications in ISO 9001 Quality Management, ISO 14001 Environmental Management, BS OHSAS 18001 OHS Management and ISO 55001 Asset Management, in 2018 Chile and Brazil were able to achieve ISO certification in the following certifications: ISO 9001, ISO 14001 and OHSAS 18001.

The successful achievement of these certifications provides external validation that our processes, procedures, and policies are fit for purpose and effective in maintaining safety.

Contractors and Suppliers

Pacific Hydro has clear policies and procedures in place to ensure that our values, culture statements, and ways of working are reflected by our contractors and suppliers. This includes monitoring of the supply chain to ensure that reputable partners are used and our requirements are being met; and that local economic benefits are achieved wherever practicable (through the use of local labour and suppliers).

From office catering, to wind turbine manufacturers, contractors wishing to supply to us may be subject to preselection screening undertaken; which includes a requirement to disclose detailed information about their supply chain, procurement practices, policies, and procedures.



In order to encourage even more safer behaviour and to continue without accidents that lead to absence from work, the Brazilian business unit launched a Work Safety Campaign, sending messages to employees via e-mail, sharing visual aids such as posters and publishing a trilingual booklet (Portuguese / Mandarin / English).

Health and Wellbeing

We believe that providing a safe place to work is about more than just providing an environment free from hazards or potential causes of injury. We recognise the importance of maintaining the health and wellbeing of our staff both within and outside the office. While our robust safety practices are in place to prevent physical injuries, our additional initiatives in Australia include:

- Free influenza vaccinations each year
- Free fruit delivered each day
- Staff trained in Mental Health first aid
- Health resources, seminars, and events
- Our Employee Assistance Program (free, confidential, external counselling for employees and their immediate families)
- A Wellbeing Working Group that organises regular events surrounding mental health, fitness, disability and health
- Monthly Friday Afternoon Delights (culturally themed catering to encourage staff to socialise and wind down)

We work to raise awareness and promote a positive and equitable workplace for employees.

In Brazil, the business unit developed and implemented a Health and Quality of Life Program that focuses on the prevention of stress and disease through the adoption of healthier habits such as sports, food and mental healthcare.

In the Natal and São Paulo offices, employees undertook a series of actions focused on health, sports and leisure that were managed by the Health, Safety and Environment and Human Resources teams which evaluated the program. Among the actions within this initiative, the following stand out:

- Gymnastics;
- Sports consultancy;
- Participation in a race;
- Lectures related to health and well-being;
- Partnership with a global provider of men's health support, which provides psychological, financial and legal support to employees.

In Chile, Pacific Hydro also began a cultural change through a Transformation Plan, which is defined by six strategic pillars:

- Review and Restructuring of Pacific Hydro Chile (PHC)
- Work culture transformation
- Cost efficiency
- Compliance and accountability
- Operational Excellence
- Clarity of objectives

Prior to the implementation of the Transformation Plan, PHC was organised under the traditional vertically integrated structure and functions were grouped by discipline. In 2018 the Chilean business unit was modified to a matrix structure, in order to facilitate achievement of these key pillars.



In 2018 our business moved into new offices in Chile in both Santiago and Coya, aligning itself to the new structure designed for Pacific Hydro and introducing agile working and spaces that further support our flexible approaches to work.

Further Benefits

A range of further benefits are provided to Pacific Hydro staff to ensure that the international workplace is an attractive and enjoyable place to work. This includes regular social activities, free fresh fruit each day, and regular events, seminars, and celebrations.

Benefit Sharing and Community Support

As a leading renewable energy developer, Pacific Hydro is committed to supporting the communities that host our clean energy projects with positive and lasting social, environmental and economic benefits. Pacific Hydro shares the benefits of its presence in local communities by forming partnerships and bringing local groups together to broaden awareness of how communities can maximise the potential benefits of our sustainable projects.



Sustainable Communities Fund recipients in Brazil

In Our Communities

Pacific Hydro aims to establish and maintain respectful, inclusive and collaborative relationships with the communities in which it operates or seeks to operate in. We recognise and respect the rights, local laws, customs and cultures of the people living in these communities.

By applying our policies and procedures through the entire lifecycle of our projects, we work with local communities to identify and mitigate any potential impacts (social, cultural, health, safety, environmental) that may result from our activities. We also believe that our work in this area must continue to evolve to ensure we are meeting or exceeding community expectations.

In Australia, being the first in our industry to launch a Community Investment Program back in 2005, we recognise that community support is as critical to project success as technical and financial factors. In a complex and issue-rich industry, forming and maintaining harmonious relationships with local communities is essential to our work. This is why we continue to develop, maintain and continually improve our relationships and support for our projects.

Our Purpose, Vision, Values and Culture Statements guide the interactions we have with all stakeholders, including local communities, and we recognise and respect people's rights, local laws, customs and cultures.

We aim to develop mutual trust and respect within our host communities through adopting appropriate levels of transparent, open engagement and communication at all stages of our projects. We are committed to delivering respectful, positive and lasting social, environmental and economic benefits to our host communities by supporting community initiatives and seeking mutually agreed solutions to potential issues.

Pacific Hydro is known for pioneering best practice engagement in renewables and employs the International Association of Public Participation (IAP2) Framework to ensure a consistent approach to community engagement across the company; and in line with its guidance, develops bespoke Community Engagement Strategies that shape how we achieve this and work with all of our stakeholders.

In 2018 we continued to evolve and implement several improvements to our engagement and consultation approach. Our Community Investment Guidelines were also reviewed and refreshed to reflect contemporary expectations and demonstrate our commitment to continuous improvement.

Community Investment Program in Australia

Our Community Investment Program is the key part of Pacific Hydro's community investment and support strategy. The Program delivers a portion of revenue back into our local communities each year.

Since its launch in 2005, the Community Investment Program has funded more than 700 projects totalling \$3.15 million and in 2018 alone we funded over \$470,000 worth of projects, from facility upgrades to community gardens to renewable energy projects like solar panels on community halls.

At its core, the Program aims to empower local communities to identify the initiatives and projects that Pacific Hydro should support. A range of methods are used to meet this aim, tailored to the specific needs of each locality. This includes community funds, sponsorships, and direct support initiatives in Australia, Chile, and Brazil.

We are proud to give back to the community-identified projects and organisations that benefit the people who neighbour our wind farms.

Economic Benefits

In addition to our Community Investment Program, Pacific Hydro's development, construction, and operation of renewable energy projects bring significant economic and social benefits to regional and rural areas, particularly during construction. Where practicable we encourage our suppliers and contractors to use local capabilities, businesses, and labourers; and have partnered with local governments and authorities to promote our projects and the associated local economic opportunities.

Empowering local communities

In 2017, Pacific Hydro reached out to Portland District Health (PDH) hospital in response to a front page news item, which spoke of spiralling energy costs and pledged \$40,000 towards rooftop solar equipment.

Following this engagement, in 2018 Pacific Hydro empowered the local community to decide (by majority vote) whether to use a portion of the Portland Sustainable Communities Fund (\$140,000) to expand the PDH initiative. This resulted in a decision to contribute an additional \$70,000 (50% of the Portland SCF) to the project.

The donation will save the hospital an estimated \$84,000 per year in energy costs, which will be re-directed to the services PDH provides to the broader community



Portland District Health receiving a cheque for \$110,000

Wind Farm Open Day 2018

In order to celebrate our donation to Portland District Health, and to celebrate the recipients of the Portland (and Great South West communities) Sustainable Communities Fund, Pacific Hydro Australia hosted a community event on Wind Farm Open Day in October. Packed with presentations and a nature tour that included educational about indigenous food, the event was held at Picnic Hill Memorial Reserve in Portland – a site that we support through the work of the local Landcare group.

The event also welcomed the State Minister for Energy, Environment and Climate Change, Lily D'Ambrosio, who spoke about the environment, community and employment benefits of renewable energy projects in Victoria.



Recipients of the 2018 Great South West Sustainable Communities Fund



Recipients of the 2018 Creciendo Juntos Community Fund

Chile's Creciendo Juntos Community Fund

2018 marked the twelfth year of the Creciendo Juntos community fund in the Alto Cachapoal Valley. We have funded over 100 projects in this region, of which have granted us the opportunity to better understand the communities – their behaviours, desires and struggles.

During 2018, eighteen projects were selected for funding in the categories of Social Undertakings, Training, Tourism, Environment, Infrastructure and Equipment.

Salome Silva, President of Chacayes's Artisan Workshop finds the program incredibly important for the region.

“Creciendo Juntos is very important for us because it gives us wings to continue much valuable work.”

Neighbours from Mantos de Hornillos light their first Christmas Tree

Seventy families from Mantos de Hornillos in Chile had a very special Christmas in 2018. For the first time they could light their tree using electricity from the National Electric System (Sistema Electrico Nacional).

The town's electricity was made possible by a combined effort from Coquimbo's Regional Government and Pacific Hydro, among others.

Pacific Hydro paid for the electrical installation of the homes as part of the implementation of the Punta Sierra Community Development Plan.



Pacific Hydro staff lighting up a Christmas tree

Brazil's Sustainable Communities Fund

Since 2014, the Sustainable Communities Fund program in Brazil has supported initiatives that contribute to the growth of local economies. One of them is the "More Learning" project, which benefits 25 children from the Barra do Camaratuba School, in the municipality of Mataraca, where we operate the Millennium and Vale dos Ventos wind farms.

In addition to hiring and reimbursing teachers for tutoring classes, we provide study materials and snacks for students through the program, providing them with conditions to achieve better performance.

Through the Fund in Brazil we have developed a program to support women's autonomy, which contributes to the economic and political empowerment of women in the community of Barra do Camaratuba, in Mataraca.

As a direct result of the activities developed in 2018, the group "Women's Hands That Make" was created, formed by artisans and cooks living in Barra de Camaratuba.



Barra do Camaratuba School children in the More Learning project

Women's Hands That Make workshop



Environment

*Principles 7, 8, and 9–
Addressing environmental
challenges, promoting
responsibility, and
furthering the use of
new technologies*

Our Core Mission

Pacific Hydro is proud to be a leader in the clean energy industry and a pioneer in the deployment of new renewable energy technologies in Australia, Chile and Brazil.

Our core business activity is the commercialisation and expansion of these renewable energy technologies to address climate change, which is the most pressing environmental challenge of our time.

Australia's renewable energy industry continues to face significant challenges under the current government. Since 2012, the energy policy vacuum has impacted the sector from the investment pipeline to the stalling of projects due to investor confidence, but more importantly to time lost upgrading our grid.

Pacific Hydro is proud to be part of a revolutionary era where renewable energy continues to grow and evolve, despite a lack of energy policy certainty, to undeniably lower the costs on the environment as well as to the consumer.

In 2018, our retail arm, Tango established its position as the most affordable energy retailer for South Australian and Victorian customers. When Tango grows, our capacity to build more renewable projects grows too – helping to advance the decarbonisation of the electricity sector.

We maintain excellent management of the environment through all stages of our projects and business operations, particularly during construction.

We are proud to have achieved meaningful progress in these areas in 2018.



For Government

2018 was a rollercoaster ride for politics in Australia. The country witnessed the change of its fourth Prime Minister in six years. Despite this further setback to energy policy in the country, we continued on to power on with our unique power purchase agreement through the Melbourne Renewable Energy Project (MREP).

In 2018 MREP was recognised by CitySwitch with both a Victorian and a National award. The goal of CitySwitch is to help office-based businesses across Australia reduce energy costs, work towards a carbon positive future, reduce waste, and improve employee health. The annual CitySwitch awards recognise groups that have demonstrated outstanding environmental leadership.

Chief Financial Officer Rob Spurr accepted the National CitySwitch Partnership of the Year award on behalf of Pacific Hydro and MREP partners at the awards ceremony in Sydney. ***"It's a great day when we can celebrate the fact that the collective buying power of a diverse group of local governments, cultural institutions, universities and companies can be the catalyst for the construction of a new wind farm,"*** he said.

MREP also took home the Premier's Sustainability Award in the Government category in the same year.

The annual awards program managed by the Victorian Government recognises individuals, communities, organisations, and businesses that are leading the way to a sustainable future.

The project was recognised for its ability to enable cities, corporations and institutions to take an active role in securing a renewable electricity supply, and to take action on climate change into their own hands.

When we inaugurated our first wind farm in Chile, Punta Sierra in 2018, the ceremony was attended by two Ministers of State, SPIC executives and numerous local and national authorities.

Above all, Pacific Hydro has established a reputation as a trusted advisor and experienced contributor to the development of energy and environment policy in the markets where it operates. We are regularly invited to contribute by governments at all levels.

Pacific Hydro also reports under the National Greenhouse and Energy Reporting (NGER) framework in Australia.

Our CFO receiving the National CitySwitch Partnership of the Year Award for the Melbourne Renewable Energy Project



Movement at the (sub)station - Punta Sierra energised

A Milestone: Punta Sierra Wind Farm

In August 2018, the wind blew with more force and was ever present as we celebrated the energisation of our first wind farm in Chile.

The event, which included Chile's Minister of Energy, Susana Jimenez, and the Minister of Economic Affairs, Jose Ramon Valente, was noteworthy for its cheer of more than 280 guests, among who were the authorities, workers, industry executives, and members of the Mantos de Hornillos and Caleta Sierra communities.

Our General Manager Chile, Renzo Valentino remarked, ***"We are happy to inaugurate our first wind farm, a milestone that not only marks the diversification of our business portfolio, but is also the first step towards developing other projects together with SPIC."***

A high point of the ceremony included the traditional cutting of the tape headed by Minister Jimenez, Renzo Valentino, and SPIC Vice President Yi Jiang, accompanied by the unveiling of a commemorative inaugural plaque, during which the local Ovalle's Youth Orchestra played three pieces relating to nature.

The project is anticipated to supply approximately 280 GWh every year to Chile's main grid, the Central Interconnected System. This is enough energy to supply approximately 170,000 Chilean homes. Its operations will abate the emission of 200,000 tons of greenhouse gases.

In Our Industry

We regularly participate in industry-wide collaborative efforts to share information through conferences, working groups, directorates, and peak industry bodies and councils with the aim of furthering development of renewable energy in Australia. Pacific Hydro is a member of the Clean Energy Council and the Smart Energy Council.

We have also demonstrated technical excellence and continue to make informed contributions to the public debate about the decarbonisation of the electricity system and the technical integration of renewable energy into existing power systems.

As SPIC Brazil, we have a partnership with research centre, Instituto Acende Brasil and we are part of a group of companies which support the Sustainable Energy Project.

Pacific Hydro Chile has partnerships with organisations that promote sustainable development, such as renewable energy association, ACERA, among others.

In our communities

Pacific Hydro provides further support for the environment beyond our core business of renewable energy development and operation, through supporting community-led environmental initiatives.

Many of the projects supported through our Community Investment Program provide direct benefits to the environment, particularly in local areas.

Safer Sailing in Portland Harbour

As part of Pacific Hydro's 2018 Great South West Sustainable Communities Fund, we supported Portland Yacht Club's project to purchase a safety boat and trailer. The new safety boat allows qualified skippers to give on water instruction to sailors and quickly retrieve swimmers in the event of any mishaps.

Each year, the club runs "Tackers programs" which allow local children to experience sailing. Portland's sheltered harbour is the perfect place to learn to sail and with the purchase of the new safety boat, the club can continue to teach valuable sailing skills and water safety.



Portland Yacht Club members with their new safety boat

Buy A Bale - Drought Relief

As we face longer periods of extreme weather and temperatures, we are cognisant of the wellbeing of our project neighbours. 2018 saw an extensive period of drought strike all of New South Wales, affecting the farmers near our Taralga Wind Farm.

Through the drought relief campaign, 'Buy a Bale', we made a \$10,000 donation to purchase hay to feed farmers' drought-affected stock.

This inspiring and ongoing community campaign is run by Rural Aid Ltd, who uses money donated by the general public to purchase and deliver stockfeed and other items to farmers affected by drought across the country.

Crowlands Hall Solar Installation

Community halls are vital to regional towns, and Crowlands Hall near our Crowlands wind farm is an important resource for the region, serving local community members and tourists. The space is used by local clubs and organisations, as well as an event space for weddings and other social events.

Because of this, we committed to powering the hall with rooftop solar panels using a 6kw smart hybrid rooftop solar system. The set up will also include 7kw battery storage and will be installed by a local supplier as part of our commitment to sharing the benefits of renewable energy beyond the boundaries of our projects.



Crowlands Hall rooftop solar installation

Gudjuda Reference Group Aboriginal Corporation

In 2018 we announced that over the life of the Haughton Solar Farm, Pacific Hydro will invest more than \$2.5m in sustainable community projects that will benefit the communities of Brandon, Giru, Clare, Millaroo, Dalbeg, Ayr and Home Hill.

As a demonstration of our commitment to the local community and to Traditional Owners, Pacific Hydro partnered with Gudjuda Reference Group, Queensland Government's Department of Environment and Heritage Protection, World Wildlife Fund and James Cook University to help deliver a sea turtle rescue program. Over the life of the new solar farm, Pacific Hydro Australia will continue to support this important conservation program.



Gudjuda Reference Group and their sea turtle rescue boat (above)
Celebrating our sponsorship of Sweet Days Hot Nights (right)

Sweet Days Hot Nights

We have also partnered with Burdekin Shire Council's Sweet Days, Hot Nights festival to preserve and encourage the cultural activity of hand cane cutting. The First Fire and Australian Hand Cane Cutting Championships are highlights of the festival that showcases the Burdekin's many attractions and seeks to revitalise the region's brand as a holiday and experience destination.

Melbourne Office Walks the Talk for National Tree Day

On Sunday 29 July 2018 we celebrated National Tree Day by making the move to purchasing more sustainable paper for our office use.

It was brought to our attention that the current supplier uses woodchips from Victoria's precious native Mountain Ash forests. These forests are important for all of Victoria as they supply Greater Melbourne with 98% of its water supply. They provide carbon storage and provide a strong tourism industry for all of Victoria. Species, such as Victoria's faunal emblem the Leadbeater's Possum, the Sooty Owl, Greater Gliders, and many more creatures call these forests home but are on the brink of extinction.

By rejecting that brand and other brands that use native forest timber, we committed to making a strong statement that our old growth forests are too important to be logged for woodchips. We now order 100% Recycled Carbon Neutral paper.



Chile Celebrated Tree Day with Alto Cachapoal Schools

Tree Day, or Tree Party, is a reminder of the importance to protect wooded areas and forests. The official celebration was on 28 June in Chile. The Chilean Environmental and Corporate Affairs teams also chose this date for an activity with the children from three schools in the Alto Cachapoal Valley.

These trees were grown in greenhouses from seeds that our company collected. These distinct types of trees and native bushes have permitted the reforestation and re-vegetation of distinct areas used in our projects and protects and conserves native trees from the zone.

During the activity we gave 5 Guillaie trees to San Lorenzo, Bellavista and Chacayes schools with the objective that each educational community plants them in their school yards.

We believe it is important to make public the initiatives that are being undertaken in the zone and the care of native vegetation is one of these initiatives.



Powering a Cleaner World

Our Chacayes hydro plant in Chile is registered under the UNFCCC and can trade Certified Emission Reductions (CERs) globally.

Carbon Neutral Now is a platform designed by the United Nations for carbon footprint compensation.

After joining the UNFCCC platform, Chacayes run-of-river hydro power plant became one of 3 projects in Chile and one of the 13 projects in Latin America and the Caribbean authorized to sell bonds to natural persons, in order to mitigate their impacts.

During 2018, people around the globe compensated more than a thousand tons of CO2 from Chacayes carbon credits.

In a huge effort to take concrete actions against climate change, PHC calculated the carbon footprint 2018 of Direct GHG emissions*. Total emissions are 1.263 TCo2*

(*these occur from sources that are owned or controlled by the company, for example emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. or emissions from chemical production in owned or controlled process equipment).

Chacayes Hydro Plant in Chile (below)
Celebrating Tree Party in the Alto Cachapoal Valley, Chile (left)

Lollapalooza's Footprint

Lollapalooza in Santiago is the most important festival of the year and Pacific Hydro mitigated its carbon footprint for the 5th consecutive year. This means that Lollapalooza and all its side shows were "carbon neutral".

As with the past editions of the festival, a group of pollsters retrieve the necessary information to calculate the carbon footprint. They ask details such as the means of transportation used to get to Lollapalooza or the area the people come from plus the emissions generated by the production of the festival itself which is also part of the measurement.

We rescued an eagle which flew again over the Alto Cachapoal Valley

It was a matter of seconds for a young Mora Eagle (*Geranoaetus melanoleucus*) to return to the skies again in the Alto Cachapoal Valley. After four months of rehabilitation, the bird was returned into its habitat through a process that was possible thanks to coordination by Safari Park, Pacific Hydro, and SAG (The Agricultural and Livestock Service).

"Our team at Coya power plant found an injured eagle beside one of the canals. We activated our protocol for these cases and contacted SAG and Safari Park for its rescue and transfer. We are very happy to have reached the point where the eagle has recovered because moments like this remind us of the value of nature and wildlife," said Zandra Monreal, Environmental Manager.

Planting at Brazil's Vale dos Ventos and Millennium Wind Farms

With the objective of the expanding plant cover and consequently the minimisation of greenhouse gases (GHG), in 2018 we planted 500 seedlings of native species in the internal areas of Vale dos Ventos wind farm, in Mataraca.

The areas for planting were determined taking into account less dense areas close to the forest, in order to provide protection and conditions for the development of the seedlings. The vegetation cover was made with species originating from the Atlantic Forest biome of Paraíba, as a way to contribute to the development of the local flora.

The Mora Eagle

The Mora Eagle is a beautiful South American bird of prey present from Venezuela to Tierra del Fuego between cordillera and coast. It has wide wings and a short tail and its feathers are different shades of grey.

It is a hunter whose diet consists of hares, birds, snakes, and carrion. It reaches a maximum length of 76 cm and weighs up to 2 kilos. It likes to take advantage of the wind currents when it flies and can be observed flying in wide circles.

Eagles are solitary and monogamous. They build their nests in tree canopies, cacti cavities or shelters in rocky walls where they lay one to three eggs.

The Mora eagle is protected from hunting by the Ley de Caza (Hunting Law) and hunting or capturing it is illegal.



Anti-corruption

Principle 10– Working against all forms of corruption

Pacific Hydro has dedicated significant effort to ensure that our operations accord with the highest regulatory and professional standards in every aspect. We are honest, transparent, and clear in our dealings with governments, regulators, stakeholders, and the community; and take an active role in preventing bribery and corruption.

Our policies and procedures set out the intention of our approach, and how we expect our management, staff, and contractors to conduct themselves. These are integral to our management of risk and compliance with the laws of the jurisdictions in which we operate.

With a state-owned parent company and operations in multiple jurisdictions, Pacific Hydro has undertaken extensive work to ensure that we accord with many layers of oversight and the regulatory frameworks that apply in each.

As a member company of State Power Investment Corporation, Pacific Hydro is subject to the reporting and monitoring obligations of the wider group, which includes compliance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (SASAC).

Pacific Hydro has also undertaken extensive work in the area of harmonising our Finance and governance systems and practices across all of our business units, and to ensure simpler reporting to our shareholder. This has included significant work to implement SAP across all business units and harmonised work procedures for procurement.

For our Brazilian operations we are associated with the Ethos Institute, which focuses on promoting ethics and transparency, indispensable concepts for economic development, acting on fronts such as the Business Pact for Integrity and the Fight against Corruption; Integrity Working Group; the National Plan for Integrity, Transparency and Fighting Corruption and the Business Movement for Integrity and Transparency.

Aiming to improve the actions related to the Group's Compliance, a Group Risk and Compliance department is scheduled to be set up for 2019, with the consequent revision and/or creation of all policies related to the subject.

Further, the Delegation of Authority policy provides additional robustness to our financial governance arrangements.

Staff are trained in our policies and procedures using a range of innovative training methods, including digital learning tools to ensure they are aware of our obligations and objectives.

Our tendering processes, terms of trade, and contract management are all designed to accord with the requirements of our multiple relevant jurisdictions to prevent bribery and corruption.

Our Whistleblowing Policy and associated procedures also provide a process for staff to report breaches of these policies and procedures confidentially and/or anonymously.

In 2018, our business units in Brazil and Chile also achieved ISO 9001 certification, which included section 8.4 – Control of externally provided processes, products, and services which provided independent verification of our approach.

Chilean Legal Team Awarded

The Chilean legal team was recognised by the prestigious British publication "Legal 500" as one of the most outstanding legal teams in the area of energy in the country.

+ Energy Plan: the Minister of Energy recognizes Corporate Affairs Team as an example of good practices between companies and communities in Chacayes.

The Chilean Minister for Energy, via the Department of Participation and Social Dialogue, commended Pacific Hydro for its outstanding work in community development in its + Energy Plan.

The plan seeks to strengthen, monitor and aid Chilean and foreign energy companies in all stages of project development, promoting good practices in the chain of values and early engagement with communities.



CoP 2018

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