

## UN GLOBAL COMPACT PRINCIPLES REPORT 26.11.2020

Holding in Fondita Sustainable Europe that has a "Watchlist" status in the database of MSCI.

Siemens Gamesa Renewable energy S.A –

Status: UN GLOBAL COMPACT PRINCIPLES – **Watchlist**

The three statuses regarding the UN GLOBAL COMPACT BREACHES according to MSCI are:



### ***The reason for the watchlist status is the following:***

Siemens Gamesa Renewable Energy SA (Siemens Gamesa) has faced criticism from the non-government organization, Western Sahara Research Watch (WSRW), for alleged involvement in the occupation of the Western Sahara through the construction and maintenance of Fom el Oued wind park, which consists of 22 turbines and allegedly supplies 95% of the energy used in the extraction and transportation of phosphate rock in Western Sahara. According to a report published by WSRW in February 2020, Fom el Oued park was built in 2013 in partnership with the Moroccan state-owned company, NAREVA. In 2018, the contract between the two companies was extended for 15 years.

In recent years, companies operating in the Western Sahara or purchasing phosphate from the territory have been criticized for being complicit with Morocco's presence in the territory. The extraction of minerals from the area was declared illegal in 2002 by the United Nations. While the region is scarcely populated, it has however been an economically attractive region due to the presence of natural resources, including minerals (phosphate), oil & gas reserves, and fisheries. Morocco's presence in the region is seen as illegitimate, given it does not have rightful sovereignty; hence, the purchase of phosphate from OCP, for instance, is viewed as a violation of norms. WSRW maintains that sourcing from these territories "gives an impression of political legitimacy to the occupation and gives job opportunities to Moroccan settlers and income to the Moroccan government".

Companies operating in, and sourcing from, the area have claimed that their presence brought benefits to the community through employment. However, many sources report that the Saharawi population has, in most part, been displaced and live outside Morocco, often in refugee camps, under difficult conditions. According to WSRW, approximately 165,000 refugees live in refugee camps in the desert across the border in Algeria. Also, as reported by the Norwegian Council, the industry only employed 200 Saharawis out of a total workforce of approximately 1,900 employees.

### ***This is the reply of Siemens Gamesa (Head of ESG: Isaac Ruiz Urionabarrenechea) when we contacted them in December 2020.***

**About the human rights due diligence process in WS projects:** The duty to carry out a human rights due diligence process and local consultation associated with a wind energy project in the area lies with the project owner (our client). This is due to any act of potential remediation arising from such assessment is the responsibility of the client who will need to modify the project accordingly, and if necessary. SGRE as a

supplier of wind turbines, is not entitled to modify the project. Additionally, the free prior and informed consent is among the requirements lying on the client or project owner side. Hence, in current and future wind projects in the WS region, the responsibility for executing the human rights due diligence and local consultation process still remains on the client's side although we, at Siemens Gamesa, get involved with the client to influence so that these consultations take place effectively during the development phase. For the 300 MW Boujdour project, developed by the ENEL-NAREVA consortium, we are aware that local consultation process and human rights impact assessment were performed, which confirms that these activities are part of the scope of the project.

**About the MSCI Global Compact watchlist status:** Our company is signatory to the principles of the Global Compact and (i) by no means considers leaving those (ii) does not fail to comply with the commitments made. Since 2005, this commitment has been maintained together with the obligations associated. In particular, we invite you to consult the public page of the Global Compact to verify that we are not only adhered to, but that we also publish the Communication on Progress (COP) on an annual basis (Link: <https://www.unglobalcompact.org/what-is-gc/participants/4098> ). All the company's ethics & integrity policies are based on these principles and the commitment made. We would also like to point out that such labelling within the "Global Compact watchlist" does not, in our opinion, follow criteria and decisions driven by the Global Compact, but rather to the criteria of the ESG rating agency consulted. We understand that this situation will need to be clarified and resolved soon with MSCI, as we understand that there is no reason for such a status. We are working with MSCI around this assessment and expect it to be a one-off issue.

**Additional information:**

In relation to the projects executed prior to the creation of Siemens Gamesa in 2017, we are aware of what the client did regarding human rights, mostly in an indirect way. In the case of the Fom El Oued park, we are aware that the project was registered in the UN's CDM Registry by the client (developer) Nareva. Please see section E.1 to check details on the local consultation process [[CDM: Fom El Oued Wind Farm Project - Morocco \(unfccc.int\)](#)]. The Fom El Oued park is also registered with the voluntary Verified Carbon Standard (VCS) mechanism and certified by SGS UK Ltd. Please see section 3.4. to check details on the local consultation process [ <https://registry.verra.org/app/projectDetail/VCS/1062> ]. Both processes certify that there has been a process of consultation with the local community.

Siemens Gamesa maintains the highest standards of human rights in its operations. This implies the existence of a policy on human rights approved by the Board of Directors and its appropriate implementation. Particularly, in all projects (regardless of location) we undergo the process so called SBA (Sales Business Approval) in which the Compliance department implements a specific human rights due diligence process to ensure that there is no violation of the Business Conduct Guidelines or Human Rights policy. At the same time, we implement local community outreach activities (i.e. hire local first policy, engagement with local stakeholders to implement environmental and education projects) as is customary in our operations in all geographical areas.

Considering the situation and the information we have we conclude that Siemens Gamesa is a holding we can have in the portfolio. We are satisfied with their reply. They are not responsible for the project and do not have any control of the project in itself – they are delivering the wind turbines. We will discuss with management the reputational risk of delivering to countries where there are human rights issues.