

Responsible Procurement

Our policy

The selection of suppliers and sub-contractors impact our social and environmental performance.

Our policy is to:

- Choose suppliers based on relevant sustainability criteria including transparency, workplace conditions, HSSE standards and environmental performance
- Ensure that suppliers commit to our Supplier Conduct Principles and monitor compliance through regular supplier audits of significant and high-risk suppliers
- Take a life-cycle approach ¹⁾ to our carbon footprint and choose suppliers that contribute positively to our climate impact
- Ensure that our solar energy systems can be reused, recycled or disposed of safely
- Avoid procuring products from any supplier who relies on dangerous or harmful substances to the environment

1) Lifecycle approach: Accounting for total energy footprint from raw materials to decommissioning

Scatec Solar purchases goods and services from a wide variety of suppliers, from large international organisations to specialist local suppliers all over the world. We always aim to obtain goods and services at the right quality, delivered in a timely manner and at the optimum whole life value, whilst complying with our company policies. We seek to form mutually beneficial, long term and trusted relationships with our suppliers and to act responsibly, with integrity and to be fair, honest and open in all our commercial activities. All our suppliers are required to sign our Supplier Code of Conduct, which forms part of the contract between Scatec Solar and the supplier. We aim to treat all suppliers fairly and to provide them with honest feedback.

We source services and components during the development and structuring phases of our projects. The main procurement items include:

- Solar panels (modules): predominantly procured in China
- Inverter stations including combiner boxes: predominantly procured in Europe
- Steel structures: predominantly procured in Europe
- Construction services: predominantly procured locally

Risk assessment

We undertake risk assessments related to our supply chain on a regular basis. The main risks identified in our supply chain include amongst others corruption, labour rights, and social and environmental performance. We operate in

countries exposed to various levels of corruption. We seek to mitigate this risk by ensuring that larger supplies of components are made under frame agreements where management is involved in assessing the various tenders and the final selection of vendor, and also that the payment structure is staged to meet delivery. All members of the supply chain management team have undergone anti-corruption training and are versed in the zero-tolerance principle applied by our company. For sub-contractors, the contract is awarded through competitive tenders and the sub-contract has strict anti-corruption provisions and undertakings that all the sub-contractors' suppliers and contractors must adhere to.

Our achievements and results in 2017

We audited two suppliers in 2017. One of the suppliers had fourteen serious findings and subsequently was not selected for the project. The other supplier had two serious findings, which were both corrected and closed within a period of 30 days.

During 2017, we revised our Supplier Code of Conduct and made updates on the basis of the international framework for Business Ethics. We also reviewed the Code of Conduct in accordance to the UK Bribery Act and the US Foreign Corrupt Practices act, the UN Guiding Principles on Business and Human Rights and the Ten Principles of the United Nations Global Compact.

Supply chain is responsible for supporting three business units:

1. Project Development: Early estimates and contracting of services such as legal, environmental and geotechnical studies
2. Solutions/Execution: Procurement and logistics process of services and goods for projects to ensure on time delivery, quality of goods and value creation
3. Operations and Maintenance: Procurement of spare and replacement parts for plants in operation, claim under warranties and contract services to assist with the maintenance of the plants

Social and environmental screening

The supply chain team has five senior team members with regional responsibilities. The team members are responsible for screening the market, running tenders in compliance with the Scatec Solar Ethics policy, Procurement Policy (see also policy statement in the beginning of the chapter), Sustainability policy and the Operating system requirements. Our Supplier Code of Conduct includes more than 20 compliance topics such as compliance with laws, safety and security, anti-corruption, human rights, environment and use of drugs and alcohol.

The percentage of new suppliers in 2017 that were screened for social and environmental criteria was 100%. The screening process involves a three-stage approach:

1. As part of their bid submission suppliers are mandated to submit their HR policy, ethics policy, environmental policy and management plan
2. A desktop evaluation of these documents form part of the bid assessment
3. On recommendation for selection, sustainability assessment based on supplier policies, self-assessment and supporting documents forms part of the supplier audit before final selection

After the screening process, we seek to continuously monitor and control our work and relationship to our suppliers. We appoint consultants or directly follow up on quality and the implementation of policies during the manufacturing phase.

All suppliers that participated in tenders during 2017 have been through a financial and legal due diligence, screening both the company and the board members. All of them have

also confirmed conformance to our Supplier Code of Conduct and the IFC anti-corruption guidelines, which we integrate in all our contracts. All contracts integrate HSSE requirements, environmental and social requirements and quality assurance and quality control requirements. These are also required to be passed through to all sub-suppliers participating in a project.

During 2017, we observed zero negative environmental impacts from suppliers and as such no corrective action was taken.

Our ambitions and goals

In 2018, we aim to work even closer with our suppliers on environmental and social development targets. We will roll out a Supplier Development Programme where key qualified suppliers will be enrolled as silver, gold or platinum partners. Before entering the programme, we will undertake screenings of all suppliers related to compliance on environmental and social criteria. Together with the suppliers that are accepted into the programme we will set new environmental and social targets to be evaluated on an annual basis. We will also focus on pro-actively working with the suppliers on an ongoing basis to minimise findings and shorten the close out period for findings.

Going forward, we will continue to improve our processes, procedures and templates in our operating system by ensuring integration of our sustainability framework. We will also provide training to all employees in the supply chain team, as well as other members of the company affected by procurement processes to keep a vigilant and aware workforce.

