

NEXT IS NOW[®]

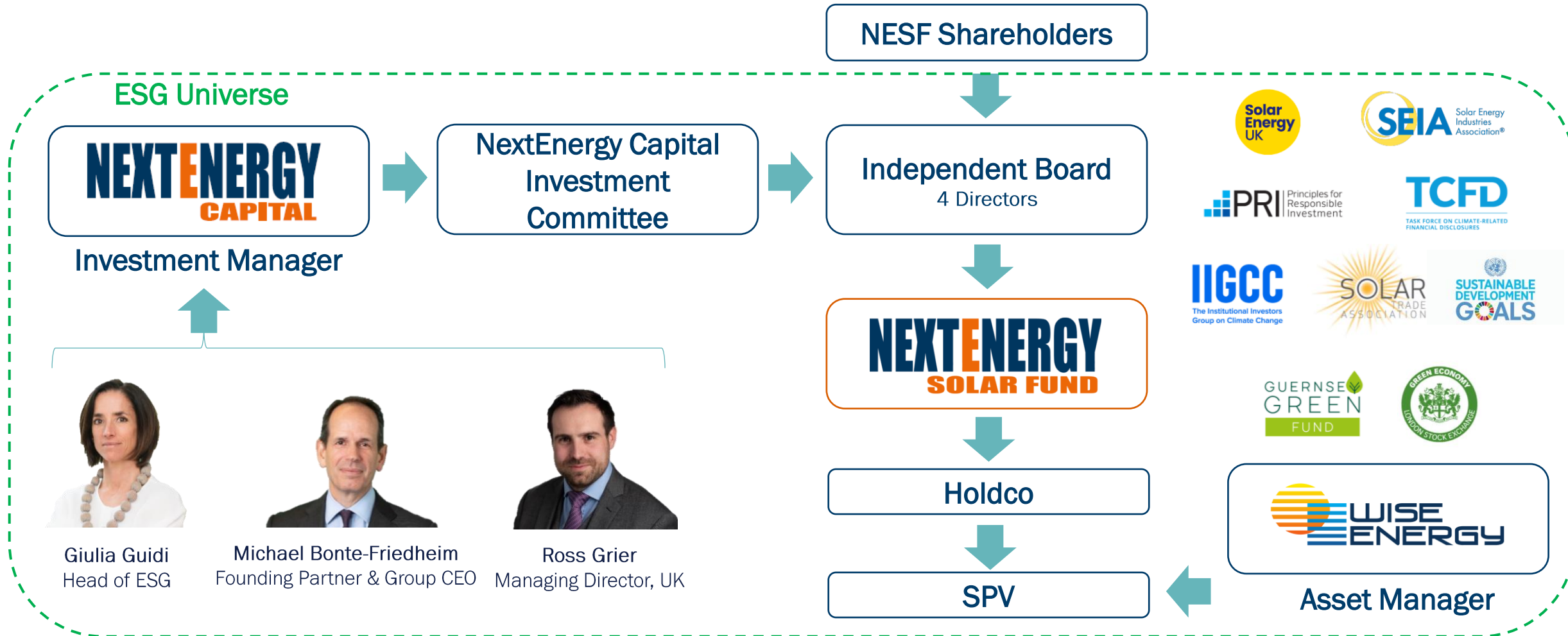
May 2021

Supply Chain Management

Table of Contents

NextEnergy Capital (“NEC”) ESG approach to NextEnergy Solar Fund	p.3
NEC’s Sustainability Framework	p. 4
NEC’s Policies and Position Statements	p. 5
NEC’s ESG Integration	p. 6
NEC’s Supply Chain Management	p. 7-8
NEC’s Supply Chain Management – Ongoing and Next Steps	p. 9-10

NEC ESG approach to NextEnergy Solar Fund



NEC Sustainability Framework

- **Mission:** to generate a more sustainable future by leading the transition to clean energy
- NEC aims to make a broader positive impact to society and has developed a Sustainability Framework based on **three pillars** and aligned with the UN Sustainable Development Goals (SDGs)
 1. Climate Change
 2. Human Rights
 3. Biodiversity
- SDGs and targets have been selected as the underlying framework to identify, manage, and report on NEC's sustainability performance
- NEC is committed to implementing its Sustainability Framework both in its own operation (CSR) and in investments (ESG) and throughout the supply chain



NEC Policies and Statements

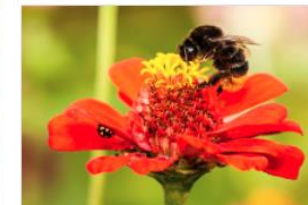
- In 2018 NEC adopted a **Sustainable Investment Policy**, which outlines the principles, excluded activities, integration, engagement, reporting and governance processes related to Environmental, Social and Governance (ESG) matters
- The policy is supplemented by **Position Statements** on climate change, human rights, and biodiversity which provide further insights on how NEC approaches the fundamental aspects of its sustainability framework
- NEC has a **dedicated ESG team** which is responsible for the implementation of the policy across all funds, including NESF. Giulia Guidi heads the ESG team with over 20 years experience in the field, she reports to the Group's CEO and sits on the NESF Investment Committee
- In line with the NEC's position on human rights and slave labour, **Next Energy Solar Fund (NESF)** has issued a [Modern Slavery Statement](#), which is available on the NESF website
- **Integration of ESG** in the investment process include a robust due diligence process that applies throughout the supply chain



CLIMATE CHANGE

Tackling climate change is an integral part of our mission and our core business.

[CLIMATE CHANGE STATEMENT](#)



BIODIVERSITY

For us, solar presents a key opportunity to create a web of protected biodiversity hubs around the world.



HUMAN RIGHTS

Our commitment to respecting human rights is guided by the United Nations Universal Declaration of Human Rights.

[HUMAN RIGHTS STATEMENT](#)

ESG Integration

- ESG is integrated throughout NEC’s investment process, from early screening, full due diligence, negotiation with counterparties during the pre-acquisition phase, to risk management, measuring and reporting during operational phase.
- The full due diligence is extended to all counterparties, and includes **specific supply chain questionnaires** to assess the approach to human rights adopted by module and inverter suppliers, including their labour policies/practices, and their broader ESG credentials

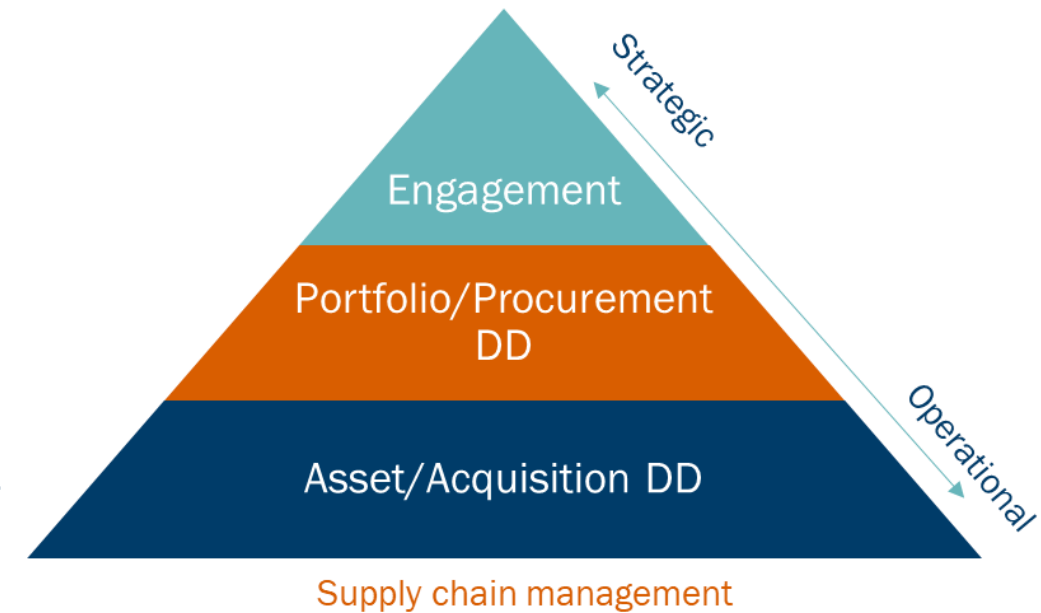


Supply Chain DDQ

NEXTENERGY CAPITAL				
Company Name				
Country where the Company is headquartered				
Country/countries where the manufacturing facilities are located				
Topic	Subject	Date	Question	Supporting Documentation Request
Supply Chain	Supply Chain		Please provide the names of the mining companies from which the Company sources its materials.	No
			Does the Company have a process or Code of Conduct to select its suppliers that takes into account their ESG (sustainability, human rights, business integrity etc.) performance and is based on international frameworks and standards? If so, please provide evidence of the same. If not, please explain why not.	Yes
			Does the Company have any public statement with regard to the supply of conflict minerals? Please also advise whether the Company follows the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.	Yes
			In case of external sourcing of minerals such as: silica/aluminium/nickel/lead/silver/zinc/tin/copper/antimony/gallium/indium/tellurium, please explain how the EHS track-record of the main suppliers is evaluated, including whether ISO 14001 or OHSAS 18001 certifications are required.	
	Human Rights		Does the Company have a Human Rights Policy or Statement which is approved by the Board? If applicable, please provide evidence of the same. Please also explain how the Policy is applied to the Company's suppliers.	Yes
			Does the Company subscribe to the 1948 Universal Declaration of Human Rights (UDHR) and the UN Guiding Principles on Business and Human Rights (2011)?	No
	Indigenous People		Please explain how the Company ensures the principles of Free, Prior and Informed Consent (FPIC) and participation.	No

Supply Chain and Human Rights

- NEC and NESF approach the subject of human rights abuse with the utmost importance and are committed to preventing modern slavery in their own activities and those related to their business relationships, including supply chain. This is supported by our public Policy and Statement
- NEC and NESF, in line with the principles set out in the Group's Human Rights Position Statement, strongly believe that this issue must be tackled **collectively** and through a **long-term engagement** process aimed to eradicate human rights abuses and raise labour practices and standard globally. To this extent, we recently sign the [Solar Energy UK \(SEUK\) pledge](#), as well as the [US Solar Energy Industry Association pledge](#), against slave labour and human right abuses
- NEC is aware that the global supply for PhotoVoltaic (PV) modules originates predominately from China and that around 45-60% of the key component of the modules, the polysilicon, is manufactured in the Xinjiang region, where human rights abuses related to slave labour have been recently reported
- NEC approach to supply chain management is consistent with the broader approach to ESG: we continue to monitor this issue through two parallel processes: **ongoing ESG due diligence** and an extensive **stakeholder engagement process**.
- A robust approach to risk management drives our investment decision, ensuring we identify and manage potential risks, including those related to our supply chain. The due diligence of suppliers is implemented both for secondary market acquisition and new developments and it is supported by a regular review of the suppliers with whom we have signed (or plan to have) a master framework agreement
- The objective of the due diligence is to allow us to **act upon findings** and **take informed decisions**. Acting upon findings can include engagement to seek improvement, potential re-negotiation of future contracts, or disengagement.



Supply Chain Management

RISK MANAGEMENT

- **Fund pre-acquisition due diligence:** for any new acquisition suppliers are reviewed against NEC Policy and standards as part of the overall ESG DD
- **Group Procurement periodic reviews and MSA:** in October 2020, the ESG team together with the procurement office sent a specific suppliers' DDQ to selected top modules and inverters suppliers to establish an annual review. This is particularly valuable for modules/inverters to be deployed for new developments
- **Suppliers' tracker:** based on initial responses, the ESG team has created a register to rate NEC's key suppliers based on their commitment, capacity and track record – This is a work in progress and is likely to be reviewed in light of our collaborative progress with the UK industry association and other association.

ENGAGEMENT

- **Industry Associations:** NEC and NESF work actively with Solar Energy UK (SEUK) as well as other region's association to address the issue collectively.
- **NGOs:** NEC's ESG team regularly engages with a network of NGOs on relevant ESG themes. In particular, since 2019 the Business and Human Rights Resource Center provided insights on supply chain tools and support for our DDQ.
- **Manufacturers:** Following initial due diligence findings – much work still underway – we have been engaging with key technology suppliers. As a result, we are working towards putting in place bilateral statements, receiving outcomes of their internal social audits and selected partners have joined the UN Global Compact
- **Human rights and supply chain experts:** We continue to discuss with third party experts how to best approach the issue

Supply Chain Management – Ongoing

RISK MANAGEMENT – ON GOING

Based on recent developments NEC and NESF have focused on:

- **Fund pre-acquisition due diligence:** Continue to evolve our due diligence by adding specific questions on traceability. Likely change based on the activity with SEUK
- **Group Procurement periodic reviews :** Started the review of Master Framework Agreement in place to include specific language on labour and human rights standard, and more broadly on ESG commitments from our suppliers
- Developing a **Supplier Code of Conduct**, through a cross- collaboration effort between compliance, procurement and ESG team.
- **Suppliers' tracker:** Continued to keep track of current suppliers' status and ongoing engagement, as well as tracking the outcome of due diligence of any new supplier.

ENGAGEMENT – UNDER DISCUSSION

Our active collaboration with SEUK is evolving on the following:

- **Traceability Protocol:** Adopting the recently issued US Solar Energy Industry Association (SEIA) [Traceability Protocol](#) to the UK context. Understanding the challenge of implementation
- **Collaborative Implementation:** implement the protocol as an industry, and avoid duplication of efforts with manufacturers; potentially engaging with independent third party for implementation and benchmark
- Willingness to keep the discussion in the context of the **broader supply chain**, not limiting to a regional or polysilicon-centric and / or political conversation.
- Focusing on leveraging demand to **improve conditions** in challenging markets, rather than avoiding them

Supply Chain Management - Next steps

- NEC continues to monitor and probe the procurement process of our supply chain and to engage with key stakeholders in a proactive manner that upholds the integrity of the values of both our business and the solar energy sector.
- We will continue our dialogue and engagement with NGOs and reputable advisors to seek where we can leverage other's industry experience on improving transparency and traceability
- We will include specific language into Master Framework Agreement with our supplier and refer to our Supplier Code of Conduct;
- We will continue to assess and engage with our suppliers, although it is likely that our DDQ will be replaced by an industry traceability protocol, which we are actively engaged in the creation and adoption of.
- Through our active collaboration with SEUK's working group we will:
 - Continue the dialogue with the US association (SEIA) on how the protocol could work and explore the extent to which we can collectively align behind a third party auditing process;
 - Follow up with Solar Power Europe (SPE) on the same points, and discuss to what extent they may take the SEIA protocol on board;
 - Explore additional tools to support transparency, including approaching the Business and Human Rights Resource Centre to expand/adapt their existing benchmark;
 - Follow up discussion with CEA (a social, labour expert that worked on the SEIA Protocol) to better understand the protocol, its applicability, and mitigation options.