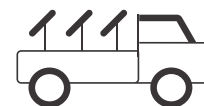


Responsible procurement



Scatec Solar purchased goods and services for approximately NOK 3.3 billion in 2018. Responsible procurement is therefore an important part of our sustainability efforts, and we seek to select and develop suppliers with strong sustainability practices. Our Supplier Code of Conduct is based on internationally recognised principles and outlines our requirements regarding ethical conduct and sustainable business practices.

Sustainability risks in our supply chain

Scatec Solar purchases goods and services from a wide variety of suppliers, from large international organisations to specialist local suppliers worldwide. We seek to form mutually beneficial and trusted relationships with our suppliers, and to treat all suppliers fairly, as well as to provide them with regular and honest feedback.

We regularly assess sustainability risks within our supply chain. The main risks include corruption, violations of labour rights, and poor social and environmental performance. We seek to mitigate these risks through our supplier development programme, transparent and fair tender processes, robust contracting, pre-production audits, and monitoring during production.

We source services and components mainly during the development and construction 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 in the country where the project is located

Sustainability in our procurement process

Our procurement process consists of several steps of initial information gathering. Before suppliers are invited to tender, they must pass a desktop due diligence that includes QHSE systems and sustainability aspects, and suppliers are shortlisted based on their scores.

Our policy

- Choose suppliers based on relevant sustainability criteria including transparency, workplace conditions, HSSE, and human rights standards and environmental performance
- Ensure that suppliers commit to our Supplier Code of Conduct Principles and monitor compliance through regular supplier audits of significant and high-risk suppliers
- Take a life-cycle approach¹⁾ to our carbon footprint and choose suppliers who contribute positively to our climate impact
- Avoid procuring products from any supplier who relies on substances that are dangerous or harmful to the environment or from suppliers using conflict minerals

Our supply chain department is responsible for ensuring compliance with Scatec Solar's Ethics policy, Procurement policy, Sustainability policy, and with the Operating System requirements. Our Supplier Code of Conduct includes more than 20 compliance topics such as compliance with laws, safety and security requirements, the anti-corruption policy, human rights laws, environmental practices, and restrictions on the use of drugs and alcohol.

The screening process involves a three-stage approach as illustrated on the next page.

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

Three-stage screening process



- 1** Request for information from vendors for pre-qualification:
- HR policy
 - Ethics policy
 - Environmental policy
 - Management plan



- 2** Desktop due diligence of the documents listed in step 1 for the pre-qualification and during the bid



- 3** Final audit and in-depth due diligence on shortlisted vendors prior to recommendation to award

After the screening process, we seek to continuously monitor and control our work with and relationship to our suppliers. Before commencing their scope of work, all suppliers must sign our Supplier Code of Conduct and confirm conformance with the IFC's anti-corruption guidelines which we integrate into all our contracts, in addition to HSSE requirements, environmental and social requirements, and quality assurance and quality control requirements.

We appoint dedicated resources to follow up directly on quality and on implementing policies during the construction phase.

Our achievements and results in 2018

All new suppliers were screened for social and environmental criteria in 2018, and went 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 to the IFC's anti-corruption guidelines.

According to our policy, we audited all suppliers in our major categories from whom we have procured in 2018. One logistics supplier was suspended from all procurement processes after we received an alert that the company was under investigation for corruption. We undertook 17 audits of subcontractors during 2018, including all main contractors in projects under construction. We completed at least one site audit for each project.

In 2018, we rolled out a Supplier Development Programme for key qualified suppliers. The programme focuses on pro-actively working with our key suppliers to enhance their social and environmental performance. Before they could enter the programme, we screened all participating suppliers on compliance with our environmental and social criteria. Together with the suppliers, we define new environmental and social targets to be evaluated annually.

During 2018 we have initiated a process to ensure that all our main suppliers and sub-suppliers have policies and measures in place to ensure that their products are free from conflict minerals.

For our South African operations, we have drafted a socio-economic development framework for procurement to support the economic empowerment goals of the South African government towards empowering and developing local businesses.

Training

For training and development, all new team members of the supply chain received anti-corruption and anti-bribery training, a workshop on contracts (organised by our legal department), and personal- and team-development sessions.



Our ambitions and goals

We will continue to work with suppliers to optimize products to reduce their carbon footprints and to promote sustainable business practices. In 2019, our main goals are:

- To strengthen our supplier base during 2019 by qualifying four to six additional suppliers into our Supplier Development Programme
- By the end of 2019, to ensure that all suppliers have policies and measures in place to confirm that their products are free from conflict minerals
- To develop relevant training material for each supply chain process.



“In 2018, we rolled out a Supplier Development Programme for key qualified suppliers. The programme focuses on pro-actively working with our key suppliers to enhance their social and environmental performance”.

Pål Helsing, EVP Solutions