

NextEnergy Capital | Responsible Supply Chain Approach

Summary

Ensuring the sustainability of our supply chain is fundamental to NextEnergy Capital (“NEC”). As a mission-led organisation, the long-term, stable returns we generate are based on the Three Pillars of our Sustainable Investment Policy: addressing climate change, promoting biodiversity, and respecting human rights. This includes working to ensure that the products, components and materials in which we invest are responsibly sourced.

A key focus of our work is to address the risk of human rights abuses in our supply chains, although broader environmental and governance considerations are also taken into account. NEC has developed a detailed approach to screening and engaging with key supply chain partners, such as solar panel manufacturers, in response to concerns about the sustainability of their operations. This includes collaborating with NGOs to learn from best practice in other industries. Rapid progress is being made in the industry, which will help ensure that NEC can meet its commitments to responsible sourcing.

More broadly, supply chains are changing as capital is directed to new investment and manufacturing destinations in response to global events. NEC is identifying how it can increase its supply chain resilience, working with industry and other partners. NEC intends to assess the potential impact of issues such as carbon pricing, the availability of critical minerals, and new policy and legislation in development in the jurisdictions in which it operates.

NextEnergy Capital Supply Chain Experts

NEC has extensive experience across sustainable construction, procurement, and investment decision-making. As with the broader ESG team, the number of staff whose focus includes sustainable procurement has increased rapidly, reflecting our commitment to ensure a robust approach to sustainability across our business. NEC’s ESG experts work closely with the investment, construction and procurement, and portfolio management teams to ensure that supply chain sustainability is considered through the lifecycle of NEC’s assets. More information on the NEC team is available on the [NEC website](#).

Our Approach

NEC is a responsible investor. Our approach to ensuring supply chain sustainability is based on three principles:

- Ensuring our supply chain policies meet and exceed relevant national and international standards.
- Carrying out comprehensive due diligence, and detailed engagement with our supply chain partners.

- Supporting industry action to drive best practice, and learning from other supply chain experts.

More detail is provided on these below.

1. Our Commitments: Supply Chain Policy and Disclosures

The solar supply chain includes potential risks relating to the local environment, human rights and labour practices, the climate and other impacts associated with raw material extraction, and governance and transparency. To date, NEC has focused on addressing potential human rights issues, although all aspects of supply chains are considered as part of the investment process. NEC respects fundamental social and human rights principles, and expects the same across its business relationships, including its supply chain.

NEC publicly commits to the highest supply chain standards, and makes extensive disclosures relating to its sustainability policies, which include a Human Rights Position Statement, Code of Conduct for Suppliers, and Sustainable Investment Policy. These are aligned with the requirements of international ESG performance standards, such as the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. NEC opposes any form of slavery and forced labour.

NEC is a signatory of the Solar Energy UK Supply Chain Statement, the Solar Energy Industries Association (“SEIA”) Forced Labor Prevention Pledge, and the SSI Joint Industry Endorsement Statement, and monitors the development and implementation of relevant legislation. This includes, for example, the EU Corporate Sustainability Due Diligence Directive, which is currently being developed by the European institutions.

[NextEnergy Capital disclosure, commitments and reporting:](#)

[NextEnergy Capital UN Sustainable Development Goals Report 2022](#)

[NextEnergy Capital PRI 2020 report](#)

[NextEnergy Capital Human Rights Position Statement](#)

[NextEnergy Capital Sustainable Investment Policies](#)

[NextEnergy Capital Supplier Code of Conduct](#)

[Solar Energy UK supply chain statement](#)

[Solar Industry Forced Labor Prevention Pledge](#)

[Solar Stewardship Initiative Joint Industry Endorsement Statement](#)

2. Due diligence and Supplier Engagement

NEC has developed a dedicated internal approach to supply chain due diligence. As with other sustainability considerations, this is fully integrated into the investment process. It includes, for example, a proprietary solar PV module supplier assessment tool, which was developed in 2022/23. Based on responses to a detailed due diligence questionnaire, interviews, and

publicly available information, the tool is used to carry out an enhanced review of potential PV module suppliers. This includes examining their product and material origins, working practices, human rights standards, and environmental and emissions profiles, such as the carbon intensity of manufacturing processes.

The ESG and Construction and Procurement teams – who meet weekly to discuss supply chain developments – use the tool to review potential suppliers and understand whether they meet NEC standards. Every potential transaction is assessed for supply chain risk – which forms only part of the pre-investment due diligence process – and NEC will not invest in an asset where suppliers cannot meet its standards. The process includes reviewing EPC and O&M contractors where appropriate, and technologies which are being integrated into the NEC portfolio, such as battery energy storage systems.

This approach means that NEC is not only able to assess transaction-level supply chain risk based on the most detailed information possible, but also to provide insight on how suppliers as a whole are positioned from an ESG perspective. This means that NEC is able to support industry to understand the sustainability risks it faces, feed this back to its supply chain partners, and use this experience as part of the sector-wide initiatives in which it participates. As such, NEC is helping to influence the development of emerging supply chain best practice, and the speed at which it is adopted.

3. Supporting Industry Action

Building on the development of its internal approach to responsible sourcing, NEC is at the heart of industry initiatives to advance supply chain sustainability. This notably includes the [Solar Stewardship Initiative](#) (“SSI”), a major supply chain achievement to which NEC has made a significant contribution.

The SSI, which publicly launched in October 2022, is a joint initiative of [Solar Energy UK](#) (“SEUK”) and [SolarPower Europe](#) (“SPE”). Its objective is to further develop a sustainable solar sector, including establishing a mechanism for end-to-end supply chain transparency. The launch of the SSI was a significant milestone, and was followed with the launch of a public consultation on its work in May 2023. The ambition of the initiative is to have a full supply chain assurance system in place by the end of 2023. NEC has provided strategic, operational and financial input to the SSI as one of its founding sponsors and supporters, and the NEC Head of ESG, Giulia Guidi, is a member of its coordination group

NEC has been at the forefront of industry debate on supply chains, and its operating team supports industry initiatives wherever possible. For example, ESG Associate Kevin McCann is also a member of the Solar Energy UK Responsible Sourcing Steering Group, which is helping to coordinate UK solar industry action on supply chain sustainability.

NEC has also participated in external research on responsible procurement in solar. This is because we are keen to ensure that, wherever possible, others can benefit from the experience we have gained through the development of our approach to supply chain sustainability. An example of this is provided below.

Responsible Sourcing Guidance

Supply chains are formidably complex, and subject to commercial, technical, regulatory and geopolitical pressure. Building a more resilient solar supply chain involves a wide range of stakeholders, including investors, suppliers, regulators, industry associations, and civil society, including NGOs. This is why NEC has engaged, for example, with [Action Sustainability](#), an expert leader in sustainable procurement and supply chain management. Action Sustainability is developing international responsible sourcing guidance for solar panel buyers, and NEC ESG staff participated in an interview and workshop process to support the development of this guidance in Spring 2023. This included discussing approaches to sustainability, how solar investors can play their part in increasing transparency, and how to drive best practice across the industry. An introduction to the project is available on the Action Sustainability [website](#), and the procurement guidance is intended to be published by the end of 2023.

Disclaimer: this document is accurate as of June 2023. It will be updated in line with changes to our approach.