

NextEnergy Capital | Responsible Supply Chain Approach

Summary

Ensuring the sustainability of our supply chain is fundamental to the NextEnergy Group. Our mission is to generate a more sustainable future by leading the transition to clean energy. We intend to achieve this mission whilst simultaneously advancing positive sustainability outcomes for the three ESG Priority Areas of our Sustainability Framework: People, Nature and Prosperity. This includes working to ensure that the products, components and materials in which we invest are responsibly sourced.

Our work focuses on addressing the risk of human rights abuses in our supply chains, as well as environmental and governance issues, to advance improved sustainability outcomes. NextEnergy Capital (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 solar industry, which will help ensure that NEC can meet its commitments to responsible sourcing and building supply chain resilience. These are embedded in NextEnergy Group's net zero and nature-positive commitments to ensure a holistic and interconnected approach to sustainability.

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. It is also examining the interdependencies with nature as part of this work.

NextEnergy Capital Supply Chain Governance

NEC has extensive experience across sustainable construction, procurement, and investment decision-making. NEC's ESG experts work closely with the Investment, Construction and Procurement, and Portfolio Management teams to ensure that supply chain sustainability is considered throughout the lifecycle of NEC's assets. This begins with a robust and sustainable procurement approach which underlies how we assess and mitigate risk, and maximise opportunities for people, nature and prosperity across our business. 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 to increase the traceability and visibility of our supply chain, including upstream impacts on nature.
- 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 nature and the local environment; human rights and labour practices; the climate and other impacts associated with raw material extraction; and, governance and transparency. NEC ensures 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, a Code of Conduct for Suppliers, and Sustainable Investment Policy. These reflect the requirements of international ESG performance standards, such as the OECD Guidelines for Multinational Enterprises (**OECD MNE**), and the UN Guiding Principles on Business and Human Rights (**UNGP**). NEC's investment activities are also aligned with the Ten Principles of the United Nations' Global Compact. 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 Solar Stewardship Initiative (**SSI**) Joint Industry Endorsement Statement. NEC also monitors the development and implementation of relevant legislation.

NextEnergy Capital Disclosure, Commitments and Reporting:

[NextEnergy Capital PRI 2023 report](#)
[NextEnergy Capital Human Rights Position Statement](#)
[NextEnergy Capital Sustainable Investment Policy](#)
[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, Supplier Engagement, and Supply Chain Visibility

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. The tool was updated in 2023/24 to also assess battery energy storage system suppliers, and we will continue to evolve it to consider other key components as relevant. 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 and battery energy storage suppliers. This includes examining their product and material origins; working practices; human rights standards;

environmental profiles, including upstream impacts on nature; and, emissions profiles, such as the embedded carbon emissions of manufacturing processes.

The ESG and Construction and Procurement teams meet on a regular basis to discuss supply chain developments. They use the tool to review potential suppliers and understand whether they meet NEC standards. Every potential transaction is assessed for supply chain risk, which includes reviewing EPC and O&M contractors where appropriate, and forms only part of the pre-investment due diligence process. When a supplier cannot meet NEC's standards, NEC initially seeks to engage to influence the supplier's approach and operations. NEC will not invest in an asset where suppliers cannot meet its standards, and the behaviours, values and principles established in NEC's Code of Conduct for Suppliers.

A key area where NEC seeks to influence change is by increasing the visibility of its supply chain, such as for the raw material origins of the components in which it invests, and understanding the impact of manufacturing sites on nature. To support this, NEC uses third-parties to carry out factory and traceability and audits of suppliers. NEC also carries out direct engagement. For example, in June 2024, representatives of NEC's ESG and Construction and Procurement teams visited China to meet suppliers and visit manufacturing sites.

NEC's approach means that it 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 is a founding sponsor and supporter.

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. NEC provided strategic, operational and financial input to the SSI, and the NEC Head of ESG, Giulia Guidi, was a member of its coordination group during the initiative's development. Giulia was appointed as a member of the SSI Board in 2024, and one of NEC's ESG Analysts has also been appointed to the SSI's Traceability Technical Working Group.

NEC has been at the forefront of industry debate on supply chains, and its operating team supports industry initiatives wherever possible. For example, Senior ESG Associate, Kevin McCann, is the Chair 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 has developed [responsible sourcing guidance](#) for solar panel buyers, and NEC's ESG team 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](#).

Disclaimer: This document is accurate as of July 2024. It will be updated in line with changes to our approach.