

Scatec

Scatec Sustainable Procurement

Allegations of Labour Practises in the production of polysilicon in Xinjiang, China.

2022





Overview:

- Labour Practises Issue in Xinjiang Province and the Impact on our Supply
- Our Approach to Sustainable Procurement
- Challenges in Creating Transparency in the Downstream Supply Chain
- Added Measures in Our Procurement Cycle for Module Procurement
- Summary



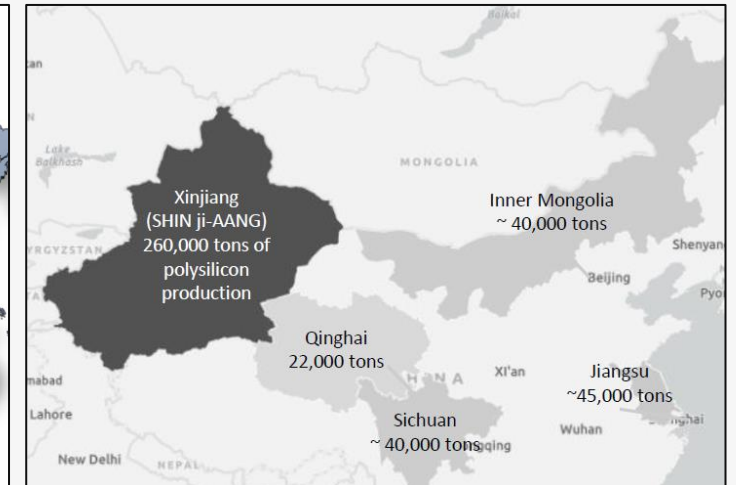
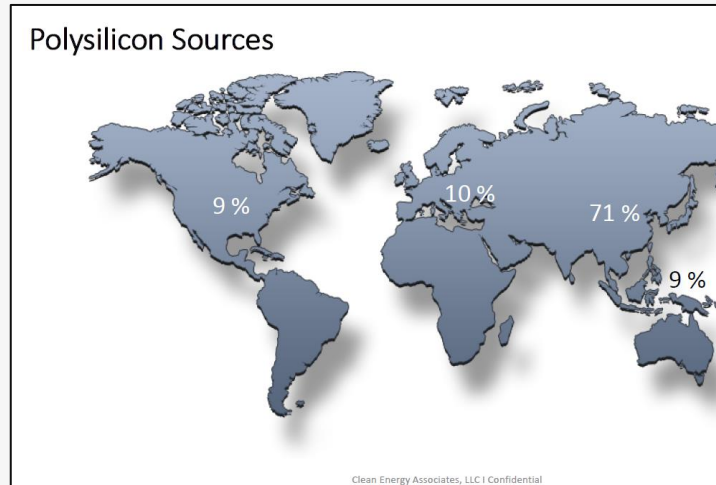


Labour Practises Issue in Xinjiang Province and the Impact on our Supply

In recent times, the province Xinjiang in China is alleged to have widespread use of forced labour in their polysilicon production sites. China, China's PV association and Xinjiang manufacturing base are disputing this. All module suppliers are indirectly affected and implicated.

Capacity overview:

- 71% of Silicon is produced in China
- Xinjiang produces 63% of the 71% in China, and 53% of the global supply
- Chinese demand is forecasted to around 60GW for 2021, representing 31% of global capacity and 45% of Chinese capacity
- We expect that the capacity from Xinjiang will predominantly be reserved for the Chinese market
- But as global demand is forecasted at between 168 GW and 198 GW, polysilicon will be constrained, and depending on the final demand there could be an oversupply from Xinjiang based on strong resistance for offtake for global production.





Our Approach to Sustainable Procurement

Compliance Standards

- Code of Conduct
- IFC Performance Standards & Equator Principles
- UN Global Compact
- OECD Due Diligence Guidance for Responsible Business Conduct

Monitoring & Control

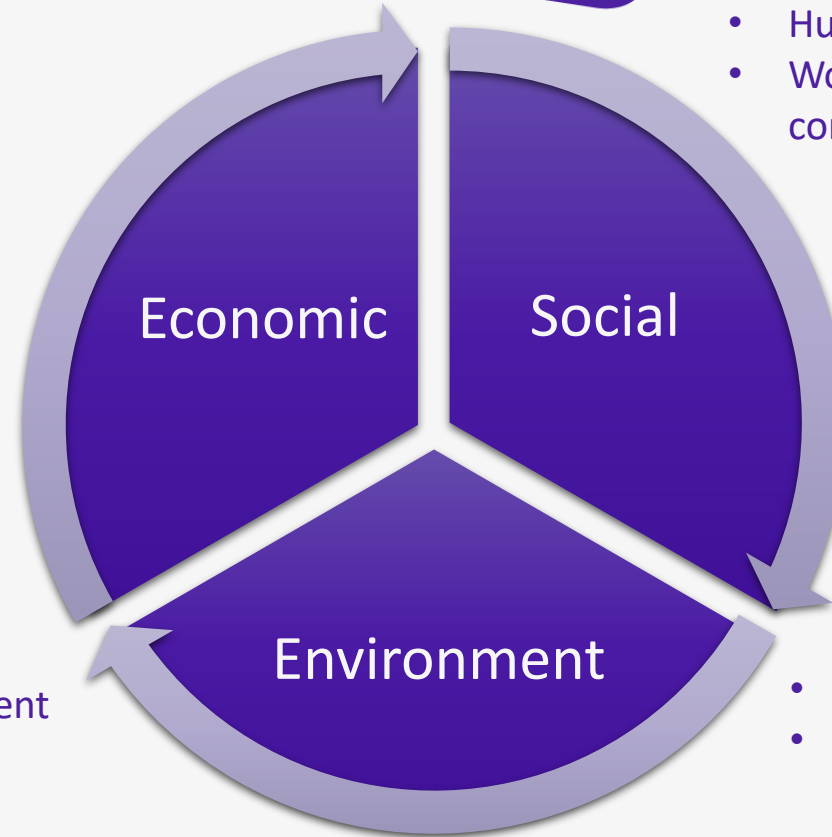
- Supplier Due Diligence / Ecovadis
- Audits
- Supplier Development Programmes



- Reduction of waste
- Circular economy / Lifecycle management



- Human Rights
- Working and labour conditions



Economic

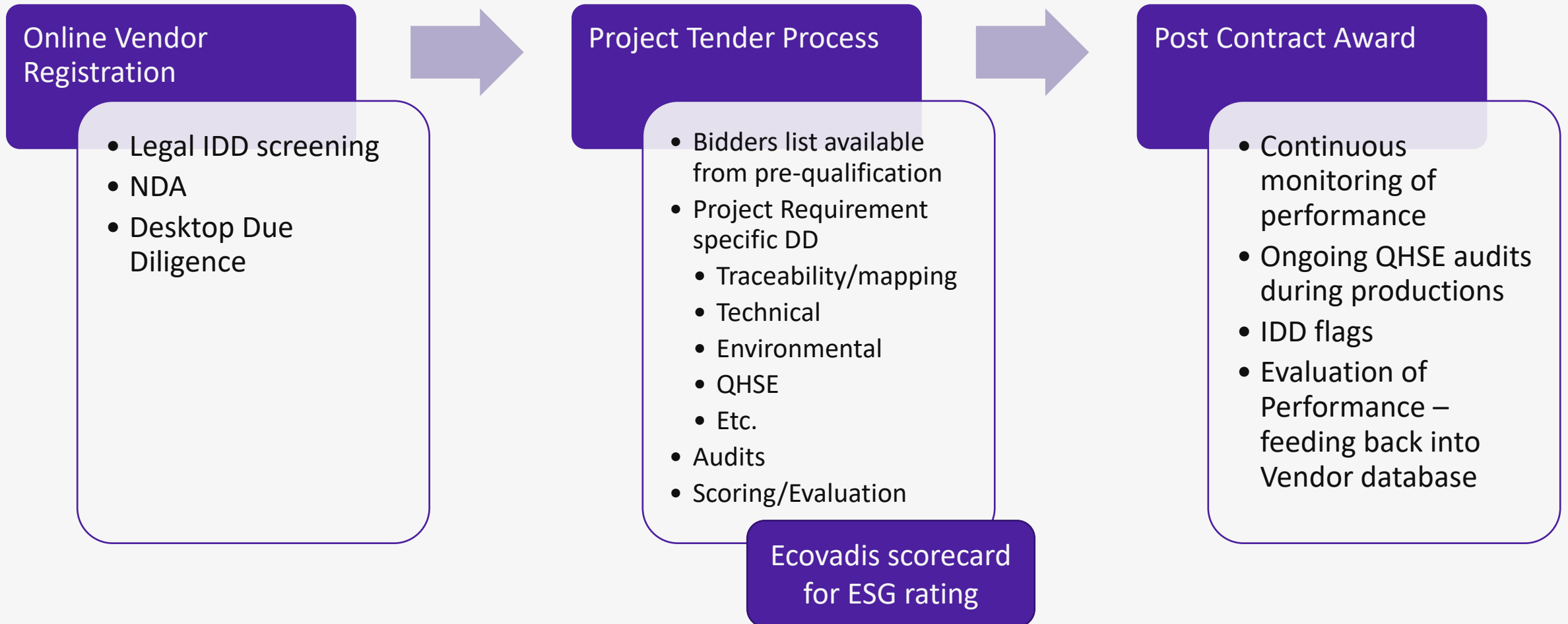
Social

Environment

- Carbon footprint
- Conflict minerals



Scatec's Supplier Selection Process





Strengthening our supplier management procedures

- Incorporating Ecovadis as part of our supplier screening and monitoring
- The methodology will be applied to all strategic suppliers
- Roll out initiated late 2021 and will continue in 2022

The EcoVadis Methodology

Weighted and activated according to supplier industry, size and geography

covers 4 Pillars and 21 Criteria Based on International Standards

ENVIRONMENT	LABOR & HUMAN RIGHTS	ETHICS	SUSTAINABLE PROCUREMENT
Policies - Actions - Results			
<ul style="list-style-type: none">• Energy Consumption & GHGs• Water• Biodiversity• Local & Accidental Pollution• Materials, Chemicals, & Waste• Product Use• Product End-of-Life• Customer Health & Safety• Environmental Services & Advocacy	<ul style="list-style-type: none">• Employee Health & Safety• Working Conditions• Social Dialogue• Career Management & Training• Child Labor, Forced Labor & Human Trafficking• Diversity, Discrimination & Harassment• External Stakeholder Human Rights	<ul style="list-style-type: none">• Corruption• Anticompetitive Practices• Responsible Information Management	<ul style="list-style-type: none">• Supplier Environmental Practices• Supplier Social Practices





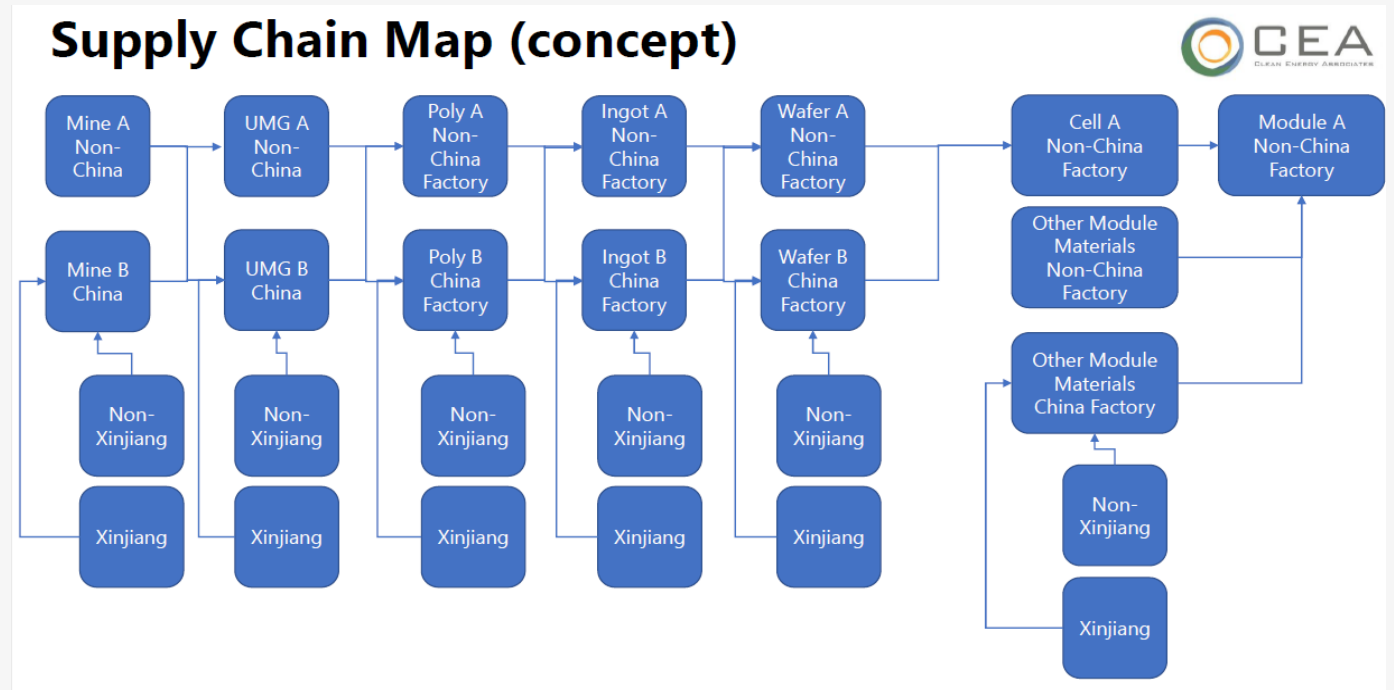
Challenges in Creating Transparency in the Downstream Supply Chain

Why we cannot audit the supplier's downstream?

Third party audits are not allowed by the government in Xinjiang. We believe that polysilicon manufacturing is not labour intense and the risk of forced labour is very low, but without an audit it is not possible to verify.

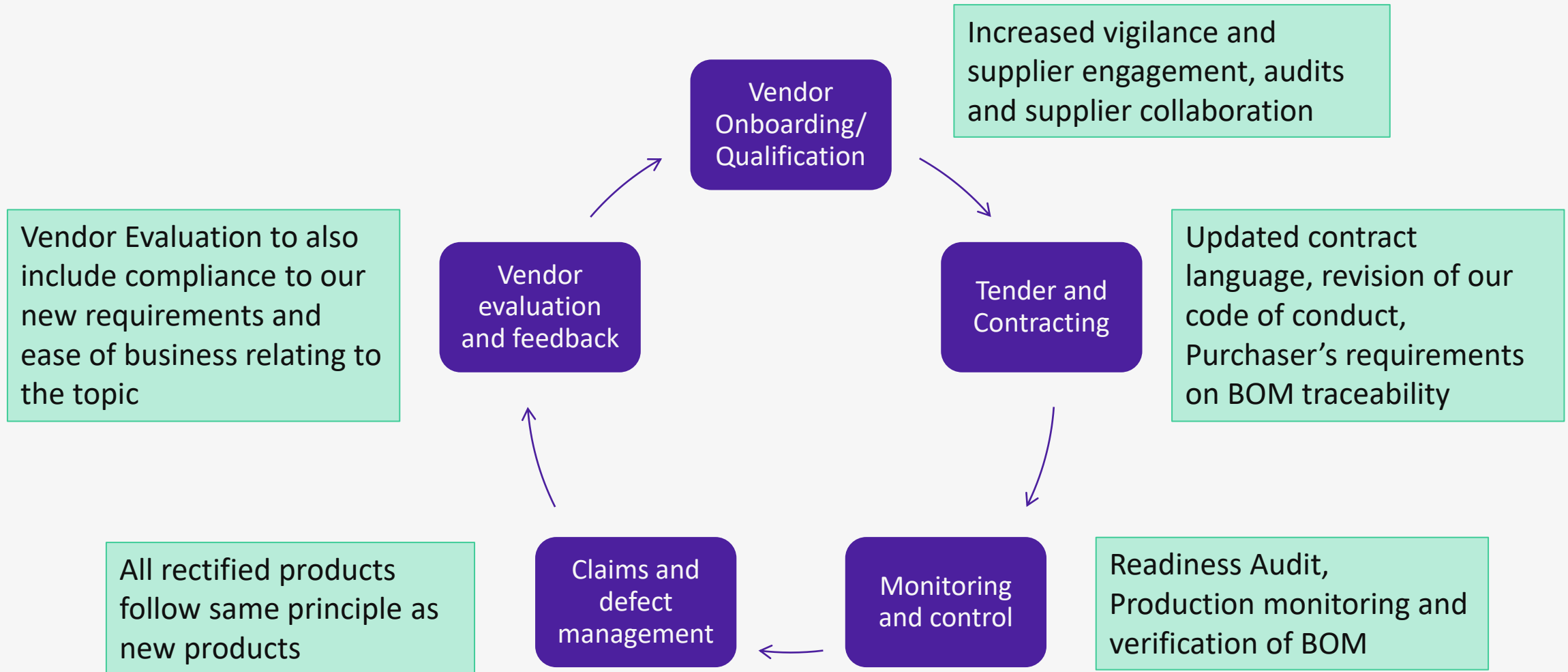
Why it is challenging to verify that we are not using products from Xinjiang?

- It is almost impossible to determine that the polysilicon in the purchasers module has originated from a specific production facility, as the raw material goes to the same facility to produce the ingot and there is very little control on the baths used in specific ingots.





Added Measures in Our Procurement Cycle for Module Procurement





Summary

This is a serious allegation. We believe it is our responsibility to act proactively at once, despite there being no current legal requirements. We do not support any activity that has not been verified to be in accordance with our Code of Conduct. Therefore:

- All mitigations in our procurement cycle are implemented with immediate effect;
- We work with suppliers willing to comply to our requirements and verify to the extent possible that the raw material is not originating in Xinjiang;
- We continue to work closely with our supply base and advisors such as CEA to monitor the implementation;
- We continue to monitor legislation and export control and adjust measures accordingly;
- We plan to sign the SEIA's No Forced Labour Pledge as a public token of our commitment;
- Collaborate with peers in the industry to understand their approach and create collective pressure on the supply chain to ensure compliance.

