

SUSTAINABLE PROCUREMENT POLICY

1. PARTICULARS

Risk category	Compliance
Risk assessment	Not complying with this policy may cause legal, financial, and reputational damage
External reference	This policy is based on: UN Global Compact; ISO 14000; Responsible Business Alliance Code of conduct; Science Based targets initiative; ILO; EU/local directives, regulations, and standards; and The Norwegian Transparency Act
Internal reference	Solar's Solve strategy 2024-2026
Target group	This sustainable procurement policy applies to all of Solar's legal entities and constitutes the framework for Solar's sustainable procurement and what it entails for Solar and our suppliers. It serves to guide and steer internal and external stakeholders
Classification	Public document
Latest update	June 2024.
Approved by	Executive Board
Responsible	Executive Board
Contact person	Head of Sustainable Procurement Solar Group, Sourcing Excellence

2. OBJECTIVE OF THE POLICY

This policy is aligned with the overall Solve strategy 2024-2026 of Solar Group (hereafter: Solar) in which sustainability is embedded. The policy outlines a framework for sustainable procurement at Solar to ensure efficiency and transparency, making sure that the practices of Solar's suppliers are sound and with limited impact on society and environment. As a part of ongoing efforts, Solar currently focuses on the activities described in this policy.

Being a leading European sourcing and services company within electrical, heating and plumbing, ventilation, and climate and energy solutions, the origins of the products we source are global. Our suppliers operate global supply chains, ensuring that Solar can source quality products that meet the requirements of regulation, customers, and society.

3. POLICY

Solar's sustainable procurement vision and high-level strategy

solar

Sustainable procurement vision

Source sustainable products for our customers by leading the green transition and protecting human rights - together with our suppliers.

Sustainable procurement strategy

- Ensuring compliance to the code of conduct through:
- Risk assessment of suppliers in the four pillars:
 - Human rights
 - Environment
 - Ethics
 - Sustainable procurement
- Actively work with suppliers on corrective action procedures and improvement in sustainability matters
- Reducing CO₂ emissions in the supply chain through active supplier collaboration

Statement

Solar requires our suppliers and partners to follow and live up to the same ethical and social standards that we demand of ourselves.

Our sourcing and supplier relationships must be characterized by respect for human rights, the environment, and society throughout the value chain.

Picture 1: Solar's sustainable procurement vision and high-level strategy

3.1 Reducing and eliminating risk in the Solar supply chain

3.1.1. Ensuring compliance to the code of conduct

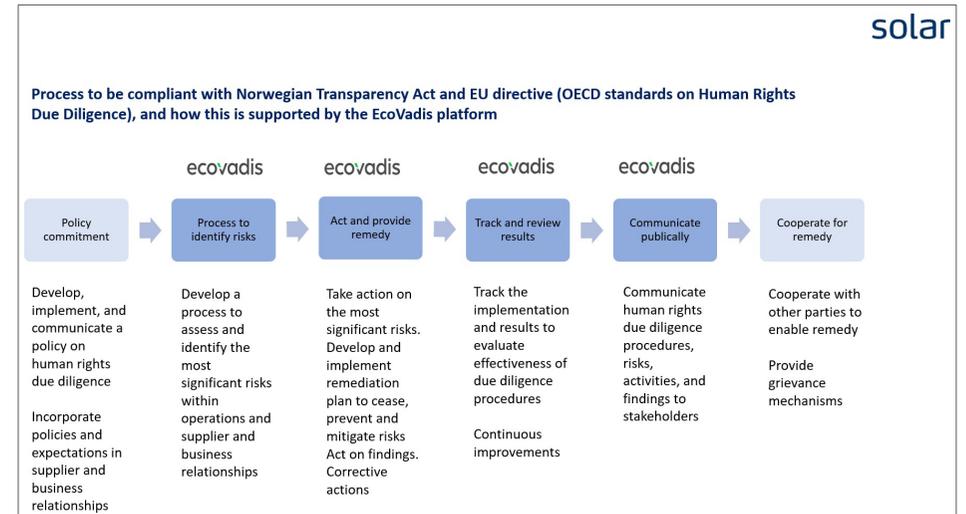
Solar's sustainable procurement work is founded in our supplier code of conduct. Solar has voluntarily adopted the Responsible Business Alliance (RBA) Code of Conduct since 2016. Moreover, it follows the guidelines set out in the UN Global Compact, the

ILO core conventions on principles for international companies and social policy, and the OECD guidelines for international companies. The code of conduct covers human and labour rights, health and safety, environment, ethics, and anti-corruption and bribery. Not only does it outline our current requirements, it also includes aspirations, encouraging suppliers to evolve and advance their sustainable performance. Solar is committed to increase the adaption and compliance of our suppliers. Solar’s code of conduct is part of the agreement that we sign with our suppliers, as it is a requirement for becoming a strategic or preferred supplier.

The objective is to increase spend covered by Solar’s code of conduct. The KPI is a percentage of the Solar spend covered by code of conduct and is tracked yearly on legal entity level. The target is to have 95% of our spend covered by end 2026.

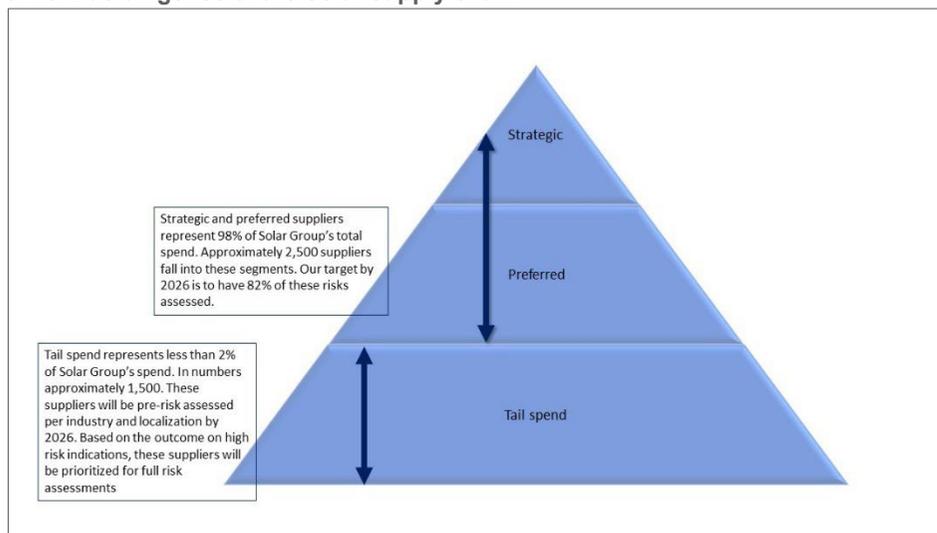
3.1.2. The Norwegian Transparency Act

The Norwegian Transparency Act is a law concerning businesses’ work with human rights and working conditions, and it entered into force in Norway on July 1, 2022. Solar has implemented the processes to comply with the law, perform due diligence according to the legislation, and report to the Ethical trade organisation in Norway.



Picture 2: How the partnership with EcoVadis is helping with the Norwegian Transparency Act

3.1.3. Due diligence of the Solar supply chain



Picture 3: Illustration of Solars strategy of risk assessment/due diligence in the supply chains

Solar strives to eliminate violation of human and labour rights, anti-corruption and bribery, and minimize the environmental impact related to the products we sell. To increase transparency in the Solar supply chain, we conduct risk assessment/due

diligence on our suppliers, which in the first wave primarily covers strategic and preferred suppliers. It is conducted through a 3rd party tool (EcoVadis), bringing an updated view of supplier risks related to human and labour rights, environment, and ethics. A risk-based approach is used, prioritizing audits by reviewing risks per country or market or per commodities, processes, or supplier work area. Solar is committed to increasing the number of suppliers that have gone through a risk assessment/due diligence and to driving corrective actions with our suppliers to identify high or very high risks. The KPI related to this is a percentage of Solar's spend¹ (per legal entity) that is risk assessed. This metric is tracked and reported on entity level on a yearly basis. The target is to have 82%² of our group level spend assessed by end 2026.

This ties into the overall target of having no high or very high-risk suppliers by end 2026.

3.1.4. Pre-risk assessment based on location and industry for tail spend

Solar is committed to eliminating high risks in our supply chain. The tail suppliers of Solar's portfolio represent less than 2% of the spend (approx. 1,500 suppliers). These suppliers will undergo a pre-analysis/risk mapping based on location and industry. This pre-analysis will identify suppliers associated with high or very high risk in any area to prioritize the tasks of due diligence. The target is to have our tail spend suppliers pre-risk assessed and to have no high or very high-risk suppliers by end 2026.

¹ Baseline for each year is full spend for the current calendar year for strategic and preferred suppliers.

² Baseline for each year is full spend for the current calendar year for strategic and preferred suppliers.

3.1.5. Physical audits

Solar's ambition is to collaborate with our suppliers to improve their sustainability performance. During 2024-2026, Solar plans to audit multiple strategically important suppliers that are located in risk areas and/or operating in risk businesses. It is an active tool for Solar going forward to perform physical audits by accredited 3rd parties on suppliers with risk indications and of strategic importance.

3.1.6. Actively collaborate with the suppliers on improvements and corrective action procedures

Solar is committed to increasing our suppliers' sustainability maturity and with that their due diligence score. The due diligence score shall be improved through corrective action procedures. We conduct ratings in the four sustainability themes, Environment, labour and human rights, ethics, and sustainable procurement, each scoring between 0-100. Solar's priority is human rights. Hence, we have set a threshold at either below 45 points on weighted average (counting all above mentioned themes) or below 45 points on human rights alone, both being a threshold for corrective action procedures requested³. The threshold is set based on market average.

The objective is to increase the sustainability maturity of our suppliers. The KPI is to increase the average score in the risk assessment/due diligence by 3 points per year, complying with the main target of having no high or very high-risk suppliers by 2026.

³ Scoring acc. to the EcoVadis rating system

4. ENVIRONMENT - REDUCING CO₂E EMISSIONS IN THE SUPPLY CHAIN

4.1. Reducing CO₂e emissions in the supply chain through active supplier collaboration

Solar must lead by example for employees, individuals, and the public, as individual and collective behavioural changes are important. Climate change can further be mitigated by collaboration through the supply chain in combination with a policy framework. Solar is committed to the Science Based Targets initiative (SBTi), and we want to motivate our suppliers to switch to and report on the usage of renewable energy and to report on CO₂e emissions in scope 1 and 2. The objective is to increase awareness of CO₂e emissions, and the KPI is to raise the number of suppliers reporting on CO₂e emissions in scope 1 and 2 by 9 by 2026 (baseline year 2023).

4.2. Usage of renewable energy amongst suppliers

Directly linked to CO₂e emissions is the usage of renewable energy in production, which we encourage. Our target is to have an increased number of suppliers purchasing and reporting their usage of renewable energy with a KPI of an additional 9 suppliers by the end of 2026 (baseline year 2023). This is tracked and monitored through our 3rd party tool.

4.3. CO₂e emission reduction scope 3

99% of Solar's CO₂e emissions derives from the supply chain, i.e., scope 3. We strive to decrease the CO₂e emissions to limit global warming and reach the goals of the Paris Agreement. Solar has committed to SBTi methodology for reducing the CO₂e emissions in scope 3 by 2030. This will be done by actively collaborating with our

suppliers. The objective is to reduce Solar's emissions in scope 3, use of sold products, by 25% (baseline year 2020).

5. RAISING AWARENESS AND CAPACITY BUILDING

Solar recognises that raising awareness and competence are two key factors for motivation and for driving improvements. Our commitment to raising competence within the area of sustainable procurement is as follows:

5.1. Code of conduct training

All relevant⁴ staff is required to have concluded the code of conduct training. The training covers what the code of conduct entails, why Solar is requiring this from our suppliers, and the content of the document itself. The training is mandatory for all staff with supplier relations but is however available for all others. The objective is to raise competence, awareness, and motivation to drive sustainability issues, and the KPI measure is the accumulative percentage of relevant staff trained. The training is held continuously, and target is 100% of relevant staff trained by 2026.

5.2. Sustainable procurement policy training

All relevant staff is also required to take the sustainable procurement training, consisting of the contents of this policy. The training informs of the importance of sustainable procurement, Solar's priorities, efforts, and KPIs of sustainable procurement. The objective is to raise competence, awareness, and motivation to drive

⁴ Relevant staff is six selected global roles in commercial market and sourcing. The target is the total amount of staff in these six selected roles.

sustainability issues, and the KPI is the accumulative percentage of relevant staff trained. The training is held continuously, and the target is 100% of relevant staff trained by 2026.

5.3. Sustainable procurement courses provided by 3rd party

All relevant staff is required to have concluded the sustainable procurement training provided by a 3rd party. The training gives a broader understanding of sustainable procurement, providing a common knowledge base. The training is held continuously, and the target is 100% of relevant staff trained by 2026.

5.4. External supplier capacity building

Solar aims to increase awareness, competence, and sustainability maturity with our suppliers. Suppliers that score below the threshold of 45 points in our risk assessment/due diligence are assigned a 3rd party training package. The KPI applies to all suppliers with less than 45 points and complies with the target of having no high or very high-risk suppliers in our supplier base.

6. DEVIATIONS TO THE POLICY

No deviations from this policy are allowed.

7. DIVISION OF RESPONSIBILITIES

In Solar, sustainable procurement is headed by Commercial Market and Sourcing. Solar Group Management plays a vital role as an overall committee when it comes to strategic initiatives and overall priorities.