

MODULE PROCUREMENT POLICY

1. Overview

Atrato Onsite Energy plc ("**ROOF**") is an investment trust focused on on-site clean energy solutions. ROOF has made a modern slavery and human trafficking statement which sets out ROOF's requirement that it and its business partners operate with a zero-tolerance approach to modern slavery.

Within the solar sector in which ROOF predominantly operates, concerns have been raised regarding the use of forced labour in the supply chain, specifically in the Xinjiang Uyghur Autonomous Region ("**XUAR**") of China. This policy (the "**Module Policy**") is designed to mitigate the risk of ROOF supporting any such forced labour through its procurement of solar modules for its projects, and to ensure that ROOF drives ethical procurement practices through the module supply chain. This Module Policy does not limit ROOF's wider commitment to ethical procurement and its condemnation of all forms of modern slavery.

It is noted that accusations of forced labour in the solar supply chain have been brought to light only relatively recently, and the industry is now in a phase of adjustment and adaptation. Moreover, the global community, including the UN, continues to press China for clarity and action on the situation in XUAR. This Module Policy will continue to evolve as more information becomes available and standardised approaches to supply chain diligence are developed, including via the industry groups, such as Solar Energy UK, of which ROOF is a member.

2. Governance of the Module Policy

ROOF's investment adviser (Atrato Partners Limited or the "**IA**") is responsible for maintaining the Module Policy for review and approval by ROOF's board of directors. The board's obligations and commitments relating to equipment procurement are documented in the modern slavery and human trafficking statement and were included in ROOF's prospectus of 1 November 2021 (*Part 4 ESG and Sustainability*). Given the rapidity of change in this area, the Module Policy will be reviewed no less frequently than twice annually and signed off by a ROOF director on behalf of the ROOF board, whether or not changes have been made. The last date of review is shown at the end of this document.

3. Objective of the Module Policy

ROOF's objective is to use its position as a significant investor in UK rooftop solar to influence the behaviours and practices of module suppliers to eliminate the practices of modern slavery in their supply chains, as set out in Table 1.

Table 1 | Policy objectives

	Stage of investment	Commitment	Objective
Pre-procurement	Before module procurement has commenced	ROOF will only specify modules from manufacturers which have met its screening criteria (the " Supplier Criteria ")	Compliant manufacturers are rewarded with orders and incentivised to deliver continued good performance
Post-procurement, construction and operation	After module procurement has commenced and ROOF has no substantive power to change the source of supply ¹	ROOF will identify the manufacturers which have supplied or are supplying the project and which do not meet its Supplier Criteria and ensure that those manufacturers are included in the Improvement List (as defined in section 4)	Non-compliant manufacturers benefit from targeted engagement with ROOF with the objective of encouraging improved behaviours and achieving adherence to the Supplier Criteria

4. Implementation of the Module Policy

4.1. Introduction

The implementation of the Module Policy is primarily driven by:

- a) application of the Supplier Criteria, as described in section 4.2;
- b) management of the Improvement List, as described in section 4.5; and
- c) contractual commitments from suppliers. The IA is responsible for all these activities.

4.2. Application of the Supplier Criteria

The availability of independent and corroborated information regarding modern slavery in XUAR and the involvement (whether directly or indirectly) of individual manufacturers is limited, and this situation has been exacerbated in the last two years by a lack of access attributable to the coronavirus pandemic. However, the Supplier Criteria will be updated to reflect industry best practice as it evolves with the improving availability of standardised and audited information.

¹ "Substantive power" is defined as the practicable ability to reverse the procurement process with regard to the stage of equipment procurement at the time of investment and without resulting in significant loss or generating a material diminution of value which renders the project uneconomic.

The Supplier Criteria are evaluated and reported according to the following process:

- a) review of publicly available information on each manufacturer, such as:
 - i) company policy statements;
 - ii) company sustainability reports;
 - iii) academic reports;
 - iv) media reports;
 - v) third party assessments (e.g. EcoVadis and MSCI); and
 - vi) inclusion in any US, EU or UK sanctions programmes;
- b) direct engagement with manufacturer representatives in a meeting, during which the IA assesses the manufacturer's adherence to the Supplier Criteria; and
- c) production of a report (the "**Screening Report**") by the IA summarising the findings, confirming whether or not the Supplier Criteria are met, and setting out any conditions to be satisfied for the Supplier Criteria to be met.

4.3. Screening Report

The Screening Report will typically include the following sections:

- a) Introduction and executive summary
- b) Approach
- c) Overview of supplier (*including locations, key suppliers (if known)*)
- d) Desktop evaluation
 - i) Company policies (*which policies does the company have, do they cover what is required*)
 - ii) Evidence of implementation (*published company reports on corporate social responsibility, published audits etc.*)
 - iii) MSCI assessment (*summary of relevant scores*)
 - iv) EcoVadis assessment (*summary of relevant scores*)
 - v) Press and reporting (*summary of scan for mentions in media and academia*)
 - vi) Relevant sanctions (*summary of any applicable sanctions in relevant countries, including any which have now been revoked*)
- e) Supplier engagement (*nature of engagement, summary minutes of discussion*)
- f) Conclusions / recommendations (*including checklist against Supplier Criteria*)
- g) References

Where it is concluded that a manufacturer meets the Supplier Criteria, that compliance must be re-evaluated and the Screening Report updated no less frequently than once per year, and continued engagement between the IA and the manufacturer between evaluations is recommended to both identify improvements and provide early notice of any underperformance relative to the Supplier Criteria. Any manufacturer which has not met the Supplier Criteria may be re-evaluated at any time.

4.4. Supplier Criteria

Table 2 | Supplier Criteria

#	Criteria	Comment
A	The manufacturer has a clear and publicly stated policy which prohibits the use of any form of forced labour or modern slavery.	Required
B	The manufacturer has a supplier code of conduct to which its suppliers must subscribe and which requires adherence to the manufacturer's forced labour and modern slavery policy.	Required
C	The manufacturer has satisfactory evidence that it monitors and enforces suppliers' adherence to the code of conduct in practice.	Where the evidence is considered insufficient to have confidence in the manufacturer's assurance processes, the Screening Criteria may still be satisfied if it is stipulated that all modules procured from the manufacturer must exclude XUAR facilities from the supply chain ²
D	The manufacturer has processes in place that enable it to trace the supply chain for individual modules or shipments back to the supply of raw materials.	Required
E	The manufacturer can provide modules for which the supply chain is guaranteed to exclude certain suppliers or regions (or to be drawn only from an agreed list of suppliers or facilities).	Required

4.5. Improvement List

The "**Improvement List**" is a list of those manufacturers which have not met the Supplier Criteria but which are associated with investments made by or intended to be made by ROOF where ROOF does not have the substantive power to change an existing module procurement decision. The Improvement List requires retrospective engagement with those manufacturers to influence improved behaviours.

Where a manufacturer has been added to the Improvement List, the IA will:

- a) review the most recent Screening Report (or, where no Screening Report has been carried out for more than 12 months, carry out a new Screening Report) to identify areas for improvement (the "**Focus Areas**");
- b) communicate the Focus Areas to the manufacturer and request evidence of any improvements since the date of the Screening Report;

² The criteria for exclusion will be subject to continuing review based on publicly available information and additions or exclusions from the list will subject to agreement with the IA's Head of Sustainability or Chief Investment Officer.

- c) clearly communicate to the manufacturer what is required in each Focus Area in order to satisfy the Screening Criteria, and seek to agree an improvement plan; and
- d) use reasonable endeavours to engage with the manufacturer to provide support and assess implementation of the improvement plan and progress in the Focus Areas.

4.6. Contractual commitments

In all contracts which relate to the procurement of modules, the IA will require the inclusion of a commitment from its counterparty not to engage in any form of forced labour, whether directly or indirectly. Example wording for this commitment is as set out below:

*"The [Contractor] shall, and shall take all reasonable steps to procure that all persons who are performing services or providing goods in connection with the performance of this [Agreement] shall each: (a) comply with all applicable laws, regulations, codes, guidance and sanctions relating to anti-slavery and human trafficking in any jurisdiction, including the Modern Slavery Act 2015 (the "**Modern Slavery Requirements**"); and (b) have and maintain in place appropriate procedures, standards, training and policies with the aim of ensuring compliance with the Modern Slavery Requirements by it and its subcontractors and suppliers."*

4.7. Replacement of modules

From time to time, it may be necessary to replace defective modules on projects in construction or operations. ROOF will endeavour to source such panels from manufacturers which meet the Supplier Criteria where this is reasonably practicable within the technical constraints of the existing installation. Where this cannot be achieved, ROOF may procure the replacement modules from a manufacturer which does not meet the Supplier Criteria, provided that the manufacturer is added to the Improvement List.

Signature

Name of signatory	Click or tap here to enter text.
Position of signatory	Director
Signature	
Date	Click or tap to enter a date.