

TAREC

The African Renewable Energy Corporation Limited

7 Athol Street

Douglas

Isle of Man

IM1 1LD

Tel: 01624-711670

Fax: 01624-623537

Responsible Sourcing Policy

1. Commitment by the Management

The African Renewable Energy Corporation Limited is committed to procuring products and services that ensure that materials are sourced from legal and well-managed forests or harvesting locations. As a cornerstone of that commitment, we will pursue a Responsible Sourcing Programme to promote the use and marketing of legal and environmentally responsible forest products.

2. Legality

We are committed to sourcing only wood material that has been produced, processed, and traded in compliance with applicable legislation in the country where the trees were originally harvested, as well as along the entire supply chain.

By applicable legislation, we refer to the following types of legislation applicable to harvest and trade of forest products. This definition is intended to meet international requirements such as those adopted in the EU Timber Regulation, the US Lacey Act and the Australian Illegal Logging Prohibition Act:

1. Legal rights to harvest

- 1.1 Land tenure and management rights
- 1.2 Concession licenses
- 1.3 Management and harvesting planning
- 1.4 Harvesting permits

2. Taxes and fees

- 2.1 Payment of taxes, royalties and harvesting fees
- 2.2 Value-added taxes and other sales taxes
- 2.3 Income and profit taxes

3. Timber harvesting activities

- 3.1 Timber harvesting regulations
- 3.2 Protected Sites and species
- 3.3 Environmental requirements
- 3.4 Health and safety
- 3.5 Legal employment

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4. Third parties' rights

- 4.1 Customary rights
- 4.2 Free, Prior and Informed Consent (FPIC)
- 4.3 Indigenous and traditional peoples' rights

5. Trade and transport

- 5.1 Classification of species, quantities and qualities
- 5.2 Trade and transport
- 5.2 Offshore trading and transfer pricing
- 5.4 Customs regulations
- 5.5 CITES

Additionally, we are committed to taking all measures to avoid wood material obtained from the following sources:

- Countries with sanctions imposed on timber imports or exports by the UN Security Council or the EU Council
- Countries or areas with prevalence of armed conflicts, for which 'conflict timber' may be a concern. The term conflict timber is used to describe the harvesting or trade of forest products used to fund parties engaged in armed conflicts resulting in serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law¹.

Supply chain management and information

We will ensure that information about suppliers and sources of material is collected and evaluated to enable effective risk assessment.

Risk assessment and mitigation

We will carry out risk assessment of all suppliers and supplies of wood to evaluate the risk that the material or products being sourced originate from an illegal source or have been illegally traded. In case risks are identified and cannot be classified as negligible we will carry out appropriate risk mitigating actions to avoid any potential risk.

¹ Alexandra Pardal, Campaign Leader, Global Witness. 'Conflict timber and the EU's FLEGT programme: the case of Central African Republic.' (Presentation given at EU FLEGT week conference, Brussels 18 March 2015)

Monitoring and verification

We will carry out applicable monitoring of internal systems and procedures. As necessary and applicable, access will also be made for external audits, to allow verification that the relevant systems are in place and implemented as required.

3. Environmental responsibility

We are committed to promoting responsible stewardship toward the environment and its natural resources. We are committed to reducing the impact on the environment caused by our own activities or those activities carried out by our suppliers and sub-suppliers.

Certification

We are committed to procuring wood products that have been certified against an internationally recognized standard for responsible forest management, where possible, to ensure that the material originates from a well-managed forest.

Continuous improvement

We hereby commit to continuously improve the sustainability level of our sourcing by favouring stricter and more credible certification and verification standards and sourcing requirements, and by avoiding sourcing from unknown or unsustainable sources.

4. Social responsibility

We are committed to avoid engaging in or benefitting from controversial business practices, such as, but not limited to:

- Any form of forced labour, including bonded labor, forced prison labor, slavery, servitude, or human trafficking.
- The use of child labour. The minimum age for employment shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years.
- Discrimination on the basis of race, colour, sex, language, religion, political or other opinion, caste, national or social origin, property, birth, union affiliation, sexual orientation, health status, family responsibilities, age, and disability or other distinguishing characteristics.

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- Unsafe or unhealthy working environments, including, but not limited to, risk from fire, noise, accidents and toxic substances. Adequate health and safety policies and procedures must be established and followed by all companies in our supply chains.

If we become aware that any of these issues are relevant in our organisation or any of our suppliers, we are committed to taking relevant steps to mitigate any such situation.

5. Review and adaptation of this policy

We will ensure that this policy, and related documents, are periodically reviewed and appropriately revised.

6. Communications and stakeholders

This policy shall be available publicly and will be communicated to suppliers and interested parties.