

# **Vattenfall's statement on slavery and human trafficking**

2020



**VATTENFALL**

# Introduction from Anna Borg, CEO and President of Vattenfall AB

This is Vattenfall's yearly statement on slavery and human trafficking following the introduction of the Modern Slavery Act 2015. We are proud of the steps we have already taken and are committed to continuous improvement of our practices to identify and combat slavery and human trafficking throughout our value chain.

## About Vattenfall

Vattenfall AB is the parent company of the Vattenfall Group (the "Group") and is 100% owned by the Swedish state. The Group owns and operates a diverse range of energy businesses and is involved in the generation, distribution and sales of electricity and heat. Further details can be found at [www.vattenfall.com](http://www.vattenfall.com).

## 1. Organization structure and supply chains

The Group's activities are divided into six different business areas: Generation, Heat, Wind, Markets, Distribution, and Customers & Solutions. Responsibility for modern slavery and respecting human rights lies with the heads of the business areas and staff functions.

Supply chains for the six business areas are consolidated into four different streams:

<b>Goods and services</b>	~31,000	Diverse	Sweden, Germany, Netherlands	4	100%	NA*
<b>Commodity fuels</b>	~40	<ul style="list-style-type: none"> <li>• Coal (C)</li> <li>• Gas (G)</li> <li>• Biomass (B)</li> </ul>	<ul style="list-style-type: none"> <li>• C: Russia, USA</li> <li>• G: Russia</li> <li>• B: Baltic states</li> </ul>	34 (external audits)	100%	NA*
<b>Heat fuels</b>	~100	Biomass, waste	Primarily (60-100%) local to country of use	1	67%	NA*
<b>Nuclear fuel</b>	~10	Uranium	Namibia, Canada, Australia, Kazakhstan and Russia	4	No new suppliers	NA*
	Number of suppliers	Primary products	Primary countries	Number of site audits conducted	% new suppliers that have undergone social/environmental assessments	% new suppliers from high-risk countries that have undergone social/environmental assessments

## 2. Our policies

Vattenfall is a signatory of UN Global Compact and recognizes that business has responsibility to respect all internationally recognized human rights with reference to the international bill of human rights. Our Human Rights Policy was updated in 2020 and is the foundation of our work. It is based on The Universal Declaration of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The OECD guidelines for Multinational Enterprises, United Nations Global Compact and UN Guiding principles for Business and Human Rights. In respect to modern slavery, the Human Rights Policy states our aim to:

Treat everyone with dignity and respect and work against all forms of ... modern slavery...in our own operations and in our value chain.

Furthermore, Vattenfall has a number of policies governing its and its suppliers' behaviour. Internally, the Code of Conduct and Integrity defines policies for conducting business with integrity in the context of Vattenfall's four principles: Open, Positive, Active, and Safety.

With regards to our "Positive" principle, the Code of Conduct and Integrity states:

Our procurement processes are fair, transparent and responsible, and we only work with those who share our commitment to doing business in an appropriate and ethical manner.

And linked to our "Active" principle, it stipulates:

It is every employee's responsibility to report anything that does not seem appropriate or safe. Examples include: ...the possible infringing of a person's human rights...

The Code of Conduct and Integrity also establishes a whistle blowing system available to employees, consultants, contractors and suppliers, to report serious irregularities concerning Vattenfall. The whistle blowing system was updated in 2020 to explicitly address human rights violations and further improve the transparency and accessibility of the system.

The Group's Code of Conduct for Suppliers defines our basic requirements in the area of human rights and working conditions, the environment and business integrity. It explicitly addresses modern slavery. It also includes a link to the whistle blowing system to enable suppliers to raise concerns.

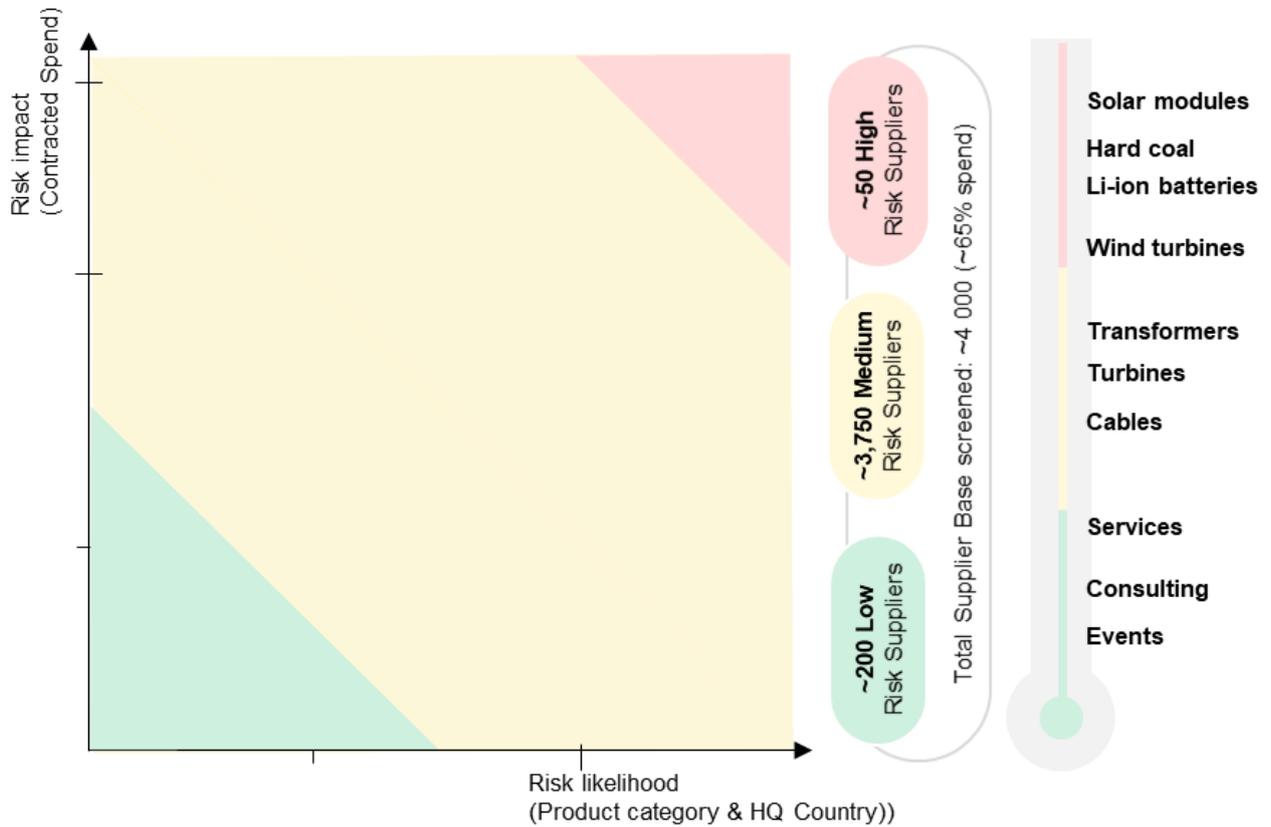
The above policies were developed following multiple rounds of internal and external stakeholder feedback and are available at <https://group.vattenfall.com/who-we-are/sustainability/policies-and-management>.

## 3. Risks and risk assessment

A third-party assessment conducted in 2016 showed that our most significant ("salient") risks are in our supply chain in high-risk countries. This remains true, particularly as we slowly increase our sourcing from Asia, where severe overtime is a key risk. In 2020, we developed specific guidelines to manage these cases. Risks connected to our own operations are mainly related to subcontractors, local communities and indigenous peoples, as well as privacy (personal data and information).

Our audits and risk assessments have identified a few cases of forced labour in the past few years at our existing Tier 1 suppliers. All instances were addressed through corrective action plans with the suppliers, and follow-up audits revealed no further infringements. Moreover, research shows that the economic downturn resulting from the COVID-19 pandemic has led to an alarming rise in cases of modern slavery, meaning we need to continue to be vigilant and apply strict procedures to ensure any cases are identified and managed. Our Code of Conduct for suppliers requires that our Tier 1 suppliers use our Code or the equivalent with their suppliers as well, but we have little visibility into the compliance of our Tier 2 suppliers to such ethical commitments.

In 2020, we introduced a new tool which enables us to add product or service category risk to our analysis. Our first analysis and validation exercise, covering over 65% of spend in our Goods & Services supply chain, yielded about 50 existing high-risk suppliers (see image below). We will now target selected suppliers to have dialogues on their individual key risk elements, also including modern slavery if relevant. Strategies for addressing new high-risk and existing medium-risk suppliers will be developed in 2021.



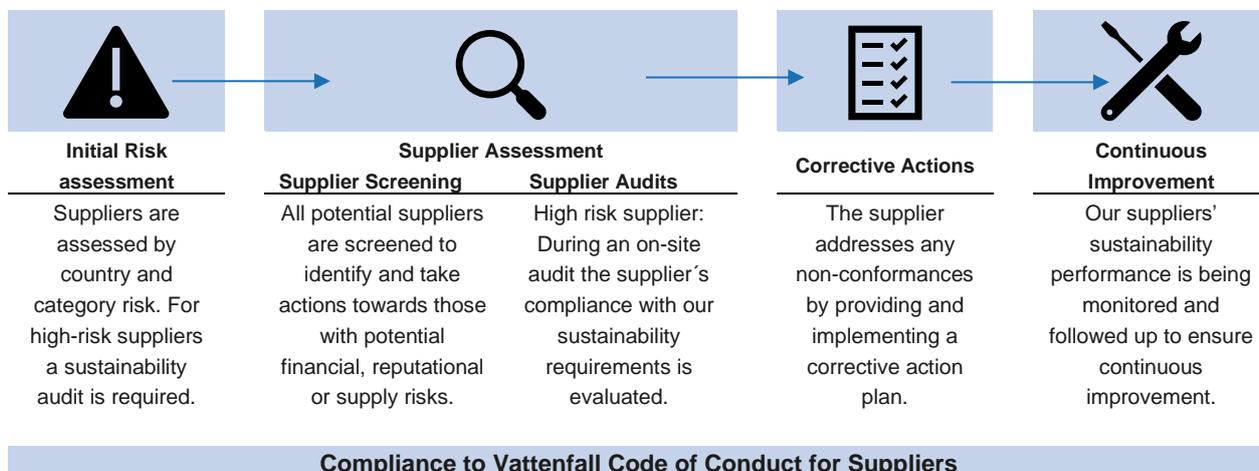
We systematically identify, assess and manage human rights risks and impacts through due diligence processes which cover our own operations as well as sourcing and purchasing. In line with the UN's Sustainable Development Goal 17, Partnership for the Goals, we also actively participate in industry initiatives such as Bettercoal and the WindEurope Sustainability Work Group. These initiatives strengthen our ability to identify, manage, and remedy human rights risks, including by extending our engagement beyond our Tier 1 suppliers.

We aim for continuous improvement. In some cases, adverse human rights impacts cannot be avoided, and we work to remedy those impacts caused or contributed to by Vattenfall's operations.

## 4. Due diligence procedures

The Group purchases a wide range of goods, services, and fuels, with varying risk profiles and varying legal and sustainability requirements. The composition and complexity of the Group's supplier base varies depending on what is being purchased or sourced. As a consequence, implementation of the Group's Code of Conduct for Suppliers varies. Nevertheless, modern slavery is considered when evaluating all suppliers against our Code of Conduct for Suppliers.

We systematically identify, assess and manage human rights risks and impacts through due diligence processes which cover our own operations as well as sourcing and purchasing. Our general approach to due diligence is described in the following graphic:



Standard due diligence practices per supply chain category are summarised as follows:

1. Goods & Services
  - a. Quarterly screening on all new supplier contracts >10MEUR and from high-risk countries
  - b. Share & Learn sessions with strategic suppliers focusing on management of sustainability issues
  - c. Internal Board of experts throughout the organization discusses both strategic topics and deviating individual cases to ensure balance between purchasing strategy and sustainability
2. Commodity Fuels
  - a. Bilateral contracts include an Ethical Clause which include the UN Global Compact, Vattenfall Code of Conduct for Suppliers, or alignment with relevant industry initiatives like Bettercoal or the Sustainable Biomass Program
  - b. Engagement strategies for direct coal suppliers are facilitated through Bettercoal working groups and focus on direct engagement with the mining companies and relevant local stakeholders
  - c. Further direct engagement with local stakeholders in countries relevant to our coal supply chain
  - d. Biomass suppliers are pushed towards certification through the Sustainable Biomass Program
3. Nuclear Fuel
  - a. All uranium suppliers are regularly audited (every 3–6 years) and are continuously assessed if non-conformances or other events are reported or discovered during the contract period
  - b. All suppliers making deliveries during the year are screened and approved prior to delivery
4. Heat Fuels
  - a. Focus on local sourcing (typically >60% of biomass and waste sourced from country of use)
  - b. Screening audits for all new suppliers

## 5. Progress and effectiveness

Please see the table in Chapter 1 for the share of suppliers screened and number of audits conducted. Across all purchasing streams, when we conduct audits, any non-conformances are addressed in Corrective Action Plans (CAPs). CAPs are followed up at regular intervals to ensure the suppliers are acting on our findings and improving their environmental and social performance. Through this system, we are able to address prioritized (high-risk) areas and ensure through audits and follow up dialogues that infringements on human rights, including modern slavery, are addressed.

## 6. Training and capacity building

Focus has been primarily on supply chains and related staff. At least 80% of newly hired buyers receive a training which covers human rights. All buyers participated in multiple educational dialogues on the new risk assessment tool. Additional workshops focused both on ensuring we execute our existing risk identification and management activities, as well as identifying opportunities to go beyond mandatory requirements to further improve our environmental, social, and governance performance in the supply chain. Awareness sessions have also been conducted for specific topics, for example risks in the battery supply chain. A general human rights training, including modern slavery, was made available to all employees.

## Accountability

The Group will report regularly and transparently on its approach to addressing slavery and human trafficking annually in conjunction with the publication of the annual report and will include information about:

1. The Group and its supply chain
2. Policies relevant to modern slavery
3. Risk assessment procedures and key risks
4. Due diligence processes applied during sourcing and purchasing activities
5. Progress and effectiveness of efforts to combat slavery and human trafficking in the value chain
6. Training and capacity building

Vattenfall's Board of Directors has a Human Rights update and approval of the Human Rights policy and the Statement on UK Modern Slavery Act on the agenda every year in December.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Group's slavery and human trafficking statement for the financial year ending 2020-12-31. This statement was approved by the Board of Directors on December 15, 2020 and is valid for the Group and its subsidiaries, including the UK subsidiaries listed in the Appendix.



Anna Borg

CEO and President of Vattenfall

## Appendix – List of UK subsidiaries

<b>Company name</b>	<b>Company number</b>
Vattenfall Wind Power Ltd	06205750
Vattenfall Network Solutions Ltd	02692708
Vattenfall Networks Ltd	02731769
Vattenfall Heat UK Limited	02951085
Clashindarroch Wind Farm Limited	05358030
Vattenfall UK Sales Limited	05461926
Norfolk Boreas Limited	03722058
Kentish Flats Limited	04130301
Norfolk Vanguard Limited	08141115
Ormonde Energy Limited	04874027
Ourack Wind Farm One Limited	05532689
Ourack Wind Farm Two Limited	05475126
Thanet Offshore Wind Limited	04512200
Nant Bach Wind Farm Limited	06834016
Nuon UK Limited	03446477
Parc Cynog Wind Farm Limited	02840895
Pen Y Cymoedd Wind Farm Limited	03494498
Pendine Wind Farm Limited	03292728
Nant Y Moch Wind Farm Limited	03494533
Swinford Wind Farm Limited	06941519
Llanerfyl Access Road Consortium Limited	06118626
East Anglia Offshore Wind Limited	06990367
Ourack Wind Farm LLP	SO305106
Aberdeen Offshore Wind Farm Limited	SC278869
Norfolk Vanguard West Limited	SC380657
I Supply Energy Limited	06053905
South Kyle Wind Farm Limited	SC617500
Vattenfall Brent Cross Limited	12504538
Norfolk Vanguard East Limited	12476373
NB TOPCO Limited	12941877
NB HOLDCO Limited	12929642
NVE TOPCO Limited	12935549
NVE HOLDCO Limited	12941563
NVW TOPCO Limited	12941654
NVW HOLDCO Limited	12931028
Midlothian Energy Limited	SC678840