



Vattenfall Human Rights Assessment and Gap Analysis

Conducted Q2-Q3 2021

Working with human rights is not a separate activity; It's embedded in all we do

Sustainability Policy

For Vattenfall, Sustainability means taking responsibility for creating generations by contributing to sustainable development – economically, environmentally and socially. We clearly believe in our contribution to the Global Goals in particular the goals for Affordable and Clean Energy (SDG 7), Quality, Innovation and Infrastructure (SDG 9), Decent Work and Economic Growth (SDG 8), Climate Action (SDG 13), Life Below Water (SDG 14), Life on Land (SDG 15) and Peace, Justice and Strong Institutions (SDG 16).

Access to affordable energy is a pre-condition for society to flourish and to live in a sustainable way. We are therefore committed to the needs that society is addressing today, in a stable and controlled manner. We continuously challenge the way we work and integrate sustainability aspects in everything we do. In parallel we work to bring all our customers and partners closer than ever to our shared purpose: to secure the future for our planet and for our generation.

We commit to put top and specific accountability demands on ourselves and our partners

- We continuously identify opportunities, risks and responsibilities in relation to our activities and the activities of our employees, and the activities of our suppliers, service providers, local communities, and the wider society.
- We aim to identify our responsibilities to the public and to all stakeholders who have a legitimate interest in our activities.
- We actively cooperate with suppliers and service providers and ensure they identify and address their own sustainability risks and responsibilities in relation to our activities and the activities of their employees, service providers, local communities, and the wider society.
- We continue to expand our knowledge and expertise through training and education.
- We are an responsible partner to the societies we operate in and we actively engage and cooperate with them.
- A core part of our way of working is to be transparent and to engage with stakeholders, service providers, and business partners.
- We continue to expand our knowledge and expertise through training and education.
- We are an responsible partner to the societies we operate in and we actively engage and cooperate with them.
- A core part of our way of working is to be transparent and to engage with stakeholders, service providers, and business partners.

Our Human Rights Policy

Our commitment

Vattenfall is committed to respecting human rights in all our activities, and to ensuring that our suppliers, service providers, and business partners do the same.

Managing our human rights risk and impacts

Vattenfall is committed to identifying, assessing, and managing human rights risks and impacts. This includes:

- Identifying human rights risks and impacts.
- Assessing the severity of human rights risks and impacts.
- Managing human rights risks and impacts.
- Reporting on human rights risks and impacts.

11 Steps to 2022

Key activities to improve Human Rights performance

September 2018

Human Rights action plan

Commitment to **sustainability** is integrated in everything we do, including human rights

Our commitment to respect all **human rights**

Turning our commitments into **concrete actions**

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Why did Vattenfall conduct a human rights risk assessment?

Internal and external developments shift Vattenfall's human rights exposure as well as stakeholder expectations on our performance

Vattenfall's operating environment has changed and will continue to change in the coming years, mainly driven by three key developments



Strategy Shift and Climate Change

- Vattenfall's strategic cornerstone is to *make fossil-free living possible within one generation*
- The new strategy seeks to respond to the urgency of global climate change, providing energy from renewable and clean sources to fulfil rising consumer demands
- The energy transition is dramatically changing Vattenfall's operations, with some segments phasing out (e.g., coal heating) and significant investments in new sectors (e.g., e-mobility, wind, batteries, PV) with implications for local and global supply chains



Global Disruption and New Social Contract

- Since 2018, the world has been disrupted by a number of global events, not least the COVID-19 pandemic, highlighting social injustice as a major threat to sustainable development and the resilience of global value chains
- Calls for a new social contract have emerged, where the role of business as one of many actors in society needs to be redefined in a new vision of 'stakeholder capitalism'
- Regulators primarily in Europe are swiftly implementing requirements to level the field on the 'S' in ESG, with the most remarkable developments on mandatory human rights due diligence that covers the entire value chain



Digitalization and Tech

- Every company is set to become a tech company, as digital solutions and new disruptive technologies are integrated in products, services, and operating models
- International organizations and regulators alike are flagging the risks of disruptive technology to human rights, such as surveillance, use of AI, privacy – and new legislation is emerging
- Digitalization is also part of Vattenfall's vision for the future and it will greatly impact operations and the relationship with the end-user



Among the most consequential developments is legislation mandating human rights and environment due diligence

Mandatory legislation in force

- *French Corporate Duty of Vigilance Law (2017)*

Mandatory legislation adopted

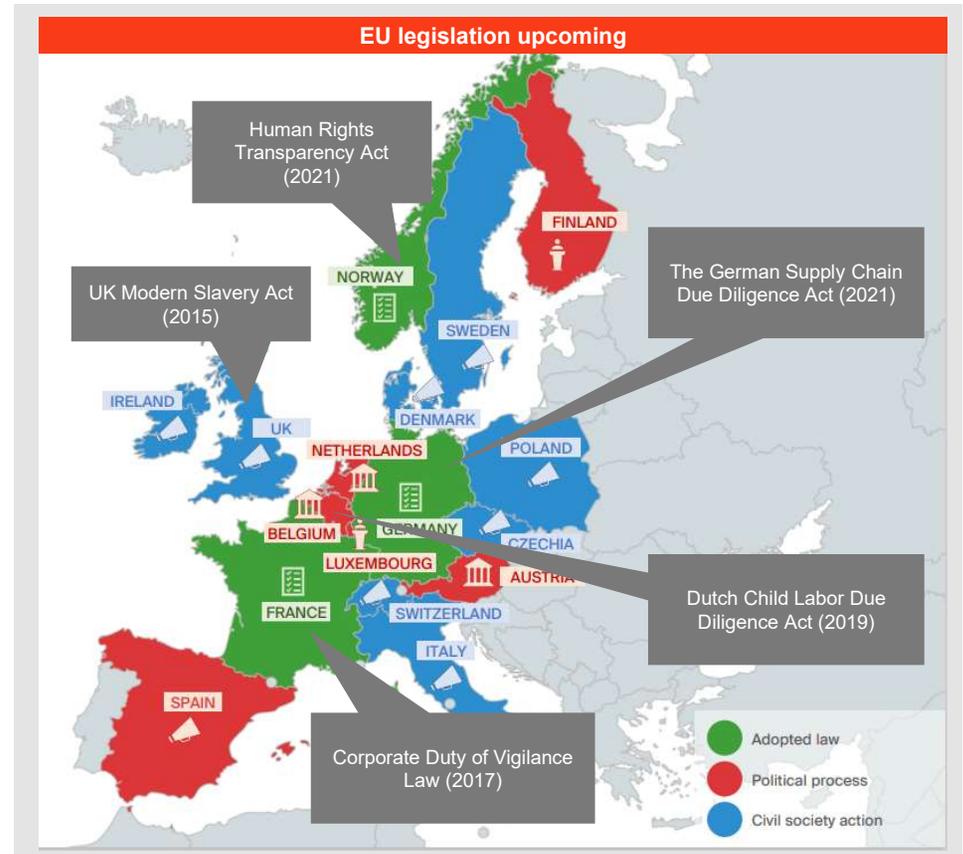
- *Dutch Child Labor Due Diligence Act (Nov. 2019, not in force)*
- *German Supply Chain Due Diligence Act (June 2021)*
- *Norwegian Transparency Act (June 2021)*

Mandatory legislation in a draft stage

- *European Union: Draft report adopted Q1 2021*
- *Swiss Mandatory Human Rights Due Diligence (Parliament's Indirect Counterproposal after rejection of the RBI)*
- *Dutch Bill on Responsible and Sustainable International Business Conduct submitted to Dutch Parliament*
- *Belgian Parliament Due Diligence Law proposal*
- *Austrian Parliamentary Supply Chain Bill*

Mandatory legislation discussions are advanced

- *Luxembourg: Government commitment*
- *Finland: Government commitment*
- *Denmark, Sweden, Italy, Spain, Switzerland, UK, Ireland: Civil society joint*



Source: corporatejustice.org (last updated 25th Jan 2022)

To secure social responsibility in a shifting landscape, we assess our human rights risk and our governance capabilities

We engaged with an external consultant to give us unbiased answers to two main questions

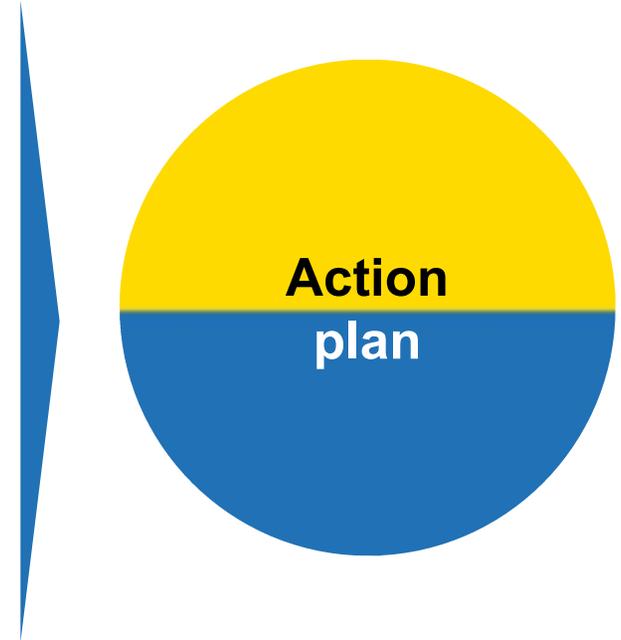


Where do we **risk** having adverse human rights impacts?



Are our current **commitments and management systems** adequate?

The consultant's work was performed by desktop research, review of 100+ Vattenfall documents, interviews with 27 internal & 5 external experts, and one stakeholder roundtable

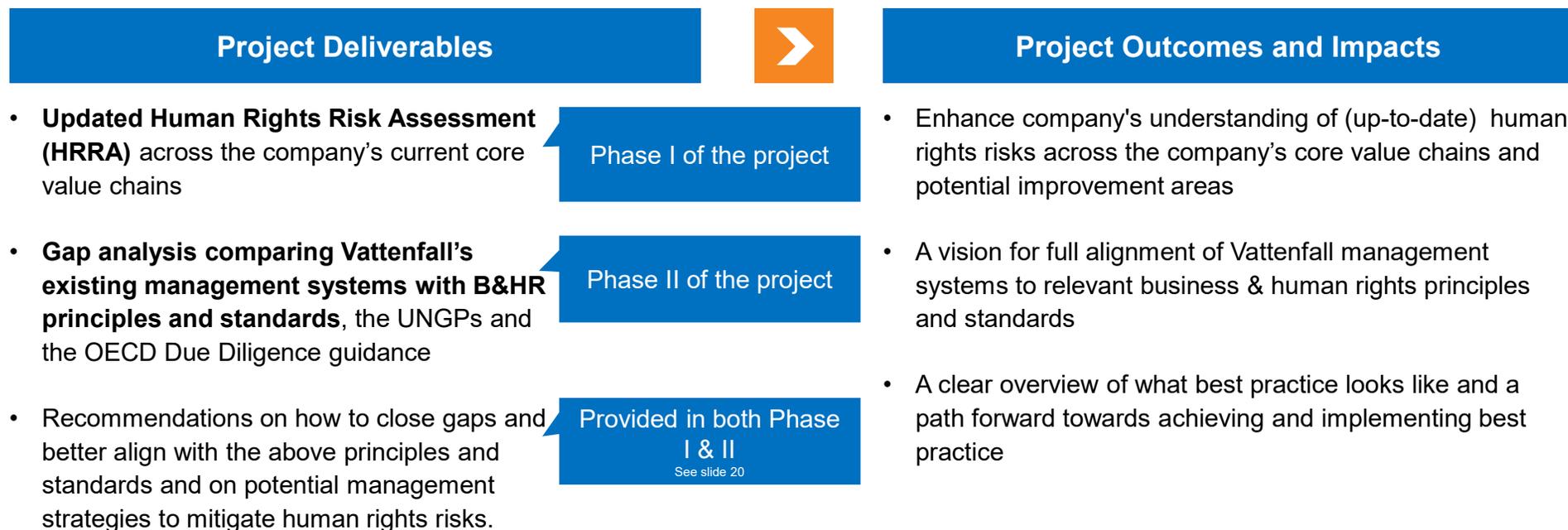


Scope and results of the consultant's work

The project was done in two phases to update Vattenfall's human rights risk assessment and benchmark its governance systems

Project Objective:

1. To update **Vattenfall Human Rights Risk Assessment** conducted in 2016 to mirror the internal and external developments in our value chain
2. To benchmark the **company's governance systems** against international standards to identify potential gaps areas of further improvement

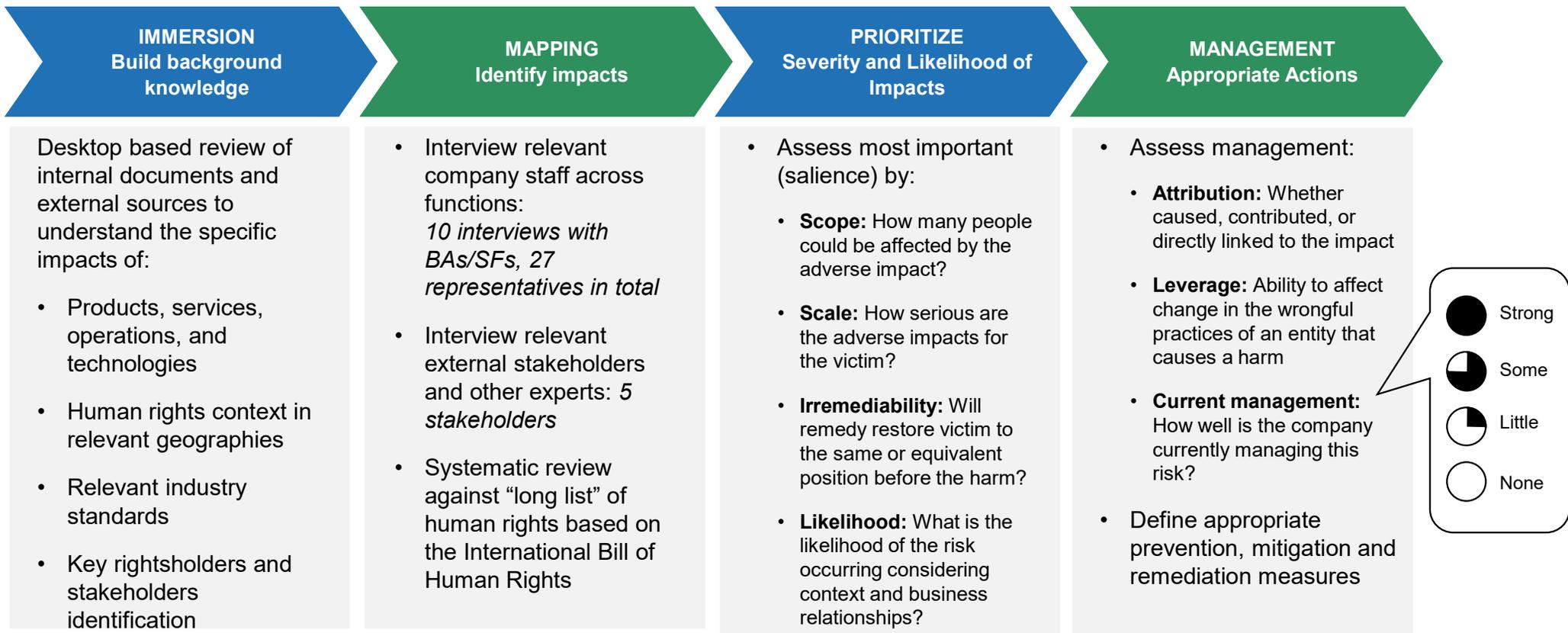


Phase 1

Human Rights Risk Assessment (HRRA)

Phase 1: Human Rights Risk Assessment (HRRRA) Methodology

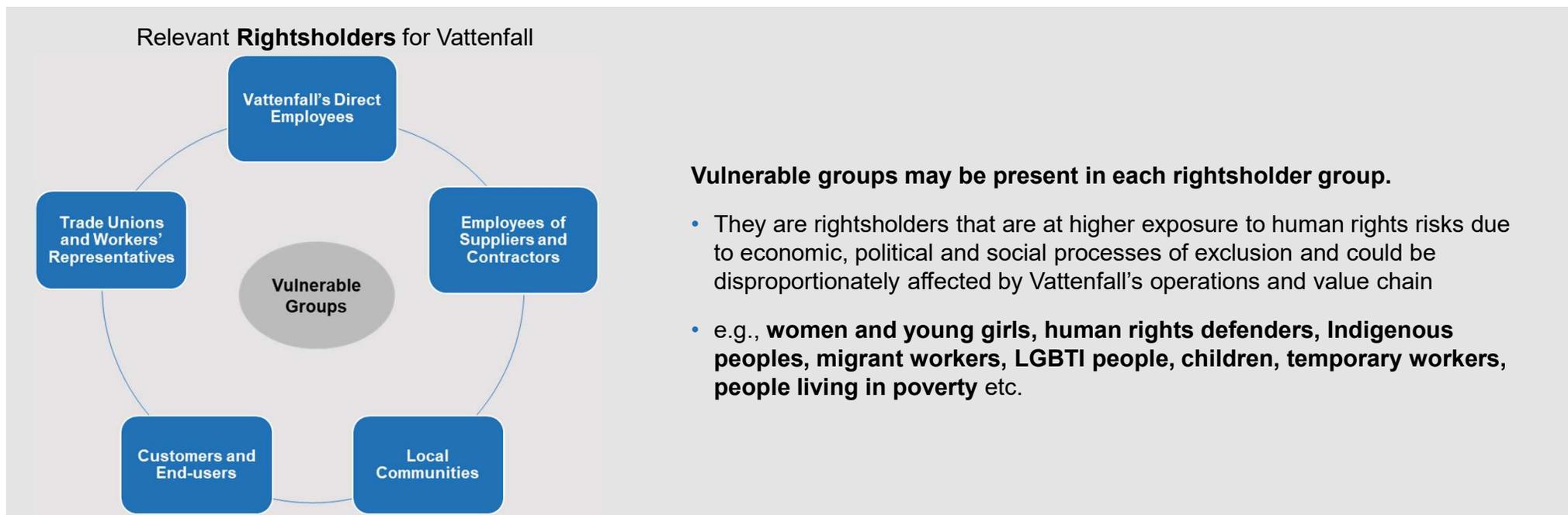
BSR's HRRRA followed the four stages described below, starting from a rightsholders¹ perspective



Rightsholders' perspective: what do we mean by “rightsholders”, and which are relevant for Vattenfall

Rightsholders are individuals or social groups that have **particular entitlements (=rights)** in relation to specific duty-bearers. In general terms, **all human beings** are **rights-holders** under the Universal Declaration of Human Rights.

A **human rights-based** approach not only **recognizes** that the entitlements of rights-holders need to be **respected, protected** and **fulfilled**, it also considers rights-holders as **active agents** in the realisation of human rights and development – both directly and through organisations representing their interests.



Salience and Prioritization Methodology

Evaluation of Salience of Risks

Mapped risks are evaluated with these criteria, determining salience of the risks on a scale from **High to Low**:

- Scope
- Scale
- Remediability
- Likelihood

Evaluation of Relevance for Business Action

Salient risks are evaluated with these criteria, determining relevance for business action on a scale from **High to Low**:

- Attribution
- Leverage
- Current management

Prioritization

Risks are assigned a priority level, depending on the positioning in the map. Priority level aims to signal priority of action:

Primary– Urgent priority High in severity and likelihood, and high relevance for business action; It is likely that vulnerable groups are affected, or past relevant cases can be found

Secondary – Address as Second Priority Moderate severity and medium likelihood, and relevance for business action

Tertiary – Monitor Not urgent, low in severity and likelihood, and relevance for business action. But regular monitoring is required

Human Rights Risks Level

High

Medium

Low

Priority Level

Primary

Secondary

Tertiary

Phase 1: the consultant conducted a high-level assessment of our human rights risks and our maturity in dealing with those specific risks

From a rightsholder perspective

Primary (High in severity and likelihood, and high relevance for business action)	Level of Management	Secondary (Moderate severity and medium likelihood, and relevance for business action)	Level of Management
<ul style="list-style-type: none"> Occupational health, safety and security 		<ul style="list-style-type: none"> Business ethics 	
<ul style="list-style-type: none"> Environmental impact 		<ul style="list-style-type: none"> Freedom of association & collective bargaining 	
<ul style="list-style-type: none"> Grievance mechanisms and access to remedy 		<ul style="list-style-type: none"> Working Conditions: Working hours, wages & benefits 	
<ul style="list-style-type: none"> Indigenous peoples 		<ul style="list-style-type: none"> Privacy, data, and cyber security 	
<ul style="list-style-type: none"> Community engagement, livelihoods, and cultural heritage 		<ul style="list-style-type: none"> Non- discrimination and equality 	
<ul style="list-style-type: none"> Supplier and contractor labor conditions, direct and indirect procurement 		<ul style="list-style-type: none"> Land use, acquisition and resettlement 	
<ul style="list-style-type: none"> Sourcing from conflict-affected or high-risk areas 		<ul style="list-style-type: none"> Responsible use and development of technology 	
<ul style="list-style-type: none"> Just transition and responsible decommissioning 		<ul style="list-style-type: none"> Human rights defenders 	



Management    

Phase 2

Governance Gap Analysis

Phase II – Gap analysis against the requirements outlined by the UNGPs¹ and OECD²

UNGPs	OECD
<ul style="list-style-type: none"> In order to meet business’s responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including: 	<ul style="list-style-type: none"> OECD Guidelines for Multi-National Enterprises require enterprises to carry out due diligence, which should be commensurate with risk and appropriate to a specific enterprise’s circumstances and context, the following section outlines measures:
<ol style="list-style-type: none"> A policy commitment to meet their responsibility to respect human rights → <i>The Policy commitment criteria</i> 	<ol style="list-style-type: none"> Embed Responsible Business Conduct (RBC) into the enterprise’s policies and management systems → <i>The Policy commitment, and Managing Systems criteria</i>
<ol style="list-style-type: none"> A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights → <i>The Due Diligence criteria</i> 	<ol style="list-style-type: none"> Undertake due diligence by identify actual or potential adverse impacts on RBC issues → <i>The Due Diligence General approach / Scope criteria</i> Cease, prevent, or mitigate actual or potential adverse impacts → <i>The Due Diligence Integration criteria</i> Track implementation and results → <i>The Due Diligence Tracking criteria</i> Communicate how impacts are addressed → <i>The Due Diligence Reporting criteria</i>
<ol style="list-style-type: none"> Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute. → <i>The Remediation criteria</i> 	<ol style="list-style-type: none"> Enable remediation when appropriate → <i>The Due Diligence Remediation criteria</i>

Phase II – Gap analysis key inputs

BSR mapped alignment and preparedness of Vattenfall against the provisions of the UNGPs and OECD Guidelines for Multinational Enterprises through the following data sources



Document Review

We analyzed internal management processes reviewing documentation shared by Vattenfall, e.g., policies, procedures, reports, tools and others, to evaluate current level of management against human rights and due diligence standards.

Interviews

- We conducted interviews with internal stakeholders as part of Phase I of the project, the Human Rights Assessment, and used these insights on processes in place to inform the gap analysis however the gap analysis relied primarily on desktop review of corporate documents.

BSR expertise

- BSR has a robust approach to conducting HRAs and Gap Analysis leveraging knowledge gained from working across industries and regions.
- We conducted the gap analysis using an assessment tool based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). More about the Gap Analysis Tool can be found on slides 30-33.

Vattenfall's Overall Assessment Against OECD and UNGPs

Vattenfall is generally partially aligned with the requirements contained by the OECD Guidance, and the UNGPs. It is important to note that both OECD and UNGPs do not have a layered compliance approach. This means in order to be considered aligned, Vattenfall needs to meet all requirements outlined by both standards.

		OECD Guidance Preparedness level	UNGPs Preparedness level
Policy commitment		Partially Aligned	Partially Aligned
Management System		Not Aligned to Partially Aligned	Not Applicable
Due diligence	General approach / Scope	Partially Aligned	Partially Aligned
	Integration	Partially Aligned	Partially Aligned
	Monitoring	Partially Aligned	Partially Aligned
	Reporting	Partially Aligned	Partially Aligned
Remediation		Partially Aligned	Partially Aligned

Ranking Level	Level Description
Fully Aligned	Aligned with all requirements
Partially Aligned	Aligned with some requirements
Not Aligned	Missing alignment with the majority of requirements
Not Applicable	The standard does not have this criteria

Main Findings of the Gap Analysis – Good foundation, more robust integration needed

Vattenfall has publicly committed to human rights and built a good internal foundation to manage the issue. The current commitment can and should be strengthened for a clearer alignment to a human rights approach in sustainability and business strategy, and integration of key salient issues

- Overall, Vattenfall is **partially aligned** with the requirements and expectations of the UNGPs and OECD Guidelines. There is generally a **divide between high level policy commitments, external reporting, and actual implementation of human rights due diligence processes across the organization with uneven progress and integration across BA/SFs.**
- Efforts to integrate human rights into BAs/SF operations have been ongoing through the SPOCs system. While **progress is made based on the 11 Steps to 2022¹ and in areas such as high-risk procurement categories identification, ownership and accountability for human rights at BAs/ SFs level should be further strengthened.** The **lack of accountability by BAs/SFs in implementing human rights is a severe risk to the success of Vattenfall's ambitions to level up on human rights issues.**
- Vattenfall has comprehensive management systems on supply chain sustainability. Aside from mandating suppliers follow its Code of Conduct for Suppliers, **direct and high-spend suppliers are covered by continuous monitoring, detailed performance evaluations, risk assessments (SRAT) and corrective measures and on-site audits.** However, **suppliers under the set spend threshold and many indirect procurement categories are not subjected to the same due diligence** as direct procurement and this represents a human rights risk.
- Forms of human rights due diligence (HRDD) are conducted at various levels, including this independent HRA project by BSR. It however can and must be further strengthened by **defining frequency and triggers to repeat corporate level assessments, initiate a deep-dive assessment** (e.g., based on salience identified in the corporate level HRA, or other events) **or an ad hoc due diligence process** (e.g., due to new business operations and sourcing activities). **Ownership and responsibility on addressing past findings and prioritization** should be put in place for each risk and impact assessment that Vattenfall conducts.
- In Vattenfall's Whistleblowing system handling procedure and data disclosure, there is a mention of the initiatives taken to perpetrators (# of disciplinary actions), but **no clarity on remediation provided** for the complainants/victims. Providing a grievance mechanism is first step, more importantly, a company must have **remediation process in place to address harms to rightsholders that it may have caused or contributed to.**

1. Vattenfalls action plan for Human rights, see slide 2

Vattenfall's consequent priorities and next steps

Based on the consultant's assessment, Vattenfall has identified seven areas to prioritise for extra attention moving forward



Primary (High in severity and likelihood, and high relevance for business action)	Level of Management	Secondary (Moderate severity and medium likelihood, and relevance for business action)	Level of Management
<ul style="list-style-type: none"> Occupational health, safety and security Environmental impact 	<p style="text-align: center;">Strong management culture, don't lose focus</p>	<ul style="list-style-type: none"> Business ethics Freedom of association & collective bargaining Working Conditions: Working hours, wages & benefits Privacy, data, and cyber security 	
<ul style="list-style-type: none"> Grievance mechanisms and access to remedy Indigenous peoples Community engagement, livelihoods, and cultural heritage Supplier and contractor labor conditions, direct and indirect procurement Sourcing from conflict-affected or high-risk areas 			<ul style="list-style-type: none"> Non-discrimination and equality Land Responsible use and development of technology <p style="text-align: center;">Continue to strengthen, but second priority</p>
<ul style="list-style-type: none"> Just transition and responsible decommissioning 		<ul style="list-style-type: none"> Human rights defenders 	



Executive management and the Board of Directors support the prioritization and the plan to translate recommendations into actions

1



Outcomes of the human rights risk assessment and governance gap analysis – as well as proposed next steps – presented to and approved by the Executive Group Management and Board of Directors

2



Quick-win actions to address recommendations on policies, guidelines, and transparency have already been taken as part of ongoing processes

3



Business area and staff function-specific action plans based on risks, recommendations, and prioritization to be created through dialogue with each relevant unit

4



Progress on implementation of action plans to be tracked and discussed with the CEO and Board of Directors at minimum annually, with updates and iterations to plans occurring as needed. Performance shall be reported on publicly in, e.g., the annual and sustainability report

Appendix - Definitions

Glossary – explaining the newer or more technical ‘human rights’ terms and topics

The consultant’s review identified the 16 most relevant human rights topics for Vattenfall, see slide 15. The topics are defined here

- **Just Transition and Responsible decommissioning:** A process involving employers, unions, governments and communities, planning and delivering the transition of economies, sectors, and companies to low carbon, socially just and environmentally sustainable activities. At the company level, a just transition is process that plans emissions reduction efforts to maximize positive impacts and minimize negative impacts on workers and communities through retention and redeployment, skills training, new job creation, social inclusion and community renewal.
- **Grievance mechanisms:** A grievance mechanism is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or civil society organizations that are being negatively affected by certain business activities and operations. Grievance mechanisms are sometimes also called ‘complaints’ or ‘accountability’ mechanisms
- **Access to remedy:** providing the opportunity for victims of abuse, to seek remedy from a company that caused or contributed to the abuse. Remediation can be in many forms, for example apologies, restitution, compensation or rehabilitation.
- **Human Rights Defender:** a person who acts to address any human right (or rights) on behalf of individuals or groups.
- **Environmental impacts:** impact on the environment such as water streams, biodiversity, air and land.
- **Occupational health, safety and security:** working conditions in a company’s own operations which reflects the right to just and favorable conditions of work and the right to life, liberty and security.
- **Indigenous peoples:** people with ancient historical ties with respect to living in and using a specific territory, which often practice unique traditions and thereby retain social, cultural, economic and political characteristics that are distinct from those of the dominant societies in which they live.
- **Community engagement, livelihoods, and cultural heritage:** refers to the impact on the community in which a company operates, including how the daily lives and cultural traditions of the people are affected, as well as how the priorities and concerns of the people are taken into account before, during and after business activities are conducted.
- **Supplier and contractor labor conditions, direct and indirect procurement:** the working conditions (e.g. salary, working hours and safety) of people employed by suppliers, sub-suppliers, contractors and sub-contractors in a company’s supply chain.
- **Sourcing from conflict-affected or high-risk areas:** risks related to sourcing from areas in a state of armed conflict, fragile post-conflict areas, as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.
- **Business ethics:** how a company prevents non-ethical business behavior such as insider trading, bribery/corruption, discrimination, conflicts of interest, sharing of sensitive information etc.
- **Freedom of association & collective bargaining:** the right of employees to associate in the pursuit of collective workplace goals. Collective bargaining is a way of attaining beneficial and productive solutions to potentially conflictual relations between workers and employers.
- **Working hours, wages & benefits:** risks related to e.g. inadequate wages, excessive overtime, insufficient breaks and insufficient allowances for paid holidays, for employees or contractors hired directly by a company.
- **Privacy, data, and cyber security:** risks related to the processing, storing, buying, selling and accessing of personal data, which might affect an individual’s right to privacy.
- **Non-discrimination and equality:** the right of all people to receive equal opportunities and to not be mistreated because of e.g. their age, disability, gender reassignment, marital/civil status, pregnancy and maternity, race, religion or belief, sex or sexual orientation.
- **Land use, acquisition and resettlement:** risks related to land rights violations such as forced resettlements and evictions or negative impact on the livelihoods of people as a consequence of land use or acquisition.
- **Responsible use and development of technology:** how a company uses and develops technology in a safe, respectful and ethical way that doesn’t violate human rights, both in its own operations and in its supply chain.