

# Vattenfall's statement on slavery and trafficking

2022



**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. Vattenfall’s core countries of operation are Sweden, Germany, the Netherlands, Denmark and the UK. Vattenfall has a total of 19,638 employees, out of which 830 are temporary. 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 can be roughly consolidated into the following streams<sup>1</sup>:

Goods & services	19,716	Diverse	Sweden, Germany, Netherlands	20	100%	NA*
Waste & biomass	150	Woody biomass, waste, bio-oils	Sweden, Germany, Norway	38	100%	NA*
Coal	1	Coal	South Africa, USA, Kazakhstan	N/A	No new direct suppliers	NA*
Nuclear fuel	<10	Uranium	Canada, Australia	1	N/A*	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

\*Not applicable. No new suppliers from high risk countries

<sup>1</sup> Not pictured: Gas. Vattenfall does not hold any direct contracts with gas producers as the gas is sourced through European gas hubs. More information can be found in Section 4: Due Diligence Procedures

## 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 2022 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, our supply chain and with partners

Furthermore, Vattenfall has a number of policies governing its and its suppliers' and partners' 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 any stakeholder to report serious irregularities concerning Vattenfall, including human rights violations. In 2022, no cases of human rights violations were reported through the system. In cases where Vattenfall has directly caused or contributed to negative human rights impacts, we commit to provide appropriate forms of remediation.

The Group's Code of Conduct for Suppliers and Partners defines our expectations on these counterparties in the area of human rights and working conditions, the environment and business integrity. It explicitly addresses modern slavery, and states that all forms of modern slavery are unacceptable to Vattenfall. It also includes a link to the whistle blowing system to enable suppliers to raise concerns. More information about our approach to supply chain responsibility is available at: <https://group.vattenfall.com/who-we-are/sustainability/social-responsibility/supply-chain-responsibility>

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>.

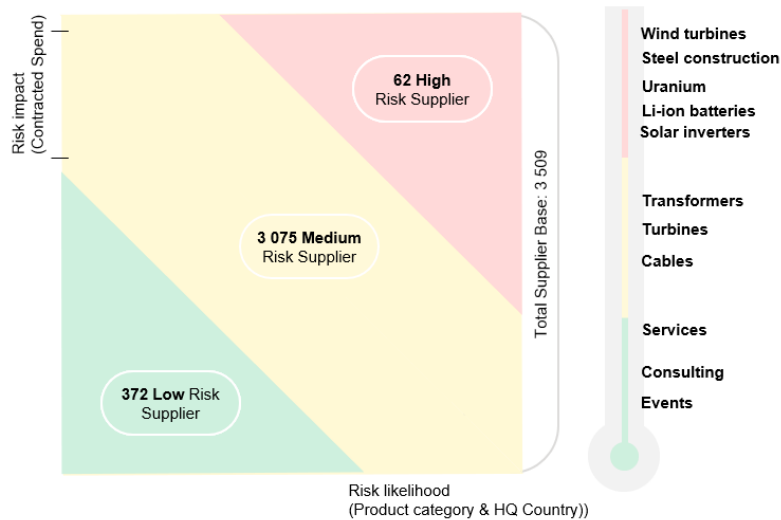
## 3. Risks and risk assessment

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 addition to our due diligence procedures for our supply chain (see section 4. Due diligence procedures) we engage third party experts every three to five years to conduct human rights risk assessments of our full value chain. Vattenfall's most recent assessment (2021) provided us with an updated view of our most salient risks which include community engagement, livelihoods, and cultural heritage; grievance mechanisms and access to remedy; indigenous peoples; occupational health, safety and security; just transition and responsible decommissioning; environmental impacts; sourcing from conflict-afflicted or high-risk areas; and supplier and contractor labour conditions. We also conduct internal risk assessments on an annual basis where we identify and assess risks stemming from any material changes in e.g. our product & service portfolio, geographies and supply chain.

We are aware of the risk of forced labour in certain product categories and geographies, and work diligently to prevent instances of forced labour. No cases of forced labour have been found in our Tier 1 suppliers in 2022. Our Code of Conduct for Suppliers and Partners requires that our Tier 1 suppliers and partners use our Code or the equivalent with their suppliers as well, however we have little visibility into the compliance of our Tier 2 suppliers to such ethical commitments. In general, instances of forced labour will be met with corrective action plans; these are developed together with the supplier in question, and follow-up audits are conducted to prevent further infringements. We have enhanced our on-site audit checklist by including recruitment questions reflecting the eleven ILO forced labour indicators. When excessive overtime is detected, which is one of the indicators, we alert the supplier to take immediate actions to reduce the working hours to sustainable levels and conduct a root cause analysis to identify the cause for the overtime and initiate long-term actions.

After the emergence of forced labour reports concerning the Uyghur population in Xinjiang, Vattenfall formed an internal working group to investigate the situation and the alleged connections to solar cell manufacturers. Acknowledging the complex situation in China, we continue to strive for transparency in the deeper supply chain and obtain assurance that the products we buy are free from forced labour. Vattenfall is supportive of the European solar industry's efforts to improve the transparency and sustainability of supply chains as we ourselves seek more sustainable alternatives. The working group led various initiatives to engage and educate suppliers, employees and industry peers on the situation and drive conversations to explore collaborative solutions, including new more sustainable manufacturing options. In addition dialogues with human rights experts and politicians have been held to identify best practise and discuss how to best act to prevent infringement on human rights. We will continue to monitor the situation and engage in capacity building initiatives to enhance our ability to prevent forced labour in our value chain.

On an annual basis, we identify high-risk suppliers among our active supplier base, covering Goods & Services, biofuel and nuclear fuel suppliers, based on product category, manufacturing country risk, and spend. This control helps us to validate whether appropriate risk mitigation on existing high-risk suppliers



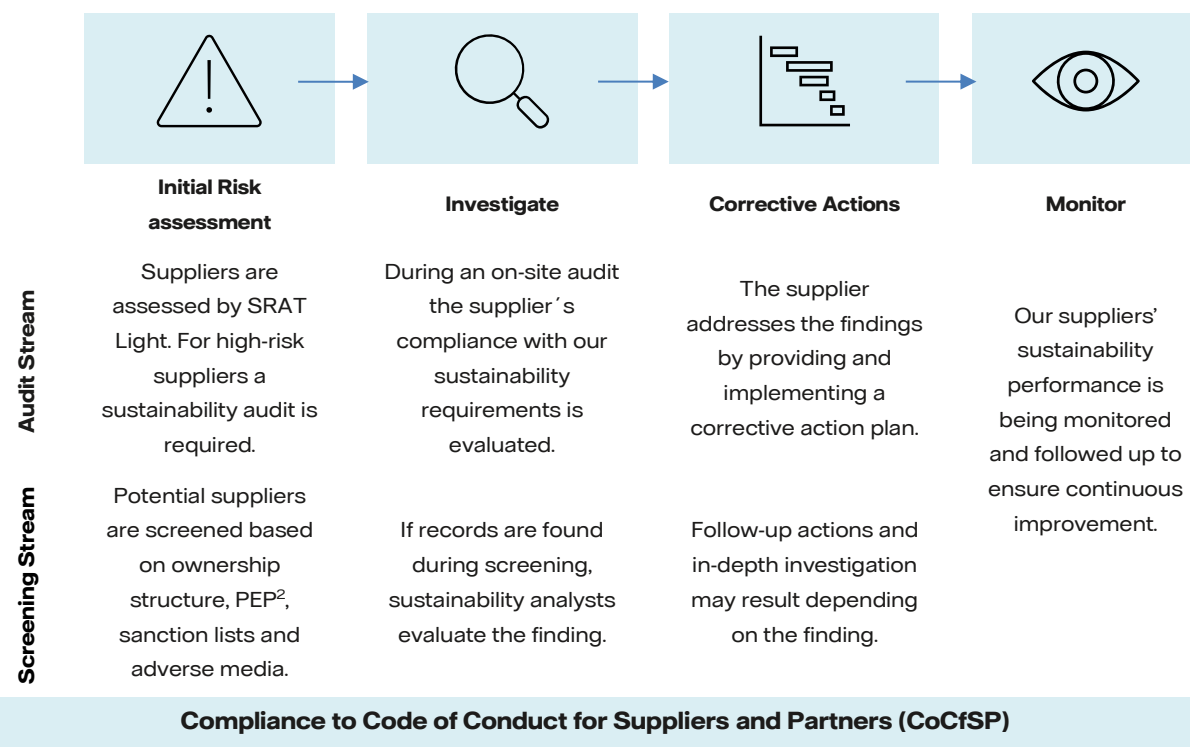
took place. In 2022, the assessment revealed 62 high-risk suppliers, of which 27 are newly identified and 35 are recurring compared with the first heatmap in 2020. For the newly detected high-risk suppliers, we initiated dialogues on key risk elements, including modern slavery if relevant. Depending on the risk picture, follow-up measures might include on-site sustainability audits. For the recurring high-risk suppliers, we will review the effectiveness of the previous measures and follow up where necessary.

In line with the UN's Sustainable Development Goal 17, Partnership for the Goals, we also actively participate in industry initiatives such as Bettercoal, Solar Power Europe 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.

## 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, the evaluation of our suppliers’ implementation of the Group’s Code of Conduct for Suppliers and Partners varies. Nevertheless, modern slavery is considered when evaluating all suppliers against our Code.

Our general approach to due diligence in the supply chain is described in the following graphic, with slight nuances in the different sourcing streams based on risks, regulations, and market conditions for those streams:



In 2022, we have significantly improved our audit process for new suppliers in Goods & Services by launching a supplier risk assessment tool (SRAT), which replaces the previous country risk classification in the initial risk assessment phase of the audit stream. The new tool is applied independently on suppliers with a contracted volume above 100,000€ to assess suppliers’ risks and identify appropriate risk mitigation based on product category, manufacturing country and spend risk. For high-risk suppliers, a full or a tailored-scope on-site audit focusing on all or either environmental, social or governance dimensions respectively, is conducted by a third party. All non-conformances that are identified during the audit will be followed up in a corrective action plan.

Vattenfall screens and monitors potential and existing counterparties (e.g. suppliers, partners and select B2B customers) for risk factors based on environmental, social and governance criteria to identify potential risks and drive collective improvements. In 2022, we also improved our counterparty screening process by introducing a new tool to screen suppliers and partners based on ownership structure, politically exposed

<sup>2</sup> PEP: Politically Exposed Person

people, sanction lists and adverse media. The tool is applied in all four sourcing streams to screen new and monitor existing counterparties.

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

- 1) Goods & Services
  - a) All new suppliers and partners are subject to a screening against sanction lists, adverse media, ownership structure and politically exposed persons, before onboarding
  - b) Sustainability audits are a requirement for new high-risk suppliers with contracts >10MEUR
  - c) Auditing all new high-risk suppliers based on SRAT light results, notifying suppliers of the findings and setting up corrective actions which are monitored and followed up on by Vattenfall
  - d) Share & Learn sessions with strategic suppliers focusing on management of sustainability issues and continuous improvement
  - e) Internal Board of experts throughout the organization discuss both strategic topics and deviating individual cases to ensure balance between purchasing strategy and sustainability
- 2) Waste & Biomass
  - a) Screening suppliers in a compliance screening against relevant regulations and the Vattenfall Code of Conduct for Suppliers and Partners
  - b) Bilateral contracts include an Ethical Clause which refers to the UN Global Compact, and the Vattenfall Code of Conduct for Suppliers
  - c) Focus on regional sourcing for internal use
  - d) The woody biomass purchased for third parties on the international market is 100% certified by the Sustainable Biomass Program, where Vattenfall is one of the founding members, and/or FSC.
  - e) Internal Board of experts throughout the organization discuss both strategic topics and deviating individual cases to ensure balance between purchasing strategy and sustainability
- 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
  - c) All findings (and observations) from audits are followed up at the next regular audit. When deemed necessary, findings are followed up at a re-visit between the regular audits.
- 4) Coal<sup>3</sup>
  - a) Responsible Sourcing Board<sup>4</sup> approval verification for all direct suppliers
  - b) Bilateral contracts with direct suppliers, include an Ethical Clause which include the UN Global Compact, and the Vattenfall Code of Conduct for Suppliers and Partners
  - c) Focus on direct engagement with the mining companies and relevant local stakeholders through relevant industry initiatives like Bettercoal Engagement strategies for direct coal suppliers
  - d) Internal Board of experts throughout the organization discuss both strategic topics and deviating individual cases to ensure balance between purchasing strategy and sustainability
- 5) Gas<sup>5</sup>
  - a) Screening of all counterparties (approximately 150), mainly trading companies, gas transmission and distribution system operators and other energy utilities
  - b) Monitoring the development of industry initiatives such as the Corporate Human Rights Benchmark to strengthen current due diligence practices
  - c) In 2022, we joined the Gas Taskforce initiated by Bettercoal, to investigate if the model used to address sustainability risks of coal producers can be implemented in natural gas supply chain

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<sup>3</sup> During the second half of 2021, Vattenfall has outsourced coal sourcing activities to a fellow member of Bettercoal, reliable third party who will conduct due diligence comparable to the practices described herein.

<sup>4</sup> The Responsible Sourcing Board is an internal cross functional board that examines a given supplier from a legal, sustainability, and risk perspective.

<sup>5</sup> Vattenfall does not hold direct relationships with gas producers, rather sourcing gas through European gas hubs

## 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. In 2022, all corrective actions were followed up and closed in the agreed upon time.

## 6. Training and capacity building

Focus has been primarily on supply chains and related staff. 100% of newly hired buyers receive a training which covers compliance and human rights in the supply chain. All buyers participated in multiple educational dialogues on the new risk assessment tool which will gradually replace the country-based risk assessment. As a result, Vattenfall enables buyers to compile a more precise risk picture of any supplier and apply targeted mitigation measures. Additionally, Vattenfall has developed an internal library for sustainability requirements that encourages our procurement community to include tender requirements and other procurement best practices related to human rights and other sustainability topics. 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 forced labour risks in the solar supply chain. A general human rights training, including modern slavery, is 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.

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 2022-12-31. This statement was approved by the Board of Directors on February 7, 2023 and is valid for the Group and its subsidiaries, including the UK subsidiaries listed in the Annex.



Anna Borg  
CEO and President of Vattenfall

## Annex - 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
Pen Y Cymoedd Wind Farm Limited	03494498
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	S0305106
Aberdeen Offshore Wind Farm Limited	SC278869
Norfolk Vanguard West Limited	SC380657
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	12930128
Midlothian Energy Limited	SC678840
Vattenfall Solar Projects Limited	13074901
Muir Mhor Offshore Wind farm Limited	SC717262
Vattenfall Kentish Solar Limited	13876958