

Vattenfall Statement on Slavery and Human Trafficking

Introduction from Magnus Hall, 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 (the "Act"). We are proud of the steps we have already taken, and we are committed to continuous improvement of our practices to identify and combat slavery and human trafficking throughout our supply 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. It is one of Europe's largest generators of electricity and heat. Further details can be found at www.vattenfall.com.

Business Structure

The Group's activities are divided into six different business areas: Generation, Heat, Wind, Markets, Distribution, and Customers & Solutions. Sourcing and purchasing operations for the six business areas are consolidated into four different streams: Goods & Services; Commodity Fuels; Nuclear Fuel; and Heat Fuels.

Our Policies

Vattenfall is a signatory of UN Global Compact and recognizes that business has responsibility to respect all internationally recognized human right aspects with reference to the international bill of human rights. We base our work 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. Vattenfall has a number of policies governing its and its suppliers' behaviour. Internally, the Code of Conduct¹ defines policies for conducting business with integrity. Principle 3 states

We only work with others who commit to do business in an appropriate and ethical manner, as evidenced for example in their own Code of Conduct, Ethical Policy or other company guidelines. This applies to all suppliers and other business partners. ...Vattenfall subscribes to the UN Global Compact and applies its fundamental principles in the areas of human rights, labour, the environment and the fight against corruption. Vattenfall is committed to these principles throughout the entire value chain of our operations, including our suppliers. Therefore, we ask our suppliers to agree with the ten UN Global Compact principles as described in Vattenfall's Code of Conduct for Suppliers.

The Code of Conduct stipulates that Vattenfall and its employees shall not be a party to crimes against human rights. It also establishes a whistle-blower function for reporting any suspected violations.

The Group's Code of Conduct for Suppliers² defines our basic requirements in the area of human rights and working conditions, the environment and business integrity. It was updated during 2017 and explicitly address modern slavery and human trafficking. As described above, it states that our suppliers should agree to UN Global Compact Ten Guiding Principles. Embedded in the Code of Conduct for Suppliers are specific policies regarding Freedom of Association and Collective Bargaining; Forced Labour; Child Labour and Young Workers; Non-discrimination; Health and Safety; and Wages and Benefits.

¹ See [Code of Conduct](#)

² See [Code of Conduct for Suppliers](#)

Our Approach

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. Our due diligence steps per supply category are summarised as follows:

1. Goods & Services
 - a. Vattenfall Code of Conduct for Suppliers as well as the adherence to UN Global Compact are included in all new supplier contracts, which form the base for supplier assessments and are part of requirements in our entire suppliers cycle.
 - b. Sanction list screening of all suppliers twice a year
 - c. Suppliers from high risk countries are audited by site visits
 - d. Sustainability assessments of Top Strategic suppliers
 - e. Share & Learn sessions with Group Management sponsored suppliers focusing on management of sustainability
2. Commodity Fuels
 - a. Bilateral hard coal and biomass contracts include an Ethical Clause which can include the UN Global Compact, Vattenfall Code of Conduct for suppliers, or alignment with relevant industry initiatives like Bettercoal or the Sustainable Biomass Partnership
 - b. Supplier specific engagement strategies for direct coal suppliers have been developed and the engagement will focus on the outcomes of supplier screenings and continuous improvement
 - c. Increased engagement with local stakeholders in the countries which are relevant to our coal supply chain, including Russia and Colombia, to increase our knowledge. The stakeholders we engage with include mining companies, civil society, and governmental organizations
 - d. Biomass suppliers are pushed towards certification through the Sustainable Biomass Partnership
3. Nuclear Fuel
 - a. All uranium suppliers are regularly audited (every 3–6 years) and are continuously assessed if non-conformities or other events are reported or discovered during the contract period
 - b. Vattenfall's Code of Conduct for Suppliers, quality and environmental requirements, and adherence to UN Global Compact 10 principles are included in all new supplier contracts and are the basis for supplier assessments
 - c. Screening and approval of all nuclear fuel suppliers that made deliveries in 2017 were performed prior to delivery
 - d. Management systems are generally at a high standard in nuclear facilities. Key findings are normally related to documentation management and use of personal safety equipment. All findings are followed up by audit teams from Vattenfall. Even in high risk countries we experience full transparency and access to all facilities we put up in our audit programs.
4. Heat Fuels
 - a. Code of Conduct for Suppliers is included in all contracts except for waste tenders with Nordic municipalities
 - b. Screening audits for all new suppliers
 - c. External audits for suppliers from high risk countries
 - d. Monthly, rotating site visits of Heat specific biomass suppliers

During 2016 Vattenfall contracted an independent third party to perform a Human Rights Impact and Risk Screening to determine where Vattenfall faces the highest human rights risks, so-called salient issues, and to identify the maturity level of the individual units that are responsible for addressing these risks. The review included interviews with both internal and external stakeholders, review of governance and steering documents, as well as external research. The screening showed that our highest risk of impacting Human rights by contributing or being linked to, are through our supply chain in high risk countries. Risks connected to our own operation are mainly related to subcontractors, local

community and indigenous people, but also privacy (personal data and information) . The impact screening indicates a generally strong internal commitment to human rights, especially from top management and specialists. Environment, health and safety issues are well integrated into the organization.

During 2017, Vattenfall performed its first enhanced human rights due diligence and risk assessment in a specific country, Colombia, where Vattenfall source hard coal. This was identified as one of the high risk area impacting human rights in the screening ([link to report](#)).

Implementation Mechanism

Managing and accessing the risk:

We manage our modern slavery and human trafficking risks by integrating human rights consideration into policies, procedures and decision-making, having a due diligence process in place, acting on the findings, tracking our actions, and communicating with stakeholders.

Conducting due diligence:

At Vattenfall we aim to regularly and systematically identify and assess human rights, environment, and business ethics-related risks and impacts in our value chain and to subsequently use this information to avoid, mitigate, or remedy the impacts. Our due diligence covers our own operations as well as sourcing. Where we identify that we have caused or directly contributed to negative human rights impacts, we engage in appropriate remediation processes ourselves or in cooperation with stakeholders.

Grievance channels:

At Vattenfall, we have set up a whistle blowing system that is available to personnel and interested parties, including all stakeholders, to make comments, recommendations, reports, or complaints concerning the workplace, the environment, or suppliers business practices. We also request our suppliers to take measures to avoid negative human rights impacts and to take responsibility for their impacts.

Accountability

The Group will report 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. Due diligence processes applied during sourcing and purchasing activities
3. Key risks identified and mitigating actions
4. The effectiveness of processes and actions in combating slavery and human trafficking in the supply chain.

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 2017-12-31.



Magnus Hall

CEO and President of Vattenfall