

## **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 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. It is one of Europe's largest generators of electricity and heat. Further details can be found at [www.vattenfall.com](http://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. Our Human Rights Policy is the foundation of our work, and 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. 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:

We do not tolerate bribery nor any other form of corruption ...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, potential damage to people, the environment or the business.

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 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 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 clauses regarding Freedom of Association and Collective Bargaining; Forced Labour; Child Labour and Young Workers; Non-discrimination; Health and Safety; and Wages and Benefits.

### **OUR APPROACH**

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. 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.

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. 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 issues
  - f) Internal Sustainable Procurement Board comprised of experts throughout the organization meets to discuss both strategic topics and deviating individual cases to ensure balance between purchasing strategy and 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 Program
  - 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, both directly and through Bettercoal, 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 Program
- 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 2018 were performed prior to delivery
  - d) Updated audit procedures further integrate human rights issues and will be used as a model for future audits
  - e) All findings and recommendations from audits are followed up in between regular audits
- 4) Heat Fuels
  - a) Focus on sourcing locally
  - b) Code of Conduct for Suppliers is included in all new contracts and contract renewals
  - c) Integration of human rights aspects into purchasing activities, and development of holistic view of supply chain with regards to human rights

- d) Screening audits for all new suppliers
- e) External audits for suppliers from high risk countries
- f) Rotating, biannual site visits of Heat specific biomass suppliers

An independent Human Rights Impact and Risk Screening conducted in 2016 showed that our highest risks of causing or contributing to adverse human rights impacts are through our supply chain in high risk countries. Risks connected to our own operation are mainly related to subcontractors, local communities and indigenous peoples, as well as privacy (personal data and information).

In our supply chain, we continue to integrate and expand human rights aspects in our activities. In 2018, we performed a pilot human rights dialogue with Russian uranium suppliers over the course of multiple visits and will use the assessment as a blueprint moving forward. Following our first enhanced human rights due diligence and risk assessment in Colombia, we performed a follow up visit with other Bettercoal members to further conversations with the mining companies around the recommendations in our Colombia report. Our 3<sup>rd</sup> party auditor has also begun using an expanded sustainability checklist which includes additional human rights aspects.

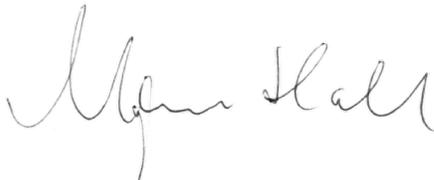
In our operations, we focus on dialogue with local stakeholders, in particular indigenous peoples, and sharing best practices and lessons learned throughout the organization.

## **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. 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 value 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 2018-12-31. This statement was approved by the Board of Directors on December 17, 2018 and is valid for the Group and its subsidiaries, including the UK subsidiaries listed in the Annex.



Magnus Hall  
CEO and President of Vattenfall

## 1 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
Parc Cynog Wind Farm Limited	02840895
Pen Y Cymoedd Wind Farm Limited	03494498
Pendine Wind Farm Limited	03292728
Rheola 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
Aberdeen Wind Deployment Centre Limited	SC380657
I Supply Energy Limited	06053905