

Vattenfall Statement on Slavery and Human Trafficking

Introduction from Magnus Hall, CEO and President of Vattenfall AB

This is Vattenfall's first 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

The Group 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.

Vattenfall supports the human rights principles set out in the UN Global Compact, and the Code of Conduct stipulates that Vattenfall and its employees shall not be a party to crimes against human rights. It also establishes a whistleblower function for reporting any suspected violations.

¹ See [Code of Conduct](#)

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. 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.

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 all 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

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

- a. Vattenfall Code of Conduct for Suppliers, Quality and Environmental requirements as well as the adherence to UN Global Compact 10 principles are included in all new supplier contracts and are the base for supplier assessments.
 - b. Suppliers are evaluated and approved prior to making deliveries
 - c. Suppliers are regularly screened during the contract period
 - d. In 2016 we introduced a wider assessment in regards to human rights performance
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

Additionally, the Group is currently conducting two major projects which will help tackle slavery and human trafficking: updating the Code of Conduct for Suppliers, and performing a Human Rights Impact Screening.

The new Code of Conduct for Suppliers will contain more explicit language that will address modern slavery and human trafficking and will be implemented in 2017.

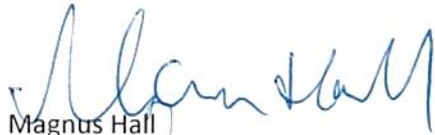
The Human Rights Impact Screening is a detailed analysis to determine where Vattenfall faces the greatest human rights risks and to identify the maturity level of the individual units that are responsible for addressing these risks. The Group has contracted an independent third party to conduct an externally facilitated review to bring insights on ways we can tackle slavery and human trafficking. The review includes interviews with both internal and external stakeholders, review of governance and steering documents, as well as external research. The screening will be concluded in 2017, and its findings used to identify the key risks and key mitigating actions moving forward.

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 2016-12-31



Magnus Hall
CEO and President of Vattenfall