

# **Policy statement of Vattenfall GmbH on its human rights strategy according to § 6 para. 2 Supply Chain Due Diligence Act**

## **Introduction**

Vattenfall GmbH, Berlin is committed to respecting human rights and environmental obligations within our supply chain and considers the protection of human rights to be a key element. We implement applicable law, respect internationally recognised human rights and environmental obligations, and strive to prevent human rights violations and environmental pollution in our business operations. We condemn all forms of child and forced labour, all forms of slavery and human trafficking, and all forms of discrimination. We are also committed to complying with the health and safety laws applicable at the respective place of employment, to paying adequate wages, to equal treatment of employees, and to protecting the freedom of association of our employees.

The Supply Chain Due Diligence Act enters into force on 1 January 2023. Vattenfall GmbH, as a company based in Germany with more than 3,000 employees in Germany, the majority of whom are employed by group companies, is subject to this Act.

This policy statement describes

- the procedures by which Vattenfall GmbH complies with obligations under the LkSG,
- the priority human rights and environmental risks identified for the company based on risk analysis, and
- the company's expectations of its employees and suppliers in the supply chain, as determined on the basis of a risk analysis.

## **About Vattenfall GmbH**

Vattenfall GmbH is the German intermediate holding company of the international energy group Vattenfall (especially in Sweden, Denmark, Finland, Germany, the Netherlands and the UK). It is a wholly owned subsidiary of Vattenfall AB, which is headquartered in Sweden. Vattenfall GmbH's shareholdings mainly include Vattenfall Wärme Berlin AG, Vattenfall Europe Windkraft GmbH, Vattenfall Wasserkraft GmbH, Vattenfall Sales GmbH and Vattenfall Energy Trading GmbH. The companies of the German sub-group of Vattenfall are thus active at various stages of the energy industry value chain. These include electricity and heat generation from conventional and renewable energy sources as well as sales. Control and/or profit transfer agreements exist between Vattenfall GmbH and some subsidiaries. Vattenfall GmbH provides administrative services mainly to the German companies in the Vattenfall Group in the areas of accounting and finance, human resources management, and facility and real estate management. In addition, the company provides services for so-called 'group service areas' that perform central staff tasks (e.g. purchasing).

The Vattenfall Group is divided into six cross-border business areas: Heat, Customers & Solutions, Wind, Generation, Markets and Distribution. The business areas are in turn subdivided into business units. The central staff and support functions that support and manage the business are bundled in a corporate centre.

The heads of the business areas, business units and staff functions, as representatives of the controlling company, may issue instructions to Vattenfall GmbH and its subsidiaries regarding their business activities, to the extent that the right to issue instructions based on company law extends. They thus also directly control details of the day-to-day business of the dependent companies.

The governing bodies of Vattenfall GmbH and its subsidiaries remain responsible for compliance with the law and are informed via information systems about the receipt of material instructions and the circumstances of their respective companies.

## 1 Vattenfall's activities and supply chains

Vattenfall's business operates in a constantly changing context that brings with it new risk factors. The Vattenfall Group has processes and procedures in place to identify, assess, prevent and address human rights and environmental risks and their impacts in supply chains and internal operations both for its own business and for external stakeholders.

Through this policy statement, Vattenfall GmbH explicitly commits to apply and implement these very processes and procedures for itself and all affiliated companies in accordance with the Supply Chain Due Diligence Act.

Our due diligence processes and our work in the supply chain enable us to anticipate changing conditions. This applies not only to our actions, but also to the actions of our direct and indirect suppliers that we use for our products and services. For example, we actively work with other industries, such as the steel, cement and aviation industries, to support decarbonisation and work towards a just and affordable energy transition.

## 2 Our policies and commitments

Even before the Supply Chain Due Diligence Act came into force, Vattenfall was committed to exercising due diligence in complying with international, national, internal and external regulations, especially in the area of human rights and environmental protection. Vattenfall's Sustainability Guideline provides the overarching framework for the specific sustainability requirements for us and our partners, especially for transparent cooperation with the society in which we operate and for Vattenfall's shareholders and partners.

Vattenfall AB is a signatory to the UN Global Compact and recognises that companies have a responsibility to respect all internationally recognised human rights, especially those arising from the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Our Human Rights Policy, together with the Human Rights Action Plan, forms the basis of our work and applies to all internal and external stakeholders. The policy reads as follows:

"We are committed to respecting human rights in our supply chain, in our operations and in the communities in which we operate. We systematically identify, assess and manage human rights risks and impacts through due diligence processes, and strive to continuously improve them."

Furthermore, Vattenfall recognises the Paris Climate Agreement and the urgency to adapt to the 1.5-degree scenario. In 2021, in addition to the Environmental Action Plan 2030, Vattenfall has increased its emission reduction targets and committed to use its expertise and market position to help suppliers and customers decarbonise. Vattenfall takes clear environmental protection measures into account in all internal and external activities. Vattenfall is committed to sustainable use of resources. The corresponding policy is as follows:

"We are committed to reducing our environmental footprint. We believe that continuous improvement of environmental performance in all areas of our business is a prerequisite for sound business development."

In addition, Vattenfall has several policies that regulate work in its own business area and requirements for external suppliers. Internally, the Code of Conduct and Integrity defines guidelines for doing business with integrity in the context of Vattenfall's four principles: Open, Positive, Active and Safety. Externally, the Group's Code of Conduct for Suppliers and Partners outlines the basic requirements in the areas of human rights, labour rights, the environment, management systems, compliance and reporting, among others. It reads as follows:

"By imposing environmental, social and governance requirements on our suppliers and partners, we contribute to positive change in society while achieving long-term competitive advantages. [...] we strive to spread good practices throughout the value chain, strengthen relationships with our suppliers and partners, and support and improve their sustainable actions. As part of our sustainability work, we focus on environmental, social - including human rights - and governance issues. Typical focus areas for Vattenfall are impact on climate, protection of nature and biodiversity, circular economy, sustainable use of resources and high-risk minerals, human rights, health and safety, and business ethics."

The above guidelines have been developed with internal and external stakeholders and apply to the entire Vattenfall Group and are explicitly made applicable to Vattenfall GmbH through this policy statement.

We will review and, if necessary, adapt these guidelines after the risk analysis which is to be carried out in 2023 according to the Supply Chain Due Diligence Act.

## 3 Risk Management

Vattenfall's risk management is organised on a cross-country and group-wide basis. In order to comply with the requirements of the Supply Chain Due Diligence Act, risk management for the German sub-group is organised on a more country-specific basis and regulated in an internal policy for Vattenfall GmbH and its affiliated companies.

With this policy statement, Vattenfall GmbH explicitly confirms the validity of the existing risk management in the Vattenfall Group for itself and all affiliated companies and has supplemented it with requirements specific to the Supply Chain Due Diligence Act. Furthermore, Vattenfall GmbH ensures that the relevant risk analyses, and preventive and remedial measures are defined and implemented in accordance with the requirements of the Supply Chain Due Diligence Act. Vattenfall GmbH has put a complaint mechanism in place for itself and its affiliated companies for potential violations and has established rules of procedure.

Vattenfall GmbH also ensures transparent and regular reporting on the measures and their success.

### 3.1 Risk assessment, preventive and remedial measures

Vattenfall systematically assesses human rights and environmental risks and impacts through due diligence processes that include our own operations as well as our procurement and purchasing. Risks are assessed according to various methods, which differ depending on the area of activity and apply to Vattenfall GmbH and its affiliated companies. For Vattenfall GmbH and its affiliated companies, the operational managers designated for the Supply Chain Due Diligence Act ensure that the risk analyses, preventive measures and remedial measures are carried out.

## Supplier Risk Assessment

Our general due diligence approach to the procurement of goods and services is described in the following graphic:



Figure 1 Procurement of goods and services

- Vattenfall screens and monitors potential and current suppliers and partners for potential risk factors regarding ownership structures, politically exposed persons, sanctions and negative media reports. This rigorous due diligence measure provides Vattenfall with an up-to-date risk picture of our supplier base, which in turn informs us of any remedial action that may be required.
- In 2022, Vattenfall introduced a supplier risk assessment tool, SRAT (Supplier Risk Assessment Tool), to assess new suppliers in goods and services and replace the country risk classification. The new tool is applied to new contracts and identifies risks based on product and service category, country risk and spend risk. For high-risk suppliers with a contract value of more than €100,000, a full or customised audit focusing on environmental, social or governance aspects is required. When audits are conducted, any non-conformities are addressed in corrective action plans (CAPs). The CAPs are followed up at regular intervals to ensure that suppliers respond to our findings and improve their environmental and social performance. Through this system, we can address priority (high-risk) areas and ensure that violations of human rights and environmental factors are corrected through audits and follow-up discussions.
- Beyond contract-specific assessments, Vattenfall conducts annual assessments of its entire supplier base to identify risks for specific product categories regardless of contract volume. The results are discussed with internal stakeholders to determine if any actions are required from suppliers in order to reduce identified risks.
- Our due diligence processes for fuels and ancillary services vary widely depending on the specific sustainability risks of these supply chains and use well-known international certification and validation schemes, relevant industry initiatives, bilateral and third-party audits.
- In addition, Vattenfall developed partnership principles in 2022 that apply the same level of due diligence to Vattenfall's partners as is applied to our suppliers. This enables Vattenfall to review our partners' ownership structures and investigate risk factors in detail, especially with regard to the relevant industries in which they operate. Factors to be examined include, for example, transparency about environmental and social governance (ESG), decarbonisation strategies, safe working environment, grievance mechanisms, socially responsible energy transition, management systems and due diligence within their supply chains.

- To understand the changing context in which Vattenfall operates and the associated risks, Vattenfall commissions an external auditor every five years. The last audit took place in 2021, and the result provided Vattenfall with an updated view of our biggest risks. Risks identified were again health, safety and security of workers, suppliers from conflict areas and the use of rare minerals in the supply chain. Newly added risks included those related to a socially responsible energy transition and the responsible decarbonisation of energy and industry. This comprehensive assessment also created the basis for evaluating the maturity of our corporate governance in relation to these risks and the associated management tools, and to improve them where necessary.

### **Risk assessment of own business area**

The analysis of human rights-related risks includes not only potential risks in the upstream supply chain, but also potential human rights risks related to our own business activities. This also includes the assessment of corporate governance on these issues. Vattenfall has established a human rights action plan that identifies overarching human rights risks, initiates risk mitigation measures where appropriate, and improves corporate governance in this regard in all business areas and staff functions. Topics include: Local community engagement, data protection, and health and safety of employees and contractors.

Vattenfall is part of this action plan and will ensure appropriate analyses and measures - for itself and its affiliated companies - especially taking into account the requirements of the Supply Chain Due Diligence Act. Environmental risks related to the company's own operations are regulated by systems and processes for managing environmental issues within the company. All business areas (BAs) identify the environmental aspects that are relevant to the respective BA as part of their environmental management systems. This applies in particular to Vattenfall GmbH and its affiliated companies.

The main criteria are the impact along the value chain and the possible extent of a risk.

In addition to regular risk assessments and implemented remedial actions in the business units, we have also developed overarching environmental action plans. Our Environmental Action Plan 2030 outlines the key environmental actions for the next decade by setting both long-term 2030 targets for our focus areas and short-term targets and supporting activities.

### **Prevention measures**

Our policies and commitments are accompanied by a number of Vattenfall-wide preventive measures. These measures also explicitly apply to Vattenfall GmbH and its affiliated companies:

1. Internal training ensures knowledge and a good understanding of human rights and environmental risks in our business units and supply chain. All internal buyers participate in several mandatory training sessions on this. This enables Vattenfall to get a more accurate picture of a new supplier's risks and, where possible, to take targeted measures to mitigate risks.
2. Vattenfall has developed an internal catalogue of sustainability requirements that enables all parties involved in purchasing for goods and services to supplement the tender requirements and apply additional best practices related to human rights and other sustainability issues.
3. The Code of Conduct for Suppliers and Partners (CoCfSP) has been developed and implemented by Vattenfall to address a wide range of sustainability issues that are in focus for our operations, products and services, as well as for the environment in which we operate. It is updated every six months to reflect new risks identified in our environment. The ethics clause is part of the supplier contracts signed by Vattenfall. This signed clause makes the CoCfSP binding for Vattenfall and its partners, and, in the event of non-compliance, gives the right to an audit and possible termination of the business relationship. The introduction of this clause is an effective means of preventing violations and abuses among our suppliers.

4. Vattenfall maintains dialogue with external stakeholders about trends and developing risks in the environment in which Vattenfall operates. Information from stakeholders is collected, reviewed and acted upon as appropriate.

#### Remedial measures

In the event of violations of human rights or environmental obligations, appropriate remedial action will be taken to prevent, end or minimise the extent of the violation. Repeated violations are detected through various mechanisms, e.g. re-screening of existing suppliers, media reports, information from external stakeholders or follow-up audits. Depending on the severity of the violation, the case is forwarded to the relevant internal working groups and/or management. In these working groups, the results of detailed investigations are discussed and follow-up measures are decided, ranging from increased due diligence to working with the supplier to mitigate or end the violation. In the case of a particularly severe violation, termination of the business relationship may be considered.

### 3.2 Complaints procedure

Vattenfall had already established a whistleblowing function throughout the Group before the Supply Chain Due Diligence Act came into force, which makes it possible to report violations of laws and internal policies or irregularities. Due to the stricter requirements of the Supply Chain Due Diligence Act, Vattenfall has decided to introduce an internal complaint mechanism in addition to the Group's existing whistleblowing system, which enables anyone to report human rights and environmental risks as well as violations of human rights or environmental obligations that have arisen in the company's own business area or at a supplier.

To this end, the management of Vattenfall GmbH has issued rules of procedure in accordance with § 8 Supply Chain Due Diligence Act and has selected personnel to carry out the procedures who offer a guarantee of impartiality and are independent and free of instructions in this respect. Vattenfall GmbH has made clear and comprehensible information on accessibility and on the implementation of the complaints procedure publicly available as part of the rules of procedure, which are published on the company's website. Complaints can be submitted barrier-free through various reporting channels. The receipt of complaints is confirmed to the complainant without delay. Complaints are dealt with swiftly and discussed with the complainants. The complaints procedure is designed in such a way that the confidentiality of identity is maintained and there is effective protection against disadvantage or punishment as a result of a complaint.

## 4 Monitoring and reporting

Vattenfall monitors the effectiveness of the implemented risk management both by evaluating the results of the applied processes and policies, e.g. the evaluation of the results from SRAT heat mapping or the consistent implementation of the CoCfSP, and by evaluating the complaints brought to Vattenfall through the complaints mechanism or feedback from external stakeholders.

Vattenfall already reports regularly and transparently on its approach to managing our sustainability risks and measures. Information on this can be found regularly in the annual and sustainability reports of the Vattenfall Group and its subsidiaries. In addition, regular communication takes place on the following topics:

1. the group and its supply chain
2. corporate policies relevant to various sustainability factors, for example, human rights and the environment.
3. risk assessment procedures
4. due diligence procedures applied in sourcing and procurement

5. progress and effectiveness of efforts to address human rights abuses and environmental degradation in the value chain
6. training and capacity building

Furthermore, in addition to the above-mentioned group-wide report for the German part of the Group, Vattenfall GmbH will prepare an annual report on the fulfilment of its due diligence obligations in the previous financial year and make it publicly available free of charge on Vattenfall GmbH's website. The report will present the following information:

1. Whether the enterprise has identified human rights and environment-related risks or violations of a human rights or environment-related obligation, and if so, which ones.
2. What the enterprise has done to fulfil its due diligence obligations with regard to the measures pursuant to §§ 4 to 9; this also includes the elements of the declaration of principles pursuant to § 6 para. 2 as well as the measures taken by the enterprise in response to complaints pursuant to § 8 or § 9 para. 1.
3. How the enterprise evaluates the impact and effectiveness of the measures.
4. What conclusions it draws from the evaluation for future measures.

This policy statement has been adopted by the management of Vattenfall GmbH and is also binding for the companies over which Vattenfall GmbH has controlling influence.

## Revision History

Version Number	Changes	Approved by
1.0	Initial Version	Geschäftsführung of Vattenfall GmbH

### Annex 1

Prohibitions to be examined by risk management according to § 2 para. 1 to 3 Supply Chain Due Diligence Act (excerpt from the handout on the implementation of a risk analysis according to the requirements of the Supply Chain Sourcing Obligations Act of the Federal Office of Economics and External Control, BWA)

Human rights risks according to §2 para. 2	Environmental risks according to §2 para. 3
Violation of the prohibition of child labour (No. 1 and 2)	Violation of a prohibition resulting from the Minamata Convention (No. 1-3)
Violation of the prohibition of forced labour and all forms of slavery (No. 3 and 4)	Violation of the prohibition of production and/or use of substances within the scope of the Stockholm Convention (POPs) as well as non-environmentally sound handling of wastes containing POPs (No. 4 and No. 5)
Disregard of occupational health and safety and work-related health hazards (No. 5)	Violation of the ban on the import and export of hazardous waste as defined by the Basel Convention (Nos. 6-8)
Violation of the freedom of association and collective bargaining (No.6)	
Violation of the prohibition of unequal treatment in employment (No.7)	
Violation of the prohibition on the withholding of a fair wage (No.8)	
Destruction of the natural basis of life through environmental pollution (No.9)	
Unlawful violation of land rights (No. 10)	
Violation of the prohibition on hiring or using private/public security forces that may cause harm due to lack of instruction or control (No. 11)	
Violation of the prohibition of an act or omission in breach of duty which is directly capable of impairing a protected legal position (further human rights) in a particularly serious manner and the illegality of which is obvious upon a reasonable assessment of all the circumstances in question (No. 12)	