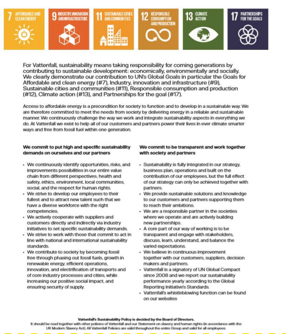
Summary of Vattenfall’s Human Rights Assessment by BSR

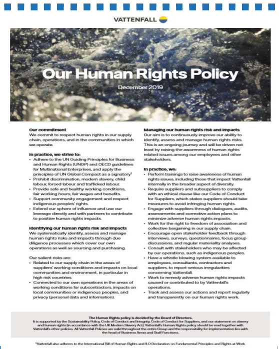
Conducted Q2-Q3 2021

VATTENFALL

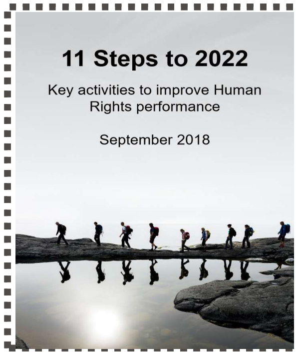
Working with human rights is not a standalone activity; It's embedded in all we do



Sustainability Policy



Human Rights Policy



Human Rights action plan

Commitment to **sustainability** is integrated in everything we do, including human rights

Our commitment to respect all **human rights**

Turning our commitments into **concrete actions**

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Why did Vattenfall conduct a human rights assessment?

Internal and external developments shift Vattenfall's human rights exposure as well as stakeholder expectations on our performance

Vattenfall's operating environment has changed and will continue to change in the coming years, mainly driven by three key developments

Strategy Shift and Climate Change

- Vattenfall's strategic cornerstone is to *make fossil-free living possible within one generation*
- The new strategy seeks to respond to the urgency of global climate change, providing energy from renewable and clean sources to fulfil rising consumer demands
- The energy transition is dramatically changing Vattenfall's operations, with some segments phasing out (e.g., coal heating) and significant investments in new sectors (e.g., e-mobility, wind, batteries, PV) with implications for local and global supply chains

Global Disruption and New Social Contract

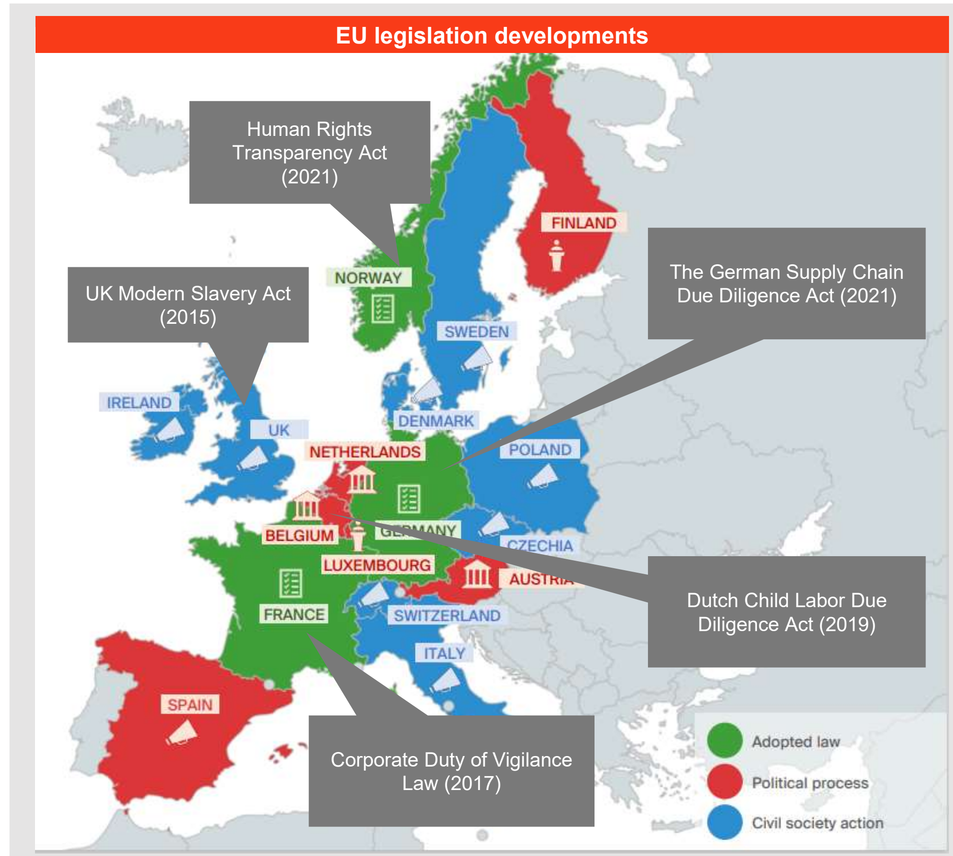
- Since 2018, the world has been disrupted by a number of global events, not least the COVID-19 pandemic, highlighting social injustice as a major threat to sustainable development and the resilience of global value chains
- Calls for a new social contract have emerged, where the role of business as one of many actors in society needs to be redefined in a new vision of 'stakeholder capitalism'
- Regulators primarily in Europe are swiftly implementing requirements to level the field on the 'S' in ESG, with the most remarkable developments on mandatory human rights due diligence that covers the entire value chain

Digitalization and Tech

- Every company is set to become a tech company, as digital solutions and new disruptive technologies are integrated in products, services, and operating models
- International organizations and regulators alike are flagging the risks of disruptive technology to human rights, such as surveillance, use of AI, privacy – and new legislation is emerging
- Digitalization is also part of Vattenfall's vision for the future and it will greatly impact operations and the relationship with the end-user

Among the most consequential developments is legislation mandating human rights and environment due diligence

FRANCE	Law on the duty of vigilance of parent and outsourcing companies
GERMANY	Law on the corporate duty of care in supply chains
NETHERLANDS	Law on child labour due diligence
NORWAY	Law on business transparency and human rights and decent working conditions
AUSTRIA	Parliamentary proposal for a supply chain law
BELGIUM	Parliamentary proposal on the corporate duty of vigilance and care in value chains
FINLAND	Government commitment to due diligence legislation
LUXEMBOURG	Government commitment to due diligence legislation
NETHERLANDS	Government commitment to due diligence legislation Parliamentary proposal on responsible and sustainable international business conduct
SPAIN	Government's Annual Regulatory Plan includes a legislative initiative on due diligence



Source: corporatejustice.org (last updated 25th Jan 2022)

For the latest information, please visit www.corporatejustice.org

To secure social responsibility in a shifting landscape, we assess our human rights impacts and our governance capabilities

We engaged with BSR to give us unbiased answers to two main questions

Risks

Where do we **risk having adverse human rights impacts**?

Gaps

Are our current **commitments and management systems** adequate?

Action plan

BSR's work consisted of desktop research, a review of 100+ Vattenfall documents, interviews with 27 internal & 5 external experts, and a stakeholder roundtable

Scope and results of BSR's work

The project was done in two phases to update Vattenfall's human rights assessment and benchmark its governance systems

Project Objectives:

1. To update **Vattenfall Human Rights Assessment** conducted in 2016 to mirror the internal and external developments in our value chain
2. To benchmark the **company's governance systems** against international standards to identify potential gaps areas of further improvement

Project Deliverables		Project Outcomes and Impacts
• **Updated Human Rights Assessment (HRA)** across the company's current core value chains	Phase I of the project	• Enhance Vattenfall's understanding of (up-to-date) human rights impacts across the company's core value chains and potential improvement areas
• **Gap analysis comparing Vattenfall's existing management systems with B&HR principles and standards**, the UNGPs and the OECD Due Diligence guidance	Phase II of the project	• A vision for full alignment of Vattenfall management systems to relevant business & human rights principles and standards
• Recommendations on how to close gaps and better align with the above principles and standards and on potential management strategies to mitigate human rights risks.	Provided in both Phase I & II See slide 20	• A clear overview of what best practice looks like and a path forward towards achieving and implementing best practice

Phase 1

Human Rights Assessment (HRA)

BSR's Approach to Human Rights Assessment

Immersion	Mapping	Prioritize	Management
Build background knowledge	Identify impacts	Assess severity / salience of impacts	Management Assessment

A **human rights scan** identifies the actual and potential human rights impacts that are most relevant to the company's business activity and relationships, drawing from the full universe of international human rights instruments, and considering impacts on rightsholders.

Deliverable: A list of relevant human rights impacts.

A **human rights salience assessment** builds on the human rights scan by prioritizing the actual and potential human rights impacts relevant to the company's business activity and relationships against the UNGPs salience criteria (scope, scale, and remediability) as well as likelihood.

Deliverable: a prioritized list of salient human rights impacts, categorized in three tiers of risk (high, medium, low), and recommended actions for the company to address these impacts.

BSR conducted a human rights assessment of Vattenfall at the corporate level

A **human rights assessment** builds on the human rights salience assessment by layering in assessment of company factors, including attribution, leverage, and current management. This includes assessing the company's ability to manage identified salient human rights risks, identifying gaps in management, and identifying appropriate actions to prevent and mitigate these risks. These actions are prioritized to guide allocation of resources to the most impactful prevention and mitigation measures.

Deliverable: a prioritized list of human rights impacts, with detail on how the company is connected to the harm, and recommended actions to manage identified impacts based on the company's current management systems.

Source: BSR Methodology for Human Rights Assessments

Key Concepts of Human Rights Assessment

The UNGPs state that, where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.

Scope: How many people could be affected by the adverse impact?

Scale: How serious would the adverse impacts be for the victim?

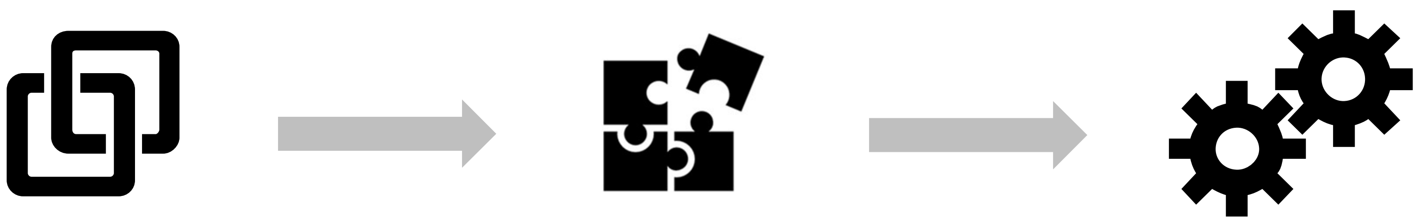
Remediability: Will remedy restore the victim to the same or equivalent position before the harm?

The underlying notion is that companies should prioritize action based on **risks to the rightsholder**, not risk to the business.

Source: BSR Methodology for Human Rights Assessments

Key Concepts of Human Rights Assessment

The UNGPs state that appropriate action to address human rights will vary according to whether the company causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship.



If a business is **linked** it should use leverage to address impact

If a business **contributes** it should **use leverage** to mitigate remaining impact caused by the other party

If a business **causes** or may cause an adverse impact it should cease or prevent that impact

Source: BSR [Methodology for Human Rights Assessments]

Project Methodology

A **Human Rights Assessment** uses the framework of the UN Guiding Principles on Business and Human Rights to enable the company to identify its most salient risks, and prioritize which risks **it should focus on**, keeping in mind that **all salient risks need to be addressed.**

IMMERSION
Build background knowledge

MAPPING
Identify impacts and salience

PRIORITIZE
Assess urgency of impacts

MANAGEMENT
Define appropriate actions

Assessment of **salient** human rights impacts based on the **severity** of impacts for rights-holders* and their likelihood of occurrence. Salience takes the **rightsholder's perspective**, not one of risks to the company

Human Rights Risks Level | High | Medium | Low

Prioritization of the issues requiring action based on **attribution** and potential **leverage** to influence positive outcomes and an evaluation of the management systems

- Strong
- Some
- Little
- None

Priority Level | Primary | Secondary | Tertiary

**See next slide for description of "rightsholders"*

Source: BSR Methodology for Human Rights Assessments

Rightsholders' perspective: what do we mean by "rightsholders", and which are relevant for Vattenfall

Rightsholders are individuals or social groups that have **particular entitlements (=rights)** in relation to specific duty-bearers. In general terms, **all human beings** are **rights-holders** under the Universal Declaration of Human Rights.

A **human rights-based** approach not only **recognizes** that the entitlements of rights-holders need to be **respected**, **protected** and **fulfilled**, it also considers rights-holders as **active agents** in the realisation of human rights and development – both directly and through organisations representing their interests.

Relevant **Rightsholders** for Vattenfall

Vulnerable groups may be present in each rightsholder group.

- They are rightsholders that are at higher exposure to human rights risks due to economic, political and social processes of exclusion and could be disproportionately affected by Vattenfall's operations and value chain
- e.g., **women and young girls, human rights defenders, Indigenous peoples, migrant workers, LGBTI people, children, temporary workers, people living in poverty** etc.

Phase 1: BSR conducted a high-level assessment of our human rights impacts and our maturity in dealing with those specific impacts

Primary (High in severity and likelihood, and high relevance for business action)	**Level of Management**	**Secondary** (Moderate severity and medium likelihood, and relevance for business action)	**Level of Management**
• Occupational health, safety and security	●	• Business ethics	●
• Environmental impact	●	• Freedom of association & collective bargaining	●
• Grievance mechanisms and access to remedy	◕	• Working Conditions: Working hours, wages & benefits	●
• Indigenous peoples	◕	• Privacy, data, and cyber security	●
• Community engagement, livelihoods, and cultural heritage	◕	• Non- discrimination and equality	◕
• Supplier and contractor labor conditions, direct and indirect procurement	◕	• Land use, acquisition and resettlement	◕
• Sourcing from conflict-affected or high-risk areas	◕	• Responsible use and development of technology	◔
• Just transition and responsible decommissioning	◔	• Human rights defenders	○

MANAGEMENT

Strong	Some	Little	None
●	◕	◔	○

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Phase 2

Governance Gap Analysis

Phase II – Gap analysis against the requirements outlined by the UNGPs[1] and OECD[2]

UNGPs	OECD
• In order to meet business's responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:	• OECD Guidelines for Multi-National Enterprises require enterprises to carry out due diligence, which should be commensurate with risk and appropriate to a specific enterprise's circumstances and context, the following section outlines measures:
1. A **policy commitment** to meet their responsibility to respect human rights → *The Policy commitment criteria*	**1.** **Embed Responsible Business Conduct** (RBC) into the enterprise's policies and management systems → *The Policy commitment, and Managing Systems criteria*
2. A **human rights due diligence** process to identify, prevent, mitigate and account for how they address their impacts on human rights → *The Due Diligence criteria*	**2.** Undertake **due diligence** by identify actual or potential adverse impacts on RBC issues → *The Due Diligence General approach / Scope criteria* **3.** Cease, prevent, or mitigate actual or potential **adverse impacts** → *The Due Diligence Integration criteria* **4.** **Track** implementation and results → *The Due Diligence Tracking criteria* **5.** **Communicate** how impacts are addressed → *The Due Diligence Reporting criteria*
3. Processes to enable the **remediation** of any **adverse human rights impacts** they cause or to which they contribute. → *The Remediation criteria*	**6.** Enable **remediation** when appropriate → *The Due Diligence Remediation criteria*

1. United Nations Guiding Principles on Business & Human Rights
2. Organization for Economic Cooperation and Development

Phase II – Gap analysis key inputs

BSR mapped alignment and preparedness of Vattenfall against the provisions of the UNGPs and OECD Guidelines for Multinational Enterprises through the following data sources

Document Review

BSR analyzed internal management processes reviewing documentation shared by Vattenfall, e.g., policies, procedures, reports, tools and others, to evaluate current level of management against human rights and due diligence standards.

Interviews

- BSR conducted interviews with internal stakeholders as part of Phase I of the project, the Human Rights Assessment, and used these insights on processes in place to inform the gap analysis however the gap analysis relied primarily on desktop review of corporate documents.

BSR Analysis

- BSR conducted the gap analysis using an assessment tool based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

Vattenfall's Overall Assessment Against OECD and UNGPs

Vattenfall is generally partially aligned with the requirements contained by the OECD Guidance, and the UNGPs. It is important to note that both OECD and UNGPs do not have a layered compliance approach. This means in order to be considered aligned, Vattenfall needs to meet all requirements outlined by both standards.

		OECD Guidance Preparedness level	UNGPs Preparedness level
Policy commitment		Partially Aligned	Partially Aligned
Management System		Not Aligned to Partially Aligned	Not Applicable
Due diligence	General approach / Scope	Partially Aligned	Partially Aligned
	Integration	Partially Aligned	Partially Aligned
	Monitoring	Partially Aligned	Partially Aligned
	Reporting	Partially Aligned	Partially Aligned
Remediation		Partially Aligned	Partially Aligned

Ranking Level	Level Description
Fully Aligned	Aligned with all requirements
Partially Aligned	Aligned with some requirements
Not Aligned	Missing alignment with the majority of requirements
Not Applicable	The standard does not have this criteria

Main Findings of the Gap Analysis – Good foundation, more robust integration needed

Vattenfall has publicly committed to human rights and built a good internal foundation to manage the issue. The current commitment can and should be strengthened for a clearer alignment to a human rights approach in sustainability and business strategy, and integration of key salient issues

- Overall, Vattenfall is **partially aligned** with the requirements and expectations of the UNGPs and OECD Guidelines. There is generally **a divide between high level policy commitments, external reporting, and actual implementation of human rights due diligence processes across the organization with uneven progress and integration across Business Areas/Staff Functions (BA's/SF's)**
- Efforts to integrate human rights into BA/SF operations have been ongoing through the SPOCs system. While **progress is made based on the 11 Steps to 2022* and in areas such as high-risk procurement categories identification, ownership and accountability for human rights at BA/SF level should be further strengthened**. The **lack of accountability by BA/SF in implementing human rights is a severe risk to the success of Vattenfall's ambitions to level up on human rights issues**
- Vattenfall has comprehensive management systems on supply chain sustainability. Aside from mandating suppliers follow its Code of Conduct for Suppliers, **direct and high-spend suppliers are covered by continuous monitoring, detailed performance evaluations, risk assessments (SRAT) and corrective measures and on-site audits**. However, **suppliers under the set spend threshold and many indirect procurement categories** are **<u>not</u> subjected to the same due diligence** as direct procurement and this represents a human rights risk

- Forms of human rights due diligence (HRDD) are conducted at various levels, including this independent HRA project by BSR. It however can and must be further strengthened by **defining frequency and triggers to repeat corporate level assessments, initiate a deep-dive assessment** (e.g., based on salience identified in the corporate level HRA, or other events) **or an ad doc due diligence process** (e.g., due to new business operations and sourcing activities). **Ownership and responsibility on addressing past findings and prioritization** should be put in place for each risk and impact assessment that Vattenfall conducts
- In Vattenfall's Whistleblowing system handling procedure and data disclosure, there is a mention of the initiatives taken to perpetrators (# of disciplinary actions), but **no clarity on remediation provided** for the complainants/victims. Providing a grievance mechanism is first step, more importantly, a company must have **remediation process in place to address harms to rightsholders that it may have caused or contributed to**

*1*Vattenfalls action plan for Human rights, see slide 2*

Vattenfall’s consequent priorities and next steps

Based on BSR's assessment, Vattenfall has identified seven areas to prioritise for extra attention moving forward

Primary (High in severity and likelihood, and high relevance for business action)	**Level of Management**	**Secondary** (Moderate severity and medium likelihood, and relevance for business action)	**Level of Management**
Occupational health, safety and security	Strong	Business ethics	Strong
Environmental impact	Strong	Freedom of association & collective bargaining	Strong
Grievance mechanisms and access to remedy	Some	Working Conditions: Working hours, wages & benefits	Strong
Indigenous peoples	Some	Privacy, data, and cyber security	Strong
Community engagement, livelihoods, and cultural heritage	Some	Non- discrimination and equality	Some
Supplier and contractor labor conditions, direct and indirect procurement	Some	Land acquisition and resettlement	Some
Sourcing from conflict-affected or high-risk areas	Some	Responsible use and development of technology	Little
Just transition and responsible decommissioning	Little	Human rights defenders	None

Strong management culture, don't lose focus

Continue to strengthen, but second priority

MANAGEMENT: Strong, Some, Little, None

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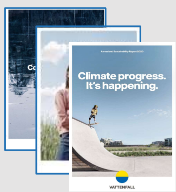
Executive management and the Board of Directors support the prioritization and the plan to translate recommendations into actions

1

Outcomes of the human rights assessment and governance gap analysis – as well as proposed next steps – presented to and approved by the Executive Group Management and Board of Directors

2



Quick-win actions to address recommendations on policies, guidelines, and transparency have already been taken as part of ongoing processes

3

Business area and staff function-specific action plans based on risks, recommendations, and prioritization to be created through dialogue with each relevant unit

4

Progress on implementation of action plans to be tracked and discussed with the CEO and Board of Directors at minimum annually, with updates and iterations to plans occurring as needed. Performance shall be reported on publicly in, e.g., the annual and sustainability report

Appendix – Explanation of terms

Glossary – explaining the most relevant human rights topics for Vattenfall

BSR's review identified the 16 most relevant human rights topics for Vattenfall, see slide 15. The topics are explained here

- **Just Transition and Responsible decommissioning:** A process involving employers, unions, governments and communities, planning and delivering the transition of economies, sectors, and companies to low carbon, socially just and environmentally sustainable activities. At the company level, a just transition is process that plans emissions reduction efforts to maximize positive impacts and minimize negative impacts on workers and communities through retention and redeployment, skills training, new job creation, social inclusion and community renewal.
- **Grievance mechanisms:** A grievance mechanism is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or civil society organizations that are being negatively affected by certain business activities and operations. Grievance mechanisms are sometimes also called 'complaints' or 'accountability' mechanisms
- **Access to remedy**: providing the opportunity for victims of abuse, to seek remedy from a company that caused or contributed to the abuse. Remediation can be in many forms, for example apologies, restitution, compensation or rehabilitation.
- **Human Rights Defender:** a person who acts to address any human right (or rights) on behalf of individuals or groups.
- **Environmental impacts:** impact on the environment such as water streams, biodiversity, air and land.
- **Occupational health, safety and security:** working conditions in a company's own operations which reflects the right to just and favorable conditions of work and the right to life, liberty and security.
- **Indigenous peoples:** people with ancient historical ties with respect to living in and using a specific territory, which often practice unique traditions and thereby retain social, cultural, economic and political characteristics that are distinct from those of the dominant societies in which they live.
- **Community engagement, livelihoods, and cultural heritage** refers to the impact on the community in which a company operates, including how the daily lives and cultural traditions of the people are affected, as well as how the priorities and concerns of the people are taken into account before, during and after business activities are conducted.
- **Supplier and contractor labor conditions, direct and indirect procurement:** the working conditions (e.g. salary, working hours and safety) of people employed by suppliers, sub-suppliers, contractors and sub-contractors in a company's supply chain.
- **Sourcing from conflict-affected or high-risk areas:** risks related to sourcing from areas in a state of armed conflict, fragile post-conflict areas, as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.
- **Business ethics:** how a company prevents non-ethical business behavior such as insider trading, bribery/corruption, discrimination, conflicts of interest, sharing of sensitive information etc.
- **Freedom of association & collective bargaining:** the right of employees to associate in the pursuit of collective workplace goals. Collective bargaining is a way of attaining beneficial and productive solutions to potentially conflictual relations between workers and employers.
- **Working hours, wages & benefits:** risks related to e.g. inadequate wages, excessive overtime, insufficient breaks and insufficient allowances for paid holidays, for employees or contractors hired directly by a company.
- **Privacy, data, and cyber security:** risks related to the processing, storing, buying, selling and accessing of personal data, which might affect an individual's right to privacy.
- **Non- discrimination and equality:** the right of all people to receive equal opportunities and to not be mistreated because of e.g. their age, disability, gender reassignment, marital/civil status, pregnancy and maternity, race, religion or belief, sex or sexual orientation.
- **Land use, acquisition and resettlement:** risks related to land rights violations such as forced resettlements and evictions or negative impact on the livelihoods of people as a consequence of land use or acquisition.
- **Responsible use and development of technology:** how a company uses and develops technology in a safe, respectful and ethical way that doesn't violate human rights, both in its own operations and in its supply chain.