
OUR VISION FOR SUSTAINABILITY

There is always a trade-off between the provision of energy and environmental consequences. Our guiding principle is that meeting the needs of the present must never compromise the ability of future generations to meet theirs.

All forms of electricity and heat production have an impact on the environment – hydro power dams affect rivers and streams, wind power affects the natural landscape, and coal power has an impact on the air, to mention a few. At the same time, access to energy is a prerequisite for the function and development of society.

The criteria for acceptable impact must be set in dialogue with society within a framework that is defined by regulation and market mechanisms. Vattenfall believes that the market economy is the best instrument for striking a balance between diverging interests. A carefully designed regulatory framework is needed to obtain fair conditions and reach common targets and ambitions.

Vattenfall emphasises a holistic view of sustainable development. We see sustainable development as a continuous process comprising the dimensions of economic, environmental and social development. Even though Vattenfall must be successful in creating value in each of these dimensions, economic strength is fundamental in order to create social and environmental values.

WHAT IS EXPECTED OF US?

Sustainable development requires access to energy – Vattenfall's assignment is to provide electricity and heat to its customers and to serve the society. To be successful in this endeavour, we interact with and are dependent on many stakeholders.

A company of Vattenfall's size and influence, which delivers fundamental products like electricity and heat, cannot restrict its focus just to delivery of these products to customers. To be successful we must work for the benefit of the society using a more holistic approach.

We have many stakeholders, all with specific and often differing interests and sometimes even conflicting needs. Being a responsible energy company means balancing the various needs and interests of different stakeholders and handling the trade-off between environmental impact and energy generation in all our decisions.

We have identified a number of expectations regarding Vattenfall's role in society – in the course of running our business and from input from various stakeholders. We break down expectations into environmental, social and economic expectations.

WHAT IS POSSIBLE FOR VATTENFALL TO ACHIEVE?

We want to contribute to a sustainable society by accumulating knowledge for use by and for the benefit of society, as well as through the decisions we make and the actions we take.

Our ambition is to run our plants in the best possible way and to be the benchmark of the industry. This encompasses everything from environmental efficiency in our daily work to major investments.

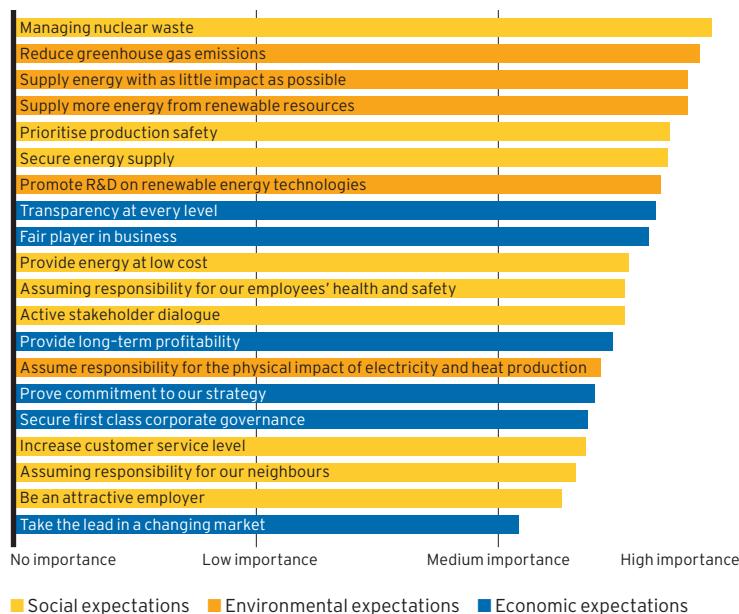
It is our firm belief that to achieve sustainable development, actions must be based on scientific grounds and rational analysis. The relative merits of all energy options must be assessed according to their individual characteristics and their ability to function together in the energy system.

Our sustainability work is result-oriented; we spend our resources in areas in which we have influence and the practical ability to make a change. For example, we plan to invest SEK 7.2 billion by 2012 in developing carbon capture and storage (CCS) technology, which can be used to substantially decrease the environmental impact of our operations.

WHAT IS OUR STRATEGY?

In line with Vattenfall's vision to be a leading European energy company, Vattenfall should actively contribute to sustainable development in society by developing energy solutions for the future. This requires that we listen, that we act and that we have adequate resources. To

Ranking of the expectations



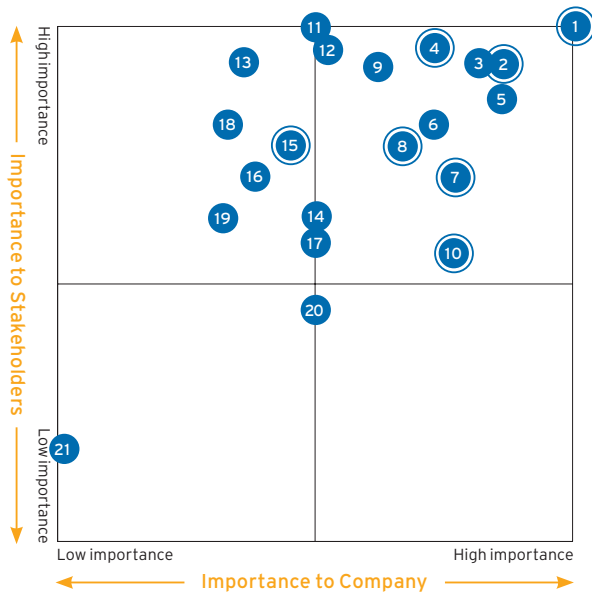
In spring 2008 we invited a number of key stakeholders to confirm these expectations by rating them in relation to how important the issues are to them as Vattenfall stakeholders.

All expectations were rated medium importance or above, indicating that we are focusing on the right issues and that the expectations we have listed are valid among our stakeholders. Overall, stakeholders have assigned the highest importance to environmental expectations. The issues that were assigned the highest importance were managing nuclear waste, which is categorised as a social expectation, and reduction of greenhouse gases, a result that confirms that the most important challenges for Vattenfall regarding sustainability are related to environmental challenges and climate change.

The expectations that are rated as the least important are to take the lead in a changing market and to be an attractive employer, showing that economic expectations and expectations internal to the company are rated as having a relatively lower importance.

A total of 36 respondents participated, representing the stakeholder categories Financial (capital providers & owners), Business and Industrial Customers, Society (authorities, NGOs, politicians, potential employees/academia) and Internal (employee representatives & Executive management). Vattenfall wishes to thank all stakeholders that took part, giving us valuable input for our continued work and prioritisation of sustainability issues.

Materiality Analysis



- | | |
|--------------------------------------------|------------------------------------------|
| 1. Emissions and waste* | 11. Materials used in production |
| 2. Openness and transparency* | 12. Human rights issues |
| 3. Corruption & anti-competitive behaviour | 13. Biodiversity |
| 4. Community relations* | 14. Workforce training and benefits |
| 5. Security of supply | 15. Diversity and non-discrimination* |
| 6. Occupational health and safety | 16. Market presence |
| 7. Customer service | 17. Investment and procurement practices |
| 8. Labour/management relations* | 18. Gender equality |
| 9. Energy efficiency used in operations | 19. Transport |
| 10. Economic performance* | 20. Public affairs and lobbying |
| | 21. Marketing communications |

*) Based on the materiality analysis we have identified a handful key issues that play a particularly important role for Vattenfall and its stakeholders regarding sustainability. These issues are encircled in the matrix. To measure results from our work with these issues we have established so called Preferred Performance Indicators (PPI), GRI-indicators that are especially relevant for us and coupled to our strategic ambitions. Read more on page 6.

To facilitate effective decision-making, we invited a number of key stakeholders in spring 2008 to help select and prioritise sustainability issues that concern Vattenfall. This external input was analysed and matched with Vattenfall's internal stakeholders views and insights, and the results can be seen in the matrix. The overall conclusion is that external and internal stakeholders agree to a large extent on what issues are important for Vattenfall to focus on from a sustainability perspective.

Both internal and external stakeholders assigned top scores to emissions and waste, indicating the major importance of climate change. Other issues that were assigned high importance by both internal and external stakeholders included corruption & anti-competitive behaviour and openness & transparency, showing the importance of fair business and transparency in our communication.

Many issues were assigned a higher degree of importance by external stakeholders than by internal stakeholders, including human rights, biodiversity and materials used in production. All these issues are of course important to Vattenfall as a company, but are seen internally as issues that are well handled which is why they are given a lower importance internally than externally.

On the contrary, internal stakeholders assign higher importance to economic performance than external stakeholders indicating that economical performance as a prerequisite for sustainability is an internal priority that our external stakeholders take for granted.

A total of 58 respondents participated, representing the stakeholder categories Financial (capital providers & owner), Business and Industrial Customers, Society (authorities, NGOs, politicians, potential employees/academia), and Internal (employee representatives, employees & Executive management).

Issues singled out as important to stakeholders and of high significance to Vattenfall, ie. the issues found in the upper right corner, will be highlighted in our reporting. Some of the issues are highlighted and coupled to our strategy.

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ensure that we have the long-term ability to invest in new, sustainable energy generation – and to achieve our vision – we must continuously create economic value in our operations.

To create value we act in accordance with our five strategic ambitions: Number One for the Customer, Number One for the Environment, Profitable Growth, Benchmark of the Industry and Employer of Choice.

Vattenfall's overarching assignment is to serve society. Our five strategic ambitions can also be seen as an expression of how we contribute to sustainable development – of society as well as of our company. In our efforts to fulfil these five ambitions, we are faced with trade-offs relating to short- and long-term decisions, and it is in balancing these trade-offs that we show our responsibility.