

WHAT IS IMPORTANT TO VATTENFALL'S STAKEHOLDERS?

Vattenfall carries on a constant dialogue with different stakeholders as a natural part of its everyday business. This interaction is an ongoing process in customer service, in dialogues with authorities and regulators, in media and investor relations activities, in meetings with neighbours and NGOs, and in meetings with owner representatives and others.

The issues that are important for the company's stakeholders are identified and managed in the everyday business activities and communication. In addition to this work, stakeholders are also invited to participate in specific surveys to identify and prioritise sustainability issues.

In spring 2008, for the 2007 CSR Report, two surveys were conducted internally and externally on the expectations on Vattenfall and materiality of various topics for the CSR report. These surveys are updated biannually to ensure that the CSR report targets key issues for Vattenfall's stakeholders. The overall conclusion was that external and internal stakeholders agree to a large extent on what issues are important for Vattenfall to focus on from a sustainabil-

ity perspective. In addition, the report itself is evaluated by external stakeholders every year.

For the 2008 report, this information has been complemented with an updated collection of topics from various existing stakeholder interfaces, such as Q&A documents, e-mail questions via websites, media coverage, dialogues with neighbours and other documentation. The result of this combination of information is a list of issues presented in order of priority in the table below. In general, issues related to environmental performance have been ranked as the most material (i.e., the most important). The issues that were assigned the highest importance were managing nuclear waste and reducing greenhouse gases. All material issues are covered in the report. In selecting which topics to describe further in the section "What we do", consideration has been given to the topics already covered in previous reports and topics planned to be covered in coming reports. Guidance on further reading in this report, previous reports and annual reports is provided below.

Materiality analysis – issues in order of priority

Issue	Description	Stakeholder	Development 2008	Further information
1. Nuclear waste	Waste from nuclear power generation is a concern for many stakeholders. Methods for final storage to safeguard human health and safety over the long time period of radiation are being developed. Vattenfall plays an active role in the ongoing activities, in Sweden through its ownership of SKB. In Germany the Federal Government is responsible for the final disposal of radioactive waste and the operators of nuclear power plants are responsible for interim storage.	Authorities Citizens NGOs Media	According to the Swedish time plan for permanent storage a decision on location will be taken during 2009. In Germany a repository for high-level radioactive waste is needed by 2030. The exploration of the foreseen site at the Gorleben salt dome is politically stopped.	Management approach Environment, EN22, 2005 CSR Report-Vattenfall webpages
2. Emissions	Vattenfall's emissions to air mainly derive from fossil fuel and biomass-fired power plants. NO _x , SO ₂ and particulate emissions have been reduced in most operations, but CO ₂ remains to be targeted in order to reduce climate impact. CO ₂ emission reductions can be achieved mainly through Carbon Capture and Storage (CCS) technology and increased generation from renewable energy sources. Half of Vattenfall's current electricity generation is low CO ₂ emitting (hydro power, wind power and nuclear power).	All	<ul style="list-style-type: none"> • Inauguration of CCS pilot plant in Schwarze Pumpe. • Investments in wind power in the UK. • Investment decision on desulphurisation at the Siekiarki power plant in Poland. 	pp.20–25 EN16–20 Annual report 2008 CSR Report 2007 pp.12–15
3. Resource efficiency and management of production residues	Resource efficiency is fundamental for sustainability. Improving efficiency means society's need for energy can be met with less impact. Efficiency measures target all resources used in operations, including fuels, water, energy, capital, etc. Management of production residues is important for society. It includes handling hazardous waste but also re-use of residues when possible (for example production of gypsum in the flue gas cleaning processes, which leads to less use of natural mined gypsum in the construction industry).	Politicians Authorities NGOs Owner Capital providers	<ul style="list-style-type: none"> • Continuous efficiency improvements (see economic performance management approach). • Increased use of waste as a fuel (EN1–3). 	EN1–9, EN11–15

Issue	Description	Stakeholder	Development 2008	Further information
4. Supply chain practices and contracting	Vattenfall is expected to be a transparent and fair player in business. In procurement, UN Global Compact standards must be met, including human rights, labour standards, and environmental and anti-corruption standards. This is ensured by audits when deemed necessary.	Customers Authorities Politicians NGOs Employees Media	<ul style="list-style-type: none"> Group-wide code of conduct for suppliers established. Audits of large fuel suppliers performed. Vattenfall joined the UN Global Compact initiative as a business participant in June 2008. 	HR management approach, HR2, CSR report 2007
5. Security of supply	Vattenfall's role in society is to provide energy. Power outages and supply shortages have severe consequences. Expectations are placed on the energy system in terms of reliability, availability and affordability, in both the short and long term. Continuous efforts are made to ensure security of supply in the generation portfolio as well as reliability of distribution and transmission grids.	Customers Citizens Politicians Capital providers	Vattenfall invested approx. SEK 20 billion in electricity and heat generation in 2008, and SEK 6 billion in the electricity distribution and transmission grid.	Economic performance EU26–28 Annual report 2008
6. Operational safety	Safety is a primary concern in all Vattenfall operations. All stakeholders give high priority to nuclear safety, and Vattenfall has taken measures to strengthen Group-wide work on nuclear safety. Focus is also on dam safety in hydro power plants, safety around high-voltage grids, etc.	All	<ul style="list-style-type: none"> Safety processes in the nuclear power plants are emphasised. Accident rates were reduced by one-third between 2006 and 2008. 	EN management approach, pp. 8–9 CSR Report 2007
7. Investments in renewables	Vattenfall is expected to play a leading role in generation from renewable energy sources with the purpose of reducing CO ₂ emissions and securing a long-term supply of energy. The share of energy generation from renewable sources is increasing through a strong investment plan. Research and development (R&D) efforts aim at developing potential large-scale viable solutions.	All	<ul style="list-style-type: none"> Leading role in wind power development. Increased use of biomass. R&D and investments in ocean energy. 	EN5–7, Economic performance Annual report 2008
8. Employer practices	To ensure continued development of the company and to attract the right competence, Vattenfall strives to create a safe, healthy and stimulating work environment. This includes offering competitive benefits and training, ensuring diversity (age, gender and ethnicity) in the workforce and management, improving labour/management relations and assuming responsibility for occupational health and safety.	Employees and potential employees Politicians	<ul style="list-style-type: none"> The Management Planning and Competence Planning processes have been combined and give better output. The focus and follow-up on commitment targets has increased. 	pp. 32–35, LA1–14, HR4,
9. Land use and ecosystem impact	Energy generation and distribution has an impact on the landscape and ecosystems. Examples are the impact on rivers of hydro power, and the impact on landscapes from wind power and lignite mining. Vattenfall strives to manage this impact in a responsible manner through a number of programmes.	Neighbours NGOs Authorities Politicians Citizens	Continued efforts have been made to reduce ecosystem impact.	EN11–15, CSR report 2007 pp. 21–23
10. Customer service	Vattenfall aims to provide energy at fair and market-based prices. Prices are a major concern for customers in all markets, and taxation has a major impact on consumer prices. Vattenfall strives to provide excellent customer service. The customer offering also includes support for energy efficiency, which can reduce the total energy cost for customers, as well as a declaration of origin and information on environmental impact.	Customers Owner Capital providers	A trend-break in customer satisfaction index (CSI) in the Nordic. Increase sales of products with declaration of origin.	Product responsibility management approach, PR5
11. Economic performance and growth	Economic performance and growth is a fundamental requirement for Vattenfall to ensure funding for investments and enable the company to play an active role in developing future energy solutions. The long-term profitability target set on Vattenfall by the owner is 15% of return on average equity. Also, management is committed to maintain a single A debt rating.	Owner Capital providers Politicians Society	A number of acquisitions were made in 2008, especially in wind power in the UK. Vattenfall's economic performance was stable during 2008.	Economic performance, EC1–8
12. Stakeholder engagement and community relations	Vattenfall aims for open, transparent and perceptive communication with all stakeholders. This applies to neighbours and the local communities where the company operates, but also to society at large. Stakeholders' needs and expectations are important input in the planning of business operations.	Neighbours Citizens Politicians NGOs	Group guideline for stakeholder dialogue established, which will be implemented in 2009.	EU18, 4.14–4.17