

Vattenfall's hydro power expanded from the beginning of the 20th century until the 1960s, and naturally, the building of hydro power plants in the northern parts of Sweden had an impact on reindeer husbandry. Vattenfall is engaged in a continuous dialogue with Sami communities, as with all stakeholder groups. A large number of mitigation programmes have been initiated and sponsored by Vattenfall, including construction of alternative crossing routes for reindeer herds.

In addition, Vattenfall is helping to preserve Sami cultural heritage by supporting cultural projects, such as sponsorship of the Ajtté Sami Museum in Jokkmokk, as well as other small-scale cultural preservation projects. A more organised dialogue between Sami villages affected by hydro power and Vattenfall is currently being developed.

Guidance on dealing with indigenous groups is provided for in Vattenfall's Code of Conduct as well as through adoption of Global Compact Principles.

### Freedom of association and collective bargaining

Freedom of association is both constitutionally guaranteed and governed by a number of specific laws in the regions where Vattenfall operates. These laws are adhered to throughout the organisation. See HR5.

### Preventing child and forced labour

In the regions where Vattenfall operates, the use of child and compulsory labour is prohibited by a number of specific laws. These laws are adhered to throughout the organisation. See HR6–7.

### Complaints and grievance practices

A Group-wide whistle blowing system is being implemented; see also "Governance of CSR", page 77.

## Performance indicators

### Human rights screening (HR 2)

Vattenfall wants all suppliers to accept and act according to the UN Global Compact. To ensure this, Vattenfall adopted a Group-wide code of conduct for suppliers in 2008 with the purpose:

- to be a Group-wide platform for promoting the right behaviour for enduring, trustful and sustainable business relations, and
- to increase supplier awareness of Corporate Social Responsibility.

Vattenfall's Group-wide code of conduct for suppliers was signed by the CEO in September 2008. Since then it has been communicated both on the web and by requests that have been sent out to a couple thousand suppliers, asking them to accept the code by registering and performing a self assessment in the Vattenfall Supplier Bank ("VSB") via Vattenfall's website. Vattenfall's suppliers are now required to be registered in the VSB, and in due time purchasers will not be able to order from unregistered suppliers. The type of self-assessment depends on the risk assessment of the suppliers and their deliveries. To date more than 3,200 suppliers are qualified on the different levels of the VSB database, and the number is growing steadily.

The risk assessment of nuclear fuel and hard-coal suppliers has led Vattenfall to pay continuous on-site visits to suppliers in these areas in order to conduct audits against the code of conduct for suppliers. The number of audited fuel suppliers is steadily increasing.

To date 25% of Vattenfall's significant suppliers in all steps in the nuclear fuel supply chain have undergone human rights screening, which is a documented procedure for auditing suppliers' policies, communication and implementation of practices in order to respect and support human rights. Each year two to four audits are performed of suppliers in the nuclear supply chain. These audits also cover other aspects of the UN Global Compact, such as labour standards and environmental impact. Since 1 July 2008, all new nuclear fuel contracts include a clause on compliance with the principles of the UN Global Compact.

To date 14% of Vattenfall's hard coal supply has undergone auditing against the ten principles of the UN Global Compact. Since the start of 2007 Vattenfall has included a clause on compliance with the UN Global Compact in nearly all hard coal contracts, and every year two suppliers are audited based on a risk assessment.

### Human rights training (HR3)

All Vattenfall employees are obligated to know and act according to Vattenfall's Code of Conduct, which contains basic information about human rights. The Code of Conduct is part of the management system and is available to employees via the intranet.

Vattenfall is carrying out compliance seminars for all purchasers in Vattenfall during the period autumn 2008–spring 2009. The seminars include training on the code of conduct for suppliers/UN Global Compact.

### Discrimination incidents (HR4)

No cases of discrimination were reported in 2008.

### Freedom of association or collective bargaining (HR5)

In the regions where Vattenfall operates, freedom of association is both constitutionally guaranteed and governed by a number of specific laws. These laws are adhered to throughout the organisation.

- Nordic countries: Freedom of association is guaranteed by Swedish and Danish law. Finland's constitution guarantees everyone fundamental rights and general freedom of association. In Vattenfall's Nordic operations, both the companies and employees utilise their freedom of association.
- Germany: Article 9 of the German constitution ensures freedom of association and collective bargaining and provides the legal basis for union and employer association. Furthermore, the constitution guarantees that all attempts to restrict or interfere with this right are declared void and illegitimate.
- Poland: Trade unions have freedom of association and collective bargaining in Poland. This is described by the "Trade Unions Act", which is part of Poland's labour law. Collective agreements and social funds have to be negotiated with the trade unions.

### Preventing child and forced labour (HR6–7)

In the regions where Vattenfall operates, the use of child and compulsory labour is prohibited by a number of specific laws. These laws are adhered to throughout the organisation.

Vattenfall opposes all forms of child labour and forced and compulsory labour. Vattenfall considers forced and compulsory labour to be contrary to the Group's core values and the Code of Conduct as well as to its commitments under the UN Global Compact.

When Vattenfall employs minors for summer jobs, apprenticeships and so on, this is done in accordance with national legislation which governs the type of work minors may perform and their working hours, such as only allowing for safe work with limited working hours during school holidays.

## IMPACT ON SOCIETY

### Management approach

Energy is a basic requirement in modern society. Vattenfall serves society by delivering the energy needed to make society work and become prosperous. Vattenfall also plays an important role in society as an employer and business partner, and corporate citizenship is emphasised in markets where the company operates. Vattenfall's responsibility is to contribute to sustainable development of society while providing energy solutions that meet customers' – and thus society's – needs.

All activities are guided by Vattenfall's core values:

- Openness: "We tell what we know and show the whole picture of what we do. Our business is not only transparent in a passive way; we also actively seek dialogue with our stakeholders."
- Accountability: "We take responsibility for everything we do and act as a responsible citizen in society."
- Effectiveness: "We strive to do the right things in the right way. This goes beyond mere process-related efficiency. It is important not only how we do things, but also what we do."

### Preventing corruption and bribery

Vattenfall works against corruption in all forms, including extortion and bribery. Vattenfall's business ethics principles state that no employee may offer or receive improper benefits or benefits that may be regarded as improper remuneration in order to obtain, retain or direct business or in order to secure any other improper advantage in business conduct. Such prohibited benefits (bribes, etc.) include cash, items, pleasure trips or services of another nature.

The key to anti-corruption work is to educate all managers and others with extensive external contacts on all levels of the organisation about internal and external rules and, for management, to ensure compliance with these rules. Vattenfall has Annual Group-wide to the board reporting in place in order to ensure compliance.

Moreover, Vattenfall has signed an anti-corruption initiative launched by the World Economic Forum in co-operation with Transparency International and the Basel Institute of Governance. Vattenfall thereby supports 'Partnering against Corruption – Principles for Countering Bribery' (the PACI Principles), derived from Transparency International's 'Business Principles for Countering Bribery'. Adherence to the PACI Principles means adopting a zero-tolerance policy on bribery and a commitment to develop a practical and effective internal programme for implementing this policy. More information about the PACI Principles and definitions can be found at [www.weforum.org](http://www.weforum.org). In May 2006, Vattenfall also became a Principal Corporate Member of Transparency International Sweden, part of a network against corruption headquartered in Berlin.

### Preventing anti-competitive behaviour

Vattenfall has a range of principles, policies and rules designed to ensure that it does not engage in anti-competitive behaviour. Effective and fair competition is vital to ensuring market efficiency. Competition rules are important tools that serve this purpose. As it is truly beneficial from a business perspective, the Vattenfall Group is dedicated not only to complying with competition rules, but also to acting in accordance with business standards that meet the highest expectations from customers and the public.

Vattenfall's Code of Conduct states: "We are to carry on our business activities effectively and in fair competition. We do not enter into or carry into effect restrictive agreements with competitors."

Vattenfall has also adopted specific antitrust and competition rules designed to ensure fair trade and practice in the market. An antitrust compliance programme has been initiated by the Executive Group Management (EGM) and is part of Vattenfall's global leadership development programme. This programme supports Vattenfall's core values of openness, accountability and effectiveness while fostering an overall common business culture and attitude.

The key to anti-corruption work is to educate all managers and others with extensive external contacts on all levels in the organisation about the internal and external rules and, for management, to ensure compliance with these rules. Vattenfall has a monthly Group-wide reporting system in place in order to ensure compliance. In addition, this is reported annually to the board.

A specific issue related to competition among energy utilities is unbundling. Vattenfall complies with unbundling rules. These rules form part of national legislation, based on EU directives, and state that the transmission and distribution business must be separated (for instance placed in separate legal entities) from other businesses, especially the electricity generation and sales businesses. Accordingly, the regulated monopoly business is separated from the businesses under free competition. Compliance with unbundling rules is essential to ensuring that Vattenfall only uses fair means of competition. For instance, Vattenfall's transmission and distribution companies may not discriminate against generation and sales companies from outside the Vattenfall Group. In return, Vattenfall also expects transmission and distribution companies from outside the Vattenfall Group to not discriminate against Vattenfall's generation and sales business.

In cases of non-compliance, Vattenfall's management may, in accordance with internal instructions, take all necessary actions. Employees found responsible for a breach of the instructions and/or competition rules are held accountable. Depending on the nature of the breach, appropriate disciplinary actions, not excluding dismissal, will be considered and taken.

### Public policy

The energy sector is a complex industry that is highly dependent on public policy and political decisions. Being a large energy supplier, Vattenfall is an important actor in society and actively participates in the public debate and democratic process. For example, one major challenge that society and Vattenfall faces is to increase generation from renewable energy. A number of factors must be taken into account when planning for new energy, such as environmental concerns, public confidence, and legal and regulatory aspects. All public policy work at Vattenfall aims at creating the best possible conditions for providing energy to society at commercial grounds.

Through openness and transparency, Vattenfall strives to maintain a continuous dialogue with decision makers and other stakeholders on regional, national and international levels. All activities are handled according to Vattenfall's Business Ethics Principles, which stipulate that all actions and activities must be based on full respect for democratic principles as well as for laws, rules and regulations.

Vattenfall's main operations are in the countries in which the company is a provider of electricity and heat: Finland, Denmark, the UK, Germany, Poland and Sweden. In addition, Vattenfall is active on the European scene, primarily through the Vattenfall European Affairs Office in Brussels.

### Policy

Vattenfall's Code of Conduct regulates the company's approach to interaction with society. The Code is based on the company's philosophy and core values. The Code of Conduct describes, among other things, the company's responsibility with respect to the owner, customers, employees, the environment, the business environment and the community. High ethical standards must be maintained in all actions and in all contexts.

### Compliance with codes, agreements and frameworks

Vattenfall has no specific, formal framework for managing societal interaction and support. Instead, it relies on several principles and tools, for example:

- The company's philosophy, Business Ethics Principles and Code of Conduct.
- Vattenfall has formed a stakeholder platform and surveys stakeholders' expectations and opinions. This forms a basis for operational and reporting matters, such as for improving this report.
- Vattenfall supports and complies with the principles of the UN's Global Compact.
- Partnering against Corruption – Principles for Countering Bribery (the PACI Principles).

### Organisational responsibility

Organisational responsibility for managing societal impact and interaction follows the regular governance structure. Organisational responsibility for managing the impact of operations (including sponsoring and donations) is handled by the respective business units. However, some of these tasks are centralised or managed in co-operation with Group functions.

With respect to community and public policy development, a separate organisation exists within Vattenfall – Vattenfall Public Affairs, under Group Communication. This is a wide-ranging function that co-ordinates Vattenfall's positions on key issues and is the direct link to Vattenfall's owner – the Swedish state.

The most senior position in public policy matters is the Head of Group Communication, who is also a vice president of the company.

Public affairs functions exist in every country in which Vattenfall operates. The Group Public Affairs function co-ordinates activities between countries. Activities are conducted in close co-operation with Vattenfall's European Affairs Office in Brussels.

The General Counsel of the Vattenfall Group (who is also Head of Group Function Legal Affairs) co-ordinates the guidelines, instructions and follow-up of measures to prevent corruption and anti-competitive behaviour. It is the responsibility of each manager in the line organisation to ensure compliance (e.g., by implementing local instructions) and

to report on this compliance. The line organisation also reports all major disputes to Group Function Legal Affairs regularly and on specific cases

### Training and awareness

Vattenfall's managers and employees throughout the Group carry on a continuous dialogue with stakeholders in society. Vattenfall strives to improve communication skills at all levels of the company, for example through media training and workshops.

Vattenfall offers training programmes on corruption, public policy and anti-competitive behaviour. For example, in the Antitrust Compliance Programme developed and implemented by Vattenfall's Executive Group Management (EGM), one-day seminars are held at which discussions are conducted on Vattenfall business cases and how to apply the Company's rules in different situations. The participants prepare for each seminar using a special e-learning tool. The target group is all managers at the Business Group and business unit levels as well as other employees with extensive external and competitor contacts. The objectives of these seminars are to:

- Ensure a shared basic understanding of the rules and how to comply with them and Vattenfall's internal values, policies and rules,
- Support a shared Vattenfall business attitude and a shared corporate mind-set, and
- Enable delegation of responsibility for compliance with the rules.

### Goals, performance and risk pertaining to impact on society

#### Customer Satisfaction Index

Vattenfall has set a customer satisfaction target to measure success; the aim is to achieve a Customer Satisfaction Index score of 63 for retail customers for the period 2008–2010. The long-term goal is 70. For further information, see the indicator PR5.

#### Vattenfall Reputation Monitor

Vattenfall is interested in how society perceives the company and in people's opinions about the company, and strives to continuously improve stakeholder relationships. One important tool to collect feedback from all stakeholder groups is the annual Vattenfall Reputation Monitor (VRM), which measures awareness, reputation and preference of Vattenfall – among many other parameters – and by statistical simulation suggests actions areas for improvement.

#### Risk

Vattenfall's operations are exposed to a number of risks that affect earnings and the balance sheet. To manage these risks, Vattenfall has established an organisation and risk management process. Governance takes place through a set strategy and established body of rules. To be able to effectively manage manageable risks, methods and models are being continuously developed to measure and evaluate risks and their management. Read more about risks in the 2008 Annual Report.

Political risk is defined as the commercial risk that can arise as a result of political decisions. Examples of this are price regulation in electricity distribution and transmission, uncertainty regarding a new political majority, or changes in finance policies. In connection with acquisitions and other investments, this type of risk is managed by adjusting the cost of capital. Another type of political risk stems from changes in the rules governing the energy industry. These can concern such factors as changed taxes, environmental surcharges, changes in how natural monopolies are regulated, and political goals for the energy system. This type of risk is more difficult to predict and protect against. To mitigate this risk, Vattenfall conducts active business intelligence activities and maintains contacts with decision-makers in relevant markets. Vattenfall also belongs to various national and international trade organisations.

Non-compliance can have considerable financial consequences, especially with regard to anti-competitive behaviour. Furthermore, there is an obvious risk of damage to the Vattenfall brand.

Vattenfall has a zero-tolerance policy regarding the soliciting and accepting of bribes, and it expects its suppliers to respect this position. Internally, prevention of corruption and anti-competitive behaviour is

mainly regulated by instructions at different levels in the Group. With respect to Vattenfall's suppliers, Vattenfall's code of conduct for suppliers has been adopted as part of the agreement with suppliers. Prevention of corruptive behaviour is followed up by regular reporting to the responsible Group functions. This regulation, in turn, is audited by the Internal Audit function. In 2008 a Group-wide seminar for purchasers focusing on compliance was developed and held for the first time (see HR2–3).

### Including stakeholders in decision-making processes (EU18)

Vattenfall's stakeholder dialogue is conducted on many levels throughout the Group, centrally at the Group level as well as on a local operational level. Vattenfall has identified its stakeholders by mapping the impact Vattenfall has on certain groups, or the impact that these groups have on the company. Stakeholders are involved in many decision-making processes, especially changes affecting the specific stakeholder group, such as people living in the vicinity of the company's operations. For additional information, see Impact on society SO1, EU19, EU21 and Governance of CSR, 4.14–15 and 4.16–17.

### Emergency management and contingency planning (EU20)

Incident and Crisis Management (ICM) within the Vattenfall Group is steered by Group instructions that are part of the Vattenfall Management System (VMS). The purpose of ICM is to ensure that all types of incidents and crises are managed in a professional, secure and responsible manner. The main objective is that the organisation shall always be prepared and equipped to perform effectively in an incident or crisis situation. Incident and crisis handling must be an integrated part of the daily business activities in order to be able to handle extraordinary situations that can occur.

The basic requirement is that all units within the Vattenfall Group whose operations involve risks that may lead to an incident or crisis must be able to manage any such incident or crisis. This implies that:

- Analysis must be performed of all risks that may lead to a crisis.
- Business continuity plans shall be in place if the risk is unacceptable.
- An emergency management plan shall be in place.
- An emergency management group shall be appointed, prepared and trained.
- There must be capacity for taking care of personnel and family who are affected by a crisis.

Functional Group instructions are also in place, which contain more detailed requirements for business continuity planning. One example is the Group Instruction for Information Security, which lays out special requirements for business continuity management.

In 2007 and 2008 the Vattenfall Group developed a new Group-wide Incident and Crisis Management (ICM) concept that broadens the scope of crisis management. It includes a new Group-wide ICM organisation, which was operational by 1 July 2008. The ICM unit includes Duty Officers for Crisis Management and Crisis Communication with 24/7 responsibilities, at both the Group and Business Group levels. Vattenfall's Executive Management Group also appoints Directors-on-Duty, who also have 24/7 responsibilities. The ICM organisation focuses on monitoring events, supporting the line organisation, and when needed (extraordinary circumstances) taking the lead in incidents and crisis situations.

The Vattenfall Group is currently building up an Enterprise Risk Management framework, which also includes quarterly risk reporting. Security risks and other risks that could lead to potential ICM risks are included in the ERM reporting. Vattenfall AB's board of directors holds a yearly risk seminar, which also covers ICM risks.

Vattenfall has nuclear operations in Sweden and Germany. Nuclear safety is a central concern, which also includes extensive requirements for continuity planning and emergency management. This is handled in close co-operation with national authorities. From 8 February 2007 through 28 April 2008, Vattenfall AB's board of directors had a safety committee that was tasked with closely monitoring and overseeing nuclear safety within the Group. The committee was dissolved in accordance with the Safety Committee's recommendation, since it had been

a temporary measure and had fulfilled its purpose since the recommended actions had been implemented, especially through the appointment of a Chief Nuclear Officer who reports directly to CEO on nuclear safety. In 2008, Vattenfall further raised its nuclear safety ambitions and set the goal of becoming Number One in Nuclear Safety in the industry within five years. Measures taken include the appointment of a new independent Vattenfall Nuclear Safety Council, with external and international participants. The new organisation as of 1 January 2009, with a new Group-wide Nuclear power business unit as part of the new Pan-European Business Group, will enable this development. In spring 2008, the OSART review performed at Forsmark concluded that Vattenfall's safety management maintains a good international standard.

In 2008, four events classified as INES level 1 have occurred in Vattenfall's nuclear power plants in Sweden (none in Germany):

- June, Ringhals 2, insufficient flow from two pumps in the auxiliary feedwater system.
- August, Ringhals 3, deviation in fuel design compared with specification.
- August, Forsmark 2, a closed valve in the reactor emergency core cooling system caused one out of four parallel trains to be not operable.
- October, Forsmark 3, one broken control rod out of a total of 169 control rods.

All events have been attended to, and measures taken.

Vattenfall also participates in various national programmes and forums regarding critical infrastructure protection.

## Performance indicators

### Managing impacts of operations and displacement (SO1, EU19, EU21)

Access to energy is a prerequisite for the function and development of society. Vattenfall's responsibility as an energy company is to provide energy solutions that meet customers' and society's needs. Vattenfall strives to manage the impact of its business in a responsible way, balancing the needs of different stakeholders.

It is important for Vattenfall that the people living in the vicinity of the company's operations are not affected more than necessary. Regardless of the type of impact the operations may cause, Vattenfall as a company tries to be as receptive as possible to the needs and demands of affected stakeholders. Vattenfall has therefore established processes to interact with communities when planning for new operations. This is to ensure that everybody has an opportunity to have their say and suggest possible improvements.

### Resettlement and mining operations

Vattenfall's lignite mining operation in Germany has a direct impact on communities, and several small communities have been resettled as a consequence. During 2008 no people were resettled, but resettlements are planned for the future. For this purpose, a formalised socially acceptable resettlement process is used to ensure that Vattenfall is a Benchmark of the Industry by handling the issue with great care and respect. The resettlement programme involves all aspects, from financial compensation to preserving the social structure in the village. At the beginning of the resettlement process an assessment is performed which involves all citizens. The assessment results in a specification of social requirements (Soziales Anforderungsprofil, SAP). The resettling community and Vattenfall then sign specific resettlement agreements that address the following points:

- All inhabitants will be moved to a common location together. New villages are connected to existing communities. If there is no access to services (e.g. schools, utilities, healthcare) in the existing community, new institutions are built. This way both communities benefit.
- The resettlers are included in the overall process of resettlement and are involved in shaping it. The resettlers are part of a working group together with Vattenfall and the county. As part of this working group, the resettlers are fully involved in the complete process of resettlement. It is the resettlers who decide on the new location, usually by choosing between up to five different locations. The next step is that all resettlers are given the opportunity to choose their new place of

property and direct neighbours. Furthermore, all residents' requests and suggestions are considered, such as clubs and social associations of the resettled and the new communities.

- The affected villages are developed and preserved until the time of resettlement.
- Property owners are compensated on the basis of their existing property by providing them with adequate family-based replacement property with no need for new funding.
- A tenant action concept provides a number of guarantees, including acceptable rents in rented apartments at the resettlement location.
- Small businesses are preserved and continued.
- Community life in clubs and associations is kept functioning and is supported. The resettled community has all necessary infrastructure to conduct social activities, sports or other recreational activities, including stadiums and community centres. Items of cultural heritage, such as historical monuments or buildings, are transferred to the new location. Furthermore, funds are raised to support social and sports activities, events such as anniversaries and local traditions, social work and economic development.
- For the move itself, an action concept is drawn up together with the resettling and the absorbing communities.
- The move is carried out in the shortest time possible.

Three villages have been resettled since 2001, and there are plans to resettle one more village in 2013.

#### Resettled villages

Year	Village	Resettled inhabitants
2001	Geisendorf	45
2003	Horno	350
2006	Haidemühl	650
2013	Trebendorf/Schleife	260

The northern Swedish community of Kiruna, where Vattenfall is the electricity network owner, is being resettled as a consequence of the mining operations of the Swedish company LKAB. Vattenfall has co-operated with local authorities (Kiruna Municipality, the Norrbotten County Administrative Board, the Swedish Road Administration and the Swedish Rail Administration) and LKAB on stakeholder expectations and the planning of the new grid. Requirements were that it should be flexible to adapt to changing plans for the future locations and meet high environmental standards. Most construction in central Kiruna is now completed and the first relocation will take place in 2010. Costs for the new distribution grid, approximately SEK 400 million, are being shared by LKAB and Vattenfall.

### Risks related to corruption (SO2)

Business units are analysed for risks related to corruption (and anti-competitive behaviour) as part of the general risk reporting of the Vattenfall Group. All operating units without exception are part of this reporting and analysis system.

### Anti-corruption policies, procedures and training (SO3)

Training in antitrust compliance has been conducted since 2005. All managers and other employees with extensive external contacts are required to participate in at least one antitrust compliance seminar or in a similar education programme.

During 2008, 82 employees participated in antitrust compliance training, and by year-end a total of 1,129 employees had completed the training. The goal is that all staff with extensive external contacts shall go through the training. It is the responsibility of each Business Unit to decide which staff to educate.

### Actions against corruption (SO4)

It has been reported that one employee was disciplined in 2008.

### Public policy positions and development (SO5)

Dealing with climate change is a significant issue for Vattenfall. Vattenfall fully recognises the risks of climate change and wants to contribute constructively to efforts to find solutions to the problem. Accordingly, Vattenfall has engaged in this issue internationally and launched a global initiative – Combat Climate Change (3C) – which demands that climate issues be integrated into the world of markets and trade. The 3C initiative is aimed at creating a global alliance of companies that are willing to take the lead in demanding integration of climate issues into the world market and facilitate trading through a global framework that will come into force in 2013. Vattenfall is responsible for co-ordinating the initiative. Other companies are welcome to join.

### Political contributions (SO6)

Vattenfall does not give support to political parties, politicians or related institutions. Other contributions to society are summarised under 4.16–17 (page 80). Vattenfall is a state-owned company, and shares in the company are not publicly available.

### Legal actions pertaining to anti-competitive behaviour (SO7)

At Vattenfall Poland, one legal action pertaining to anti-competitive behaviour was reported during the year. The outcome for Vattenfall was favourable.

The Swedish Competition Authority is investigating whether Vattenfall AB (Heating) has over-priced heating in Uppsala and thereby violated the prohibition on abuse of dominant position regulated in paragraph 19 in the Swedish Competition Act (Konkurrenslagen). The investigation has been ongoing at the Swedish Competition Authority since at least 2005. The likely outcome for Vattenfall is judged to be favourable.

### Sanctions (SO8)

A total of fifteen sanctions for non-compliance with laws and regulations were reported in 2008. The total monetary value is not collected at the Group Level.

## LABOUR PRACTICES

### Management approach

Vattenfall's employees are the backbone of its business success. Their talent is a precious resource comprising individual knowledge, skills and qualifications. In the future, the most significant success factor for Vattenfall will be having people with the right competence. Therefore, one of Vattenfall strategic ambitions is to be an Employer of Choice. This means that Vattenfall strives to create a work environment that enables the company to attract, develop and retain people with leading competence and promotes top performance.

Vattenfall's Human Resources (HR) Policy states: "Work at Vattenfall shall provide opportunities for development in a safe, healthy and stimulating environment." The policy also describes the role that corporate culture plays in the company's business approach: "Vattenfall's company philosophy and steering model are characterised by our three core values: openness, accountability and effectiveness. These values form the basis of our corporate culture and are the foundation from which we work towards our overall vision." The purpose of the corporate culture is to encourage strong employee commitment and enhance Vattenfall's attractiveness among potential employees.

Vattenfall's Human Resources Policy, Code of Conduct and other instructions are part of the Vattenfall Management System (VMS) and form a platform for the management of responsible labour practices within Vattenfall.

### Employment

During the coming decade, demographic changes will lead to increased

competition for potential employees as a significant number of the company's employees are approaching retirement. In combination with plans for growth and large investments, this leads to significant recruitment needs and makes the ability to attract, retain and develop the right competence a critical business success factor.

Market oriented salaries and benefits – including performance-based compensation – are a prerequisite for being able to recruit and retain competent employees. Vattenfall offers competitive salaries and benefits and strives to be an employer that rewards strong performance, identifies potential and applies flexible solutions to facilitate employees' work. Accordingly, Vattenfall offers individual and differentiated salaries with focus on performance and potential.

Vattenfall has an international assignment process, and the number of employees stationed abroad is steadily increasing. In view of the company's international operations, mobility across national borders is highly important.

### Labour/management relations

The annually recurring My Opinion employee survey covers a wide range of issues and aspects. Through My Opinion, employees have an opportunity to express their opinions about everyday work, managers and the company. The tool is used throughout the organisation as a basis for action plans to improve the work environment. Best practices derived from the action plans are shared and become a useful tool for management.

In addition, local actions are taken in all countries and include open-door initiatives in which employees can meet with management, team meetings, and forum/chats on the intranet regarding current issues of employee interest.

The overall participation rate in the MyOpinion survey was 69% in 2008.

### Occupational health and safety

The Human Resources Policy states that that Vattenfall shall provide "a safe, healthy and stimulating environment". This is further elaborated upon in Vattenfall's Health and Safety Policy, which states the objective that no employee shall be injured or fall ill due to his or her work situation.

Top management is involved in health and safety work by setting and monitoring safety goals. Vattenfall's managers also serve as role models by promoting health and safety-oriented behaviour. To promote high levels of health and safety, Vattenfall maintains a continuous improvement process.

Vattenfall works actively to improve employees' health by offering regular health check-ups and taking preventive measures according to national legislation. The company is active in supporting employees with prolonged illnesses so they can return to work.

Employee well-being and safety is measured by health and safety indicators and by reviewing health and safety-related questions in the My Opinion employee survey.

Vattenfall treats contractors' employees in the same way as its own employees regarding health and safety issues. Contractors are expected to follow Vattenfall's health and safety standards and this is followed up on regular basis.

### Training and education

Vattenfall provides opportunities for all employees to develop as professionals and individuals. Vattenfall's Human Resources Policy emphasises the importance of competence development, and states: "It is important that our managers possess business and professional skills as well as social and leadership competence. Our competence development supports the business operations and emphasises learning as a continuous process. To reach our goals we freely share our skills, knowledge, resources and opportunities."

Learning is regarded as a continuous process. The approach to competence development is that skills are developed primarily in daily work and through participation in different projects. There is no Group-wide policy regarding training and education; instead, local country-specific regulations apply.

Vattenfall has two internal institutions for competence development, Vattenfall Management Institute (VMI) and Vattenfall Business Institute (VBI). VMI is designed for management development and offers both general management training as well as advanced programmes at the strategic level for senior managers. Development programmes for func-