

SOCIAL PERFORMANCE

PRODUCT RESPONSIBILITY

Management approach

Vattenfall's main products are heat and electricity. The nature of these products implies that when used correctly, they have little direct adverse impact on the environment, public health and safety. Vattenfall works actively with energy efficiency, in its own operations as well as by providing customers with advice and support on improving their energy efficiency. Vattenfall also informs customers about safe use of electricity and provides information on electromagnetic fields based on current research in this area.

Managing product responsibility issues

Vattenfall takes an advisory role in helping customers save energy. What the company can control pertains to the generation and distribution of electricity and heat and the use of the resources it requires. Vattenfall is actively working to avoid and reduce any adverse impact of its operations, including emissions, effluents, waste and noise from power plants.

Customer health and safety

Most health and safety issues associated with Vattenfall's products arise when customers use electricity to operate other products, not from the electricity itself. Although there are certain direct risks in the use of electricity, these are usually negligible in correct everyday use. The same applies for heat and cooling.

Vattenfall's marketing and sales functions have a high-profile role in promoting safety by informing customers about safety issues in connection with their use of electricity. Information to customers is generally communicated in brochures, newsletters and marketing material in all countries. Customers are also continuously informed through Vattenfall's websites and at customer service centres in all countries. The information that Vattenfall provides ranges from electricity safety in general, to safety measures during thunderstorms and power outages.

Product and service labelling

In addition to information regarding safety, Vattenfall strives to take an advisory role in helping customers save energy.

For example, Vattenfall Nordic has launched an energy efficiency programme to inform customers on energy efficiency and promote an active dialogue. The programme has a dedicated website, Energy Guide, that provides advisory services and useful information. The website allows visitors to calculate the effects of changes in energy consumption habits and to find out if a potentially higher initial investment will be compensated by a decrease in energy costs. In Sweden and Finland, Vattenfall has conducted several high-profile campaigns on wind power. In Germany 50,000 students participated in the Vattenfall Klimaakademie, and a thousand households received extensive advice on energy saving issues. Customers are also continuously informed through Vattenfall's websites and at customer service centres in all countries.

Marketing communications

Vattenfall complies with international codes, such as the ICC International Code of Advertising Practice and the OECD Guidelines for Multinational Enterprises. In the countries where Vattenfall operates, the company complies with national legislation, which often is more stringent than international codes and frameworks.

Customer privacy

Vattenfall's Communication Policy states that "Confidentiality is strictly applied with regard to relations or agreements with customers and business partners. The same applies to information about employees or former employees of Vattenfall."

This is further elaborated upon in the Group Instruction on Legal and Business Ethics Principles, which states, among other things: "Information concerning a natural person (personal data) shall be handled with respect for the individual's privacy at all times. The Vattenfall Group shall always endeavour to ensure that personal data is processed with the individual's consent. Personal data that may be regarded as sensitive may only be processed if there are strong reasons to do so and it is clear that the legal conditions have been met. No one is allowed to disclose personal data to a person outside the Vattenfall Group unless it is clear that the legal conditions for doing so have been met. It shall be noted that in certain cases there might be specific reasons for keeping personal data confidential."

Both the Communication Policy and the Instruction on Legal and Business Ethics Principles apply throughout the Group. Furthermore, a number of laws are in effect that govern citizens' right to privacy, such as through EU directives concerning the protection of data privacy.

According to the Vattenfall Management System, all of Vattenfall's external websites are required to provide information about the Group's privacy policy, including information about cookies. This shall be the case also when it is not a legal requirement. This information can be found on a specific Privacy Policy page on the websites, available via a link on the page footer.

Compliance with codes, agreements and frameworks

Vattenfall has adopted and complies with several product responsibility frameworks:

- Vattenfall complies with all customer privacy laws and regulations, such as national legislation based on EU directives concerning protection of data privacy.
- Vattenfall meets the requirements on product information and electricity labelling stipulated by EU directives.
- Vattenfall was the first company in the world to receive an Environmental Product Declaration (EPD) in accordance with ISO 14025.
- Vattenfall meets the requirements on unbundling according to national legislation (based on EU directives), thus enabling the customer to choose electricity supplier without being discriminated by the customer's distribution company. (See also Work against anticompetitive behaviour, page 63.)

Organisational responsibility

Vattenfall provides information on the safe use of electricity to customers via different communication channels. Responsibility for communication with customers lies with the marketing and sales functions. For further information, see the Product and service information (PR3) indicator.

Goals, performance and risks

Vattenfall does not control the use of its products, and the products are neither a liability nor a risk to the company as such. However, Vattenfall acts immediately whenever safety risks are discovered and actively promotes energy efficiency. Vattenfall does not track performance regarding product responsibility other than measuring customer satisfaction (which to some extent correlates with how customers perceive information).

Programmes that improve access to electricity services (EU22)

In the Nordic countries, Vattenfall is obligated to deliver access to the electricity grid to customers even if they have poor credit scores. In such cases a cash deposit must be paid in advance. If no such means are available, social services are contacted to arrange for payment of the deposit.

In addition to programmes in Vattenfall's markets, Vattenfall is engaged in the World Economic Forum's Energy Poverty Action (EPA), which is a private sector initiative to reduce energy poverty by bringing effective energy delivery and use to under-served villages and peri-urban areas. Together with two other utilities, Vattenfall has formed an alliance that is currently developing its first projects in this area. In one of these projects, a village in southern Lesotho will be provided electricity by a combination of grid extension and solar cells.

Accessibility of information on safe use (EU23)

Customer centres and websites are important sources of customer information. Vattenfall strives to support groups with special needs by making its websites more available and user-friendly. The basis for this work is the Group Web Access Initiative and the Web Content Accessibility Guide, which provides a set of international guidelines.

Vattenfall's customer centres are staffed with foreign language speakers, and some information material is produced in different languages. One example is in Berlin, where customer information on energy savings is available in Turkish.

Performance indicators

Health and safety impacts (PR1)

Vattenfall actively strives to take the initiative in detecting serious hazards that pose a risk to customers, especially with respect to incorrect use. For example, in Poland Vattenfall promotes use of district heating instead of water heated in individual, hazardous old systems based on gas boilers.

Power lines, like any electrical device, generate electromagnetic fields (EMFs). Concerns have been raised about whether electricity could be hazardous to people's health, and whether EMFs could cause cancer or any other disease. Over the past thirty years considerable effort has been dedicated to investigating this issue. The research is ongoing, and there is a range of divergent views. However, the balance of scientific evidence to date suggests that normal levels of EMFs do not cause diseases. Vattenfall actively monitors related international scientific work in this field and complies with the international industry standard set by the International Commission on Non-Ionizing Radiation Protection as well as any related national regulatory requirements. Vattenfall contributes to the collaborative research undertaken by Elforsk (the Swedish Electrical Utilities R&D company).

Product and service information (PR3)

Vattenfall complies with local regulatory requirements regarding product information and labelling, and issues regarding this are dealt with by the local marketing organisations. Vattenfall meets the product information requirements on electricity labelling in national legislation (based on EU-directives), which require that electricity suppliers provide information to all customers on the fuel mix and environmental performance (minimum CO₂ emissions and radioactive waste).

In addition, Vattenfall describes its environmental impact in a transparent and detailed manner using life cycle assessments and environmental product declarations. Vattenfall uses life cycle assessments (LCAs) as one method to assess the environmental impact of its operations "from the cradle to the grave". LCAs have led to improved environmental performance in many areas, including reduced use of water in operations, reduced risk of oil leaching to soil and water, and increased recycling of materials. Vattenfall was the first company in the world to receive an Environmental Product Declaration (EPD) in accordance with ISO 14025.

Customer satisfaction (PR5)

Customer satisfaction index	Retail customers		Corporate & Industrial, SME ¹⁾	Corporate & Industrial, Large ¹⁾
	2008	2007	2008	2008
Electricity sales				
Sweden	69	62	62	64
Finland	66	65	62	70
Germany	62	67	57	64
Poland	73	73	62	65
Distribution				
Sweden	68	59	61	62
Finland	64	62	60	n/a
Germany	61	64	58	63
Poland	74	73	62	65
Heat				
Sweden	65	62	62	n/a
Finland	67	73	70	n/a
Germany	n/a	n/a	59	n/a
Poland	68	n/a	84	n/a

1) The segmentation of measurements for Corporate and Industrial customers (both SME and Large) has been changed since 2007. Comparable data is therefore not available

Customer satisfaction issues have gained increased attention during the last couple of years and will continue to have high priority in the future. In 2004 Vattenfall adopted a set of customer satisfaction requirements and targets to measure its performance in fulfilling the strategic ambition to be Number One for the Customer.

Targeting and measuring customer satisfaction

In 2007 Vattenfall adopted five target areas, one for each of its strategic ambitions. The target for the strategic ambition to be Number One for the Customer is based on Vattenfall's Customer Satisfaction Index (CSI) for its retail customers. The target is broken down into individual targets for the Business Groups: Nordic (Sweden, Finland) and Central Europe (Germany and Poland), as well as for all the Group's sales, distribution and heat business units.

The Business Groups draw up business plans, which describe how the customer satisfaction targets will be reached. The targets are followed up in the same manner as financial targets.

Targets are set in comparison with leading service companies (mainly the major power, telecom and insurance companies) in Europe and are communicated in the business planning directives that are issued to the organisation once a year. The long-term target is that customer satisfaction, as measured by Vattenfall's Customer Satisfaction Index (CSI), should be in the top tier among the leading competitors in each market. Customer satisfaction should also be on the same level as leading actors in similar industries, such as telecom. This implies a long-term CSI target above 70 for retail customers and above 65 for corporate & industrial customers.

Formal instructions are issued that direct the way in which CSI measurements are carried out, such as what questions are to be asked, scales for the answers, the statistical analysis method to be used, sample sizes, reporting format and survey timing. This ensures that figures are comparable to the European Performance Satisfaction Index (EPSI).

As of 2008, Vattenfall's CSI process has been more centralised in order to improve the quality and comparability of measurements. The objectives are to enable transparent internal and external benchmarking, to use CSI as a strategic tool, and to use links with other stakeholder measurements in the future. During the year a Group-wide CSI process co-ordinated at the Group level was developed, including common customer segmentation for CSI purposes, questionnaires, sampling methodology, survey approach, analysis model, and reporting and presentation structures. This new Group-wide CSI process was used for the first time in the 2008 CSI measurements covering the retail, SME and some B2B large customer segments in all markets. In 2009 the Group-wide CSI process will be optimised and the scope will be extended to cover also the reseller and MEGA segments.

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In 2008, Vattenfall's customer satisfaction index (CSI) for the Group as a whole was 64, which is a stable result compared to last year. However, the trends varied significantly between Vattenfall's markets. In the Nordic region, there was a strong positive development of the CSI results compared with last year. The Swedish results, in particular, were substantially stronger for most of the segments compared with 2007. The results indicate an increase of trust for the industry as a whole in the Swedish market. On the other hand, Vattenfall's CSI scores in Germany showed a sharp decline for retail and SME customers due to a combination of poorly managed price increases and a tarnished image caused by problems with the nuclear power operations. However, results from additional measurements during the autumn showed that the negative trend has been reversed and that CSI scores are slowly improving. In Poland, Vattenfall's CSI scores remained at a steady high level, particularly for retail customers.

Image and price have a very large impact on customer satisfaction scores, and a tarnished company image or an increase in prices leads to lower customer satisfaction scores in all markets and vice versa.

Trends in customer satisfaction

As markets develop, the same trends for customer satisfaction scores can be seen in all three geographic areas:

- fairly high levels of satisfaction in regulated or recently deregulated markets (Poland),
- then a drop in ratings when the competition increases, price pressure intensifies and supplier switching increases (Germany),
- and after that a gradual pick-up and gain of new customers as a result of hard work and price strategies (Sweden).

Actions to improve customer satisfaction

In 2008 Vattenfall took a variety of actions in all its geographical areas to maintain and increase customer satisfaction, mainly on the operational level:

- Investments in more weather-secure air cables in Finland and Sweden have resulted in significantly lower interruption rates.
- Work to ensure security of supply in Germany is contributing to continuous high satisfaction scores.
- Installation of automatic meter reading for all of Vattenfall's distribution customers in Finland was completed at year-end 2007, and by the end of 2008 more than 99% of distribution customers in Sweden had automatic meter reading. This will improve billing and service.
- In Finland and Sweden, new billing systems have been implemented with the aim to improve the efficiency of customer contacts. In Germany, work on development of a new billing system is in progress.
- Reorganisation of the contact centres in Finland, Sweden and Poland has been completed, resulting in improved customer service as well as the continuous improvements in service centre staff training. A positive effect could be seen in Sweden, where retail customers gave higher scores for customer service in 2008.
- In Germany, the Vattenfall Centers were relaunched, and a Customer Board was introduced.
- In Finland, an instant messaging service has been introduced for customers facing an outage. In Sweden, where instant messaging service already exists, an improved interactive voice response for customer with power interruption has been implemented.
- Since January 2008 Finnish distribution customers are also compensated if an outage exceeds 6 hours.
- A lot of effort has been put into providing customers in the Nordic region, Germany and Poland with information and advice on energy efficiency.
- Originally launched in 2007, the "Restore public trust" campaign was continued in response to a decline in public confidence in Germany.
- A set of new products was launched in Sweden at the end of 2007 to increase Vattenfall's competitiveness in the residential segment, and in Finland the pricing strategy and structure were adapted to ensure more competitive price levels.
- In Poland Vattenfall is taking the lead in the deregulated market when it comes to simplifying processes and developing new products, such as electricity with a price guarantee and an online product. Vattenfall has been frequently cited in the media as an expert on the liberalisation process of the energy market.

Responsibility in marketing communications (PR6)

Vattenfall complies with international codes, such as the ICC International Code of Advertising Practice and the OECD Guidelines for Multinational Enterprises. In the countries where Vattenfall operates, we also comply with national legislation, which is often more stringent than international codes and frameworks.

Non-compliance with regulations and codes (PR7)

No incidents of non-compliance with regulations and codes were reported in 2008.

Customer privacy and customer data (PR8)

No complaints regarding breaches of customer privacy were reported in 2008.

Laws and regulations on products and services (PR9)

No reported incidents of non-compliance with laws and regulations concerning the provision and use of products and services were reported in 2008.

Number of injuries and fatalities to the public (EU24)

In 2008 Vattenfall has been ordered to determine the cause of an accident in one case. The outcome is pending.

Number of residential disconnections for non-payment (EU26)

There are cases when people do not pay for their residential electricity for a variety of reasons. In such cases electricity companies may disconnect a customer from the grid until the payment has been made. Vattenfall strives to ensure rapid reconnection after payment, in order to minimise the length of time for such disconnections. During 2008, Vattenfall's distribution operation in the Nordic countries had a total of 3,532 disconnections due to non-payment. Data on the duration of the disconnection is not gathered at the Group level.

Power outage frequency and average power outage duration (EU27–28)

Vattenfall's electricity distribution operation strives to provide high quality service with uninterrupted power supply and consistent voltage. However, power outages occur, most of which are for planned maintenance, although some are also unplanned, for example due to extreme weather conditions.

System Average Interruption Frequency Index (SAIFI)

SAIFI is the average number of interruptions that a customer would experience and is measured in units of interruption per customer. It demonstrates the reliability of Vattenfall's electricity supply.

$SAIFI = (\text{total number of customer interruptions}) / (\text{total number of customers served})$. For Vattenfall's Nordic distribution operation, the accumulated SAIFI for 2008 was 2.40 interruptions/year.

System Average Interruption Duration Index (SAIDI)

SAIDI is the average outage duration for each customer served, and is measured in units of time. Duration demonstrates Vattenfall's ability to restore power in a timely manner.

$SAIDI = (\text{sum of all customer interruption duration}) / (\text{total number of customers served})$. For Vattenfall's Nordic distribution operation in 2008, average interruption time per customer was 236 minutes.