

VATTENFALL'S VISION AND STRATEGY FOR SUSTAINABILITY

Access to energy is a precondition for the function and development of society. However, all energy generation has an impact on the environment. Vattenfall supports sustainable development in society by managing the balance between secure energy supply and environmental and social consequences in a responsible way.

Vattenfall is committed to meeting society's need for energy in a responsible manner. The guiding principle is that meeting the needs of the present must never compromise the ability of future generations to meet theirs. The criteria for acceptable impact from energy generation and supply must be set in dialogue with society, within a framework defined by regulation and market mechanisms. Vattenfall believes that market-based solutions are the best way to strike a balance between diverging interests, combined with a carefully designed regulatory framework to obtain fair conditions and reach common targets and ambitions.

Vattenfall's vision is to be a leading European energy company; this requires excellent performance across the energy value chain. In order to support sustainable development in society, Vattenfall must create value in the economic, environmental and social dimensions. Financial strength is fundamental to the creation of social and environmental value.

What is expected from Vattenfall?

Vattenfall is engaged in a continuous and open dialogue with its stakeholders regarding their expectations and needs in relation to Vattenfall's undertaking to provide energy. Many stakeholders have very high expectations on Vattenfall, and they often represent varying interests and conflicting needs. Therefore, it is important for Vattenfall to include stakeholder expectations in decision-making and activities, to balance between varying interests, and to communicate how this is carried out. For more information on stakeholder expectations, see the Materiality analysis on page 40.

What is possible for Vattenfall to achieve?

Within the framework set by society, Vattenfall operates and invests in energy sources that support sustainable development – economically, environmentally and socially. To achieve sustainable development, decisions must be made from a long-term perspective. The relative merits of all options to generate energy must be assessed according to their individual characteristics and their ability to function together in the energy system.

Vattenfall manages its operations in accordance with its core values – openness, effectiveness and accountability – and for each energy source and each type of technology, Vattenfall strives to be best in class.

Vattenfall is taking a leading role in developing bridging solutions for energy systems of the future. These are the viable solutions needed to improve environmental performance and meet society's need for reliable and affordable energy. Such bridging solutions include renewables, coal using Carbon Capture and Storage (CCS) technology, and nuclear power. Vattenfall is also investing in research to develop and exploit potential future energy solutions, providing knowledge and expertise for the benefit of the company as well as society.

Vattenfall's strategies and work for sustainability

To ensure long-term value creation and realise the vision of being a leading European energy company, Vattenfall has established five strategic ambitions: Number One for the Customer, Number One for the Environment, Profitable Growth, Benchmark for the Industry and Employer of Choice. These ambitions interact with and are dependent on each other.

If Vattenfall is able to contribute to sustainable development in society by offering energy solutions that meet customers' needs as well as high environmental standards, then Vattenfall will also win the trust of its customers and the general public. By having the public's trust, the company can more easily attract the right competence. With the right competence, good leadership and committed employees, Vattenfall can become the Benchmark for the Industry. If Vattenfall is the Benchmark for the Industry, with focus on operational efficiency and value creation, the company can continue to expand with good profitability. This is a basic prerequisite for Vattenfall's ability to contribute to sustainable development in society, and work towards Making electricity clean and fulfilling the climate vision of being climate-neutral by 2050.

In all business activities and decisions, the five strategic ambitions are important tools for ensuring future value creation, which is the core of sustainability. For each strategic ambition, Vattenfall has set a strategy along with long- and short-term quantitative goals. For additional information, see Vattenfall's 2008 Annual Report. In the CSR report, the strategic ambitions have been aligned with selected Preferred Performance Indicators (PPI), which are GRI¹-indicators that are especially relevant for the respective ambitions.

1) Vattenfall's CSR report follows the GRI (Global Reporting Initiative) standard. For further information, see page 38 of the reporting section.

Strategic ambition – key strategies	Targets	GRI indicators to watch (PPIs)
<p>Number One for the Customer</p> <p>Increase customer orientation and market shares while boosting cost effectiveness</p> <ul style="list-style-type: none"> • Increase customer orientation in all areas of Vattenfall's operations. • Make sure that Vattenfall has products and services that best meet the needs of the respective customer segments. • Increase awareness about and strengthen the Vattenfall brand. • Continue growing the customer base and market shares. • Ensure reasonable profitability and maintain competitive strength through continuous improvements in cost effectiveness. 	<p>69 The target for 2011 is a Customer Satisfaction Index score of 69 for retail customers; the long-term target score is 70.</p>	<p>Customer satisfaction (PR 5)</p>
<p>Number One for the Environment</p> <p>Develop the generation portfolio towards clean energy</p> <ul style="list-style-type: none"> • Significantly increase investments in low-emitting energy generation (renewables, nuclear power and coal using CCS technology). • Increase the efficiency of existing electricity and heat production as well as of distribution networks. • Accelerate R&D activity, such as in CCS technology. • Actively work for global and market-oriented climate solutions to provide incentives for investment in low-emitting technologies. 	<p>-50 The target is to reduce CO₂ emissions by 2% in own operations from 2009 to 2011, corresponding to 2 million tonnes. The long-term target is a 50% reduction of CO₂ emissions per unit generated electricity and heat in own operations by 2030 compared with 1990 levels.</p>	<p>CO₂-emissions (EN 16) and other emissions¹ (EN 20)</p>
<p>Profitable Growth</p> <p>Drive growth through organic expansion and business development combined with acquisitions in priority markets</p> <ul style="list-style-type: none"> • Increase investments in organic expansion. • Continue M&A activities, primarily emphasising entry to new markets. • Pursue business development as a complement. 	<p>10 The target is an increase in generated electricity and heat corresponding to 17 TWh from 2008 until 2011. The long-term target is a 10% market share in the future integrated European energy market.</p>	<p>Financial targets (EC 1)</p>
<p>Benchmark for the Industry</p> <p>Strive for operational excellence through higher productivity and better utilisation of Group synergies</p> <ul style="list-style-type: none"> • Continuously execute performance efficiency programmes (benchmarking, benchlearning, improved processes). • Measure, follow up and reward improved performance. 	<p>-11 The target is a productivity improvement of 11% from 2006 until 2010, corresponding to a cost reduction of SEK 5 billion. The long-term target is to belong to the upper quartile of the energy industry.</p>	<p>Stakeholder engagement/external communication¹ (EU 18)</p>
<p>Employer of Choice</p> <p>Attract, retain and develop people and competencies for the future</p> <ul style="list-style-type: none"> • Strengthen talent management. • Attract, retain and develop excellent leaders. • Continue to develop the organisation by fostering greater employee commitment. 	<p>76 The target is a Commitment score of 76 in 2011. The long-term target is a score of 81.</p>	<p>Employee commitment¹ (HR 4, LA 7, LA 10) and diversity (LA 13)</p>

1) These indicators have been chosen as complements to the business planning targets since they are important measures of Vattenfall's performance from a CSR perspective.