

CEO's comments

STRENGTHENING OUR STRATEGY TO SUPPORT SUSTAINABLE DEVELOPMENT

This year marks the first time that Vattenfall's sustainability report is being published in conjunction with the Annual Report. Thereby, we are able to present a concurrent report package for 2008 that covers all aspects of Vattenfall's operations. In our Annual Report we have chosen to describe a number of key areas in which Vattenfall is investing for tomorrow's energy generation, while the CSR report focuses on a number of areas in which our stakeholders often have questions and views.

Vattenfall's task as an energy company is to provide its customers with energy; but we also see our role from a broader perspective. The operations we conduct have a major impact on society – globally, regionally and locally – and thus all of society is our customer. We are therefore convinced that Vattenfall's success will be determined by our ability to support sustainable development in society, and we are relentlessly striving towards that goal. Our five strategic ambitions have been vital tools in this work during many years and will continue to be so in the future.

In 2008 Vattenfall redoubled its efforts by adopting a strategic direction that we summarise in three words: Making electricity clean. This is our promise to customers and society, and it entails that we continue reducing the environmental impact of all our operations at the same time that we emphasise the significant role that electricity will play in the sustainable society of tomorrow. An integral part of this strategy is Vattenfall's climate vision – to be a climate-neutral company by 2050. For 2030 we have set the target of halving our CO₂ emissions per kWh from energy generation compared with 1990.

The years 2030 and 2050 may seem almost unrealistically distant. However, in the energy sector, investment periods are long and the planning horizon stretches many years into the future. Achieving our highly placed climate goals requires that we act now. Therefore, we are currently pursuing a concrete and realistic plan for Vattenfall's generation portfolio until 2030. And already by 2020 and earlier, Vattenfall's contribution to the EU's climate targets will be substantial.



To achieve its objectives, Vattenfall must step up to the challenge in many areas. More energy sources than today will be utilised, and a number of new, technical solutions that enable energy supply with high environmental standards are being introduced. The new Carbon Capture and Storage (CCS) technology plays a central role in reducing CO₂ emissions from fossil-fired power plants, but so far this is still in a development stage. Another important and rapidly growing component in tomorrow's energy generation is renewable energy, such as hydro power, wind power,

bioenergy and ocean energy. Nuclear power is also expected to make a significant contribution to energy supply in the future.

A large part of Vattenfall's work is about developing and using new technologies. Surely there are those who refer to us at Vattenfall as technology optimists – it is a description that I embrace with pride. At Vattenfall we believe in the promise that modern technology offers. For 100 years Vattenfall's engineers and technicians have come up with innovative solutions that have helped increase the capacity and cost-effectiveness of energy generation while reducing its environmental impact. In recent decades, new technology has helped to virtually eliminate emissions of particles and sharply reduce emissions of sulphur dioxide and nitrogen oxides from fossil-fired power plants. I am convinced that technological solutions in the coming years will play a key role in the realisation of Vattenfall's strategies.

Vattenfall can do a lot – and will do a lot – in the fight against global warming. But political decisions are also needed, such as in the form of a global pricing system for carbon emissions. When international regulatory systems provide the right incentives, investments in climate-neutral energy generation will truly gain momentum. This is why Vattenfall, in parallel with the major investments we have been making in our own plants, has been actively working for many years as an opinion-shaper on the climate issue. We have launched a number of initiatives that put the spotlight on the climate challenge and have urged people to become involved. These include, among others, our Climate Abatement Map and the international 3C corporate initiative, Combating Climate Change.

But it is not until the launch of our Climate Manifesto that Vattenfall's environmental ambitions became truly known among the broad public. Starting in autumn 2008, in an extensive campaign conducted in six European countries through print and TV advertising, Vattenfall invited the general public to sign a manifesto demanding a global price for CO₂ emissions, more support for climate-friendly technologies, and climate requirements for products. By the

end of January 2009, 235,000 people had signed the manifesto, which will be presented at the UN's major climate conference in Copenhagen in autumn 2009.

Our goal with the Climate Manifesto is to give a voice to the strong public opinion that exists with respect to the climate issue, but also to spark a debate. We have succeeded in achieving both objectives, and Vattenfall will continue to invite critics and supporters alike to continued dialogue in this most pressing issue for society.

In 2008, Vattenfall also signed the UN Global Compact, which include the UN's ten principles regarding human rights, labour rights, the environment and anti-corruption. By doing this, we express our intent to support and advance those principles within our sphere of influence. We are committed to incorporating these principles into our strategy, culture and day-to-day operations.

Finally, I would like to stress that Vattenfall's work on supporting sustainable development of society through our strategic ambitions, our strategic direction of Making electricity clean, and our climate initiatives, is all about development and progress – for us and for society. We are convinced that a strategy that prepares us today to meet the demands of the future on environmental performance, profitability and social responsibility, is a winning strategy. We are eager to get started in 2009 and on 23 February 2009 we announced the intention to acquire Dutch Nuon, which will significantly increase our strength and possibility to reach our ambitions.



Lars G. Josefsson, President and CEO