

COMPETENCE, ORGANISATION AND MANAGEMENT

The considerable and rapid changes within the European energy market have placed new demands on Vattenfall's employees and their competence. The organisation must also be prepared for the large numbers of employees entering retirement over the next few years.

If Vattenfall is to successfully meet the major challenges before us, a crucial factor will be that we have good leaders and employees with the right competence and a strong of commitment. In 2002, work began to create common core values for the entire Group. All Vattenfall employees were given the opportunity to participate in these efforts and, in 2003, Vattenfall's core values were established – Openness, Accountability and Effectiveness – which are now the cornerstones in our corporate culture and philosophy. Vattenfall faces a period of five to ten years when large groups of employees will retire, at the same time that competition for younger prospective employees increases and interest in technology declines among younger people. To ensure a competitive organisation, we need to be 'The employer of choice' one that attracts and develops people with leading competence. An environment and culture where we are willing to learn and share our skills and knowledge create good conditions for good performance at work.

Three primary goals and strategies for the HR area have been formulated against this background:

- Ensure first class management planning and leadership.
- Ensure access to the expertise that meets our long-term needs.
- Ensure strong employee commitment.

Group-wide HR work takes place primarily in the form of projects and in networks across both national and organisational boundaries. These have a strong focus on sharing models, tools and experience. Local unions, works councils – and personnel representatives on all levels are important collaborative partners in the Group. Most contacts take place locally. On Group level, collaboration takes place via EWC, European Works Council – Vattenfall, which consists of approximately 20 personnel representatives and representatives from local trade unions from Finland, Poland, Sweden and Germany. Representatives for Group management meet EWC two times a year.

Managers are assessed throughout all of Vattenfall

The process to guarantee a supply of managers is of decisive importance to the Group's continued success. To ensure managerial succession, we must develop our managers both professionally and as leaders. Beginning 2005, this process is also one of the Group's follow-up measurements, or Group Performance Indicators. During 2004, approximately 500 senior managers and potential managers were identified and assessed based on our leadership criteria, goals attained and results in the My Opinion employee survey. As a result of these efforts, Vattenfall's future supply of managers looks positive. We are seeking to attain, however, larger diversity and international experience.

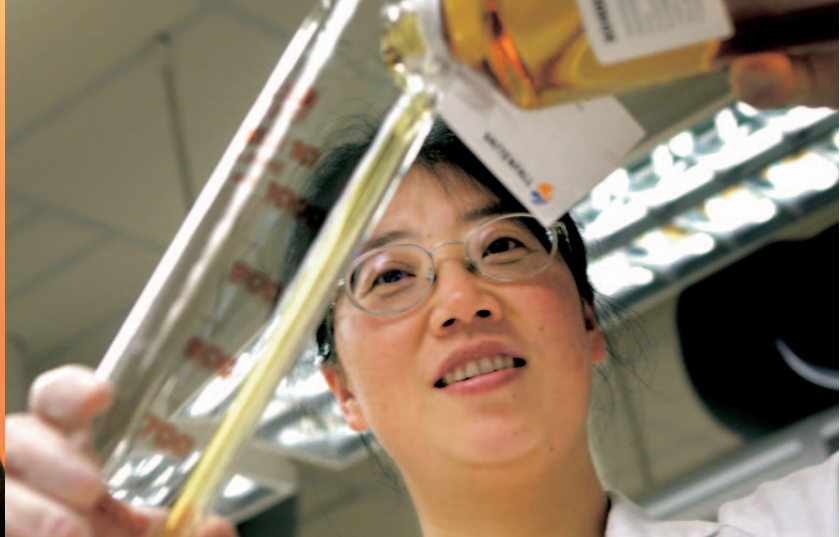
Vattenfall's group-wide leadership development programme is contained within our own management institute – the Vattenfall Management Institute (VMI). VMI is responsible for forming and carrying out leadership and managerial development programmes on a high, international level within those areas that are of strategic importance to the Vattenfall Group.

In total, there are five group-wide programmes, which all have the overall goals of:

- Creating a common view of leadership and developing managerial and leadership skills in the participants.
- Intensifying integration within the Group to create 'One Vattenfall'.
- Creating networks within the Group.

Programmes which have been carried out during 2004:

- Vattenfall Executive Management Programme – In 2004, a programme was conducted with 25 participants.
- Vattenfall Advanced Management Programme – In 2004, three programs were conducted with a total of 60 participants.
- Vattenfall Core Management Programme – In 2004,



Back row from the left; Airi Laakkonen, household customer sales, Helsinki, Finland. Manfred Wawrzynosek, Controlling, GZE, Gliwice, Poland. Camilla Sun, petro chemistry, Vattenfall Utveckling, Älvkarleby, Sweden.

seven programmes were conducted with a total of 140 participants.

- Vattenfall International Trainee Programme – One programme with 14 participants was begun in 2004.
- Vattenfall International Rotation Programme – The first programme with 19 participants was concluded in 2004.

Competence planning throughout the Group

The introduction of a strategic competence planning process was initiated in 2004. The process has been implemented in Finland and Sweden and work has also begun in Poland and Germany. Beginning 2005, this process is also one of the Group's Performance Indicators, and shall be introduced in all units. The process translates business plans and long-term goals into future competence needs. Action plans are devised for all units and one of the goals is that all employees shall have an individual development dialogue with their manager.

The experience held by older employees is of critical importance to future operations. During the year, tools have been developed to take advantage of these individuals' experience-based knowledge and to make it easier for them to work until the normal retirement age. As an example, we can mention that in parts of the German

operations, the successor plans include having the older employees work parallel to the younger ones for some time. In the Swedish operations, trials have begun with so-called lifecycle-adapted working hours. Among other things, employees over the age of 58 have been given the opportunity to cut their working hours down to 80 per cent, but with a salary level equivalent to 90 per cent of the fulltime level. The purpose is to motivate the individual employee to continue in active duty to age 65.

There are several tools with which to attract and keep younger employees, such as the previously mentioned international rotation programme, the international trainee programme, collaboration with universities and colleges, opportunities for internships, thesis work and apprenticeships.

Active work for increased diversity

The goal of our diversification work is to create a more profitable, more effective and more attractive company. Vattenfall supports the Swedish government's Global Responsibility initiative. Through this initiative, we have agreed to follow OECD's guidelines for international companies and to follow the UN's Global Compact principles.

Vattenfall defines diversity as all of our employees having equal opportunities and rights regardless of gender,

age or ethnic/cultural background. The overall strategy with our diversity efforts is to establish diversity in our daily operations and to create knowledge, acceptance and the desire to work with diversity within our organisation. We have two overriding Group goals regarding diversity:

- Our employees shall, with regards to gender, age and ethnic/cultural background, reflect the societies in which we operate.
- Increase the percentage of female managers so that we have an equally large proportion of female managers as we have female employees.

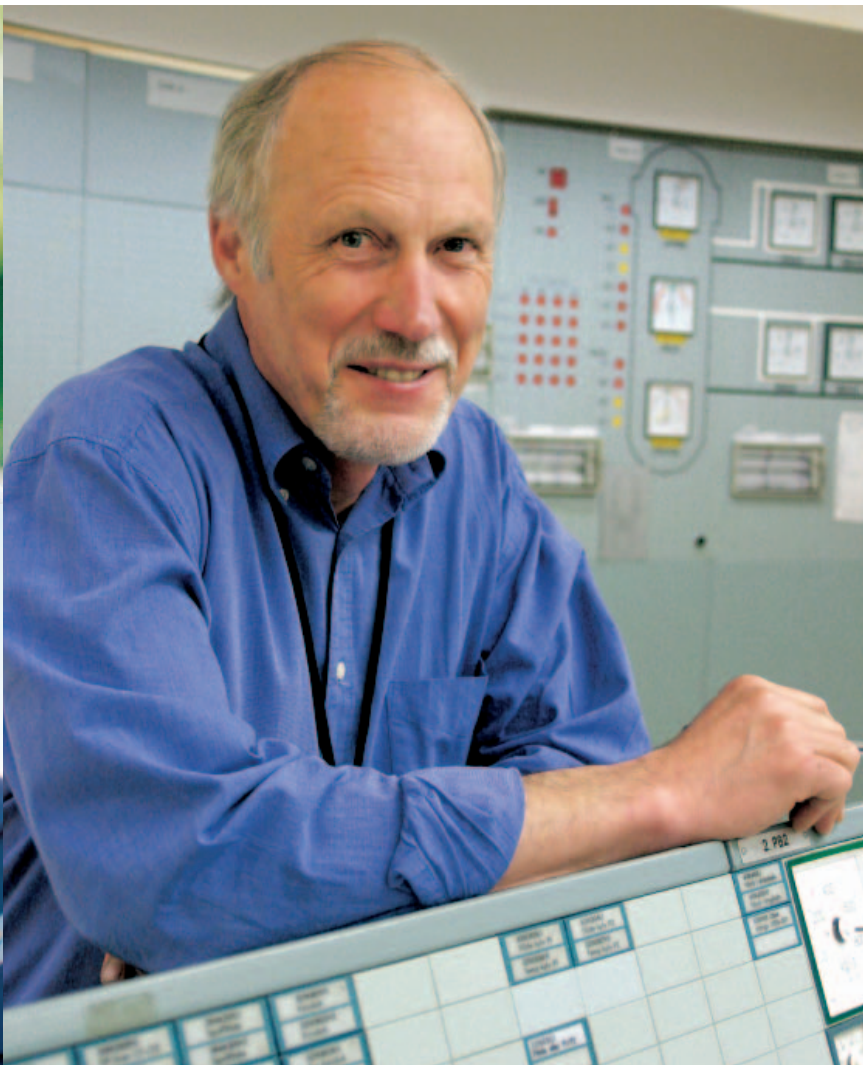
In addition to these two overall goals, we are also working, for example, to ensure that there are no groundless differences in salary between the genders, to make it easi-

er for our employees to combine work and family life and to have an open, internal labour market. During 2004, we began an international network for female managers and leaders – Vattenfall's International Network for Women.

Further redundancies in some areas

Some parts of Vattenfall's organisation are overstaffed. Vattenfall works with different local programmes to solve this and to avoid dismissals. In Sweden, the process has been developed over many years. There the focus has increasingly been on beginning work very early in the restructuring process in order to be able to solve competency issues in a way that is beneficial to all. In Germany and Poland, several programmes designed to solve overstaffing have been developed in combination with em-

Back row from the left; Marco Bayer, Communication, Mining & Generation, Cottbus, Germany. Runo Färnstrand, shift engineer, Forsmark 2, Sweden. Sarah Selent and Reinhard Schulz, Jämschwalde powerplant, Generation, Germany.



ployment guarantee commitments. As Vattenfall has gone through a consolidation phase in recent years, routines and programmes, which have provided important experience prior to future restructuring, have been developed.

All in all, satisfied employees

The My Opinion employee survey is carried out annually as a basis for dialogue and improvement measures throughout the entire organisation. Beginning 2005, this process is also one of the Group's Performance Indicators.

My Opinion was carried out for the third time in 2004. In Sweden, Finland and Poland, the entire organisation took part; in Germany, a third of the employees were given the opportunity to take part. During 2005, the goal is for all employees in the Group to be given the chance to participate in the survey.

The response rate was high and increased in most parts of the Group. The response rate in Finland was 90 per cent, in Sweden 83 per cent, in Poland 74 per cent and in Germany 55 per cent. The results show improvements within most areas when compared with previous surveys. Areas with positive results include, for example, collaboration, immediate managers and commitment. There is some room for improvement, including the areas of change management, personal assessments and feedback on work performance and customer orientation.

The results were reported to the work groups that took part in the survey. Using the results as a basis, managers and employees discuss and plan together those improvement measures that are required.

Continued reduced sick leave

In general, work within the Vattenfall Group shall give opportunities for development in a safe, healthy and stimulating environment. Work with ensuring a healthy and stimulating environment is primarily conducted locally within the organisation. The number of work-related accidents has remained at the level of five to eight accidents per thousand employees during recent years, which is a low figure compared with other energy companies in Europe. During the year, an international network for working environment issues was established within the Group. Within this network, issues of common interest have been dealt with, with a focus on knowledge exchange and 'best practice' within each country.

In Sweden, Vattenfall has long had a rate of absenteeism through sickness which is well below the average in Swedish trade and industry. During the period between 1999–2002, however, sick leave rose, which led to a project being instigated with the stated goal of halving the number of people on long-term sick leave and reducing sick leave to 3.5 per cent by the end of 2006. From a level of 4.5 per cent in 2002, this figure dropped to 4.1 per cent in 2003 and to 4.0 per cent in 2004, which is consistently under the average for Swedish trade and industry.

During the year, work was concentrated on those on long-term sick leave. The coming years will also see a strengthening of investments in health-related measures. In Germany, Poland and Finland, sick leave has also been reduced during recent years. For the Group as a whole, a drop during the year was seen, from 4.0 per cent in 2003 to 3.8 per cent.