

Employees and competence

ENSURING FUTURE GROWTH THROUGH STRATEGIC COMPETENCE PLANNING

Competition for employees is increasing in the job market. To manage stable growth and create value in all areas, Vattenfall is making a concerted effort to create a culture and environment that are conducive to employee development. This strategy has generated results: in 2006 Vattenfall was ranked as Sweden's Best Employer in a major survey of young professionals.

Vattenfall will be carrying out a number of major investment projects over the next ten years. Parallel with this, a significant number of employees will be retiring at the same time that competition in the job market is expected to increase. To ensure continuous access to necessary competence, Vattenfall must be an employer that can attract and develop employees today and in the future. This is also one of the five strategic ambitions that forms the foundation of the Group's work on value creation.

Strategic competence planning

All of Vattenfall's business units work according to a yearly strategic competence planning process. This process is designed to ensure access to the competence that the Group will be needing also in the future. We have identified the future risk areas that we must focus on in order to manage our operations as well as our planned investments. Our investments in new technology give rise to a natural demand for new and different competencies. But this does not only involve developing the competence of our existing employees; it also means that newly recruited employees must be willing to learn old technologies in order to be able to run and maintain older facilities, and that senior employees must be motivated to share their knowledge. Moreover, our employees will be facing greater demands to manage change and the integration of various operations. To ensure our access to competence, we are working on numerous long-term measures, including new ways of working, new forms of competence development and knowledge-sharing, leadership focused on commitment and work performance, a highly effective and high-quality recruitment process, and a more distinct positioning of Vattenfall as an employer.

Excellent leadership

Excellent leadership is critical for Vattenfall's continued success. The Group's management planning process aims to secure current and future leadership needs. The process encompasses all leaders and potential leaders in the Group.

In 2006 a total of 1,458 managers and potential managers were assessed and had a dialogue with their immediate

superiors. The result of this work was positive, and in 2007 we will be focusing on further increasing mobility, change management and increasing the share of female managers.

Our own Vattenfall Management Institute (VMI) is a primary avenue for developing managers within the Group. VMI provides basic management training for newly installed managers and advanced programmes at the strategic level for senior management. Vattenfall's second international trainee programme, with candidates from all countries within the Group, was started during the autumn. In 2007 a new, international rotation programme will be initiated.

Compensation and benefits

At Vattenfall we strive for differentiated and individually-set salaries with a clear reward component for demonstrated results. For employees who have variable salaries or the potential for bonuses, the Group's value creation targets are a key incentive. We are continuously developing our models for flexible forms of compensation, and we offer pension plans, vehicle leasing and other benefits in exchange for salary.

Sweden's Best Employer

To meet our future competence needs, the employer aspects of the Vattenfall brand are growing increasingly important. Building relationships with students has high priority and includes trainee programmes, apprentice programmes, internships and opportunities to do thesis work with Vattenfall. Other initiatives include participation in research projects and providing financial support to professorships and Ph.D. programmes.

In Sweden, Vattenfall was named as Sweden's Best Employer in 2006 in a survey conducted by Universum Communications of 22,000 young professionals throughout Sweden. Vattenfall employees gave especially high marks to development opportunities at Vattenfall, to their ability to influence their own work, and Vattenfall's company culture.



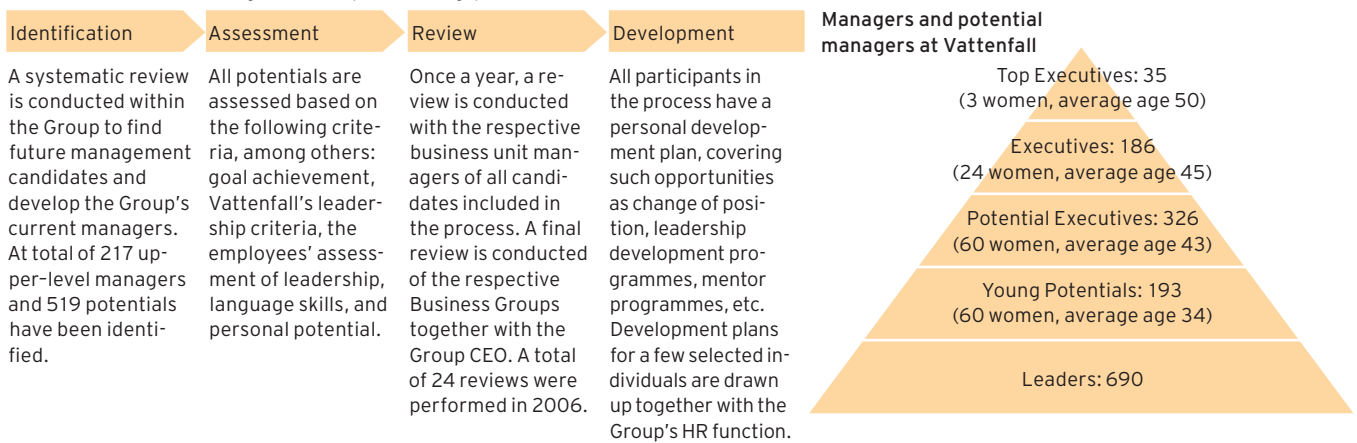
Development dialogue leads to employee commitment

"My Opinion" is Vattenfall's annual employee survey aimed at supporting continuous improvement throughout the organisation. The process revolves around a dialogue on results between all managers and their employees, who then agree on an action plan for areas in need of improvement.

After five years in use, the survey is now firmly established within the Group. In 2006 more than 30,000 employees had the opportunity

to participate, and the response rate was a record-high 72%. Parallel with this, improved results were noted in many areas. Particularly large progress was made in areas that most work groups had focused on in their action plans: "Goals and feedback" (+6 percentage points), "Work/private life balance" (+3), "Leadership" (+3), "Co-operation" (+2), and "Company management" (+2).

Vattenfall's management planning process



Challenges	Outcome 2006	Goals 2007
<ul style="list-style-type: none"> A leadership planning and development process that will ensure Vattenfall's access to first-rate leaders at all levels Competence planning strategies and processes that give Vattenfall the right competence at the right place in its organisation A high performance culture and organisation based on clear decision-making principles and which stimulates employee commitment A safe, healthy and inspiring work environment that is conducive to employee development Compensation and benefit models that contribute to value creation and which reward performance, focus on potential and contain flexible solutions 	<ul style="list-style-type: none"> Vattenfall ranked as Sweden's Best Employer in a survey conducted by Universum Communications among young professionals who evaluated their own employers Major progress in several key areas according to annual employee survey, including goals and feedback, work/private life balance and leadership In Germany, a collective agreement was reached for the core business 1,458 managers and potential managers were assessed and had a dialogue with their superiors Approximately 300 participants in the Group-wide leadership development programmes Start-up of Vattenfall Business Institute, offering Group-wide programmes in controlling, purchasing, HR and for senior specialists 	<ul style="list-style-type: none"> Start of a new, international job rotation programme for some 200 Young Potentials Greater share of female managers in every Business Group Maintain high internal mobility for managers Start of a new concept for specialists aimed at more effective use of their knowledge within the Group and opportunities for competence development Start of a three-year programme aimed at reducing work injuries by 20% by year-end 2009