

## COMPETENCE DEVELOPMENT CREATES THE REQUISITES FOR PROFITABILITY

One of the most important conditions for Vattenfall to create long-term profitability is the company's ability to attract, develop and retain skilled employees. To ensure this, Vattenfall invests in creating a working environment that develops and encourages top performance.

### To be the employer of choice

An attractive employer offers a working environment that attracts, develops and retains competent employees and encourages top performance. To attain long-term profitability Vattenfall must be an attractive employer.

Vattenfall, like the energy sector in general, is facing large numbers of employees reaching retirement age. Parallel to this, the competition to attract new employees is toughening. The technical requisites and market conditions continually change and develop. To secure the necessary competence base, Vattenfall must be an attractive employer to potential as well as existing employees.

Accordingly, within Human Resources we focus on three main strategies:

- Ensure a supply of first class managers and leadership
- Ensure access to the competence that meets our long-term needs
- Ensure strong dedication and commitment among our employees.

### Leaders create business and develop employees

At Vattenfall we want our leadership to be characterised by leaders who can work in an international and changing environment. Our managers shall set goals together with their employees, motivate them to feel committed and provide regular and clear feedback. An active management planning process and a joint Group programme for leadership development are important tools in achieving this.

The aim of the management planning process is to secure the succession of and develop managers. At Group level, the 225 highest managerial positions are identified along with potential candidates for these positions and young managerial candidates. In 2005 we assessed 920 employees. Each person has then had the opportunity to discuss their results and future development with their immediate manager. Our

assessment criteria are goal fulfilment, leadership profile in accordance with the Group's leadership criteria, employees' assessments, compliance with Vattenfall's Code of Conduct, language skills and short-term and long-term development potential. The process results have been reviewed with the management of the respective business units and business groups and the Executive Group Management. In 2006, the process will be expanded to include all managers within the Group, with a focus on increasing rotation between units and countries and increasing the proportion of female managers.

The Vattenfall Management Institute is responsible for designing and delivering leadership and management development programmes within those areas that are of strategic importance to the Group. During the year, the newly started network for female managers and leaders held two meetings. In 2005, a total of 340 people took part in the different programmes. In evaluations, the participants awarded an average score of 4.5 out of 5.

2005 also saw all higher level managers and other employees with extensive external contact networks participating in an Antitrust Compliance programme to gain a basic understanding of the antitrust regulations and Vattenfall's Code of Conduct. 500 employees have participated in the course.

### Knowledge and experience safeguarded

A joint process for strategic competence planning was implemented throughout the Group during the year. This process is a tool for translating long-term business plans into future competence needs and provides us with the opportunity to proactively secure access to the competence we need. It is clear that prior to the future increase in retiring personnel we must continue to focus on giving existing employees the opportunity to develop within the Group and work to ensure that the competencies held by senior employees remain in the

organisation when they leave. The methods for achieving the latter vary from structured documentation of tacit knowledge and teaming up senior and junior employees to special mentor programmes intended to transfer knowledge. Through a Competence Transfer Mentoring Programme experienced managers and specialists have learnt a special method for communicating their professional skills as well as their work experience to younger colleagues.

In order to provide students with a picture of Vattenfall as an employer, we work with selected schools and universities, offer apprenticeships and internships, provide opportunities to conduct thesis work and so on. As a part of this work Vattenfall's international trainee programme was carried out during the year.

### Diversity triggers new ideas

In the long term, our employees must reflect the societies in which we operate. We actively work to increase diversity as regards age, gender and ethnic/cultural background. One example of this is our customer service centre in Berlin, which has staff with knowledge of the languages and cultures required to give our customers with non-German backgrounds good service. The number of cultures represented increases continually.

In Sweden, we started the "Young Graduate" recruitment initiative for the second time. By offering temporary employment contracts, Vattenfall hopes to provide young academics the opportunity to get a foot in the employment market while also providing Vattenfall access to new knowledge. In 2006, 20 new graduates will be given temporary employment. Of the 45 people who participated in the project completed at the beginning of 2005, 23 were female and 12 had non-Swedish backgrounds. 37 have continued their employment at Vattenfall.

### Commitment provides the power to become leading

In 2005, the My Opinion employee survey was conducted for the fourth time, but for the first time all business units in the Group took part. The total response frequency was 65 per cent and high response frequencies throughout the organisation show that the

survey is now a well-established tool. For employees the survey is an instrument with which to put forward opinions as to how working conditions could be improved and thereby contribute to the development of Vattenfall's culture. The survey shows that most employees appreciate their work situation and a distinct increase has been seen, especially in Poland and Germany. Compared with previous years, we can also see positive development in the indicators associated with the three strategic Human Resources processes: "Leadership quality" 71% (71%), "Training and development" 70% (69%) and "Commitment" 75% (71%). The percentages are the proportion of positive answers in each category. The "Commitment" category includes questions associated with pride in the company and its culture and values. We can see that employees have become more familiar with what the new Vattenfall stands for and feel proud to be a part of it. Each manager is expected to discuss actions and follow up earlier action plans with her/his team. This year's survey will indicate which improvements have actually been realised.

### Healthy employees perform better

Work at Vattenfall shall give opportunities for development in a safe, healthy and stimulating environment. An explicit goal is that no-one should become injured or ill due to their work situation. Accordingly, statistics for occupational injury and absenteeism through sickness are carefully monitored throughout the Group and have long shown low values compared to both the industry and national averages.

In Sweden, our vision is to have Sweden's healthiest workforce and for many years we have been able to report levels of absenteeism through sickness considerably below the national average for Swedish trade and industry. From a level of 4.5 per cent in 2002, absenteeism through sickness has dropped to 4.1 per cent (4.0% in 2004). During the year, for example, joint, occupational health services were procured and activities to promote good health were increased.

Absenteeism through sickness for the year for the Group as a whole was 4.0 per cent and, for the third year running, we can note a decrease in occupational injuries.