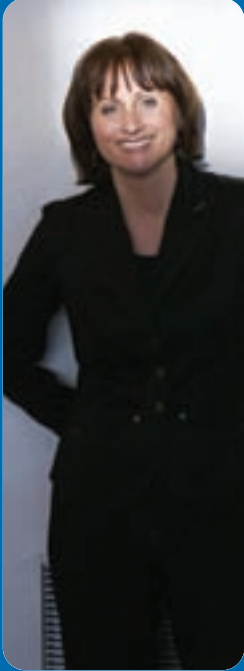




THE EMPLOYER OF CHOICE

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Ann-Charlotte Dahlström,  
Senior Vice President and  
Head of Group Function Human  
Resources

## Vattenfall is Europe's fifth largest Electricity Generator and the largest Heat Producer

State-owned Vattenfall operates in all segments of the value chain - generation, transmission, distribution and sales - with net sales of more than EUR 12.6 billion. With operations in Finland, Germany, Poland and Sweden and over 33,000 employees, our vision is to be a leading European energy company. We intend to continue to expand on the deregulated, European energy market.

### **Ann-Charlotte Dahlström, Senior Vice President and Head of Group Function Human Resources, what is Vattenfall's biggest HR challenge?**

We are tackling a number of challenges. In order to become a leading European energy company, Vattenfall must be perceived as an attractive employer by current and potential employees. As a company, we need to ensure that we have skilled managers and employees with the right competence and commitment.

In practice, this means establishing a process for identifying, assessing and developing today's and tomorrow's managers. Our managers must be skilled at managing both business and people. Vattenfall runs its own management development programme where participants have the opportunity to learn from leading people from Vattenfall, industry at large as well as top universities and business schools.

In a highly dynamic industry like ours, we also need to make sure that our employees have the right skills and expertise to do their job, now and in the future. We are empowering employees to take charge of their own professional and personal deve-

lopment by clearly defining current and future requirements and by giving them the opportunity to develop. This also enables Vattenfall to continuously improve and develop as a company.

Last but not least, a major challenge - and a top priority for us - is finding ways to enhance employee commitment. Our vision is to be a leading European energy company through the commitment of our people. In turn, Vattenfall provides support, feedback and opportunities so that individuals can realise their own expectations. We are working on promoting employee involvement in and understanding of Vattenfall's strategy.

### **How do you go about gaining employee commitment in such a large company? How can individual employees make their voices heard?**

Every year, we conduct an employee survey, called My Opinion. Although each answer is confidential, the overall findings for each unit are discussed by the employees and their manager. They also decide how to resolve any issues raised by the findings. The Chief Executive Officer and I also hold regular open dialogue meetings with people in different parts of the organization.

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These relaxed and informal sessions are an excellent way for us to “feel the pulse” of the company and for Vattenfall’s employees to get direct answers to questions about Vattenfall’s strategy and direction.

**There has been a lot of talk about labour shortages and about large numbers of senior employees retiring at about the same time. How are you handling these issues?**

At Vattenfall we are working strategically and systematically to ensure that we have the right competence now and in the future. When each business unit prepares its business plan, one of the steps is to identify the competences that are necessary to attain the long-term objectives and to draw up action plans to fill competence gaps. Managers also hold development dialogues with each employee on a regular basis. Job rotation is another way of stimulating professional and

personal development. We advertise job vacancies on the intranet and actively encourage employees to change jobs within the organisation.

**Which areas do you think Vattenfall needs to improve?**

I started off by saying that we need to ensure that we have the right competence for the job. This is a key to continued success. We also need to work harder to improve diversity. Our existing organisation does not reflect society at large in terms of gender and ethnicity. We are trying to change this, not only as a matter of principle, but also because we need to take advantage of the competence these groups have to offer the business. Independent surveys of engineering students in Sweden show that Vattenfall is considered to be one of the most attractive employers by female students. This is an inspiration for us in our diversity work.

Vattenfall's vision is to be a leading European energy company. Our mission is to enhance customers' competitiveness, environment and quality of life through efficient energy solutions and world-class service.

**To become an attractive employer, Vattenfall's HR work focuses on the following:**

- Culture and organisation
- Leadership and management development
- Competence management
- Health and safety
- Compensation and benefits



Vattenfall's corporate culture is based on these core values - openness, accountability and effectiveness. These three values allow us to achieve our objectives and to realise our vision regardless of whether we work in Finland, Germany, Poland or Sweden.

COMPETENCE DEVELOPMENT

Are you interested in working at Vattenfall? Register your CV and search our job data base on line at [www.vattenfall.com](http://www.vattenfall.com)

## Sharing Knowledge and Building Expertise

At Vattenfall, we provide opportunities for employees to develop, both as professionals and individuals. Through our strategic competence planning process, we analyse the organisation's existing and future competence needs and plan how to fill the gap through skills development, job rotation, recruitment and external consultants.

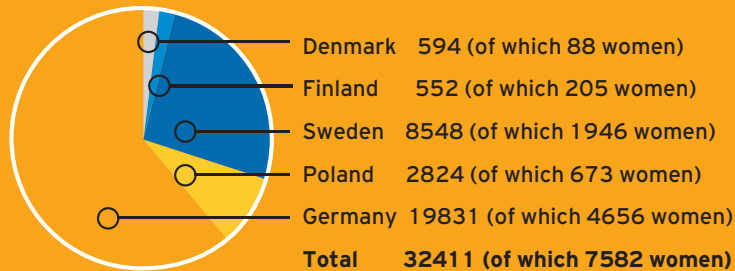
We believe that competence development supports business operations. Our approach is that learning is a continuous process. Our employees are empowered and supported with the tools and opportunities to take responsibility for developing the skills and knowledge that Vattenfall needs.

All employees have an individual development dialogue with their immediate manager at least once a year. We believe that by giving our employees the opportunity for continuous development, we are also assuming our responsibility towards society as a whole.



At Vattenfall we share knowledge, resources and skills across business units as well as national and generational boundaries. New opportunities are created for employees through participation in project work, short term job assignments and job rotation, sometimes at another unit, in another city or in another country.

**Number of employees, full-time equivalents, Aug. 2006**



### **The “Young Graduate Project” - A Win-Win Partnership**

This project was launched in Sweden in 2003 and provided 45 young graduates with a year’s employment within Vattenfall. There were a number of strategic reasons behind the project. It is difficult for new graduates to enter the Swedish job market and gain working experience. Interest in degrees in technical subjects is also declining. If these issues are not addressed, the energy industry will face major challenges in the future since a large number of senior employees in the industry will be retiring in the next 10 to 15 years. Our intention is to give young graduates a head start by offering them temporary employment.

The project was also a way of increasing diversity in Vattenfall. Of the 45 graduates participating in the project, 23 were women and 11 had non-Swedish

“The graduates gain valuable work experience and we benefit from their fresh insight and knowledge,” says Project Manager Malin Theander. “These temporary jobs do not replace new recruitment - they are an additional investment in the future.”

ethnic backgrounds. When the project ended early in 2005, the majority of the graduates were asked to stay at Vattenfall. The success of the project means that Vattenfall will launch a second project in autumn 2005.

Malin Theander,  
Business Group Nordic

### **Capturing the Knowledge of Senior Employees**

An ageing population and an ageing workforce are common issues in industrialised Western countries. Vattenfall has identified the capture and transfer of tacit knowledge, or know-how, as an issue of strategic importance. In the Nordic region, the Competence Transfer Mentoring Programme was launched to train senior employees in techniques and methods of transferring their knowledge and know-how to the organisation.

“The programme recognises the central role that senior employees play in facilitating the transfer of vital knowledge to the organisation,” says Project Manager Nils Friberg.

“This knowledge includes experience from a vast range of different operations, how to work in multi-cultural project teams, how to locate and use data on ‘lessons learned’ from earlier projects and how to apply general wisdom acquired through the years.”

Vattenfall also co-operates with the Royal Institute of Technology, Stockholm, on developing a learning method, called the “dialogue seminar”, through which state-of-the-art knowledge about processes and technology of importance to the power industry is passed on to students.



Nils Friberg,  
Business Group Nordic

## COMPETENCE DEVELOPMENT



Karl Bergman, Director of  
Research and Development

## An Engineering Career at Vattenfall

Vattenfall operates on a highly dynamic and growing market. To deal with the tough energy supply challenges that lie ahead, we need to develop our technical expertise. That's why we give engineers and scientists the opportunity to focus on specific technical issues as well as to maintain a broader perspective in their work. Many of our technical specialists find integrating the combination of different skills - business insight, environmental and technical expertise - to be a particularly rewarding aspect of their work.

### **Karl Bergman, Director of Research and Development, what kinds of technical skills does Vattenfall need?**

Since Vattenfall develops, owns and operates power and heat production facilities and distribution networks, we need all types of scientists and engineers - from physicists to civil engineers. Vattenfall needs technical specialists and project managers in order to make large-scale investments in technology as a whole - not just in energy technology, but also in other advanced technologies, such as IT systems for remote monitoring and control.

### **What is the goal of Vattenfall's development activities?**

Overall, the goal is to provide our customers with better service, while

increasing the effectiveness and efficiency of our systems. Most of this work involves reducing the environmental impact of our activities. This means that a wide palette of technical solutions will be required.

An urgent challenge for society is to reduce the emissions of carbon dioxide associated with fossil fuels. Vattenfall is taking the lead in the power industry through our CO<sub>2</sub> Free Power Plant Project, where we develop technology to drastically reduce emissions of carbon dioxide from coal fired power plants. We are also leaders in the development of renewable energy sources, as well as in the extensive use of IT throughout our production and distribution systems.

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## Paving the Way for Change in Poland

In 2004, Vattenfall conducted a large management project in Poland where 320 managers from Gliwice and Warsaw took part. Tamara Staniowska and Malgorzata Florczak, Human Resource Managers, were responsible for the project.

"The deregulation of the Polish energy market affects Vattenfall's operations in Poland and our employees. In order to meet the challenges that lie ahead, we need to understand the market and the need for change. This means analysing management skills needs and providing development opportunities so that managers can effectively run operations now and in the future," explains Malgorzata Florczak.

The project began by defining leadership and performance assessment criteria. "Our aim was to see which types of behaviour, attitudes and work methods help our employees to implement Vattenfall's strategies," continues Tamara Staniowska. The project identified development opportunities for participating individuals and groups. Each participant took part in day-long group exercises, presentations and assessments. Due to the large number of participants, this was in itself a challenge. However, the largest challenge was that faced by the participants themselves, who had to adjust to a completely new way of working. "Emotions ran high. Some people were worried about their positions. An important task for us was to support participants and to encourage them to view the exercise as a development tool and not as a threat. Communication was critical," emphasises Tamara Staniowska.

The impact of the exercise will be seen over time, although some results are already evident. There is a growing awareness among employees that the development process is an inevitable part of operating in a changing business environment. Development is also now being perceived as hard work, as a challenge that takes time and as a process with clear goals and performance measures that can only be successful with individual effort and ownership.

"We need to visualise goals and recognise their importance. This is the best motivation for us to develop as Vattenfall grows," says Tamara Staniowska. "We now understand the development needs that we have today and, armed with this knowledge, we can meet the needs of the future", concludes Malgorzata Florczak.

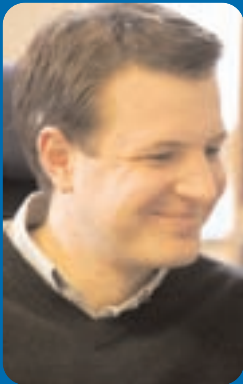


Malgorzata Florczak and Tamara Staniowska, Human Resource Managers in Poland

Vattenfall's commitment to the regions and communities where the company operates in Germany is demonstrated through its apprenticeship programmes for young people which goes beyond actual business needs. At present about 1,600 young people are being trained at 10 vocational training sites within the company. In order to promote integration and to support the competence development of its youngest employees, Vattenfall supports a German national exchange programme as well as integrative seminars for particularly talented apprentices.

## MANAGEMENT AND LEADERSHIP

In 2004, Vattenfall in Germany was awarded the "Total E-Quality" for its work on promoting equal opportunities and work-life balance, on encouraging women to study technical subjects at university and on promoting women to leading positions in the company.



## Developing Today's and Tomorrow's Managers

At Vattenfall, our managers empower and inspire employees to commit to their work by setting direction and establishing performance objectives together with them. Vattenfall's managers must be skilled at managing both business and people. This means combining business and professional skills with social and leadership competence.



Succession planning is an important process for Vattenfall's continued success. We try to identify potential managers at an early stage. For example, approximately 500 existing and potential managers have been identified and assessed according to Vattenfall's leadership criteria, attained goals and results in the My Opinion employee survey. Management development plans are established for each individual. While the succession planning process helps us to secure a solid base of current and future managers, we now need to focus on enhancing diversity and on developing international experience.

Vattenfall runs five management development programmes within areas of strategic importance through the Vattenfall Management Institute (VMI).

The purpose of the programmes is to:

- Establish a common approach to leadership and to develop management and leadership skills within Vattenfall
- Promote integration within the different parts of Vattenfall
- Encourage networking within Vattenfall

The programmes provide basic management training at the local and international levels for new managers and provide advanced management training at the global level for potential senior managers and executives. External candidates are offered an International Trainee Programme and young employees with management potential are offered an International Job Rotation Programme. Vattenfall also conducts a number of trainee and development programmes in different countries.

### Leadership Development

We offer our managers three types of leadership development programmes: core, advanced and executive. The programmes communicate Vattenfall's company and leadership philosophies. Besides providing management development they also promote a common understanding of our strategies and knowledge of strategic management and communication. Participants learn from leading people from Vattenfall, industry at large and top universities and business schools.



### International Trainee Programme

The 12-month International Trainee Programme gives participants an insight into Vattenfall's operations and allows participants to build a network of contacts in different countries. The programme alternates periods of intensive hands-on work at home and abroad with training seminars.



### International Job Rotation Programme

The International Job Rotation Programme is a development programme for young employees which aims at creating a deeper understanding of Vattenfall and at facilitating knowledge-sharing. For one year, participants work in three different countries and in three different business units and also take part in seminars and workshops.



### International Network for Women

The aim of Vattenfall's Network for Women is to identify and promote the visibility of female managers and leaders at Vattenfall. The participants are given the opportunity to share knowledge with colleagues, researchers and business leaders.

We are developing various compensation and benefit models which are adapted to local markets. For example, in Sweden, employees can give up a part of their salary and opt for other benefits instead, such as a personal computer, a company car or a company pension scheme. In Sweden, we also offer our employees some of the best terms for parental leave on the labour market, 90 % of their salary for 270 days. In Germany, a performance-based pay structure consisting of fixed and variable elements is being introduced. Vattenfall also offers German employees a pension scheme which allows them to improve their standard of living when they retire.

MANAGEMENT AND LEADERSHIP



Heidrun Helm, Business Unit Mining and Generation

Occupational safety and health are important elements of our corporate culture. An important part of our vision is to be a leading company in safety at work and health protection. Continuous improvement will ensure a lasting, high-quality level of health and safety. Finland is one example where Vattenfall has joined the Finnish Zero-accident Forum. The Forum has 100 members from industrial sectors who are all committed to reducing the number

## Development Programme in Germany

Vattenfall conducts several local development and trainee programmes. One example is the German development programme for employees with high development potential. The aim of the programme is to ensure the long-term development of middle managers, to enable participants to create networks and to make participants visible to key decision-makers at Vattenfall.

**Heidrun Helm, Business Unit Mining and Generation, gives her impressions of the programme:**

"I was excited to be chosen to participate in the 18-month programme. Altogether, fifteen of us from different business units in Vattenfall in Germany took part - we were truly a diverse and lively group!

The meetings, which were held at different locations, gave us a good opportunity to learn more about Vattenfall's operations in Germany and we also talked to a number of senior executives.

The programme focuses on developing our leadership skills. It allowed us to consolidate our knowledge about strategy, business management, leadership, process management and marketing. Learning and practising new communication techniques was also an important part of the programme.

The highlight of the programme was the team project, since this was our chance to make an impact. Each team worked on an issue of real, strategic importance to Vattenfall. My team investigated the opportunities and risks of an image campaign for lignite and our findings will be presented to the relevant part of the organisation."



## Achieving Our Vision through the Commitment of People

At Vattenfall, our vision is to be a leading European energy company through the commitment of our people. In turn, Vattenfall provides support, feedback and opportunities so that individuals can realise their own expectations.

Once a year, we conduct the My Opinion employee survey. The survey is an important tool to find out what expectations employees have of their jobs and of Vattenfall as an employer. Although the individual survey responses are anonymous, the results and actions are discussed by managers and employees. An important part of the process is ensuring open and transparent communication about results, making sure that all employees are involved in discussions and seeing that employees are informed about actions taken.

Since 2001, Vattenfall has conducted the survey in Scandinavia, successively adding countries and units. In 2004, the response rate was 71 %. The results show that employees are more satisfied with their work situation today, compared with previous years. Co-operation, training, development and leadership are strong areas. Areas for improvement include service to our customers, feedback to employees on performance and change management.

In 2004, many of the employees of the German business units participated for the first time in the My Opinion survey. Sascha Scholze at Vattenfall's German IT-company, gives his views on the survey.

"People can be a bit sceptical towards surveys in Germany. The attitude is: What benefit will a survey bring me?"

**"The key factor is how the results are implemented and followed up."**

That was also my view when I first heard about My Opinion. However, I finally realised that the survey would be a good opportunity to raise issues and concerns, so I decided to participate.

The team leaders presented the results for each team. We then had an action workshop where we came up with concrete proposals for improvement. One of the key findings of our team was that co-operation and communication between the functions at our company have to be improved. A structured exchange of ideas between the different functions is now being planned and implemented in order to make our internal processes more efficient and to ultimately improve customer satisfaction.

What I particularly like about My Opinion is that the questions are standard for all employees throughout Vattenfall. The key factor for employee acceptance of the survey is how the results are implemented and followed up. The action plan and follow-up processes sound highly promising. I have high expectations! In 2005, I intend to take more time in answering some of the questions."



Sascha Scholze,  
Vattenfall's German IT-company

Vattenfall maintains regular contact with the local trade unions and employee representatives through the European Works Council (EWC). The aim is to consult with these contacts and to provide them with information on issues affecting Vattenfall as a whole.

