

# Corporate governance report

The following pages includes information on corporate governance during the 2012 financial year in accordance with law and with the Swedish Code of Corporate Governance. The Articles of Association, previous corporate governance reports and material from the most recent general meetings

are available on Vattenfall's website, [www.vattenfall.com](http://www.vattenfall.com), under "Corporate Governance", where links are also provided to the Swedish state's ownership policy and the Swedish Code of Corporate Governance.



Vattenfall introduced a new Code of Conduct in 2012. The code is based on eight principles – Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources and the Environment.

**Vattenfall's corporate governance in general**

The Parent Company of the Vattenfall Group, Vattenfall AB, is a Swedish public limited liability company with registered office in Solna. Vattenfall AB is there by subject to the provisions of the Swedish Companies Act. The Board of Directors is elected by the Annual General Meeting (AGM). The Board, in turn, appoints the President and CEO, who is responsible for the day-to-day administration of the company in accordance with the Board's guidelines and instructions.

Vattenfall is wholly owned by the Swedish state, and therefore certain stipulations in the Swedish Code of Corporate Governance ("the Code") are not applicable for Vattenfall. See the specific deviations from the Code in the box below.

**Annual General Meeting**

By law, the Annual General Meeting (AGM) of Vattenfall AB shall be held within six months after the end of the financial year. The AGM elects the Board of Directors and auditors, sets their fees, adopts the income statement and balance sheet, grants discharge from liability for the board members and CEO, and decides on other matters of business that are incumbent upon the AGM pursuant to law or the Company's Articles of Association.

**Important internal and external rules and regulations for Vattenfall**

**External rules and regulation:**

- Swedish and foreign legal rules, particularly the Swedish Companies Act and Swedish Annual Accounts Act
- The Swedish State's ownership policy and other owner directives
- The Swedish Code of Corporate Governance ("the Code")
- Stock exchange rules<sup>1</sup>

**Internal rules and regulations:**

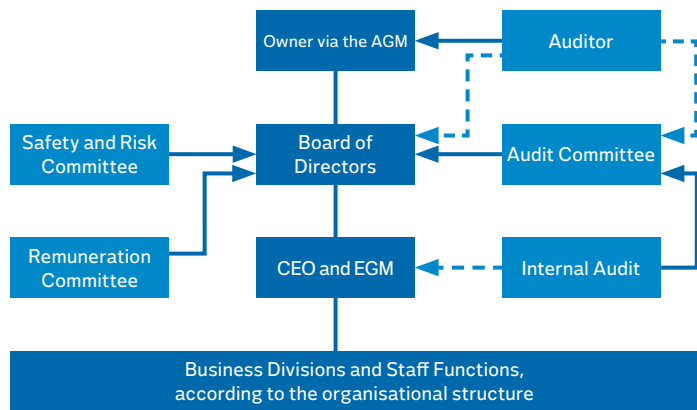
- Vattenfall's Articles of Association
- The Board's Rules of Procedure, including the CEO's instructions and instructions for reporting to the Board
- The Vattenfall Management System (VMS) and other internal governance documents

1) Vattenfall adheres to the stock exchange rules that apply for companies that have fixed-income securities registered on Nasdaq OMX Stockholm and other marketplaces.

Vattenfall's Annual General Meeting was held on 25 April 2012. In addition to the points outlined above, the Board reported on compliance with the applicable guidelines for remuneration of senior executives, after which the AGM resolved in favour of unchanged guidelines. Members of Parliament were given the opportunity to ask questions, as

stipulated in Vattenfall's Articles of Association. An open Q&A session was arranged after the AGM, in accordance with the Swedish state's ownership policy. The meeting was open to the general public and was aired live via webcast. A recorded version of the AGM, along with the minutes and other material, can be viewed on [www.vattenfall.se](http://www.vattenfall.se), under

**Governance and reporting structure**



**Deviations from the Code**

Vattenfall deviates from the following stipulations of the Code, since they are not applicable for Vattenfall due to its ownership structure.

Code stipulation	Description	Explanation and chosen solution
1.4 Chairman to preside over the Annual General Meeting	The nomination committee shall propose a person to serve as AGM chairman	Due to its ownership structure, Vattenfall has no nomination committee. Election of an AGM chairman is instead done at the AGM in accordance with the stipulations of the Swedish Companies Act and the Swedish state's ownership policy.
2. Nomination committee	The company shall have a nomination committee	The nomination process for the Board and auditors is conducted in accordance with the Swedish state's ownership policy. Thus the references to the nominating committee in points 1.3, 1.4, 4.6, 8.1 and 10.2 are not applicable either. However, information on the nomination of board members for new election or re-election is posted on the company's website in accordance with point 2.6.

“Bolagstyrning”, translations are available on [www.vattenfall.com](http://www.vattenfall.com), under “Corporate Governance”.

### Extraordinary general meeting

Vattenfall AB held an extraordinary general meeting on 28 November 2012. At the proposal of the owner, the meeting adopted changed financial targets for profitability and capital structure. The meeting also approved the current dividend policy. A more detailed description of the financial targets is provided on page 9. In addition, the Articles of Association were amended to stipulate that the Board's registered office shall be in Solna instead of Stockholm, and that the AGM may be held in Stockholm or Solna. A recorded version of the meeting, the minutes and other material are available at [www.vattenfall.se](http://www.vattenfall.se), under “Bolagstyrning”, translations are available on [www.vattenfall.com](http://www.vattenfall.com), under “Corporate Governance”.

### The Board's composition

#### *Appointment of the Board*

For enterprises that are wholly owned by the Swedish state, uniform and joint principles for a structured nomination process apply. These principles take the place of the Code's rules on drafting work for decisions on the nomination of board members and auditors.

The Ministry of Finance co-ordinates the process for nominating directors. A work group analyses competency needs based on the company's operations, situation and future challenges, as well as the Board's composition. Thereafter, any recruitment needs are determined and recruitment work is initiated. Once this process has been completed, any nominations are to be publicly announced in accordance with the Code; however, no report is made on the directors' independence. Vattenfall provides orientation training for new directors who are elected by the AGM.

Additional stipulations on the nomination of board members are set forth in the Swedish state's ownership policy, which is published in the annual report for state-owned companies, issued by the Swedish Government Offices.

#### *Board members*

Vattenfall's Articles of Association stipulate that the Board of Directors, in addition to the employee representatives, shall have a minimum of five and a maximum of ten members without deputies. The directors are elected annually by the Annual

General Meeting, which also appoints the Chairman of the Board.

In 2012 Vattenfall's board included seven AGM-elected directors until the AGM and eight for the time thereafter. Lars G. Nordström was Chairman of the Board. For the time up until the AGM, Christer Bådholm served as Deputy Chairman. By law, the unions are entitled to appoint three board members plus three deputies, and they have exercised this right.

No members of the Executive Group Management (EGM) are directors on the Board. Three board members and one deputy are women. One board member (Eli Arnstad) is a foreign citizen. The average age of board members in 2012 was 55, based on the Board's composition after the AGM. Biographical information about the board members is provided on pages 40–41.

### The work of the Board

#### *The Board's duties*

The Board's fundamental duties are stipulated in the Swedish Companies Act and the Code. Each year the Board adopts its Rules of Procedure and a number of instructions. The Rules of Procedure and instructions regulate such matters as reporting to the Board, the allocation of authority between the Board, the CEO and the Board's committees, the Chairman's duties, the form of board meetings, and evaluation of the work of the Board and the CEO.

The Board's Rules of Procedure stipulate, among other things, that the Board shall approve major investments, acquisitions and divestments, and adopt central policies and instructions. The Board shall also approve certain important contracts, including contracts between Vattenfall and the CEO, the Deputy CEO and such other persons in the Group who are defined as senior executives by the Annual General Meeting. The Board's duties pertain to Vattenfall AB as well as the Vattenfall Group.

The Chairman leads the work of the Board and is responsible for ensuring that other board members receive the necessary information.

#### *Board meetings*

According to the Board's Rules of Procedure, the Board shall hold eight to twelve regular board meetings every year. In addition to the regular meetings, the Board meets when necessary. The Rules of Procedure stipulate that the agenda of every regular meeting shall include the following items of business:

- Important business events since the last meeting
- Financial report
- Safety situation at the Group's nuclear power plants

In addition, the following items of business are included on the agenda every year:

- Strategic plan, business plan, investment plan and communication plan
- Risk exposure and risk mandate
- Strategic personnel issues
- The Group's research and development activities

Investments are monitored and analysed by the Board three years after they have been decided on by the Board.

The Board also holds a number of board seminars every year. At these seminars the Board receives more detailed information about and discusses Vattenfall's long-term development, strategy, competitive situation and risk management.

The Board met eleven times in 2012, including the statutory meeting. The agendas of these meetings included the following items of business:

- The Group's strategy and organisation
- Financial and sustainability targets
- Operational Excellence programme
- Development of risk management in the hedging and trading operations
- Investments in wind, heat and nuclear power operations
- The biomass project in Liberia
- Work with the analysis of the prospect for replacement of nuclear power in Sweden
- Analysis of action options to reduce CO<sub>2</sub> emissions
- Sustainability targets

#### *Evaluation of the Board's and CEO's work*

The Board evaluates its own work and the CEO's work once a year in the aim of developing the Board's way of working and effectiveness. This evaluation is conducted under the direction of the Chairman and is reported to the Board. The most recent evaluation was begun in autumn 2012 and was reported to the Board in early 2013.

### Board committees

The Board has established within itself an audit committee, a remuneration committee, and a safety and risk committee, along with rules of procedure for the committees. For each

committee, the Board has appointed three directors elected by a general meeting to serve as members, of whom one serves as committee chair. In addition, the Board can, where necessary, establish other committees or temporary work groups to look into matters in more defined areas.

The committees report their work to the Board at the next regular board meeting, whereby the committee chair presents a report accompanied by minutes of the committee meeting. Except for certain matters conducted by the Audit Committee, the committees are only drafting bodies.

#### *Audit Committee*

The Audit Committee's most important duties are:

- To oversee Vattenfall's financial reporting
- To oversee the effectiveness of Vattenfall's internal control, internal audit and risk management with respect to the financial reporting
- To stay informed about the audit of the annual report and consolidated accounts
- To review and monitor the auditor's impartiality and independence, and in connection with that, to pay particular attention to whether the auditor provides other services to the company than auditing services
- To monitor the management of market and credit risks
- To assist in the drafting of recommendations for decisions on the election of auditor by the Annual General Meeting
- To conduct an annual evaluation of the external auditors' work

The Audit Committee is responsible for meeting with Vattenfall AB's external and internal auditors on a regular basis in order to confirm the planning of internal audit and to gain information about the planning, focus and scope of the external audit. The Audit Committee is also responsible for discussing co-ordination of the external and internal audits and views of the company's risks.

The Audit Committee has the right, on behalf of the Board, to decide on the internal audit budget, the Internal Audit Charter, the internal audit plan and guidelines for which other services than auditing that Vattenfall may procure from the Group's auditors.

The CFO, the Chief Risk Officer (CRO) and Head of Internal Audit serve in a reporting role on the Audit Committee. The company's external auditors attend all regular meetings and report on their observations of the audit.

#### *Remuneration Committee*

The Remuneration Committee's most important duties are:

- To conduct drafting work for board decisions on matters regarding compensation principles, remuneration and other terms of employment for members of the Executive Group Management and other senior executives
- To monitor and evaluate application of the guidelines for compensation of senior executives, which the AGM, by law, is required to decide on as well as the applicable compensation structures and levels of compensation in the company

The committee's duties also include:

- Serving as a drafting body for ensuring implementation and compliance with guidelines
- Where applicable, conducting drafting work for any special reasons that may exist in an individual case to deviate from the guidelines
- Conducting drafting work for the Board's report on compensation of senior executives in the annual report and, ahead of the Annual General Meeting, monitoring and following up the auditors' review

The CEO serves in a reporting role on the Remuneration Committee.

#### *Safety and Risk Committee*

The Safety and Risk Committee is tasked with reinforcing Vattenfall's risk and safety work and cultures. The committee's most important duties are:

- To conduct drafting work for the Board in its efforts to oversee and quality-assure safety and risk work, including the focus areas nuclear power safety, dam safety and the environment
- To conduct an annual review and, when the committee deems it suitable, provide suggestions regarding the Group's strategy, identification and handling of the safety and risk matters described above
- To monitor and review development of the Group's guidelines, instructions and overall framework for management and control of safety and risk issues
- To review and make recommendations regarding risk appetite and risk exposure within the Group

The CRO serves in a reporting role on the Safety and Risk Committee. Since June 2012 the nuclear power operations

and the Chief Nuclear Safety Officer (CNSO) present a quarterly report on nuclear power safety to the committee.

For a more detailed description of Vattenfall's risks and risk management, see pages 45–50.

#### **Guidelines for remuneration of the Board**

Directors' fees and fees for committee work are set by the AGM, based on the Swedish state's ownership policy. For information on directors' fees in 2012, see Note 53 to the consolidated accounts.

#### **Guidelines for remuneration of senior executives**

Vattenfall AB applies the Swedish Government Offices' "Guidelines for terms of employment for senior executives in state-owned companies".

The 2012 AGM approved Vattenfall's deviation from application of the guidelines with respect to executives of subsidiaries, in such way that instead of the definition of senior executive in the Swedish Companies Act, senior executives shall be defined on the basis of whether they have a significant impact on the Group's earnings. Through use of the International Position Evaluation (IPE) model, managers with positions of IPE 68 and higher are to be considered to be senior executives. Ahead of the AGM's resolution, the Board issued a reasoned statement regarding the deviation from the government's guidelines. This reasoned statement is provided in the 2011 Annual Report, on page 56.

According to the AGM's definition, in 2012 a total of 20 persons excluding the CEO were covered by the stipulations on contracts with senior executives. Actions taken with respect to agreements with these executives were continuously reported to the Remuneration Committee and Board, which also decided on the entering into such agreements. Compensation of senior executives and compliance with the adopted guidelines are described in more detail in Note 53 to the consolidated accounts.

The proposed guidelines ahead of the 2013 AGM are shown on page 44.

#### **Auditors**

The Swedish state's ownership policy states that the owner is responsible for the election of auditors and that the auditors are to be appointed by the Annual General Meeting. The auditors are currently elected for a mandate period of one year, in accordance with the main rule in the Swedish Companies Act.



Vattenfall's Articles of Association stipulate that the company shall have one or two auditors with or without one or two deputy auditors, or a chartered auditing firm as auditor.

The 2012 Annual General Meeting re-elected the auditing firm Ernst & Young AB as auditor, with Authorised Public Accountant Hamish Mabon as auditor-in-charge. Hamish Mabon is also the auditor of Hexagon AB, Dustin AB and Ambea AB, among other companies. The auditor has no assignments with companies that affect his independence as auditor of Vattenfall.

The Audit Committee has approved guidelines for how procurement of other services than auditing shall take place from the auditor. Consulting services provided by Ernst & Young AB from 2010 to 2012 mainly pertained to tax and accounting issues as well as special input in connection with the divestment of subsidiaries that are no longer core businesses.

The auditor reported his review of the year-end accounts for 2011 to the entire Board at the board meeting on 20 February 2012 (without the presence of any person from the Executive Management Group), and also reported on his observations at the board meeting on 12 December 2012.

In accordance with the Act on Auditing of State Activities, etc., the Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. No such auditor was appointed in 2012.

The Group's auditing costs are described in more detail in Note 22 to the Group accounts and Note 19 to the Parent Company accounts

### Internal governance

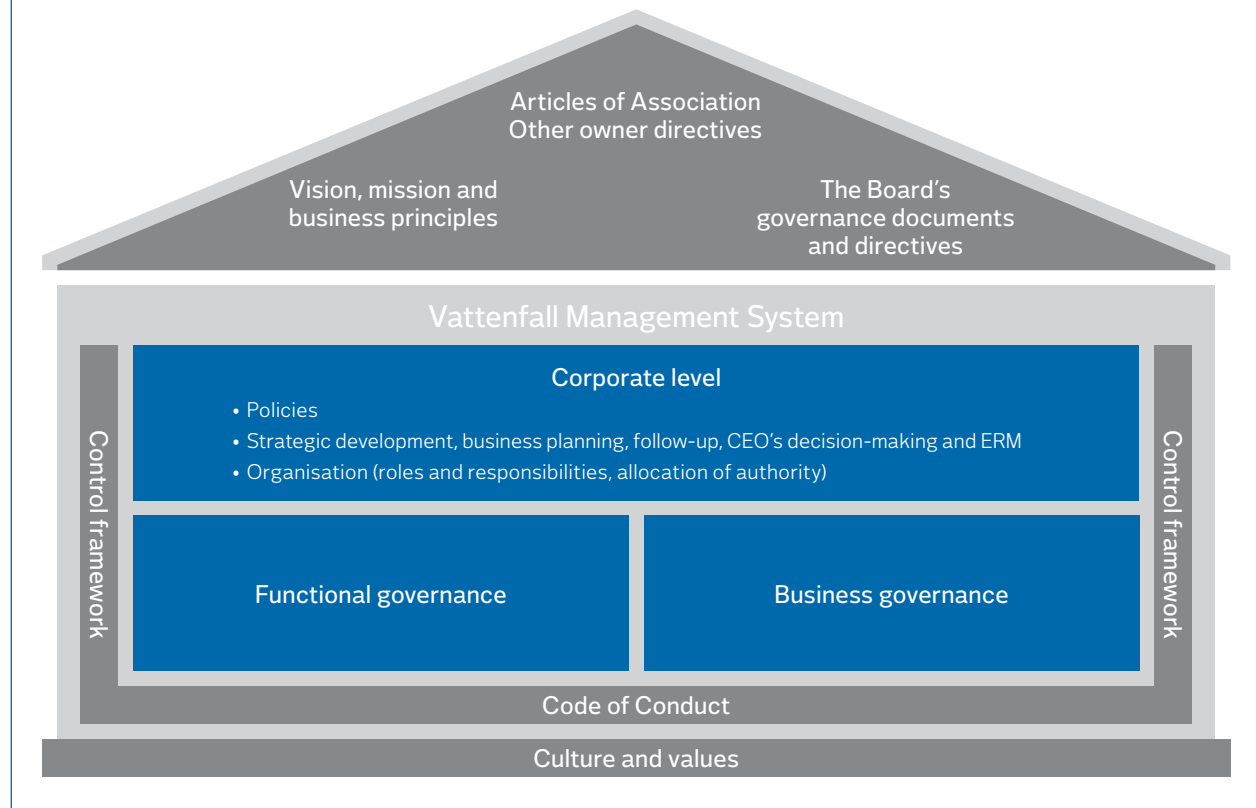
#### *Core values and vision*

Vattenfall's core values are Safety, Performance and Cooperation. Vattenfall's vision is to develop a sustainable, diversified European energy portfolio with long-term increased profits and significant growth opportunities. At the same time, Vattenfall will be among the leaders in developing environmentally sustainable energy production.

#### *Governing business ethics*

In 2012 Vattenfall's board adopted a new Code of Conduct, which is more concrete and clear. Information on the Code of Conduct has been provided through numerous announcements on the Group's intranet by the CEO and other senior executives, in articles in Vattenfall's employee magazine, and through publications of "dilemma of the week" features on the

### Structure for the VMS and other governance documents



intranet, where answers can be found in the Code of Conduct. This has helped familiarise the employees with the Code of Conduct. The new Code of Conduct outlines eight principles – Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources and the Environment. The Code of Conduct also includes clear references to the Vattenfall Management System, which more clearly elaborates on the principles in the Code of Conduct. Vattenfall's Code of Conduct is published on [www.vattenfall.se](http://www.vattenfall.se) (English version on [www.vattenfall.com](http://www.vattenfall.com)). Employees have the opportunity to report incidents through a

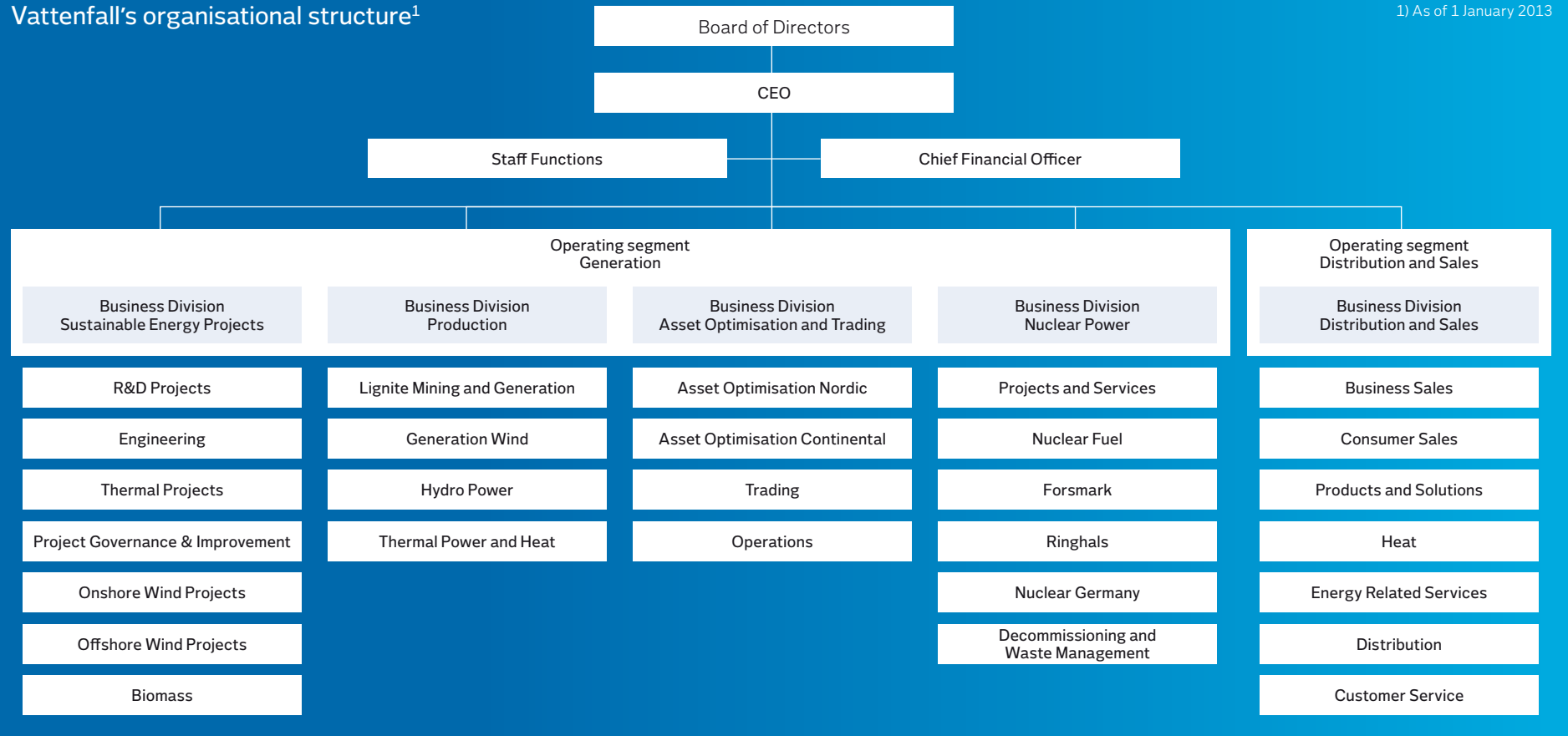
whistleblowing function staffed by locally appointed external ombudsmen (lawyers), to whom employees, consultants and contractors can turn to report suspected, serious improprieties that the "whistleblower" for some reason does not want to report internally via the normal reporting channels.

#### *CEO and Executive Group Management*

The President of Vattenfall AB, who is also CEO of the Vattenfall Group, is responsible for the day-to-day administration in accordance with the Swedish Companies Act. The CEO has appointed decision-making bodies for governance of the

### Vattenfall's organisational structure<sup>1</sup>

1) As of 1 January 2013



Group and makes decisions independently or with the support of these decision-making bodies. The most important of these decision-making bodies is the Executive Group Management (EGM) and the Vattenfall Risk Committee (VRC).

The Executive Group Management focuses on the Group's overall direction and decides – within the framework of the CEO's mandate from the Board of Directors – on matters of importance for the Group, such as certain investments. The VRC makes decisions pertaining to the risk mandate

and credit limits, among other things, and exercises oversight over the risk management framework. Both of these bodies conduct preparatory drafting work on matters that are to be decided by the Board of Directors.

Information on the members of the Executive Group Management is provided on page 42–43.

#### Vattenfall Management System (VMS)

The Vattenfall Management System is the framework that

ensures that Vattenfall's governance adheres to formal requirements as well as to requirements made by the Board, the CEO, the business operations and the Staff Functions. The VMS is documented in binding governance documents consisting of policies, instructions and process documents on three different levels: corporate level, function level and business level. The VMS is an integrated management system that applies for the entire Vattenfall Group, along with the limitations that may arise from legal requirements, such as regarding the

unbundling of the electricity distribution business. Vattenfall's Environmental Management System is integrated in the VMS.

Special routines are in place to ensure adherence to the management system also by subsidiaries. With respect to the German subsidiaries, the so-called domination agreement (Beherrschungsvertrag) that has existed between Vattenfall AB and the German holding company, Vattenfall Europe AG, has become superfluous and ceased to apply in September 2012, in connection with the change in the company structure in the German operations.

*Organisation*

Vattenfall's governance model is business-led and based on the value chain for electricity and heat (production, distribution and sales). Operations rest on two building blocks:

- Business activities, broken down into two operating segments. These comprise cross-border Business Divisions that have full responsibility for the governance of their business activities, which are performed by business units.
- Functional areas, organised in Staff Functions, which lead, manage and support the business activities. The Staff Functions are centralised and co-ordinated, and have the authority within their respective areas that spans the entire Group.

The breakdown into business units is shown in the organisation chart above. Every unit is defined in the VMS, especially with respect to area of responsibility, decision-making authority and risk mandate.

**Internal control over financial reporting**

This section describes the most important elements in Vattenfall's system of internal control and risk management in connection with the financial reporting, as required by the Annual Accounts Act and the Swedish Code of Corporate Governance. Vattenfall's framework for this control is based on the COSO framework, which has been developed by the Committee of Sponsoring Organizations of the Treadway Commission. For further information see also the risk section, pages 45–50.

*Control environment*

According to the Swedish Companies Act and the Code, the Board of Directors has overarching responsibility for internal control over financial reporting. The Board's audit committee conducts drafting work for the Board on matters related to internal control over financial reporting.



The control environment is based on the division of responsibility between the Board and the CEO, which is set forth in the Board's Rules of Procedure, along with the reporting requirements made by the Board. The Board has adopted Vattenfall's Code of Conduct, which lays out the overarching principles governing employee conduct.

The VMS contains governing documents for, among other things, roles and responsibilities, authority, decision-making processes, risk management and internal control. The VMS indicates which decision-making and advisory bodies exist within the Group, apart from those required by law.

Based on these starting points, the control environment was further developed during the year as described on page 36.

*Risk assessment*

Each year the Board conducts a general review of the Group's risk assessment and risk management processes. The Board's audit committee conducts preparatory drafting work for matters concerning evaluation and monitoring of risks and the quality of the financial reporting. The Audit Committee maintains continuous and regular contact with the Group's internal and external audit functions. Other risks of an operational character that are evaluated and monitored at the board level are mainly addressed and drafted by the Board's safety and risk committee.

The Board's risk management and reporting is centrally co-ordinated via Vattenfall's risk committee. A continuous Enterprise Risk Management process makes it possible to quantify and compare both financial and non-financial risks.

The VMS includes a framework for internal control that

identifies and defines material risks related to financial reporting. Staff Function CFO performs analyses of risks related to financial reporting and is responsible for updating this framework.

The external and internal auditors discuss Vattenfall's risk situation in connection with the planning work ahead of the annual audit.

*Control activities and monitoring*

Vattenfall applies the "three lines of defence" model for management and control of risks. The first line of defence consists of the business units, which own and manage risks. The risk organisation makes up the second line of defence and is responsible for monitoring and controlling risks. Internal and external audit make up the third line of defence. Internal Audit is an independent and objective assurance and advisory function that reviews and oversees the first and second lines of defence.

The Chief Risk Officer (CRO) is responsible for the risk management organisation within the Group and regularly informs the Board's Audit Committee and Safety and Risk Committee.

Internal Audit evaluates and recommends improvements to the effectiveness of Vattenfall's risk management, internal controls and governance processes. This also applies for compliance with Vattenfall's governance documents, including the Code of Conduct. The Internal Audit function is directly subordinate to the Board of Directors and its audit committee. The Head of Internal Audit reports administratively to the CEO and informs the management teams of the business units and other units about audit activities that have been performed.

The Board monitors the Group's financial situation and

addresses this matter at every regular board meeting. The EGM has regular follow-up meetings with the heads of the Business Divisions and Staff Functions regarding the financial outcome. The internal framework for internal control includes processes for self assessment, follow-up, reporting and improvement of control activities in order to prevent, discover and correct errors in the financial reporting. Written confirmation of adherence to internal and external stipulations is part of these processes.

#### Information and communication

The Group's governance documents are available for all employees on Vattenfall's intranet. Accounting policies and reporting principles are laid out in a joint manual for the entire Group. Updates and changes of these policies and principles are communicated on a continuous basis via the intranet as well as at meetings with representatives of Vattenfall's Business Divisions and Staff Functions.

Reporting and follow-up reporting to the Board and EGM

are conducted as an integral part of follow-up. Internal Audit and the CRO also report on their observations to the Board's audit committee and safety and risk committee.

Financial reporting includes interim reports, the year-end report and the annual report. In addition to these reports, financial information is provided to the Group's external stakeholders via press releases and Vattenfall's websites, in accordance with the Swedish Securities Market Act, among other things.

## Composition of the Board and meeting attendance

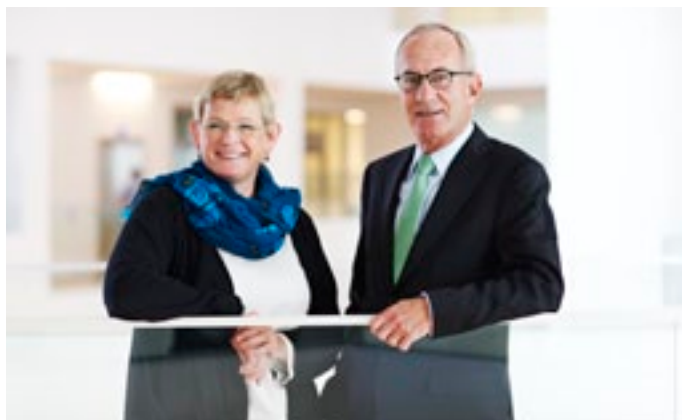
Name	Function	Committee assignments	Attendance at board meetings	Attendance at committee meetings
Lars G. Nordström	Chairman of the Board	Remuneration Committee	11 of 11	6 of 6
Carl-Gustaf Angelin	Employee representative	–	11 of 11	–
Eli Arnstad	Director	Safety and Risk Committee (as committee chair from 25 April)	11 of 11	5 of 5
Lennart Bengtsson	Employee representative, deputy	–	10 of 11	–
Gunilla Berg <sup>1</sup>	Director	Audit Committee (from 25 April)	7 of 8	6 of 6
Johnny Bernhardsson	Employee representative	Safety and Risk Committee	11 of 11	5 of 5
Håkan Buskhe <sup>1</sup>	Director	Safety and Risk Committee	7 of 8	3 of 4
Christer Bådholm <sup>2</sup>	Director, Deputy Chairman of the Board	Safety and Risk Committee (chair) (through 25 April)	3 of 3	1 of 1
Ronny Ekwall	Employee representative	Audit Committee	11 of 11	7 of 8
Håkan Erixon	Director	Audit Committee (chair); Safety and Risk Committee (through 25 April)	11 of 11	AC: 8 of 8 S&R: 1 of 1
Lone Fønss Schrøder <sup>2</sup>	Director	Audit Committee, through 25 April	1 of 3	1 of 2
Lars-Göran Johansson	Employee representative, deputy	–	9 of 11	–
Jan-Åke Jonsson <sup>1</sup>	Director	Remuneration Committee (from 25 April)	8 of 8	3 of 3
Patrik Jönsson	Director	Audit Committee, Remuneration Committee (through 25 April), Safety and Risk Committee (from 25 April)	10 of 11	AC: 8 of 8 RemCom: 3 of 3 S&R: 4 of 4
Jeanette Regin	Employee representative, deputy	–	8 of 11	–
Cecilia Vieweg	Director	Remuneration Committee (chair)	10 of 11	6 of 6

1) Elected at 2012 Annual General Meeting

2) Resigned at 2012 Annual General Meeting



# Board of Directors



Eli Arnstad, Lars G. Nordström

## Lars G. Nordström

*Chairman of the Board*

Born 1943. Law studies. Elected in June 2011.

Member of the Remuneration Committee.

*Other assignments:* Chairman of the Finnish–Swedish Chamber of Commerce. Director of Nordea Bank, Viking Line Apb and the Swedish–American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul for Finland in Sweden.

*Previous positions held:* Director of TeliaSonera (2006–2010).

Chairman of the Royal Swedish Opera (2005–2009). President and CEO of Posten Norden AB (2008–2011). Various executive positions with Nordea (1993–2007), including as President and Group CEO of Nordea Bank AB (2002–2007). Various positions with Skandinaviska Enskilda Banken (1970–1993), including as Executive Vice President (1989–1993).



Ronny Ekwall, Lennart Bengtsson, Carl-Gustaf Angelin

## Eli Arnstad

Born 1962. Studies in public law and political science. Elected in 2008.

Member of the Safety and Risk Committee (chair).

CEO of SpareBank 1 SMN.

*Other assignments:* Director on the board of the Norwegian University of Life Sciences in Ås, Norway. Director of the Norwegian Football Association.

*Previous positions held:* Independent consultant (2008–2012).

CEO of Enova SF (2001–2007).

## Gunilla Berg

Born 1960. M. Sc. Econ. Elected in 2012.

Member of the Audit Committee.

Executive Vice President and CFO of the Teracom Group.

*Other assignments:* Director of Alfa Laval and Lundbergs.

*Previous positions held:* Executive Vice President and CFO of SAS (2002–2009). Executive Vice President and CFO of the KF Group (1997–2001). Various positions in the AGA Group (1987–1997).



Cecilia Vieweg, Patrik Jönsson

## Håkan Buskhe

Born 1963. M. Sc. Eng., Licentiate in transport and logistics. Elected in 2012.

Member of the Safety and Risk Committee.

President and CEO of Saab AB.

*Other assignments:* Director of the Association of Swedish Engineering Industries.

*Previous positions held:* President and CEO of E.ON Nordic AB and E.ON Sverige AB (2008–2010). Executive Vice President of E.ON Sverige AB (2007–2008). Senior Vice President of E. ON Sverige AB (2006–2007). CEO of Schenker North (2002–2006). Managing Director Schenker-BTL AB (2000–2002).

## Håkan Erixon

Born 1961. M. Sc. Econ. Elected in 2011.

Member of the Audit Committee (chair).

President of H. Erixon & Co AB.

*Other assignments:* Director of Saab Automobile Parts AB. Member of the NASDAQ OMX Stockholm AB Listing Committee. Directors of Alfvén & Didrikson Invest AB.

*Previous positions held:* Senior advisor, Corporate finance, The Swedish Government Offices, which included work for the Swedish National Debt Office (2007–2010). Director of Carnegie Investment Bank AB (2008–2009). Director of Vasakronan AB (2007–2008). Various positions with UBS Investment Bank Ltd, London (1997–2007), including as Vice Chairman of the Investment Banking Division. Various positions with Merrill Lynch International Ltd, London (1992–1997). Kansallis–Osake–Pankki, London (1992–1993). Citicorp Investment Bank Ltd, London (1989–1991).



Gunilla Berg, Jan-Åke Jonsson



Håkan Buskhe, Håkan Erixon



Lars-Göran Johansson



Jeanette Regin, Johnny Bernhardsson

#### Jan-Åke Jonsson

Born 1951. Degree in Business Economics/Information Systems. Elected in 2012.

Member of the Remuneration Committee.

*Other assignments:* Chairman of Bythjul Norden AB, Polstiernan Industri AB, Väst kustens affärsänglar AB and Datachassi AB. Director of Castellum AB and Opus Prodox AB (publ).

*Previous positions held:* Various positions with Saab Automobile AB (2002–2011), most recently as President and CEO (2005–2011). Executive Director and Vehicle Line Executive – Commercial Vehicles, General Motors Europe (1997–2002). Various positions with Saab Automobile AB (1975–1997).

#### Patrik Jönsson

Born 1971. M.Sc. Econ. Elected in 2010.

Member of the Audit Committee and Safety and Risk Committee. Deputy Director at the Unit for State Owned Enterprises at the Ministry of Finance.

*Other assignments:* Director of Svevia AB.

*Previous positions held:* Investment analyst at Bure AB (2001–2003). Management consultant for Brögger & Partners (2000–2011).

#### Cecilia Vieweg

Born 1955. LL.B. Elected in 2009.

Member of the Remuneration Committee (chair).

Member of Electrolux executive management with responsibility for legal affairs, intangible rights, risk management and security.

*Other assignments:* Director of the Association of Swedish Engineering Industries. Member of the Swedish Securities Council.

*Previous positions held:* General Counsel for Volvo Car Corporation (1992–1998). Corporate lawyer for AB Volvo (1990–1992).

#### Employee representatives, board members

##### Carl-Gustaf Angelin

Born 1951. M.Sc. Eng. Elected in 2003. Employee representative for Akademikerrådet.

Vattenfall employee since 1988, currently in Business Division Distribution and Sales.

##### Johnny Bernhardsson

Born 1952. Engineering studies with supplementary coursework in economics. Employee representative for Unionen. Vattenfall employee since 1970, currently as Controller for Vattenfall Business Services.

*Other assignments:* Chairman of the European Works Council.

##### Ronny Ekwall

Born 1953. Elected in 1999. Employee representative for SEKO Facket för Service och Kommunikation. Vattenfall employee since 1977 as fitter.

#### Employee representatives, deputies

##### Lennart Bengtsson

Born 1958. Two-year secondary school degree in mechanics and network technology training in IT. Elected in 2011. Employee representative for SEKO Facket för Service och Kommunikation. Vattenfall employee since 1979, currently as IT technician.

##### Lars-Göran Johansson

Born 1953. Secondary school education. Elected in 2008.

Employee representative for Ledarna (the Association and Management and Professional Staff).

Vattenfall employee since 1971 as foreman and technician.

##### Jeanette Regin

Born 1965. Secondary school diploma and two-year education in healthcare. Elected in 2011. Employee representative for Unionen. Currently head of customer service/office services for Gotland Energientreprenad (a subsidiary of the Vattenfall Group).

#### Board members who left the Board in 2012:

**Christer Bådholm**, elected in 2002, and **Lone Fønss Schrøder**, elected in 2003, left the Board on 25 April 2012.

# Executive Group Management



Ingrid Bonde, Øystein Løseth



Stefan Dohler, Tuomo Hatakka, Peter Smink

## Øystein Løseth

Born 1958. Master of Civil Engineering, degree in economics. President of Vattenfall AB and CEO since 12 April 2010. Various positions in the energy sector in Norway, the UK and the Netherlands, including a member of the executive management of Statkraft from 2002 to 2003. Joined Nuon N.V. in Amsterdam in 2003 as Managing Director of Nuon Energy Sourcing. Became member of the executive management of Nuon N.V. in 2006, and appointed as President and CEO in April 2008. In 2012 Øystein Løseth did not have any significant shareholdings companies with which Vattenfall has business relations.

## Ingrid Bonde

Born 1959. M.Sc. Econ. Chief Financial Officer and Deputy CEO since 14 May 2012. Many years of experience in the financial sector, both from the public sector and private business, most recently as Director General of the Swedish Financial Supervisory Authority (2002–2008) and President and CEO of AMF (2008–2012).

## Anders Dahl

Born 1957. M.Sc. Eng. Senior Vice President, Business Division Distribution and Sales. Vattenfall employee since 2002. Director of Production for Vattenfall's Polish CHP operations (2002–2005). Head of Business Unit Wind 2005–2010. Head of Business Division Renewables 2010–2012.

## Stefan Dohler

Born 1966. M.Sc. Aerospace Engineering. MBA. Senior Vice President, Business Division Asset Optimisation and Trading. Vattenfall employee (HEW) since 1998. Head of network operations, Vattenfall Europe AB 2008–2010. Chairman of Distribution and Transmission System Operators. Vice President Finance, Business Division Production 2011–2012.

## Tuomo Hatakka

Born 1956. Economics studies. Senior Vice President, Business Division Production. Executive Vice President of Vattenfall AB. Vattenfall employee since 2005. Head of Business Group Poland 2005–2007. Head of Business Group Central Europe 2008–2010.

## Olof Gertz

Born 1963. M.Sc. in Human Resources and Work Life Matters. Senior Vice President, Human Resources. Vattenfall employee since March 2012. Active in the DeLaval Group 1994–2012, incl. as Senior Vice President, Human Resources and member of executive management 2001–2012.



Torbjörn Wahlborg, Anne Gynnerstedt



Olof Gertz, Anders Dahl

**Anne Gynnerstedt**

Born 1957. LL.B.  
Senior Vice President, General Counsel and Secretary to the Board of Directors. Vattenfall employee since January 2012. General Counsel, Secretary to the Board and member of executive management of SAAB AB 2004–2012. General Counsel and member of executive management of the Swedish National Debt Office 2002–2004. Corporate Legal Counsel, SAS 1990–2002.

**Peter Smink**

Born 1965. Economics degree and studies in accounting.  
Senior Vice President, Business Division Sustainable Energy Projects.  
Vattenfall employee (Nuon) since 2001. Acting Chief Financial Officer from October 2011 to May 2012. Head of Control for Vattenfall's Business Division Asset Development, and CFO and member of executive management of N.V. Nuon Energy 2011. Active in N.V. Nuon Energy in several management positions since 2001.

**Torbjörn Wahlborg**

Born 1962. M.Sc. Eng.  
Senior Vice President, Business Division Nuclear Power. Executive Vice President of Vattenfall AB.  
Vattenfall employee since 1990. Held positions in Vattenfall's Polish operations since 1997, incl. as country manager 2008–2009. Head of Business Group Nordic 2010. Head of Business Division Distribution and Sales 2010–2012.

**Persons who left the Executive Group Management in 2012:**

**Elisabeth Ström** (Senior Vice President, Staff Function External Relations and Communications). Left Vattenfall in July 2012 and Executive Group Management in May 2012.

**Harald von Heyden** (Senior Vice President, Business Division Asset Optimisation and Trading). Left Vattenfall in June 2012.

**Andreas Regnell**, Senior Vice President Strategy and Sustainability, and **Huib Morelisse**, CEO N.V. Nuon Energy, are no longer members of the Executive Management Group, since May and October 2012, respectively.



# Auditor's report

To the annual meeting of the shareholders of Vattenfall AB, corporate identity number 556036-2138

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vattenfall AB for the year 2012, except for the corporate governance statement on pages 32–39. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4, 7–8 and 19–110.

## Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 32–39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Vattenfall AB for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

## Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the "Guidelines for external reporting by state-owned companies".

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We

conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 20 March 2013

Ernst & Young AB  
Hamish Mabon  
Authorised Public Accountant