



Corporate governance report

The following pages include information on corporate governance during the 2013 financial year, as prescribed by law and the Swedish Corporate Governance Code. 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, under "Corporate Governance", where links are also provided to the Swedish state's ownership policy and the Swedish Corporate Governance Code. This report has been reviewed by the company's auditors.

Corporate governance at Vattenfall – 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 thereby 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.

Application of the Code

Vattenfall adheres to the Swedish Corporate Governance Code ("the Code"). However, since Vattenfall is wholly owned by the Swedish state, certain stipulations in the Code are not applicable. In addition, Vattenfall deviates from the Code with respect to the following points:

- Chapter 1.4, pertaining to the requirement that 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.
- Chapter 2, pertaining to the requirement that 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 nomination committee in points 1.3, 1.4, 4.6, 8.1 and 10.2 are thus 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.

Important internal and external rules and regulations for Vattenfall

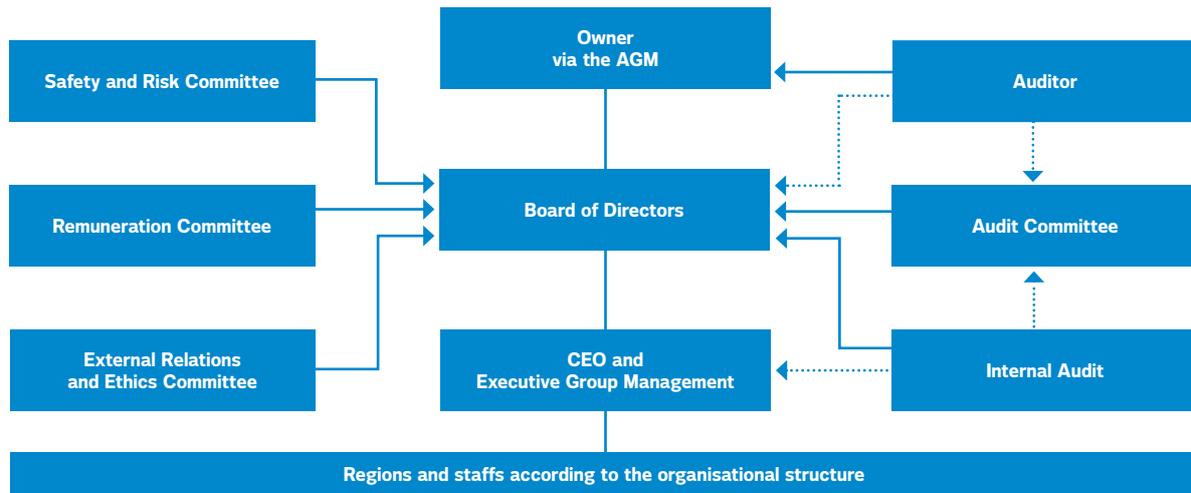
External rules and regulations:

- 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 Corporate Governance Code ("the Code")
- Stock exchange rules¹

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 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.

Governance structure**Shareholder and general meetings**

By law, the Annual General Meeting (AGM) of Vattenfall AB shall be held within six months after the end of the financial year and no later than April 30 according to the Swedish state's ownership policy. 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 as prescribed by law or the Company's Articles of Association.

Vattenfall's Annual General Meeting was held on 24 April 2013. 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 prescribed by Vattenfall's Articles of Association. An open Q&A session was held 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.

Vattenfall AB held an extraordinary general meeting on 18 December 2013. At this meeting, board member Patrik Jönsson resigned and two new board members were elected: Jenny Lahrin and Åsa Söderström Jerring.

Videotaped versions, minutes and other material¹ from the general meetings are available at www.vattenfall.se under "Bolagsstyrning".

¹ English translations of certain documents are available at www.vattenfall.com under "Corporate Governance".



Board of Directors

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 board nomination process in the Swedish Government Offices is coordinated by the Ministry of Finance. The competency needs are analysed on the basis of the company's operations, situation and future challenges as well as the Board's composition and evaluations of the Board that have been carried out. Thereafter, any recruitment needs are determined and recruitment work is initiated. Once this process has been completed, the nominations are publicly announced in accordance with the Code; however, no account is made regarding the directors' independence. Vattenfall provides orientation training for new directors who are elected by the AGM.

More detailed information on the board nomination process is provided in the Swedish state's owner policy (in Swedish), at www.regeringen.se.

The Board's composition

Vattenfall's Articles of Association stipulate that the Board of Directors shall have, in addition to the employee representatives, 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.

No members of the Executive Group Management (EGM) are directors on the Board. Lars G. Nordström was Chairman of the Board in 2013. By law, the unions are entitled to appoint three board members plus three deputies, and they have exercised this right. Between 30 May and the extraordinary general meeting on 18 December, two of the nine board members were women. Thereafter, four of the ten board members were women, and among the board members elected by a general meeting, women accounted for 57% (entire board 40%). The average age of board members was 55. One director (Eli Arnstad) is a foreign citizen. Biographical information about the board members is provided on pages 46–47.

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, delegation of authority between the Board, the CEO and the Board's committees, the Chairman's duties, the form and content of board meetings, and the evaluation of the work of the Board and the CEO.

The Board's Rules of Procedure stipulate 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 in accordance with the Swedish Companies Act and the Code, and is responsible for – among other things – ensuring that the board members receive relevant information, contacts with the owner on ownership matters, and conveying views from the owner to the Board.

Guidelines for remuneration of board members

Directors' fees and fees for committee work are set by the owner at the AGM, in accordance with the Swedish state's ownership policy. For information on directors' fees in 2013, see Note 53 to the consolidated accounts.

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:

- The Group's business situation
- Financial report for the Group
- Reports from board committees
- Matters that are not handled by the CEO in the day-to-day administration

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

- Strategic plan
- Business plan, investment plan and communication plan
- Risk mandate and risk policy
- Strategic personnel issues
- Annual Report and quarterly reports.

Investments are followed up and analysed by the Board three years after they have been decided on by the Board. In addition, the Board holds at least one board seminar every year. At these seminars the Board receives detailed information and discusses Vattenfall's long-term development, strategy, competitive situation and risk management.

The Board met eleven times in 2013, including the statutory meeting. The agendas of the meetings included the following items of business, among others:

- The Group's strategy
- Cost-cutting and cost-cutting targets
- Impairment of Vattenfall's assets
- New regional organisation
- New President and CEO as from March 2015
- Investments in the production and network operations
- Investments and safety-enhancement measures in the nuclear power operations
- Divestments of non-core businesses
- Energy efficiency targets.

Evaluation of the Board's and CEO's work

The Board evaluates its own work and the CEO's work once a year as part of efforts to develop 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 2013 and was reported to the Board on 3 February 2014. External consultants are used in connection with the Board's evaluation.

Board committees

The Board has established four committees, which are described below, and has drawn up rules of procedure for each of them. At the statutory board meeting, the Board appointed three directors elected by a general meeting for each committee, of whom one serves as committee chair. In addition, the Board can, where necessary, establish other board committees or temporary work groups to address 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 the Audit Committee, the committees are only drafting bodies. The Board's legal responsibility under company law for the company's organisation and administration of the company's affairs is not constrained by the committees' work.

Audit Committee

The Audit Committee's most important duties are:

- To oversee Vattenfall's financial reporting
- To monitor 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 assist in the drafting of recommendations for decisions on the election of auditor by the Annual General Meeting
- To monitor and oversee the management of market and credit risks
- To conduct an annual evaluation of the external auditors' work.

Another important issue in 2013 involved preparatory work for the decisions by Vattenfall to recognise impairment of assets.

The Audit Committee is responsible for meeting with Vattenfall AB's external and internal auditors on a regular basis in order to stay informed about the planning, focus and scope of the company's audit. The Audit Committee is also responsible for discussing coordination of the external and internal audit work and views of the company's risks.

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

The CFO and the 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. During the entire year 2013 the committee had at least one member with accounting or auditing competence.

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 to ensure 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. The committee is tasked with:

- Conducting drafting work for the Board in its efforts to oversee and quality-assure the operational safety and risk work, including the focus areas nuclear power safety, dam safety and the environment
- Reviewing and, when the committee deems it suitable, providing suggestions regarding the Group's strategy and handling of the safety and risk matters described above
- Reviewing and making recommendations regarding risk appetite and risk exposure in the Group.

The business unit heads, particularly the heads of Nuclear and Production, serve in a reporting role on the Safety and Risk Committee. Every quarter the nuclear power operations and the Chief Nuclear Safety Officer (CNSO) present a report on nuclear power safety.

For a more detailed description of Vattenfall's risks and risk management, see pages 50–55.

External Relations and Ethics Committee

This committee was established at the Board's statutory meeting in 2013 and is tasked with:

- Maintaining an overview of Vattenfall's actions with respect to its undertakings as a company and in society
- Upholding, protecting and building the Vattenfall brand
- Reviewing and monitoring the effectiveness of the company's compliance and requirements according to the Global Compact and the company's sustainability targets and strategy.

The CEO serves in a reporting role on the committee.

Auditor

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 2013 Annual General Meeting re-elected the auditing firm Ernst & Young AB as auditor. The auditor has assigned Authorised Public Accountant Hamish Mabon as auditor-in-charge. Hamish Mabon has been auditor-in-charge since 2008 and is also the auditor of AB Tetra Pak, Tetra Laval International, Dustin AB, Apotek Hjärtat AB and Ambea AB, among other companies. He 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 2011 to 2013

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 2013 to the entire Board at the board meeting on 3 February 2014 (without the presence of any person from the Executive Group Management), and also reported on his observations at the board meeting on 18 December 2013. In addition, the auditors performed a review of the half-year interim report.

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 2013.

The auditor's fees are payable according to an approved invoice. The Group's auditing costs are described in more detail in Note 22 to the consolidated 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

Vattenfall's Code of Conduct outlines eight principles in the areas Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources and the Environment, and includes references to the Vattenfall Management System (VMS), which more clearly elaborates on the principles. Information about the Code of Conduct is provided on the company's intranet, through articles in Vattenfall's employee news magazine, and in connection with new hiring and training. These measures have helped make employees more familiar with the Code of Conduct. Vattenfall's Code of Conduct is also published on www.vattenfall.se (English version on www.vattenfall.com).

The Code of Conduct gives employees the opportunity to report incidents through a whistleblowing function staffed by locally appointed external ombudsmen (advocates), 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 in 2013 was Øystein Løseth. His employment continues for a set period until 31 March 2015. In connection with the presentation of the nine-month interim report in 2013, it was announced that he does not intend to negotiate

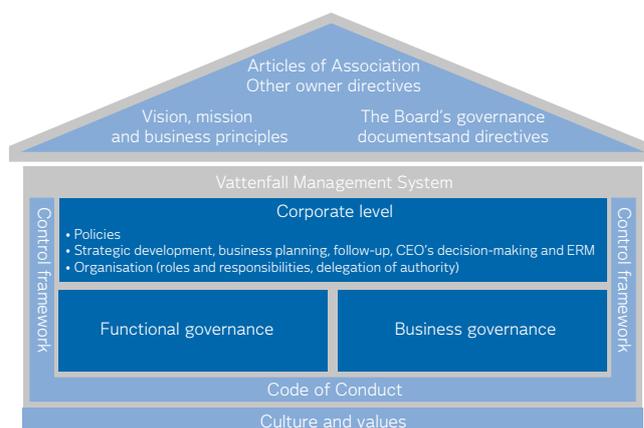
an extension of his contract. The Board thereby immediately began work on recruitment of a new CEO.

The CEO has appointed decision-making bodies for governance of the 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 EGM 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 of the risk management framework. Both of these bodies conduct preparatory drafting work on matters that are to be decided by the Board of Directors.

Biographical information on the members of the Executive Group Management is provided on page 48.

VMS structure and other governance documents



Vattenfall Management System

The Vattenfall Management System (VMS) 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. Certain central documents are approved by the Board of Directors for Vattenfall AB. 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.

After the Board decided on a new organisational structure for Vattenfall (see below), work was begun on updating the VMS. The most important documents at the Group level were updated and were published when the organisational change took effect on 1 January 2014.

Organisation 2013

Vattenfall’s governance model is business-led and based on the value chain for electricity and heat (production, distribution and sales). Operations in 2013 rested on two building blocks:

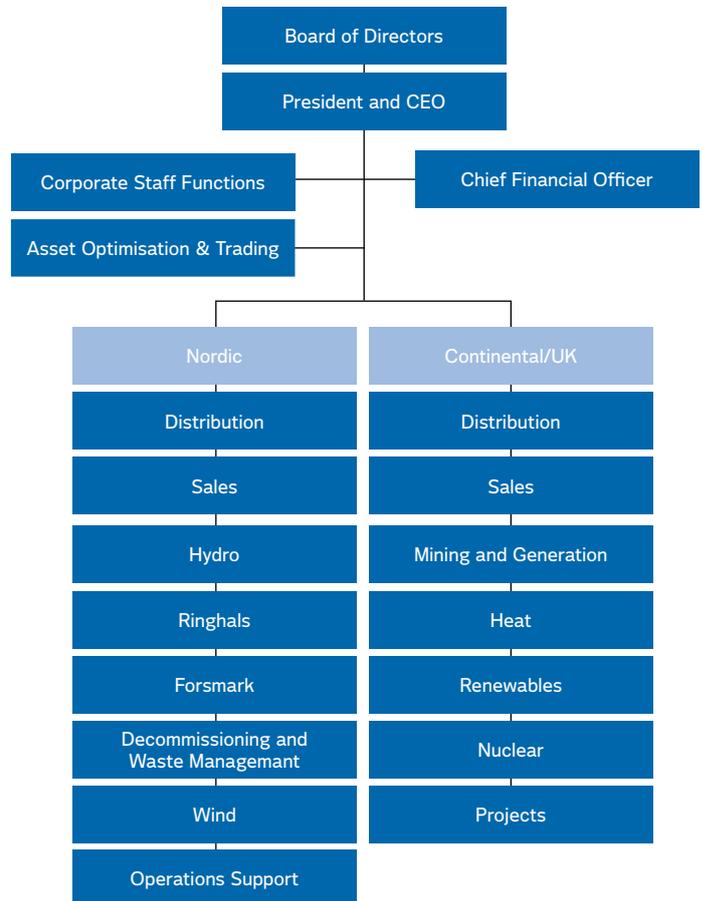
- Business activities, broken down into two operating segments. These comprised cross-border Business Divisions that had full responsibility for the governance of their business activities, which were performed by business units.
- Functional areas, organised in Staff Functions, which were responsible for leading, managing and supporting the business activities. The functional areas were centralised and coordinated, and had the authority within their respective areas that span the entire Group.

New organisational structure 2014

On 22 July 2013 Vattenfall AB’s Board of directors decided on a new organisational structure for the Vattenfall Group in order to achieve greater financial and strategic flexibility. The new structure took ef-

fect on 1 January 2014 and mainly entails a split of operations into two regions, Nordic and Continental/UK. Asset Optimisation and Trading remains intact as a cross-regional unit. The Staff Functions are organised at the company, region and business unit levels, and are complemented by service units.

Extensive work was carried out in autumn 2013 on preparing for the implementation of the new organisational structure. This project will continue until the second quarter of 2014.



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”. These guidelines are available on the Government Offices’ website: www.regeringen.se.

The 2013 AGM approved Vattenfall’s application of the guidelines with the deviation 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. The Board’s explanation for this deviation is stated in the 2012 Annual Report, on page 44.

According to the AGM’s definition, in 2013 a total of 15 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 2014 AGM are shown on page 49.

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 prescribed by the Annual Accounts Act and the Code. 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 50–55.

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 also adopted Vattenfall's Code of Conduct, which lays out the overarching principles governing employee conduct.

The VMS is an integrated management system for the Vattenfall Group and is continuously under revision (see also the section on internal governance). The VMS contains governance documents for, among other things, roles and responsibilities, authority, decision-making processes, risk management, internal control, and ethics and integrity issues. The VMS indicates which decision-making and advisory bodies exist within the Group, apart from those required by law.

Vattenfall has an internal financial control (IFC) process whose overall purpose is to ensure that controls are in place in the financial reporting.

Risk assessment

The Board handles the Group's risk assessment and risk control process at an overarching level. The Board's audit committee conducts drafting work for evaluation and monitoring of risks and quality in 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 addressed and drafted primarily by the Board's safety and risk committee.

The Board's risk management and reporting is centrally coordinated via Vattenfall's risk committee (VRC). 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 risks for material errors in the 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 function that reviews and evaluates the first and second lines of defence.

The Chief Risk Officer (CRO) is responsible for the risk management organisation within the Group and provides information to the Board's audit committee and safety and risk committee on a regular basis.

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 Executive Group Management holds regular follow-up meetings with the heads of the Business Divisions (the regions as from 2014) and Staff Functions regarding the financial outcome. The internal framework for internal control includes processes for self evaluations, 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 on Vattenfall's intranet. Accounting policies and reporting principles are laid out in a joint manual for the entire Group. Updates and changes in 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 (regions as from 2014) and Staff Functions.

Reporting and follow-up reporting to the Board and EGM are 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.

In 2013 the forms for handling internal and external communication were documented in an instruction aimed at ensuring that Vattenfall complies with legal rules as well as stock exchange rules and other obligations.

Three lines of defence



Composition of the Board and meeting attendance

Name	Function	Committee assignment(s)	Attendance at board meetings	Attendance at committee meetings
Lars G. Nordström	Chairman of the Board	Remuneration Committee, External Relations and Ethics Committee (chair)	11 of 11	RemCom: 4 of 4 ERE: 2 of 2
Carl-Gustaf Angelin	Employee representative	–	10 of 11	–
Eli Arnstad	Director	Safety and Risk Committee (chair), External Relations and Ethics Committee	8 of 11	S&R: 4 of 4 ERE: 0 of 2
Lennart Bengtsson	Employee representative (deputy)	–	10 of 11	–
Gunilla Berg	Director	Audit Committee, Remuneration Committee, from 24 April (as chair from 30 May), External Relations and Ethics Committee (from 30 May)	8 of 11	AC: 6 of 6 RemCom: 2 of 2 ERE: 0 of 1
Johnny Bernhardsson	Employee representative	Safety and Risk Committee, External Relations and Ethics Committee (from 27 November 2013)	11 of 11	S&R: 3 of 4 ERE: 0 of 0
Håkan Buskhe	Director	Safety and Risk Committee	7 of 11	1 of 4
Ronny Ekwall	Employee representative	Audit Committee	11 of 11	5 of 6
Håkan Erixon	Director	Audit Committee (chair), External Relations and Ethics Committee	11 of 11	AC: 6 of 6 ERE: 2 of 2
Christer Gustafsson ⁵	Employee representative (deputy)	–	9 of 9	–
Lars-Göran Johansson ⁵	Employee representative (deputy)	–	0 of 2	–
Jan-Åke Jonsson ¹	Director	Remuneration Committee (as chair 24 April–29 May), External Relations and Ethics Committee	5 of 5	RemCom: 2 of 2 ERE: 1 of 1
Patrik Jönsson ⁴	Director	Audit Committee, Safety and Risk Committee	9 of 10	AC: 6 of 6 S&R: 3 of 4
Jenny Lahrin ³	Director	Audit Committee	1 of 1	0 of 0
Jeanette Regin	Employee representative (deputy)	–	10 of 11	–
Åsa Söderström Jerring ³	Director	Remuneration Committee	1 of 1	0 of 0
Cecilia Vieweg ²	Director	Remuneration Committee (chair), until 24 April	2 of 2	2 of 2

1) Left Board on 29 May 2013.

2) Declined re-election at 2013 AGM.

3) Elected at extraordinary general meeting on 18 December 2013.

4) Left Board at extraordinary general meeting on 18 December 2013.

5) Christer Gustafsson succeeded Lars-Göran Johansson in connection with the 2013 AGM.

Board of Directors



Lars G. Nordström

Chairman of the Board

Born 1943. Law studies. Elected in June 2011.

Chairman of the External Relations and Ethics Committee and member of the Remuneration Committee.

Other assignments: Chairman of the Finnish-Swedish Chamber of Commerce. Board member of Nordea Bank, Viking Line Abp 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: Board member 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 Bank (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).



Eli Arnstad

Born 1962. Studies in public law and political science. Elected in 2008. Chairman of the Safety and Risk Committee and member of the External Relations and Ethics Committee.

Executive Manager of SpareBank 1 SMN.

Other assignments: Board member of the Norwegian University of Life Sciences in Ås, Norway. Board member 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.

Chairman of the Remuneration Committee, member of the Audit Committee and of the External Relations and Ethics Committee.

Executive Vice President and CFO of the Teracom Group.

Other assignments: Board member of Alfa Laval and Lundbergs.

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



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: Board member 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. B.Sc. International Business Administration and Economics. Elected in 2011. Chairman of the Audit Committee and member of the External Relations and Ethics Committee.

Other assignments: Chairman of the board of Orio AB. Member of the NASDAQ OMX Stockholm AB Listing Committee. Board member of Alfvén & Didrikson Invest AB.

Previous positions held: Board member of Saab Automobile Parts AB (2012–2013). Senior advisor, Corporate finance, The Swedish Government Offices, which included work for the Swedish National Debt Office (2007–2010). Board member of Carnegie Investment Bank AB (2008–2009). Board member 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).



Åsa Söderström Jerring

Born 1957. M. Sc. Econ. Elected in December 2013. Member of the Remuneration Committee.

Other assignments: Chairman of ELU Konsult AB. Board member of JM AB, Rejlers AB, San Sac AB, Nordic Home Improvement AB and Scanmast AB. Partner in Infobooks AB. Chairman of the Building and Construction Division of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions held: President SWECO Theorells AB (2001–2006). President Ballast Väst AB (1997–2001). Marketing Manager NCC Industry (1994–1997) and Communications Manager NCC Bygg AB (1991–1993).



Jenny Lahrin

Born 1971. Master of Laws. Executive MBA. Elected in December 2013. Member of the Audit Committee. Under-secretary at the Division for State-Owned Enterprises, Ministry of Finance.

Other assignments: Board member of Swedavia AB and AB Göta kanalbolag.

Previous positions held: Board member of RISE Research Institutes of Sweden AB (2012–2013). Legal Counsel at the Division for State-Owned Enterprises, Ministry of Enterprise/Ministry of Finance (2008–2012). Legal Director at Veolia Transport Northern Europe AB (2003–2008) and attorney (2001–2002).



Carl-Gustaf Angelin

Born 1951. M.Sc. Eng. Elected in 2003. Employee representative for Akademikerrådet at the Vattenfall Group. Vattenfall employee since 1988, currently in Business Unit Sales Nordic. Employee representative



Johnny Bernhardsson

Born 1952. Engineering studies with supplementary coursework in economics. Elected in 1995. Employee representative for Unionen. Member of the External Relations and Ethics Committee and of the Safety and Risk Committee. Vattenfall employee since 1970, currently as Controller for Vattenfall Business Services.

Other assignments: Chairman of the European Works Council. Employee representative



Ronny Ekwall

Born 1953. Electrical engineer. Elected in 1999. Employee representative for SEKO Facket för Service och Kommunikation. Member of the Audit Committee. Vattenfall employee since 1977 as fitter. Employee representative



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. Employee representative (deputy)



Christer Gustafsson

Born 1959. Four-year education in technology. Elected in 2013. Employee representative for Ledarna (the Association of Management and Professional Staff). Employed at Vattenfall since 1986, currently at the staff function, technical department, Forsmarks Kraftgrupp AB.

Other assignments: Representative for energy & technology, Confédération Européenne des Cadres (for energy issues). Employee representative (deputy)



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. Employee representative (deputy)

Board members who left the Board in 2013:

Cecilia Vieweg, elected in 2009, declined re-election at the Annual General Meeting on 24 April 2013.

Jan-Åke Jonsson, elected in 2012, left the Board on 29 May 2013.

Lars-Göran Johansson, elected in 2008 as an employee representative, left the Board on 24 April 2013.

Patrik Jönsson, elected in 2010, left the Board on 18 December 2013.

Executive Group Management



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 as member of the executive management of Statkraft from 2002 to 2003. Joined Nuon NV in Amsterdam in 2003 as Managing Director of Nuon Energy Sourcing. Became a member of the executive management of Nuon NV in 2006, and appointed as President and CEO in April 2008. In 2013 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.

Vattenfall employee since 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).



Stefan Dohler

Born 1966. M.Sc. Aerospace Engineering. MBA.
Senior Vice President, Head of Asset Optimisation and Trading.

Vattenfall employee (HEW) since 1998. Head of network operations, Vattenfall Europe AB, Chairman of Distribution and Transmission System Operators 2008–2010, Vice President Finance, Business Division Production 2011–2012.



Tuomo Hatakka

Born 1956. Economics studies.
Senior Executive Vice President, Head of Region Continental/UK.
Senior 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. Head of Business Division Production 2010–2013.



Olof Gertz

Born 1963. M.Sc. in Human Resources and Work Life Matters.
Senior Vice President, Head of 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.



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.



Torbjörn Wahlborg

Born 1962. M.Sc. Eng.
Senior Executive Vice President, Head of Region Nordic.
Senior 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:

Anders Dahl (Senior Vice President, Business Division Distribution and Sales) and Peter Smink (Senior Vice President, Business Division Sustainable Energy Projects) are no longer members of the Executive Group Management since the start of 2014.

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 2013, except for the corporate governance statement on pages 38–45. The annual accounts and consolidated accounts of the company are included in this document on pages 5, 8–9, 32–34, 38–45 and 49–120.

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 2013 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 2013 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

38–45. 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 2013. 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 on pages 38–45 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, 17 March 2014

Ernst & Young AB
Hamish Mabon
Authorised Public Accountant