ELLEVIO

# Annual and Sustainability Report 2021

# Contents.



The Annual Report consists of an Administration Report, Financial Statements and notes on pages 40–67. (The auditors' report appears on pages 66–67.)

The sustainability report has been produced in accordance to Global Reporting Initiatives (GRI) standards "core", and also constitutes Ellevio's statutory sustainability report and Ellevio's Communication on Progress to the UN Global Compact. The sustainability report is Ellevio's statutory sustainability report in accordance with the Annual Accounts Act and consists of the description of the sustainability work on pages 5–9, 20–38 and the Sustainability Information on pages 74–94 and the other sections in the annual report to which the GRI index on pages 91–93 refers.


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All values are expressed in SEK. Figures within parentheses refer to 2020, unless specified otherwise. The data concerning markets and the competitive situation are Ellevio's own estimates unless a specific source is indicated. These estimates are based on the best and latest available facts from published sources.

# Together for the future.

Sweden wants to become the world's first fossil-free welfare state. In 2045, greenhouse gas emissions is to be net zero. Cars and lorries are to be run on electricity, steel production is to be fossil-free and more households are to produce and sell their own electricity.

For this reason, Ellevio is working to transform our grids into the electricity system of the future. Without a modern and expanded electricity system, society will not be able to function in the way we would like.

We are linking arms with our customers and partners to produce climate-smart solutions that drive electrification and society forward.

Together we will achieve our vision of a bright and sustainable future.

# Ellevio 2021.

## Customers
**968,000**

## Investments
SEK **3,590** m

## Owners

Ellevio is owned by pension funds:

**20**% Third National Pension Fund
**17.5**% Folksam
**12.5**% First National Pension Fund
**50**% Omers Infrastructure

## Distributed electricity
**27.5** TWh

## Our network areas

**Dalarna, Värmland, Västkusten** (Halland & Bohuslän),
**Skaraborg–Närke, Gävleborg** (Hälsingland & Gästrikland,
**Stockholm** (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn & Vallentuna)

# For a bright and sustainable future.

**Together we electrify Sweden**
Ellevio is one of Sweden's largest electricity grid companies. We ensure the supply of electricity to homes, workplaces and societal functions through an electricity network that is sustainable over the long term and through the development of a climate-smart energy system. Our grid network enables electricity to flow from large-scale power plants, wind turbines and solar power on the roofs of private homes.

Guaranteeing a reliable supply of electricity is one of society's vital tasks. We manage our responsibility by strengthening and renewing the electricity system in cities, weather-proofing in rural areas, expanding where needed – and pinpointing new solutions for a much more flexible energy system. The fossil-free society of the future also demands solutions that can support our customers in the energy transition. Therefore, we are joining forces with our customers and partners to electrify Sweden together.

**Electrification for a fossil-free Sweden**
Electrification is vital for Sweden to achieve its climate targets. This is a major societal change that requires infrastructure with greater capacity to enable both the transport sector and industry to electrify.

Major investments are required to succeed in the energy transition and the shift towards a carbon-neutral society. According to a report from Sweco that was published in March 2022, investments of approximately SEK 670 billion are required in Sweden by 2045, when the Swedish climate target of net zero emissions shall be met. That is 170 billion more than the previous forecast from the Roadmap Fossil-free electricity and corresponds to as much as the cost of 17 Öresund bridges.

Ellevio has a balanced investment programme focusing on sustainability, reliable delivery and digitalisation. We have invested more than SEK 16 billion between 2017 and 2021, which is approximately SEK 2 billion more compared with the previous five-year period.

**Regulated operations**
Ellevio's electricity network is a regulated business subject to the provisions of the Electricity Act. The regulation defines how much revenue the electricity network owners may charge their customers and seeks to ensure that the electricity grids provide high quality and security of supply. Ellevio works to ensure that the electricity network regulation provides a reasonable long-term return on the investments required to help Sweden achieve its climate targets and meet the electricity needs of growth regions. Read more about the regulation on page 14.

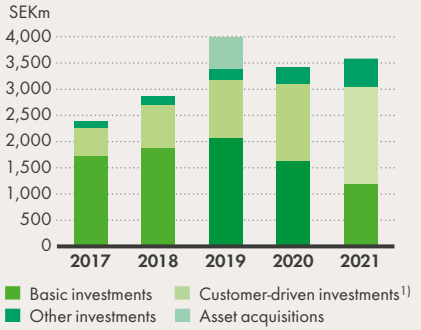
## Vision
A bright and sustainable future

## Purpose
Together will electrify Sweden

**Ellevio's electricity network**
Our electricity network is 79,200 kilometers long in total. This corresponds to almost two revolutions around the earth.

The network consists of four local network areas (a total of 72,500 kilometers) and two regional networks (a total of 6,700 kilometers).

**Investments 2017–2021**




1) Investments initiated by our customers, such as investments in connections of new homes, industries and wind farms to the electricity grid.

**Net sales 2021**
SEK 7,153 m
(SEK 6,674 million)

**Investments 2021**
SEK 3,590 m
(SEK 3,415 million)

# Together we electrify Sweden.

**Ellevio is responsible for infrastructure that serves a critical function in society. Thus, our operations involve a wide range of responsibilities. We create value for customers and investors by creating the sustainable electricity system of the future and developing climate-smart energy solutions together with customers and partners, while simultaneously working to realize our vision of a bright and sustainable future.**

## Strategic focus areas.

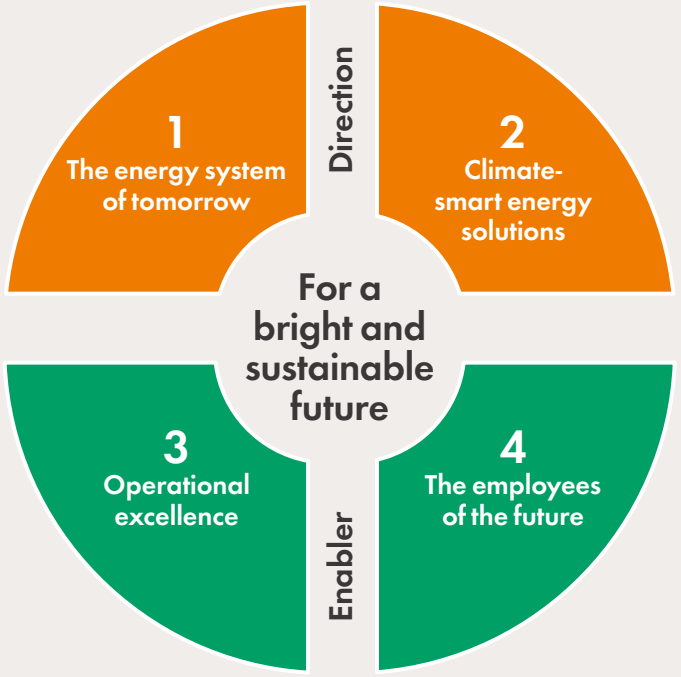
**1 The energy system of tomorrow.**
We are transforming the electricity grids of today into the sustainable energy system of tomorrow. This will create the right conditions for the energy transition and for a fossil-free society by 2045. By building a smart infrastructure for energy, we are laying the foundations for our growing society and its increasing demand for clean energy.

**2 Climate-smart energy solutions.**
To further support the energy transition and create growth opportunities, we are developing climate-smart energy solutions together with customers and strategic partners. To succeed in this, we need strong brand awareness and a genuine focus on customers: they must feel that we are exceeding their expectations and that we are a driving force behind an electrified, sustainable society.

## Strategic enablers.

**3 Operational excellence.**
Our ambitious strategic focus requires us to have an efficient core business with digital business support that enables a high rate of development. Ellevio applies best practice and is to have an operational business of the highest quality – in every part of the organisation.

**4 The employees of the future.**
Ellevio is to be an attractive employer with a safe and sustainable work environment; a dedicated, clear and robust corporate culture and an active focus on continuous learning. Our values – Reliability, Commitment and Development – form the basis of our corporate culture.



# Review of 2021.

### Enhanced customer experience via energy solutions, smart electricity meters and a new app

By the end of the year, Ellevio had installed a second-generation smart electricity meter for a total of approximately 400,000 customers. The smart meters are an important piece of the puzzle in the electricity system of the future. Among other things, they provide a clearer picture of electricity use, are prepared for use with solar cells, enables to connect new services and will contribute to fewer and shorter power outages. Ellevio's first service connected to the new electricity meters was launched during the year in the form of a customer app that visualises and analyses each household's usage.

Ellevio also offers solutions for installation of solar cells and charging of electric vehicles.

### Updated strategic direction and expanded customer offering

Ellevio's strategic direction was updated during the year to ensure that we continue to be successful over the long term and contribute in the most effective way to the energy transition.

As one of Sweden's leading electricity grid companies, it is clear that we must focus on transforming our electricity network into the sustainable energy system of the future. In addition, we are to grow through the creation of climate-smart energy services together with our customers and partners. This will involve developing new solutions that will both enhance the customer experience as well as our position as a driving force towards an electrified, fossil-free society.

### Acquisition of Edsbyns Elverk

In late 2021, Ellevio acquired Edsbyns Elverk with some 4,000 customers.

"In Edsbyns Elverk we see a robust and attractive company whose electricity grid will be a natural extension of our network in Hälsingland," CEO Johan Lindehag noted regarding the deal.

In early 2022, the power and electricity trading operations were sold on to other owners. The grid operations will be integrated into Ellevio AB in 2022.

The acquisition was made by Ellevio Group's parent company, Ellevio Holding 1 AB.

### A safe and attractive workplace

In 2021, Ellevio received several distinctions linked to our employer brand.

In March, our safety programme "Håll Nollan" (Keep to Zero) won a work environment prize. In the motivation, the management team's commitment to safety issues was noted in particular.

In May, Ellevio was designated Sweden's most attractive employer by Nyckeltalsinstitutet.

Ellevio was also named "Karriärföretag" (Career company), thanks in part to our attractive corporate culture and clear sustainability targets.

### Ruling on revenue regulation appealed by Ei

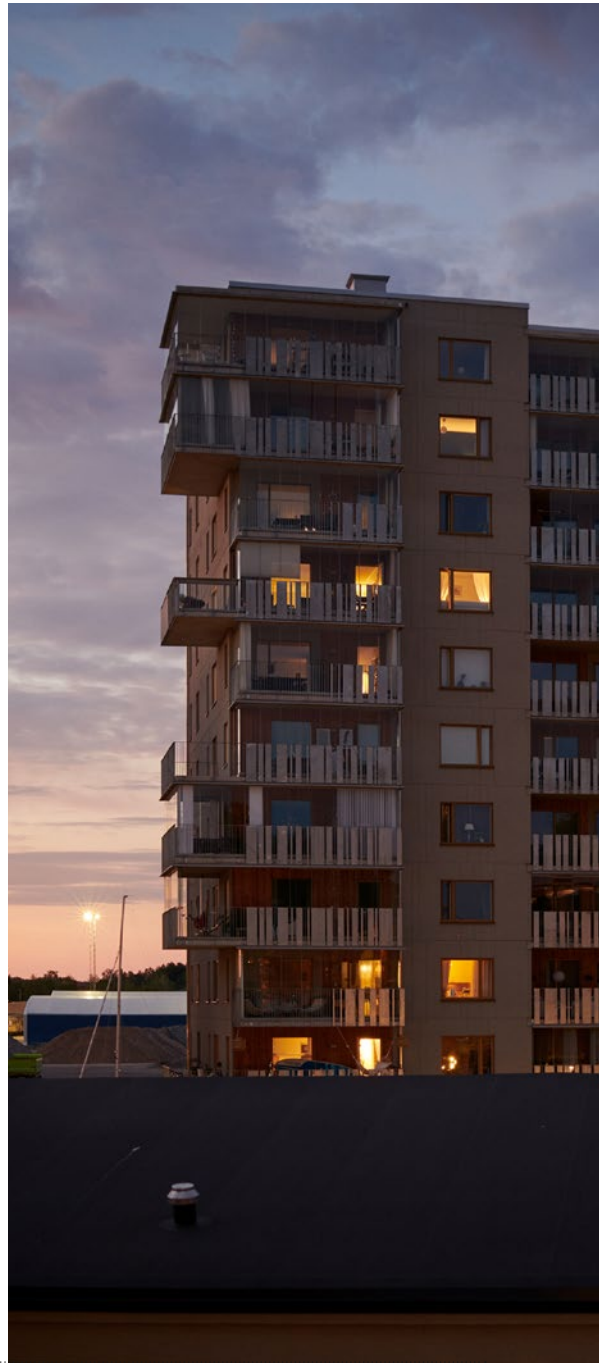
As a result of lowered revenue frameworks for the period 2020–2023, 120 of Sweden's electricity grid companies appealed the regulation for this period during 2020. In February 2021, the Administrative Court announced its ruling in favour of the plaintifs. The Swedish Energy Markets Inspectorate (Ei) appealed this ruling to the Administrative Court of Appeal and was granted permission. It is unclear when a ruling will be issued.

### Covid-19: Excellent crisis preparedness and working from home

Early in the Covid-19 pandemic, Ellevio worked actively to minimise the risks to employees, customers, contractors and society at large. Our crisis preparedness was solid and the supply to customers was not affected.

To prevent the spread of infection, working from home was recommended for employees until 30 September 2021. In late 2021, those who were able to work from home did so on a part-time basis to avoid overcrowding at the office.

Managers were given training in digital leadership, and joint online activities were arranged to maintain a high level of contentment and efficiency.



# CEO's statement: We need a common vision for Sweden's electricity system.

**Electricity has been on the tip of everyone's tongue in 2021, both in the public and private life. High electricity prices have directed people's focus to the volatility of the energy system, there is a greater understanding of the role of electrification in climate transition and the security situation is sharpening the tone.**

At Ellevio, we welcome the discussion while we resolutely equip our network for the future, develop relationships with our customers and continue to make demands for sustainable revenue regulation over the long term.

### In the midst of a wave of electrification

Calculations from 2021 show that by 2045 Sweden will have an electricity need of over 300 TWh per year. This is more than double compared to today, and the development is expected to require investments in the electricity system of SEK 670 billion by 2045, according to a report from Sweco, published 2022.

This increasing demand for electricity is driven by climate targets, technological developments, a growing population, electrification of industry and transports and digitalisation. In tandem, nuclear power is phased out, weather-dependent energy sources as well as micro-producers and extreme weather events are increasing – and network companies' revenue regulation does not take into account the long-term investments required.

**"The electricity system is critical for society and needs to be prioritised accordingly."**

It is a complex situation. If Sweden is to be a competitive, prosperous country that achieves its climate targets, a common effort and vision for the electricity system is needed. And we must realise: it will cost money.

### Major investments and innovative solutions

Ellevio invests heavily to meet electrification targets, climate targets and capacity constraints in Stockholm, and other parts of the country.

During 2021 we have, among other things, completed the "Skaraborg package", which has given households in Skövde, Mariestad and Karlsborg more secure electricity supplies. We have also begun construction of the Värtan switchgear – a vital hub for Stockholm's energy supply – and launched a programme to digitalise and upgrade the entire network in Stockholm by 2030. In total, Ellevio invested SEK 3.6 billion during the year.

We are also constantly looking for new solutions to ensure that the lack of capacity does not become an obstacle for growth. One such solution is sthlmflex, which has now been running for two winter seasons.

To promote climate innovations, we organised the Startup 4 Climate competition together with GodEl for the second year in a row. The winners were Krafthem, that develops a virtual power plant, and Ligna Energy, who makes batteries out of wooden residue.

### Updated strategy

During the year, we updated Ellevio's strategic direction to ensure continued success. Our core business is electricity grids, with a focus on creating the sustainable electricity system of tomorrow. We want to clarify our intent to meet society's need for smart energy infrastructure. In addition, we are increasingly working to develop and offer new climate-smart energy solutions. The goal is to support our customers by offering new solutions while strengthening the customer experience and creating growth opportunities for Ellevio.

To enable this, we focus on establishing efficient operations with digital business support of the highest standard, as well as recruiting and developing the best employees.

### Strengthened customer relationships

Strengthening the relationship with our customers is a high priority, and those efforts really took great strides in 2021. By the end of the year, more than 400,000 customers had received a new smart electricity meter. We have also launched a new app where customers can easily monitor their electricity use and climate impact and compare electricity consumption with others. The app also paves the way for services within energy efficiency

enhancement and management. We also continued to develop our services in terms of charging streets, charging solutions and the installation of solar cells. Furthermore, we began managing invoicing in house, hired a new professional customer service provider and improved the information to customers before and during power outages.

### Growth through acquisitions

Ellevio has a growth strategy with several parts. We are growing organically by people moving into our network areas, launching new services and expanding through acquisition of networks close to our existing networks. In 2021, we made such an acquisition when we bought local grid provider Edsbyns Elverk in Ovanåker municipality. This network area is located in the middle of "Ellevio land" and almost 99 percent of the shareholders had accepted our offer in February 2022.

### Flexible working life continuing after the pandemic

Unfortunately, 2021 proved to be another year afflicted by the Corona pandemic. It has been tough for many and I feel great empathy with that. For Ellevio's part, the transition has gone very well. Thanks to early action and continuous monitoring, we have succeeded in ensuring unaffected operations. Many employees have been able to continue working from home and, judging by our employee surveys, it has worked well for most. We have learned a lot about flexible working during the pandemic, and we are now combining the best of both worlds. Our employee engagement index was record high in 2021, reaching 8 out of a possible 10. This is very gratifying and one of several indications that Ellevio is succeeding as an employer. In 2021 we were designated

**"The need for investment in the electricity network has never been greater."**

Sweden's most attractive employer by the Institute of Human Resource Indicators, won the "Keep to Zero" safety award, were named a "career company" and broke new records in our inclusion work with 36 percent female staff at the end of 2021. Our systematic efforts relating to culture, inclusion and recruitment are truly making a difference.

### Sustainability initiatives focusing on safety, environment and climate

Safety is key for everyone who works for Ellevio: employees as well as contractors, and we have a zero vision against accidents. Unfortunately, accidents with sick leave nevertheless increased this year, from 8 to 15. The increase was mainly minor tripping and slipping incidents in connection with our major meter change project. This means a higher risk for potential accidents than a normal year since our contractors visit several customers every day to change meters. We take every accident seriously and all are followed up. Accidents decreased towards the end of the year when our fitters became more experienced.

Security protection has also been on the agenda in 2021, driven by digitalisation and the updated Security Protection Act, which came into force on 1 December. As a societal function, we take security protection issues very seriously.

At the beginning of 2022, security work intensified further as a result of the geopolitical concern that arose after Russia's unprovoked invasion of Ukraine. The war in Ukraine is a humanitarian tragedy and my thoughts go out to those affected.

We carefully evaluate the effects that the war could have on our operations in the long term and adapt accordingly.

The climate and environment measures are central parts of our sustainability initiatives, and we consider it self-evident to serve as a role model when it comes to how we conduct our own business. We gathered momentum in this area during the year and began formulating new goals. We also focused on managing climate-related risks and opportunities, which are an integral part of our general risk-related work. I invite you to read more about this in the sections on sustainability in this report. This year's annual and sustainability report serves as our Communication on Progress in line with the UN Global Compact. I am happy to confirm our continued support for this initiative.

### Looking towards a bright and sustainable future

A little way into 2022, Ellevio is continuing to create good conditions for the energy transition by updating the network, strengthening capacity, maintaining a high rate of investment, investing in charging infrastructure and helping both industries and private customers to cope with the transition.

As I mentioned, the need for network investments has never been greater. Therefore, it is unfortunate that we still lack a long-term perspective and clarity about revenues and how regulation is to direct us towards the needs of the future. The current situation with protracted court cases is unsustainable, but I am hopeful – there is an increased understanding of what is required.

This year, the conditions for the coming regulatory period will be defined. We want to

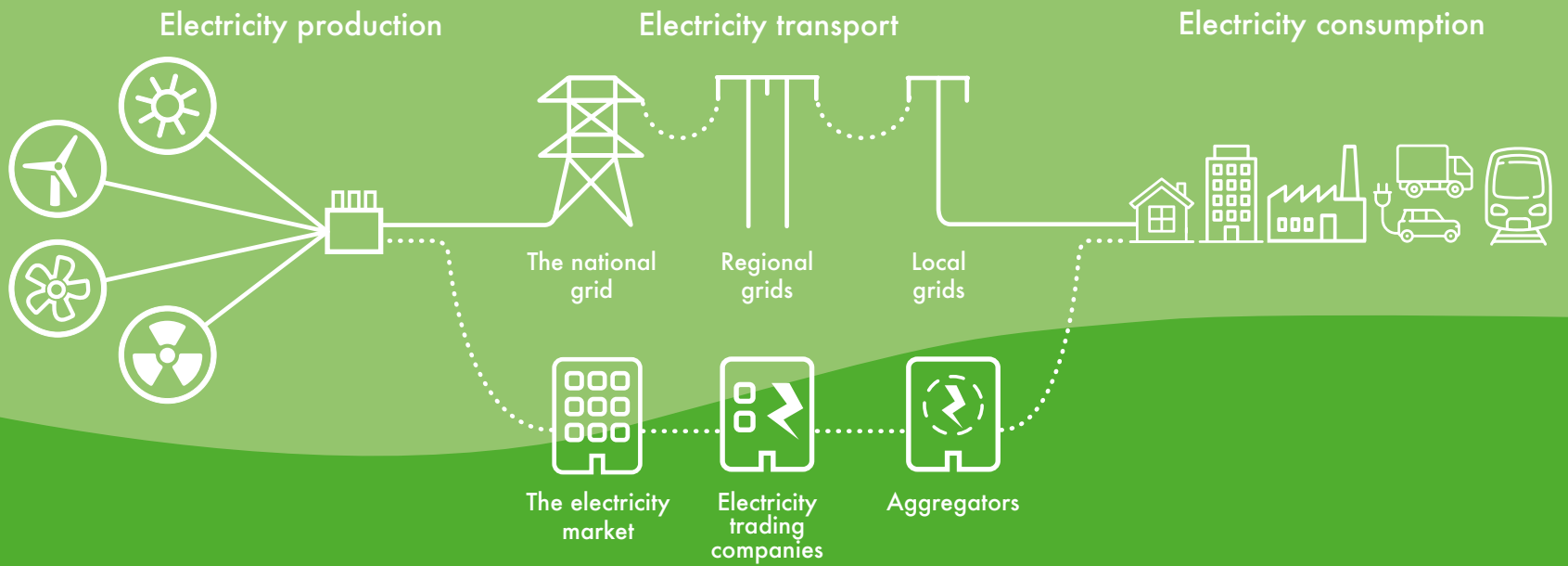
establish a good dialogue and long-term, and stable conditions that can tackle the mountain of investment we are facing. In addition, there is a dire need to shorten permit processes.

Building new infrastructure comes with great cost, but giving up is not an option. I hope this insight will become more spread in 2022. We are facing a very exciting future with great opportunities, and Sweden has excellent conditions compared to most other countries.

Finally, I would like to express my sincere gratitude to everyone who contributed to Ellevio's operations during the year. Thanks to the impressive efforts of many individuals, we delivered according to our business plan, came closer to our customers and achieved our best security of supply ever – 99.99 percent!

Johan Lindehag
CEO of Ellevio AB (publ)

# How the electricity market in Sweden works.




## Sweden's electricity network

Electricity grids are natural monopolies as it is not socioeconomically feasible to build parallel networks. Households and companies are connected to the grid where they live and operate and are therefore custumers to the local grid company.

The electricity network consists of three grid types that connect the entire country.

**The national grid** refers to the lines that transport electricity from the power stations to the regional networks. The electricity is transported over long distances and the voltage is high – 200–400 kilovolts. The national grid is owned and managed by the state through Svenska kraftnät.

**Regional grids** are the lines that hold the national grid and local grids together. The voltage in the regional grids is 40–220 kilovolts. The regional grids are owned by network companies such as Ellevio.

**Local grids** are the lines that distribute electricity at the very last stage to customers, such as companies and households,. The voltage on these grids is 40 kilovolts or lower, and the grids are owned by network companies such as Ellevio. Approximately 84 percent of Ellevio's local grids are buried.

## Operators in the electricity market

The Swedish Energy Markets Inspectorate (Ei) – a government authority – monitors, reviews and regulates the energy market and its operators.

**Electricity network companies** own, operate and develop regional and local networks and transport electricity from the production sites to the customer. Customers are connected to the electricity grid where they live.

Electricity producers produce electricity via hydroelectric power, nuclear power, wind power, bio power, wave power and solar power, for example. The electricity produced in Sweden is around 98 percent fossil-free. 40–45 percent comes from hydro power, 15–18 percent from wind power and around 30 percent from nuclear power. The remaining comes from biofuel plants and solar panels, according to Swedenergy.

**Private electricity producers** include detached home owners with solar panels on the roof, for example.

**The NordPool** electricity market is the trading venue that sets the price for electricity.

**Electricity trading companies** purchase electricity from the electricity market and sell it on to end users. There is free competition and customers can choose from among more than 100 electricity trading companies.

**Aggregators** group multiple customers' electricity use and production into larger units for sale, purchase or auction in the energy markets.

# sthlmflex eases lack of capacity in Stockholm


In the winter of 2020/2021, Ellevio, together with Svenska kraftnät and Vattenfall Eldistribution, launched a new market for power flexibility: sthlmflex. sthlmflex is to make it profitable for participants to plan their electricity use or electricity production so that power can be released when the Stockholm region's electricity use hits a peak, for example during extremely cold winter days.

Electricity must be produced at the moment it is used. The effect is the amount of electricity that can be produced or be available at any given moment, and it must therefore match the demand at the same time.

With sthlmflex, new operators can participate as suppliers on the energy market and offer power flexibility in exchange for payment when demand for electricity causes bottlenecks on the grid.

"The demand for electricity is increasing as the city grows; new homes need to be connected to the electricity grid and transportation is increasingly running on electricity. The more people who join, the more important a role sthlmflex can play in counteracting a lack of capacity in Greater Stockholm's electricity supply," says Bengt Johansson, business strategist at Ellevio.

In the spring of 2021, a decision was taken to extend the project by two years and the sthlmflex market was open from 1 December 2021 to 31 March 2022 during the 2021/2022 season.

# Drivers and market conditions.

## Society's growing need for electricity places great demands on Ellevio – while at the same time creating opportunities. The role of electricity network companies in society has never been more vital.

## Drivers.

### A fossil-free Sweden needs a flexible electricity system

Sweden is in the midst of a green industrial revolution. Electrification of areas such as industry and transportation is required, both in terms of Sweden's competitiveness and the achievement of climate targets. However, if we are to succeed, the electricity system needs to be modernised.

The Swedish energy system is built to manage predictable electricity production from a limited number of large facilities based on hydropower, nuclear power and CHP. These conditions are now rapidly changing.

The electricity system of the future will be more dependent on wind, first and foremost, but also solar power. The supply of these types of power varies greatly with the season and weather, which limits the possibility of controlling production. The electricity system must therefore be able to manage an irregular inflow, with rapid and sharp fluctuations in electricity production.

More and more consumers are also producing and selling their own electricity by connecting solar panels to the network and transferring their surplus electricity. On specific days and at specific times, the network therefore needs to receive locally produced surplus electricity, while on other days it needs to distribute electricity from power stations far away.

At the same time, a gradual and slow phasing out of nuclear power, which currently accounts for about 30 percent of energy production, is taking place in Sweden. The six reactors currently in operation are expected to be in use for another 20 years or so.

An ability to manage surpluses is a key factor of the electricity system of the future. When more electricity is produced than is used, solutions are needed to take advantage of the surplus. These could include transferring the electricity to other parts of the country, exporting it or store it for later use.

At other times, the demand for electricity will be greater than the capacity that the networks can deliver. To manage this, more local production, more investment in national, regional and local grids and innovative, digital solutions for how the electricity system can be managed smarter are all needed. Flexible usage also needs to increase by giving consumers incentives and tools to consume electricity in a flexible way, so that the maximum load on the grid can be reduced.

This increasingly local and renewable electricity production, combined with the decline in nuclear power production, will therefore place huge demands on the electricity system – which will need to rapidly become more flexible and able to function in both directions.

### Shortage of capacity as more people live in cities

One of the greatest challenges facing Sweden's electricity network is that more and more people are living in cities. Around 70 percent of the population increase is taking place in major cities, with Stockholm expected to have three million inhabitants in 20 years' time.

Urban planning has long taken the electricity supply for granted without considering the need for extending the electricity network. This risks threatening both growth and the climate transition. Clear examples can also be seen outside the major urban areas; in the Värmland region, for example, the expansion of large scale wind power was halted in 2020 as the national grid had reached maximum capacity.

The shortage of capacity stems primarily from a lack of transmission capacity on the national grid (which is owned by state-run Svenska kraftnät), but the problems will also increase on regional and local grids if the necessary investments are not made soon. Cables alone are not sufficient, as there will be bottlenecks that prevent transmission of the amount of electricity needed by users.

Ellevio works on several fronts to create the requisite conditions to tackle these capacity challenges, both in the short and long term. One example is the new sthlmflex marketplace, which paves the way for new operators and makes it profitable to plan and be flexible with electricity consumption – an important contribution in terms of relieving the strained situation with the lack of capacity on the region's grid. See also page 11.

Several significant projects are also underway to reinforce and increase capacity on the regional network in Stockholm. The most significant is the new 400 kV line between Beckomberga and Bredäng, as well as the

redevelopment of the Värtan switching centre that got underway in 2021.

We are also working to offer customers simple digital services that help them steer demand for electricity away from the times at which the electricity network is most under strain.

In order to find a shared path forward that gives network companies reasonable financial conditions for the necessary investments, we maintain a continuous dialogue with decision-makers and colleagues in the industry.

### Digitalisation – threats and opportunities

One of the most important aspects of the electricity network of the future is cyber security. Smarter electricity networks enable us to supply electricity in a more secure way, but this also entails new risks that need managing. Smart components can be attacked by individuals, organisations or foreign powers who want to damage networks. Just like banks, teleoperators and suppliers of critical functions, we at Ellevio work to maximise the opportunities afforded by digitalisation while minimising the risks for society, the electricity network and our customers.

Ellevio is making significant investments in cyber security and aims to build systems that are as secure as possible. Collaboration with authorities and other players is an important aspect of these efforts.

### Electrification of vital sectors

The large increase in electricity consumption is being driven by climate change, economic growth and an expanding population, and can be linked to the electrification of three socially vital sectors in particular:

**"Smarter electricity networks enable us to supply electricity in a more secure way."**

- the transport sector, which is switching to electric vehicles
- industry, which is transitioning to fossil-free and electricity-based solutions
- the service and the corporate sector with their continued expansion of data centres

At the same time, one of the great challenges of the future is building the capacity to store electricity, because supply and demand will not be equal at all times.

### The transport sector – rapid development and a need for charging infrastructure

The electrification of the transport sector is an important and prioritised issue for the future, and Ellevio stands behind the Swedish vision of a fossil-free vehicle fleet by 2030.

Transport accounts for around 30 percent of Sweden's carbon dioxide emissions, of which transportation by road accounts for some 70 percent. During the pandemic emissions from cars decreased, mainly due to reduced traffic, but the number of electric cars also increased.

The trend towards an electrified vehicle fleet is moving fast, especially in terms of private car usage, and there is now a large range of rechargeable electric vehicle models on offer from car manufacturers. According to Bil Sweden, the proportion of rechargeable private cars among total new registrations was 45 percent in 2021, compared with 32 percent in 2020. The increase was primarily in electric cars – by 106 percent – while plug-in hybrids increased by about 18 percent.

The share of electric light trucks came to 8 percent and electric buses to 25 percent in 2021. Sweden stands out with the highest proportion of rechargeable cars among new registrations in the EU, and comes third in Europe overall. CO2 emissions from new cars decreased by 19 percent in 2021, according to Bil Sweden.

For the electricity grids, electric vehicles are both an opportunity and a challenge. They lead to an increased load and the need for more capacity and load governance, but the batteries also mean a potential storage option that could play an important role in balancing electricity use in the future.

The climate and environmental effects of an electric vehicle fleet will be huge. In addition to reducing CO2 emissions, the local environment will also be affected through better air quality and less traffic noise. For this transition to work, however, a rapid and extensive expansion of charging options is required. This applies to both private cars and heavy goods traffic. Developments within the transport sector are moving incredibly fast and if the expansion of charging options falls behind then obstacles may risk hindering progress. This expansion will require major investments in Sweden's electricity network.

### Industry – growth and the energy transition

The industrial sector currently accounts for around a third of Sweden's greenhouse gas emissions, which mainly include emissions from industrial processes and the combustion of fossil fuels for energy recovery.

More and more industries are being electrified, however. Thanks to technological breakthroughs, Swedish industry is now heading for a comprehensive energy transition that could have huge positive effects on the emission of greenhouse gases. This kind of breakthrough is expected in the iron and steel industry, with the aim being entirely fossil-free steel manufacturing by 2045. If it succeeds, emissions will be reduced while electricity consumption will

### Electricity consumption in Sweden in the coming years

According to forecasts by Swedenergy, electricity consumption in Sweden is expected to amount to approximately 310 TWh in 2045. This means an increase of some 120 percent compared to current levels of 140 TWh per year. To handle this increase, the need for investment in the Swedish electricity network is estimated to be around SEK 670 billion by 2045, according to a report from Sweco 2022.

increase sharply. Similar breakthroughs are underway in several other sectors. In parallel with this, industry is becoming increasingly efficient, which is also helping to curb the increase in electricity consumption.

These major transitions are placing new demands on the electricity network, whose capacity and flexibility needs to satisfy greater demand and shifting consumption patterns. Without necessary investments, innovative solutions risk remaining on the drawing board and never becoming practically viable.

### Digitalisation – strict requirements and a need for data centres

The digital society places intense demands on an electricity network that delivers security of supply while also enabling Ellevio to develop our networks and reduce the number of outages. Digitalisation also entails a major need for data centres with thousands of computers and servers that need cooling and a reliable electricity supply around the clock.

Thanks to a favourable climate, plenty of fossil-free electricity and tax conditions, Sweden is an attractive location for establishing data centres. Several of the largest operators are currently located here and many are planning to expand.

The data halls can also contribute to more sustainable energy consumption thanks to the possibility of using waste heat for the district heating system. This releases power for CPH, for example, and contributes to reduced CO2 emissions in production. One example of this is the Stockholm Data Parks collaborative platform in which Ellevio, Stockholm Exergi, the City of Stockholm and the fiber network company Stokab participate. Back-up power in the form of battery storage could also offer load balancing on the grids in the future.

## Electricity distribution in figures, 2021.

**Electricity network availability**

**99.99%**

**Average on Ellevio's network, 2021**

**Volume distributed electricity**

**27.5 TWh**

**Total, Ellevio in 2021**

**Outage minutes per customer**

**63 min**

**Average on Ellevio's network, 2021**

# Market conditions.

### A regulated market

The electricity system is a fundamental form of infrastructure in our society. It must be secure, offer a reliable security of supply and have the capacity to enable us to use electricity whenever there is a need for it. For these reasons, the electricity network is a state-regulated operation. Electricity grids are known as natural monopolies, and network companies are regulated and monitored by the Swedish Energy Markets Inspectorate (Ei), a government authority.

To ensure the system will also meet these needs in the future, it is vital for the regulations governing the electricity network to develop in line with society.

The regulation should ensure that the grids maintain good quality and provide a reliable security of supply regardless of the time of day, season or weather conditions. Revenue frameworks in the regulation are to compensate network companies for reasonable costs linked to managing their business and a reasonable yield on investments made. According to the Electricity Act, the prices that customers pay should be fair, objective and non-discriminatory. Allowed revenues for network companies are decided on for periods of four years at a time. The current revenue regulation applies to the period 2020–2023.

### Current revenue regulation an obstacle to investment

The previous revenue regulation applicable to the period 2016–2019 provided an incentive for investments in the electricity network, which was a positive and necessary change compared to the previous period. Consequently, Ellevio increased its investments in the electricity network to meet the needs of the future.

The current revenue regulation, however, entails reduced revenue frameworks. In the short term this may lead to lower prices for the network companies' customers, but in the long term the effect will be insufficient investments to maintain security of supply, enable growth and achieve climate targets.

As a result of this current regulation, Ellevio was forced to reduce its investment plans despite having greater investment needs than ever before. 120 of Sweden's roughly 160 network companies appealed this regulation, and a ruling in favour of the sector was conveyed by the Administrative Court in February 2021. Ei appealed this decision at the Administrative Court of Appeal, however, and was granted permission in November 2021.

### Long investment horizon

Electricity networks entail operations that require a very long planning horizon as we are responsible for infrastructure that shall deliver for many decades. Large parts of Sweden's electricity grid have today reached end of service life and must be replaced. This is why it is important for there to be conditions for investment that are stable and predictable over a long period.

Sweden currently has an old electricity network, with one third of the network being 40 years old or older and needing replacement. Electrification of the transport sector and industry has already begun to a great extent, electricity production is continuously being reinforced with land-based wind power, while urbanisation is driving a need for new housing

and new infrastructure. This transition to a fossil-free society requires a robust and smarter electricity network. This means that Ellevio and other network companies need to make the largest investment in the electricity network since the 1960s and 1970s.

For this reason, we are working to ensure that Sweden has a stable network regulation that creates the conditions to make the major investments that are necessary, but which also promote incentives for flexibility solutions. We criticise the new network regulation directive for its short-term approach and because it threatens the opportunity to create the electrified, digitalised and sustainable society required to achieve climate targets and become the world's first fossil-free country. If these conditions do not improve, we risk ending up in a situation where the space for developing the electricity network in the future is extremely limited.

### Important role for contractors

Contractors are a vital part of the Swedish electricity network market. They are responsible for maintaining and building the electricity network, taking the plans from our desk and turning them into a completed facility. We see major potential for development in this area. In some parts of our areas, contracts awarded to contractors will be more comprehensive and will run over longer periods. Overall, the new revenue regulation has meant that contractors' work requirements will become more uncertain and harder to plan as investment conditions deteriorate or change due to a short-term and unpredictable regulation.

The current regulation unfortunately forces us at Ellevio to have a shorter-term focus for our investments than we would want. We can guarantee maximum customer value in this situation, but are not given the conditions to build for the future to the extent we would like.

### Lengthy permit processes remain an obstacle

Time-consuming permit processes are slowing down the requisite investments in the electricity network. Lead times from decision to implemented project can become needlessly protracted, at times as long as 10 years. In August 2021, the new legislation "Moderna tillståndsprocesser för elnät" (Modern permit processes for electricity networks) came into force, which comprises a number of reforms aimed at shortening the lead times for electricity grid expansion. Among these are a network operation concession for power lines that will be revised at the request of the network company, that the Energy Markets Inspectorate must decide on access to land for investigative work and that the appeal period to ensure that decisions as to whether network operation concessions become legally binding will have a specific end date.

Ellevio welcomes the new legislation but still sees a need for further measures. The permit processes will continue to be too long if Sweden is to achieve its climate targets. Several important measures to shorten the lead times for network construction remain to be taken – from application to the finished power line. Among other things, the government should clarify the conditions for selecting technology at the highest voltage levels, where overhead lines should be seen as the main rule.

The government decided in 2019 that a special investigator will review Swedish legislation to ensure that the climate policy framework has an impact. An interim report by the "Climate Law Inquiry" was submitted on 1 April 2021, and the task must be finalised

## Ei determines what network companies may charge

According to the Electricity Act, the prices that customers pay should be fair, objective and non-discriminatory. The state-owned Swedish Energy Markets Inspectorate, Ei, determines what network companies may charge. The revenues resolved by Ei comprise four different components:

### Compensation for capital costs

Compensation for the electricity network assets, including systems for operation and metering electricity use, and investments in these systems. The compensation is based on the company's electricity network assets and a reference interest rate that is meant to cover interest on loans and returns to shareholders. The reference rate for the regulatory period 2016–2019 was 5.85 percent. For the period 2020–2023, Ei lowered the reference interest rate to 2.16 percent. This was then adjusted to 2.35 percent. 120 of Sweden's some 160 network companies appealed this regulation.

### Non-controllable costs

Non-controllable costs that network companies cannot affect. This refers mainly to costs for overhead networks, which are the networks that transmit the electricity from the production site to our electricity network (such as Svenska kraftnät's national grid), and costs for purchasing electricity that is lost in transmission ("network losses"). These costs also include public authority fees that network companies should charge customers and that are passed on to the state in full.

### Controllable costs

Costs that network companies can influence: fault repairs during power outages, staff costs, customer service, network monitoring, etc. These costs are subject to efficiency requirements.

### The quality incentive

Network companies are given incentives to ensure an outage-free electricity supply, meaning their permitted revenues can be decreased or increased depending on the number and length of the outages.

no later than 15 May 2022. The second phase of the inquiry will be important in terms of the selection of technology, but also in terms of the revision of the Environmental Code, the Electricity Act, the Electricity Safety Act, the Utility Easements Act and the Planning and Building Act; some of the aims include shortening permit processes for grids, making sure that trials of electricity grid expansion take greater account of the importance of electrification for climate change and eliminating contradictions between different laws.

### Special scope for investment

In September 2020, the Government presented a bill that would give electricity network companies the opportunity to use unexploited revenue frameworks for investments in new lines. Following a debate in the Swedish parliament on the formulation of the bill, the Government withdrew it and returned with certain changes some time later. In spring 2021, a new bill was presented and voted through in the Swedish parliament. This was an important decision for creating the conditions for the investments required to meet increased electrification. The new law entered into force on 1 June 2021. Directives to implement the law were presented on 20 October, and another directive is expected in early 2022.

### National electrification strategy

The Swedish Government believes that the electrification of areas such as industry and transport will benefit Sweden's prosperity, contribute to development throughout the country and create more green jobs. A national electrification strategy that aims to contribute to a rapid, smart and socioeconomically efficient electrification process to achieve national climate targets, was presented in early 2022.

**"The government assesses that the electrification of industry and transportation will benefit Swedish prosperity."**

The strategy has been developed in broad collaboration with business, authorities and other operators in society and comprises a total of 67 measures to be implemented between 2022–2024.

Ellevio welcomes the strategy and has a positive view of the Government's plan to take a more proactive approach to electricity grid expansion and revenue regulation. These two tools are critical for the ability of network companies to contribute to societal development to the extent required.

### Electrification Commission

During autumn 2020, the Government established a commission to accelerate electrification efforts in terms of heavy goods vehicles and the transport sector as a whole. This will involve producing an action plan for electrification of the busiest roads, detailing how electricity can be made available quickly for electric roads and charging infrastructure for rapid charging when necessary, and examining how the electricity supply is affected by the transport system's transition towards electric power. In addition to the Minister for Infrastructure, the Commission consists of 16 members who are representatives of business, academia and the public sector. In May 2021, the Electrification Commission, together with regions, county administrative boards, the business community and others, presented 17 electrification promises with concrete commitments on behalf of 252 operators. The promises are to accelerate electrification of regional goods transportation by lorry across the country. Ellevio participated in the production and signing of the national electrification promises alongside the regional network companies for Stockholm, Värmland, Dalarna/Gävleborg and Västra Götaland.

### Uncertain future for the electricity market hub

In 2021, efforts linked to the supplier-centric model (SCM) and the associated electricity market hub have been on hold. The proposal has existed for over 10 years and, in brief, means that the electricity seller is to be the customer's main contact and the organisation that invoices them. Information is to be handled centrally and all information about Sweden's electricity meters, customers and meter values are collected in just one IT system. If it is introduced, the reform will be one of the largest ever on the Swedish electricity market.

This model has been criticised by a large range of operators throughout the years. Ellevio, together with about 40 local and regional energy companies, has highlighted that the reform is outdated and that the benefits of it are too limited to be justified – especially given the far more pressing issues the electricity market operators have to address, not least the energy transition.

In the 2021 budget, the government made it clear that the future of the SCM is uncertain, but that the electricity market will still be introduced. As the idea of the electricity market hub was developed to support the SCM, it is thus unclear at the present time what the purpose of the hub is. While awaiting an announcement, Svenska kraftnät has paused its work on the development of the hub and Ei has long since paused its regulatory work for the SCM. The future of the SCM and the electricity market hub is therefore uncertain.

### Clean Energy Package

The EU's Clean Energy Package is a legislative package that will be examined by the Swedish parliament during 2022 via two planned bills. The CEP contains basic rules for the Union's electricity sector, as well as forms of cooperation between member states and supervisory authorities. The aim is to create an intra-European energy market that offers greater security of supply, competitiveness and customer influence and facilitates new technology and new operators. The overall purpose is to create a smooth transition towards a sustainable and low-carbon energy system.

**"The strategy comprises a total of 67 measures between 2022–2024."**

There are many indications that the legislative package from the EU will entail a different role for network companies, transforming them from network managers into becoming system operators. Ellevio considers it highly important for the national revenue regulation to offer compensation for this changing role.

When the overall legislation has gone through the Swedish parliament, extensive regulatory efforts will then begin, led by the Swedish Energy Markets Inspectorate.

# Your total electricity cost:

## Electricity consumption, electricity transmission, taxes and fees

1

**Electricity transmission** – the cost of having the electricity transported through the electricity grid to the place where it is to be used. The user is a customer of the network company that owns the electricity grid in the area, and it is not possible to choose another supplier. The invoice consists partly of payment to the network company in the form of a fixed subscription fee and a variable cost that varies with consumption, and partly of taxes.

2

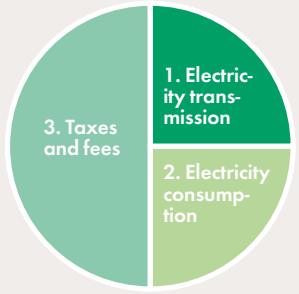
**Electricity consumption** – the cost of the electricity that the customer uses. The electricity is purchased from an electricity trading company and the customer can choose which company they want. The invoice consists of a variable cost for electricity consumed, 25 percent VAT and often a fixed subscription fee.

3

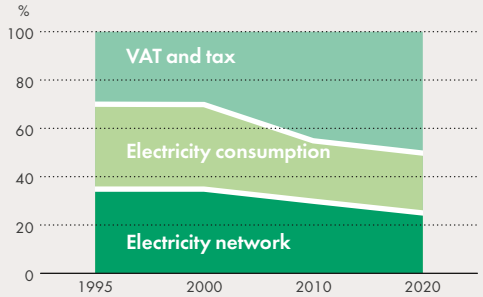
**Taxes** – energy tax (a variable tax that from 1 January 2022 amounts to 45 Swedish öre / kWh) that the electricity network company invoices on behalf of the state) and 25 percent VAT.

Around 50 percent of the electricity cost comprises government taxes and fees to authorities, such as the energy tax and VAT.

**The various components of the electricity cost**




**The share of taxes has increased**




Source: Swedenergy – Energiföretagen Sverige

# Electricity price crisis, winter 2021/2022.

In the winter of 2021/2022, many electricity consumers with variable electricity trading agreements were surprised by high electricity invoices. The reason was the high price of electricity (not the distribution of electricity provided by network companies such as Ellevio).

The rise in prices was mainly due to high European prices for natural gas and challenges linked to the transmission of electricity from northern Sweden to the south via the state-owned national grids.

**Electricity price compensation**
To alleviate the effect on impacted households, the government launched an electricity price compensation system in January 2022.

Ellevio and the other network companies were tasked with managing the administration of this electricity price support and are compensated for extra expenses connected to this.

# Investments in the electricity network.

**The electricity grids must be modernised if Sweden is to manage the energy transition needed to achieve national climate targets. This means that investments in our electricity network are one of the most important actions Ellevio can take. In 2021 we invested SEK 3.6 billion in the electricity network.**

Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, are facing the need for record investments if Sweden is to make a success of the transition towards greater electricity dependence required for it to meet those targets.

According to a report from Sweco 2022, at least SEK 670 billion of investments in the electricity system will be required by 2045.

Ellevio has invested approximately SEK 16 billion over the period 2017–2021.

A prerequisite for these investments being possible is that capital can be attracted to them, which in turn means the framework governing the electricity network investments must be long-term, stable and predictable.

### Regulation slowing the energy transition

The revenue frameworks applicable to the period 2020–2023 are considerably lower than during the previous period, which is leading to a major disincentive to invest in the electricity network. The consequence of this will be that the transition to renewable electricity production, electrified transportation and fossil-free industry will be slowed. The reduced allowed revenue may entail positive short-term effects for customers by way of lower electricity prices, but in the long term they will lead to insufficient investments that result in more outages and poorer opportunities to manage the energy transition, and thus also achieve climate targets.

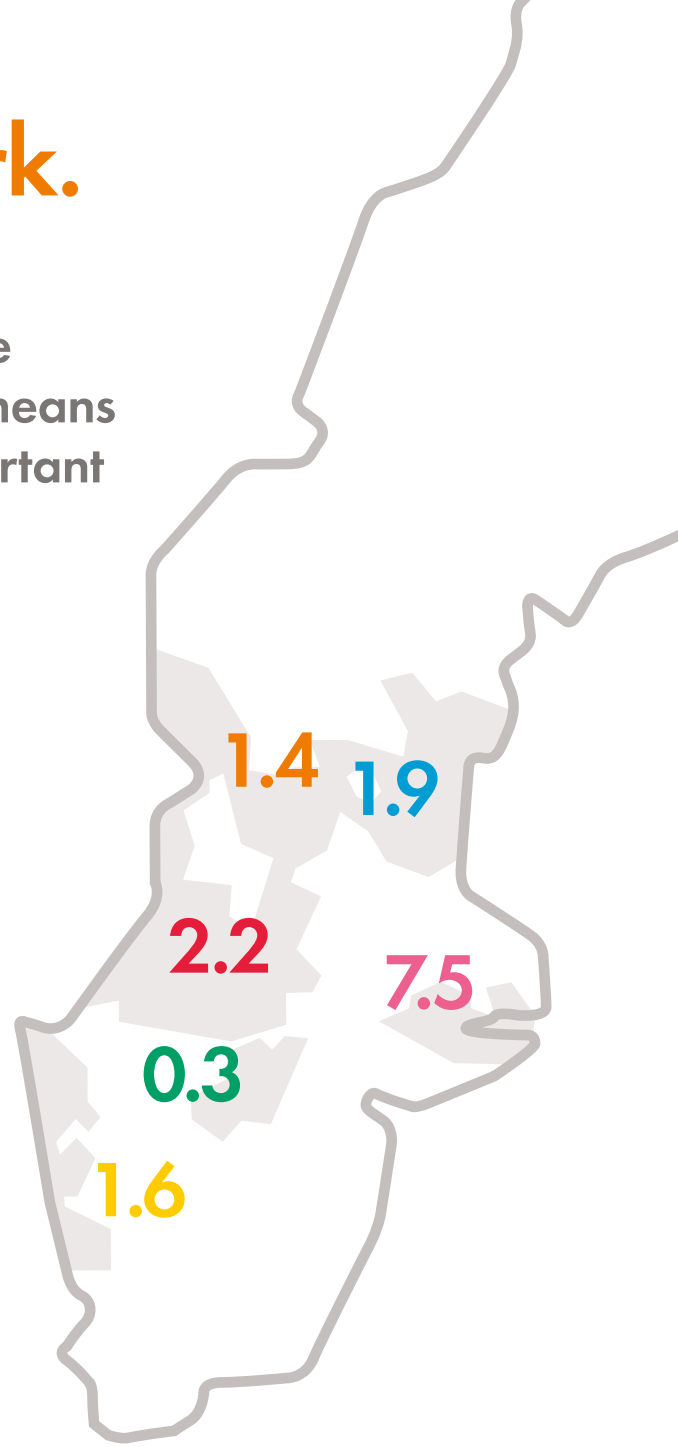
The improvements being carried out will not only result in a modern, flexible and weather-proofed electricity network, but will also contribute to lowering the networks' operating and maintenance costs over the long term, something which will benefit customers.

We at Ellevio are very anxious not to reduce the pace of our investments.

Establishing reasonable conditions for attracting capital to the major investments in weather-proofing, network capacity and automation required to meet demand in an increasingly electricity-dependent society is thus one of our most important priorities.

### Network companies have appealed the regulation

The less beneficial regulation, with its insufficient investment incentives, led to 120 of Sweden's 160 electricity network companies, including Ellevio, appealing against the current regulation. Read more on page 14.




## Network investments 2017–2021

- Värmland, SEK 2.2 billion
- Skaraborg–Närke, SEK 0.3 billion
- West Coast, SEK 1.6 billion
- Dalarna, SEK 1.4 billion
- Gävleborg, SEK 1.9 billion
- Stockholm, SEK 7.5 billion

# Current network investments.

## Gävleborg
(Hälsingland, Gästrikland)
Approx. 70,000 customers

**Investments**
- We are rebuilding the electrical grid for some 500 customers around Arbrå and the northern and western parts of Hudiksvall municipality. This involves some 600 km of lines being buried underground in order to weather-proof the grid. 315 secondary substations are also being replaced. In total, Ellevio has invested some SEK 230 million in the project which was completed in 2021.
- In 2021, network investments totaled SEK 497 million in Gävleborg network area.
- In 2021 a network area in Ovanåker was acquired by Edsbyns Elverk, with around 4,000 customers. The area will be integrated in 2022.

## Skaraborg–Närke
Approx. 27,000 customers

**Investments**
- 2,800 households in Skövde, Mariestad and Karlsborg have received a more secure supply of electricity thanks to the "Skaraborg package" that was completed in 2021. Over the course of the project we have buried dozens of cables and established 200 new secondary substations.
- Major regional substations are being rebuilt in Laxå, Horn, Lugnås, Hassle and Husbacka, among others. These will increase capacity on the grid and security of supply for the region's households and companies.
- In 2021, network investments totaled SEK 39 million in network area Skaraborg–Närke.

## Dalarna
Approx. 36,000 customers

**Investments**
- Modernisation and weather-proofing of the local grid is under way in large parts of Dalarna. We are building an electricity grid that can withstand weather and wind and that will reduce the number of power outages for customers.
- Major projects are under way in areas such as Dala–Floda, Siljansfors, Gävunda, Skattungbyn and Trängslet.
- In 2021, network investments totaled SEK 445 million in Dalarna network area.

## Värmland
Approx. 105,000 customers

**Investments**
- Around 1,000 km of lines are being weather-proofed as part of the "Värmland package" in areas such as Torsby, Hagfors, Karlstad, Väse, Edsvalla and Sunne. Some 11,000 households and companies will have a modern electricity network thanks to this investment, which will cost a total of some SEK 270 million. The project was launched in 2018 and completed in 2021.
- One of the region's largest wind parks was built just outside Sunne. 13 wind turbines will produce around 13.8 GWh of electricity per year. In order to be able to deliver electricity across the electricity grid, Ellevio has built a new station in the area along with new 130 kV power lines.
- In 2021, network investments totaled SEK 280 million in Värmland network area.

## Stockholm
(City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn, Vallentuna)
Approx. 600,000 customers

**Investments**
- Many of the larger and important key hubs in Stockholm's regional electricity grids are currently being rebuilt, including Värtan, Nockeby and Högdalen. The stations are being modernised and will have increased capacity, while improvements to the working environment are being made for the staff.
- Construction of a new 400 kV line between Beckomberga and Bredäng has been ongoing during the year; a route of around 12 kilometres. A large part of the route will travel under water, from Bromma to Bredäng. The project is one of the most important in terms of efforts to tackle capacity challenges in the region.
- Many large projects are under way on the local electricity grid to modernise and increase capacity. Works are under way in areas such as Hägersten, Herrängen, Kungsholmen, Fredhäll, Lilla Essingen and Östermalm, for example. Preparations are also being made in several of the projects to expand charging infrastructure for electric vehicles in Stockholm.
- In 2021, network investments totaled SEK 1,423 million in Stockholm network area.

## West Coast
(Halland, Bohuslän)
Approx. 130,000 customers

**Investments**
- A major project is under way in Gothenburg's southern archipelago at Vrångö, Donsö, Styrsö, Brännö and a number of smaller islands, which will lead to around 100 km of power lines on land and in the sea being replaced and weather-proofed. In total, approximately 3,200 households will be supplied with a modern electricity grid.
- In Särö and Onsala around 14,000 households will be provided with a modern and newly equipped grid. Around 180 km of lines are being buried and 150 new substations will be installed, which will increase the capacity of the electricity grid in the area. This will allow more customers to purchase charging wall boxes for their electric vehicles and install solar cells on their roofs.
- In 2021, network investments totaled SEK 353 million in the West Coast network area.

# Value creation – from the little things to the big things.

## Guaranteeing a reliable supply of electricity is one of society's most vital tasks. The electricity grids are also critical in terms of helping achieve climate targets.

Ellevio is responsible for electricity reaching almost one million households, companies, municipal and governmental operations, authorities and organisations in Sweden. We view this great responsibility with humility and we have a strong desire to keep contributing to the energy transition and helping Sweden achieve societal development.

### Contribution to the Sustainable Development Goals

We consider it self-evident that we should contribute to the UN's global sustainable development goals and integrate this into Ellevio's business strategy. Our core business has the largest impact on the following four goals:

**Goal 7,** Affordable and clean energy, represents our mission in society and is the aim of Ellevio's long-term investments. By developing the electricity system we make more renewable electricity available. Goal 7 also contains guidelines for realising energy efficiency enhancements, to which our investment in the next generation of smart electricity meters is making a contribution.

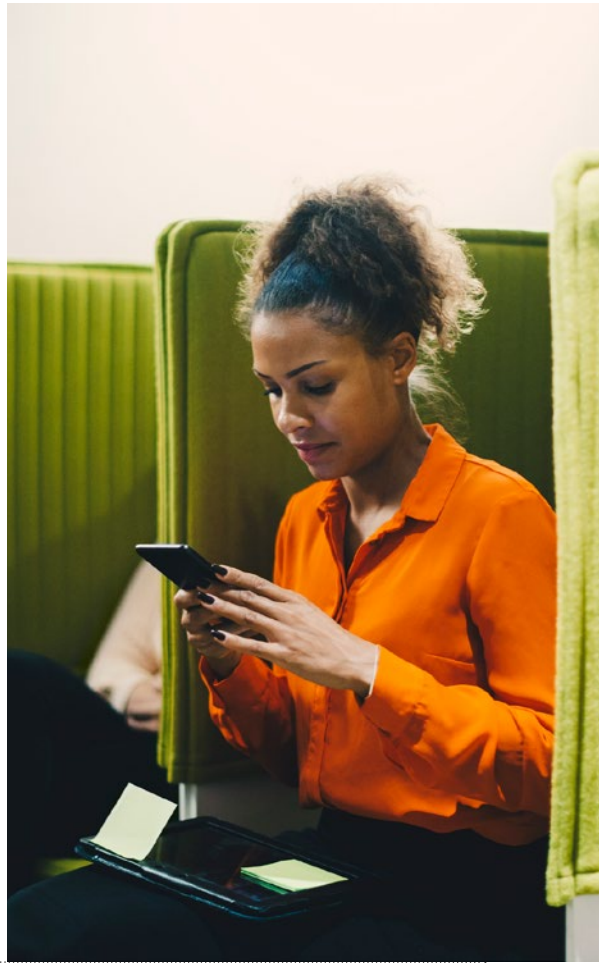
**Goal 9,** Industry, innovation and infrastructure. Ellevio's electricity network represents critical infrastructure. The electricity system is also an enabler of the transition to a fossil-free society in which industry and transport are powered by electricity. A secure electricity supply is a prerequisite for the ability of industry and entrepreneurship to flourish and for people to live and work throughout Sweden.

**Goal 11,** Sustainable cities and communities. Ellevio is part of the development of the electricity system of the future, and contributes therein to a sustainable society. A reliable and modern electricity system enables society to continue the electrification process and more people to get involved and make sustainable choices. We develop climate-smart energy services such as solutions for installing solar panels and charging electric vehicles. By burying power lines we create space for more green areas and housing, while safeguarding the grids from the impact of weather conditions. As a network owner in Stockholm and the Mälardalen region, we play a vital role in sustainable urbanisation and urban development.

Another key goal for Ellevio's business is **Goal 13**, Climate action. Electrification is a central part of the transition towards a fossil-free society. We are modernising the electricity network to enable electrification of industry and transport, as well as the expansion of renewable energy sources such as solar and wind power. In doing so, we also create jobs that promote growth. We are also working to reduce the carbon footprint of our own operations.

Ellevio also makes a contribution to: **Goal 5,** Equality, **Goal 8,** Decent work and economic growth, **Goal 15,** Life on land, **Goal 16,** Peace, justice and strong institutions, and **Goal 17,** Partnerships for the goals.

Read more in the Sustainability information section on pages 74–90.



# Ellevio's model for sustainable value creation.

## Assets and resources

**Financial capital**

Own and foreign capital
Invests with 40–50 year horizon
Owners and creditors who want to invest responsibly and contribute to the green transition

**Supplier relationships**

Facilities
Operation and maintenance
Components
IT services
Service developers

**Fixed assets**

Cables, power lines and poles
Switchgears & secondary substations
IT infrastructure

**Employees**

Knowledgeable and committed employees
Strong values: Reliability, Commitment and Development

## Core operations

**Manage electricity network & supply electricity to our customers**
Distribution of electricity. Monitoring, maintenance and repairs where necessary

**Provide customer service**
Electricity meters, moving/ connection, advice and support

**Develop**
Innovation, automation, data analysis, smart networks, new electricity services

**Invest**
Continue investing in existing grids, growth through acquisitions resulting in economies of scale

**Build the energy system of tomorrow, and develop new solutions together with customers and partners.**

## Creates value

**For society**
Secure supply of electricity in both urban and rural areas
Stable electricity supply to vital societal functions
Secure supply of electricity to an electricity-dependent society
Help enable the achievement of climate targets
Jobs

**For customers**
Secure and outage-free electricity supply
High level of service to customers
New services as part of a smarter network
Opportunity to produce your own electricity
Fair tariffs between cities/rural areas

**For employees**
Stimulating work duties
Safe workplace
Knowledgeable and committed employees
Equal workplace

**For owners**
Opportunity to make a sustainable investment with a long-term horizon
Secure and long-term value growth

**Ellevio's core operations contribute most to:**


**Goal 7,**
Affordable and clean energy.


**Goal 9,**
Industry, innovation and infrastructure.


**Goal 11,**
Sustainable cities and communities.


**Goal 13,**
Climate action.

# Value for the whole of society.

### The electricity system is vital for developing society

The electricity system plays a key role in the transition to a sustainable and fossil-free society. Electrification of transport and industries and a greater need for data halls are contributing to an increasing demand for electricity. Vulnerability will also increase as more societal functions become dependent upon electricity.

Strong population growth in the major and medium-sized cities is creating demand for greater capacity on the electricity network in those areas while a larger proportion of weather-dependent electricity is increasing requirements for flexibility. In other words, we need to invest in the electricity system so that society can continue to develop.

We at Ellevio are strongly committed to helping achieve the goal of a fossil-free Sweden by 2045 and are aware that we play a vital role in those efforts. A modern and flexible electricity system is a prerequisite for this. By installing smart electricity meters we can also provide the conditions for our customers to become more active electricity users. Using such meters, they can manage their electricity consumption so that the burden on the electricity grid can be reduced at times when consumption in a community is at its peak.

### Contribution to sustainable development

Ellevio wants to be a pioneer that contributes to sustainable societal development and has, based on a materiality analysis, defined six strategic sustainability commitments:

- Reduced climate and environmental impact
- Customer experience that exceeds expectations
- Long-term regulatory conditions
- Long-term investments
- Safe workplace
- High employee engagement

Read more about our sustainability work in Sustainability Information, page 74–90.

### Investments require capital

Over the past few years, Ellevio has carried out major investments in the modernisation and weather-proofing of grids in our network areas – and we want to continue doing so. To make this possible, there must be reasonable conditions for attracting capital for the requisite investments.

We therefore maintain an active dialogue with politicians and authorities to spread awareness of the significance of the regulations in terms of necessary future investments in the electricity networks. We are also engaged in the public debate through debate articles and as organisers of – or participants in – both seminars and lectures so that more people will understand the role of electricity networks in the energy transition and the vision of becoming the world's first fossil-free country.

**"We have a great commitment to contribute to a fossil-free Sweden 2045."**

### New climate creating new demands

More forest fires, more violent rainfall and worse intense storms. The effects of global warming on the climate are already becoming visible and are expected to escalate over time. The risk of extreme weather is rising, which could lead to damage to the electricity network. At the same time, society is becoming increasingly dependent on electricity, which means the importance of an outage-free supply is growing.

In 2021, we have put extra effort into analyzing climate-related risks and opportunities. The results becomes part of Ellevio's reporting according to Task Force on Climate-related Financial Disclosures (TCFD). Read more on page 90.

To reduce the risk of power outages in connection with forest fires, Ellevio has mapped all power lines since the major forest fires in 2018 based on the probability and risk of being taken out due to fire.

In the event of heavy rainfall, there is a risk that the cavities under the transformers in switchgears will overflow and that contaminated water will leak out. To avoid this, Ellevio uses automatic pumps with oil level sensors and alarms, among other things.

In terms of storms, there is a clear trend: the consequences are not as devastating today as before thanks to the fact that thousands of miles of power lines have been buried. Today, approximately 84 percent of Ellevio's electricity grid lies in the ground. The work with so-called cabling of the local network continues and is prioritized based on which areas are most affected by interruptions. Regional grids are weather-proofed in the form of major power line corridors preventing trees from falling onto the lines.

In parallel with weather protection, we add smart technology into many nodes, which enables us get information faster about where in the network an error has occurred. This facilitates troubleshooting and allows us to get the power back faster in power lines that are not affected.

**We are working to reinforce capacity**
A shortage of capacity is one of our greatest challenges at this moment. The shortages are mainly to be found on the national grid owned by Svenska kraftnät, but there are also consequences for Ellevio, which owns regional and local grids. Our major cities are growing, just as a significant transition is taking place in terms of how we run our societies. For example, we are seeing more and more electric cars, data centres and new types of electricity-intensive companies. The electricity network we have today is not really fit for purpose. Stockholm has grown rapidly over the past few years, more than the responsible authorities believed; a trend that has also been seen in Malmö and the Mälardalen region. Furthermore, forecasts are pointing towards this growth continuing.

Of course, building new national grid power lines takes time, but it is above all the permit processes that hinder development. Svenska kraftnät estimates that it takes about ten years from the time a national grid power line starts to be planned until it can start supplying electricity. Long permit processes also apply to certain regional grids.

Ellevio undertakes a broad range of initiatives to address the capacity shortage. These include shortening permit processes and finding smart ways to manage the consumption of electricity.

**"Ellevio's strategy of acquiring smaller network companies creates economies of scale in the Swedish electricity grid market."**

**Economic value creation**
Our investments in the electricity system mean we are also able to contribute to society by way of the jobs we create with our contractors and, indirectly, among our customers.

We are strongly committed to using every invested krona as efficiently as possible, which is why we work continuously to analyse and develop our way of investing, improve our procurements and streamline our own processes. We also work to reduce operational costs through increased digitalisation and investment in preventive maintenance. Ellevio is to have an operational business of the highest quality – in every part of the organisation.

The Swedish electricity grid market is more fragmented than in many other countries, fragmented, with many small municipal players. Ellevio's strategy of acquiring smaller network companies creates economies of scale in the Swedish electricity grid market. In 2021, the Ellevio Group acquired Edsbyns Elverk in Hälsingland with approximately 4,000 customers.

Ellevio is owned by pension funds, which means that the return the business provides creates value for pension savers.

**Value creation in local communities**
We want to fulfill our societal task in the best possible way by being an active and committed operator in the places that are affected by our operations. A reliable electricity supply is of great importance to the local community, and by removing overhead lines we create more space for agriculture or housing, for example. In Stockholm, together with Vattenfall and Svenska kraftnät, we run the Stockholms Ström project, which involves central overhead lines being buried or laid in tunnels.

**"We want to be active in the places that are affected by our business."**

As we develop our electricity network, we invite local stakeholders to inform and minimise negative effects on the environment, business and people's everyday lives. For larger local projects, we provide information through open houses, websites and social media as well as letters and other direct communication.

**Responsible purchasing**
Ellevio is a major purchaser of both materials and services. In 2021, Ellevio purchased products and services for some SEK 4.6 billion, of which 74 percent were contract services and materials for our grids: in part for fault repairs and maintenance, in part for investments.

Ellevio places clear and strict demands on companies that want to qualify as contractors or major material suppliers. Each supplier must comply with our specific Code of Conduct and our extensive sustainability requirements, which are based on the ten principles of the UN Global Compact.

Read more about our work on responsible purchasing and our Code of Conduct for suppliers on page 76 in the secion Sustainability Information.


"As we develop our electricity network, we invite local stakeholders to inform and minimise negative effects on the environment, business and people's everyday lives."

# Unique project safeguards Stockholm's electricity supply

Sweden's electricity needs will double by 2045, according to a report produced by Swedenergy in 2021. A modern and expanded electricity network is required to transport all of this electricity, which is why Ellevio is pursuing a large number of investment projects.

One example is the Beckomberga–Bredäng project in Stockholm. This project, which is a vital piece of the puzzle in terms of ensuring Stockholm's future supply of electricity, is Ellevio's largest to date and will be completed in 2023.

In August 2021 cables began to be laid between Beckomberga and Bredäng, which represented the start of the final stage of this project.

"Once this is complete, we will have come a fair way along the road to giving Stockholmers access to the capacity they need," explains project manager Jenny Nilander.

## 5.5 kilometres of cable in Lake Mälaren

Another part of the project is the laying of a cable in Lake Mälaren, which represents the first time cables of this size have been laid beneath an inland lake in Sweden. This under-lake cable weighs around 40 kilos per metre and is as thick as a tree trunk. Work is proceeding according to plan, and now 5.5 kilometres of cable are waiting to be connected to cables at Ängby in the north and Sätravik in the south.

# Ellevio forms hub of new major wind farm cluster

800 MW of new wind power is currently being constructed at the Tovåsen cluster in the municipalities of Ånge and Ljusdal. Around SEK 10 billion is being invested in wind parks and their accompanying electricity grids here. The project is a good example of sector collaboration and the energy transition in practice.

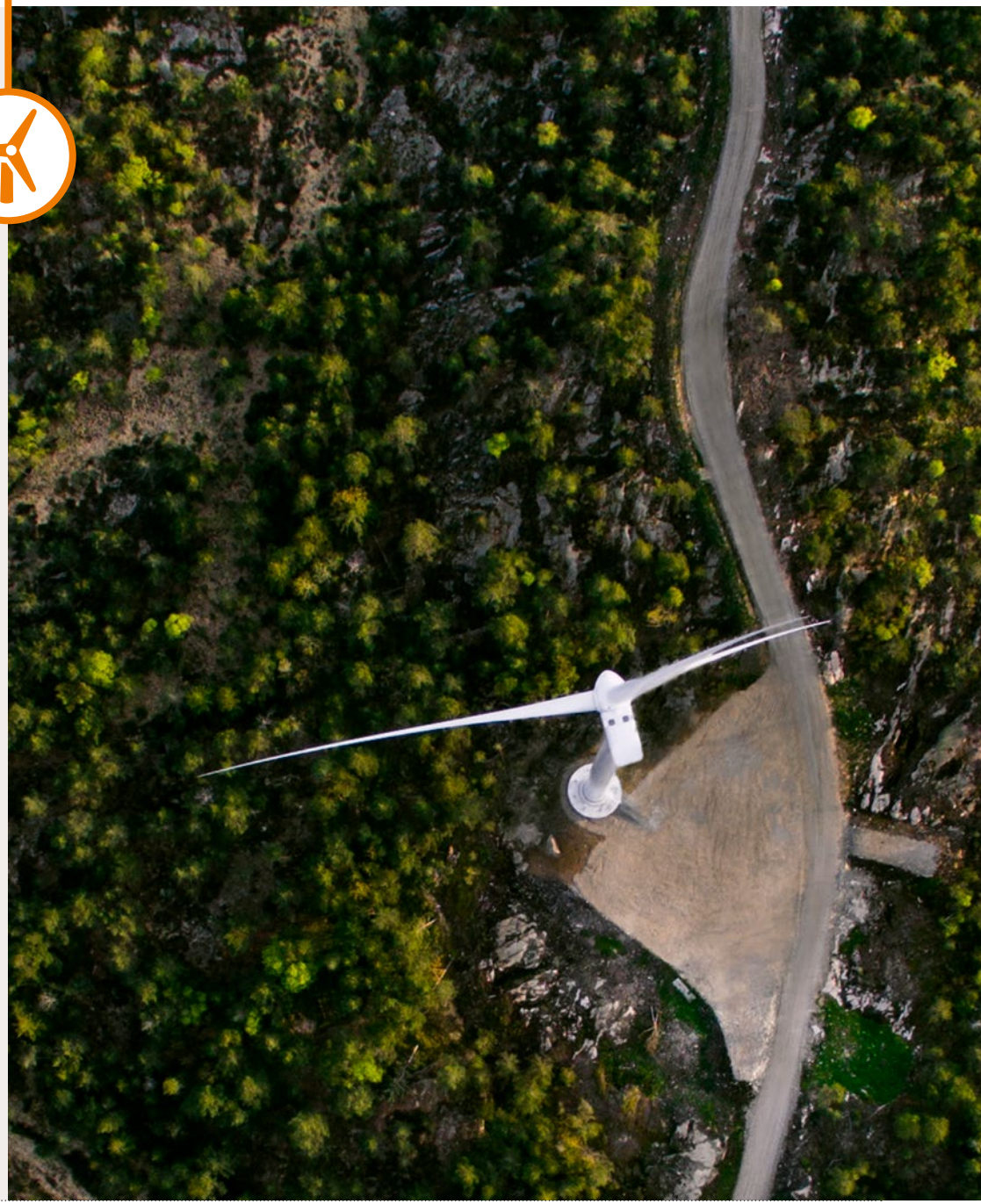
The Tovåsen cluster will represent a considerable addition to the Nordic electricity system with a total of 800 MW installed power in the first steps alone. This can be compared to the 900 MW Ringhals 1 nuclear reactor which was closed down last year.

The location for the Tovåsen cluster is far from random; the winds are excellent and the site is strategically located in terms of electricity grids.

In order to receive the power produced by these wind turbines, the electricity grids must be expanded. For this reason, new network stations are being established and the power line network is being reinforced – seventy kilometres of new regional grid lines are being built, to take one example.

There are major benefits linked to coordinating wind power producers into clusters. One factor for success is coordination, and at the Tovåsen cluster Ellevio is playing a key role in terms of ensuring coordination and progress within the project.

Planning for the project began in 2014 and is estimated to be complete in 2022.



# Value for our customers.

Ellevio's main task is to provide customers with an uninterrupted electricity supply – today, tomorrow and in 50 years. We must exceed their expectations, and our service should be reliable, committed and proactive. Together with our customers, we are driving the trend towards a climate-smart society.

Ellevio's 968,000 customers are located in the counties of Dalarna, Gävleborg, Halland, Värmland, Örebro, Västra Götaland and Stockholm. Around 86 (86) percent are households and 14 (14) percent are companies. We want to create the electricity system of the future and contribute to a sustainable society. The main way we are achieving this is by ensuring a reliable supply of electricity, but also by offering and developing climate-smart energy services.

For our business customers this could mean that we enable electrification of industries and transport. We create added value for households through initiatives such as smart electricity meters and solutions for installing solar panels and charging electric vehicles.

In 2021 we made major progress in all of these areas. At the end of the year, we had installed the new generation smart electricity meters at the homes of approximately 400,000 customers in total and launched a new app that offers customers the opportunity to monitor, compare and influence their electricity consumption. By late 2023 all customers will be a part of the new smart electricity system by having had a new smart electricity meter installed.

In order to develop our customer relationships, we need to have control over the entire customer journey – from meter readings to invoicing. For this reason, we moved our invoicing in-house and procured a new customer service supplier during the year.

## More robust with smart meters

The electricity network of the future will enable us to collect, convey, store and analyse information from thousands of measurement points. The smart meters that we install give us more information and a better overview of the grids' status. This means that faults can be detected and remedied faster while providing better information. The aim is to have fewer and shorter outages over the long term. And the day a customer wishes to connect solar panels, the meter will be ready for it. The smart electricity meters also gives customers the opportunity to see information in real time regarding their electricity consumption, which can be used for smart management of technology in the home, such as electric vehicle charging and heat regulation. This type of solutions could offer flexibility on the grid and form part of the solution to the capacity challenges in Stockholm.

## Fair prices

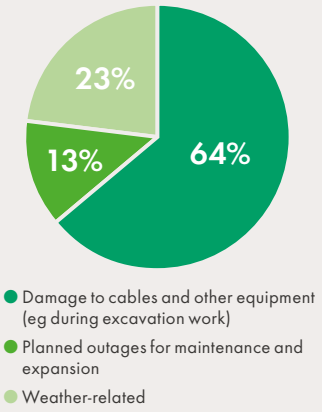
It is self-evident to us that all of our customers should pay the same price for the same service; it should not matter where they live. In 2017 the Swedish Energy Markets Inspectorate decided to permit this kind of price harmonisation, and

**968,000**
No. of customers

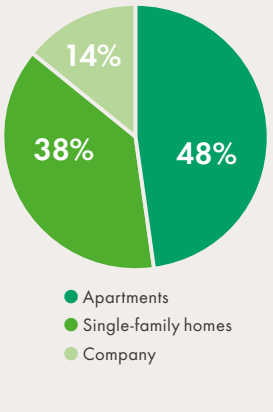
**99.99%**
Security of supply 2021

**63 mins**
Average outage time per customer 2021

### Outage causes in 2021




### Distribution, type of customer




**"Together with our customers we are creating the electricity system of the future and contributing to a sustainable society."**

since that time, we have worked gradually to level out the prices between urban areas and more sparsely populated areas. In practice this often entails lower or unchanged prices for sparsely populated areas and small rises for customers in Stockholm. We are to achieve the goal of everyone paying the same price for the same service by 2023 at the latest.

## Electricity without outages

Electricity has long been vital for the functioning of our society, and in the future this importance will only increase as digitalisation continues and more sectors become electrified. A secure and outage-free electricity supply is at the core of our task, and availability across our network is 99.99 percent. This is very good when making international comparisons, but each outage is a challenge that could also have economic consequences for our customers.

Sweden currently has an ageing electricity network that needs to be replaced and reinforced in order to maintain the high level of availability. New needs and demands for flexibility and digitalisation are also growing, which is why we are currently implementing an extensive investment programme. Read more about this on pages 18–19

## Private electricity through solar panels

Interest in producing their own electricity is growing year on year among our customers, and technological progress has made it possible for more people to produce electricity at a reasonable cost for their own use or for sale. In 2021 the "gröna avdraget" (green tax break) – which means private individuals can get a tax break for installing solar panels, batteries and charging wall boxes – continued to drive up demand.

Ellevio's website provides advice for customers looking to install solar panels, and we also have an offering in collaboration with the solar panel company CellSolar, which enables us to help customers with everything from permits to installation. We are also on hand once the customer is up and running and producing their own electricity. Ellevio also arranges digital meetings for tenant-owned housing associations in Stockholm, at which we explain how the association can begin producing electricity via solar panels.

In 2021 the number of connected solar panel installations in Ellevio's network area increased by 33 percent compared with the previous year.

## Easier charging for electric vehicles

The transition to electrically powered means of transport also requires an expansion of charging infrastructure. This is challenging since it is expensive and time-consuming to dig lines in cities and urban areas.

The City of Stockholm has set a target of installing 4,000 charging points for public use by 2022, and so-called charging streets with multiple consecutive charging spaces are also under construction. These charging streets are maintained by private operators, particularly electricity companies.

In order to contribute to this expansion, Ellevio offers operators of charging posts – such as companies, municipalities and associations – the chance to take comprehensive responsibility for the establishment of new charging points. This includes aspects such as planning, permit applications, digging and connection. We call the service "Smart Laddinfra" (Smart Charging Infra) and it involves the cost-efficient establishment of new charging infrastructure on streets and rural land.

The Smart Laddinfra concept also includes a subscription designed to ensure we able to continue installing charging points, despite there being a capacity shortage on the grid. In brief, it means we can reduce power at the charging points when the grid is reaching its peak load. In return, customers receive a cheaper subscription.

In 2021 Ellevio connected 48 charging streets, the majority in Stockholm.

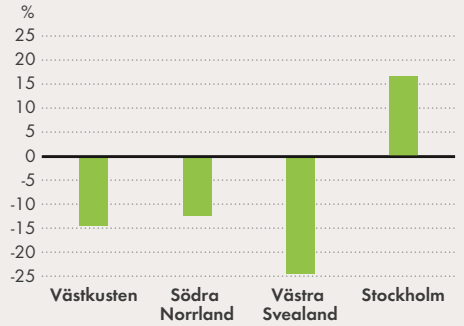
Ellevio also offers charging solutions for companies and housing associations along with charging wall boxes for private individuals. This way we make it easier for our customers to play an active part in the energy transition.

## sthlmflex – collaboration for power flexibility

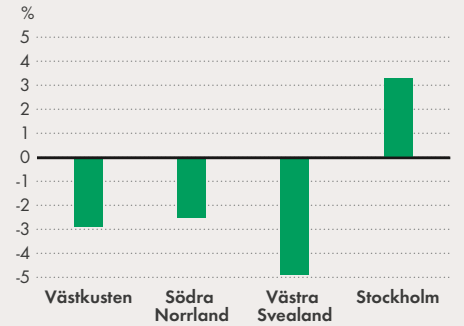
In December 2020, in collaboration with Svenska kraftnät and Vattenfall, Ellevio opened a new marketplace for power flexibility in the Stockholm region – sthlmflex. Through sthlmflex, electricity consumers and producers, companies and households get the opportunity to either produce electricity in exchange for payment or refrain from using electricity when demand for power is the greatest. Read more on page 11.

## Change in price 2017 till 1/1 2022 for six types of customers1[1)]

**Average total change in price for the six customer types**




**Average change in price per year**




[1)] The six types of customer are Apartment 16A, 2,000 kWh, Detached house 16A, 5,000 kWh, Detached house 20A, 10,000 kWh, Detached house 20A, 20,000 kWh, Detached house 25A, 20,000 kWh, Detached house 25A, 30,000 kWh. These figures are based on data reported to Ei.

# 400,000 customers can now live more climate-smart lives

One of Ellevio's most extensive projects ever is currently under way – installing new smart electricity meters for all customers.

The new meters are a vital piece of the puzzle for the sustainable energy systems of the future, and by late 2021 around 40 percent of customers had a new smart electricity meter installed. The project is due for completion in 2023.

**Fewer outages and new services**

The new electricity meters contribute to a more reliable electricity system with both fewer and shorter power outages, and they also entail opportunities for new smart energy services that can help our customers live more climate-smart lives.

Customers will also have better conditions for monitoring and comparing their electricity consumption. This means they can use electricity in a more climate-smart and cost-effective way. Thanks to their standardised interface, the new electricity meters also pave the way for new services from third party operators, such as energy efficiency enhancement and management.

**Efficient monitoring**

The new meters contribute to a digitalised and more efficient monitoring and operation of Ellevio's electricity network. This means we will become more efficient at predicting faults that could lead to power outages, which in turn will help us remedy such faults faster – sometimes even before they occur.

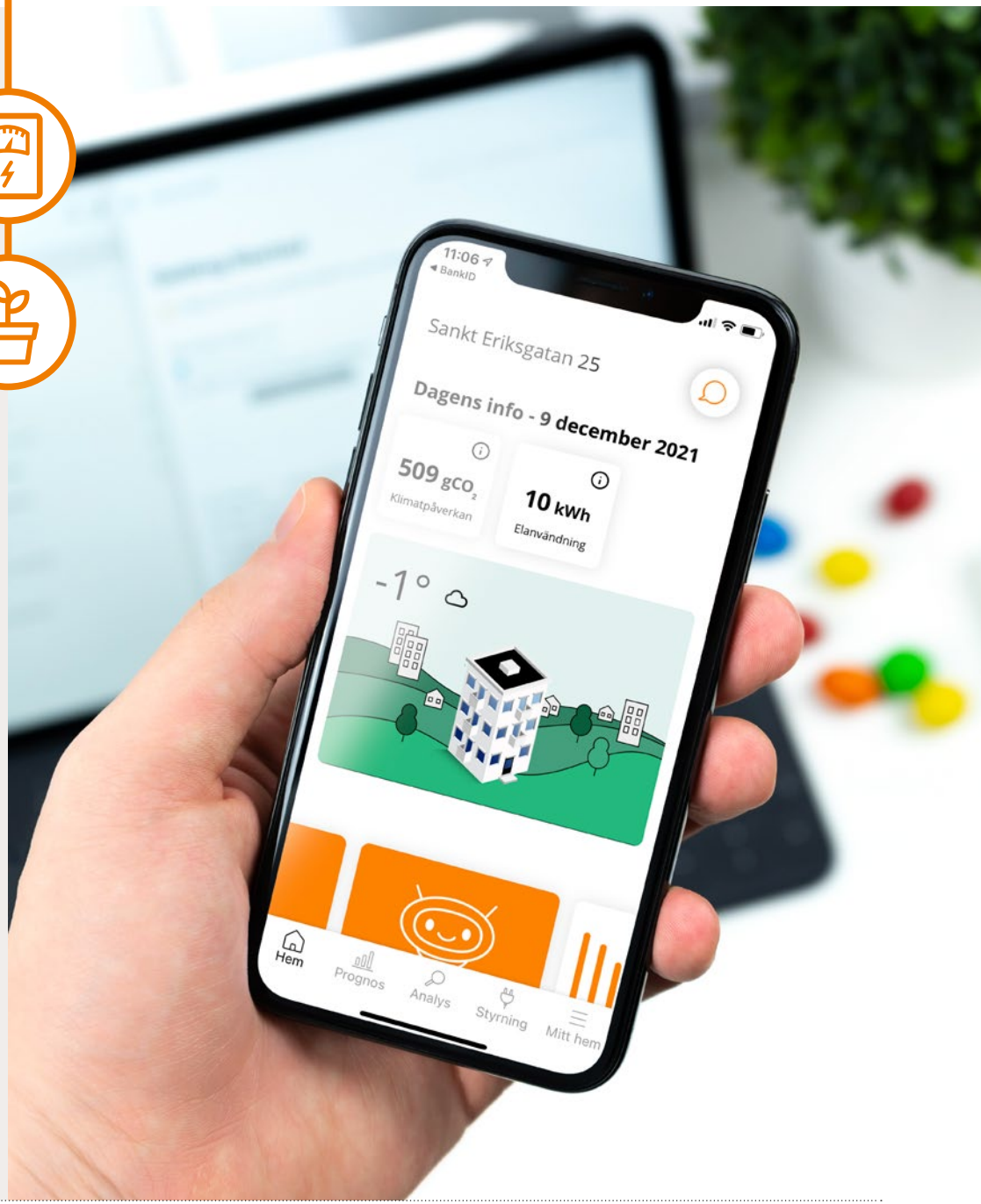
# Better awareness of carbon footprint and electricity consumption through new app

Being aware of our electricity consumption is smart, both economically and in climate terms. For this reason, Ellevio launched a new app in 2021 with a range of smart functions that will help our customers keep track of their consumption and its climate impact.

The app – which works best for customers who have had their smart electricity meter installed – provides a clear overview while also offering the opportunity to compare their consumption with that of others. It is also possible to connect the app to other smart devices in the home, such as solar panels, electric vehicle chargers and heat pumps.

The app allows our customers to:

- Monitor their electricity consumption
- View forecasts and past usage
- View the climate impact linked to electricity consumption in order to make climate-smart choices
- View invoices and agreements
- Connect to smart charging of electric vehicles
- See how much electricity solar panels are transmitting to the grid
- Connect and schedule smart devices such as lighting, heating and other gadgets



# Value for our employees.

At Ellevio we work to develop society and shape a fossil-free future. We have an inclusive and value-governed corporate culture that helps us to attract, recruit and develop the best employees. The future will place new demands on us and the network. Our business is growing, which is why we are now looking for more employees.

## Skills supply

The energy sector is facing a historic energy transition and has a major need to recruit new talent. Ellevio must therefore be an attractive and inclusive company – a preferred choice as employer. It is crucial that we manage to recruit and retain the right employees if we are to succeed in our task. Over the coming years we will have a major recruitment need and will also be seeking out new skills. The recruitments are managed by our internal recruitment function that ensures efficient processes, has a focus on business and equality targets and checks that we recruit people with the right values for our cultural journey.

We work continuously to strengthen our brand as an employer, including by collaborating with colleges, offering summer jobs and participating in work experience placements. We also help to spread knowledge about Ellevio and our sector through involvement in industry initiatives and a social media presence.

In 2021 we received some pleasing proof that we are moving in the right direction, as Ellevio was designated Sweden's most attractive employer in Nyckeltalsinstitutet's (Institute of Human Resource Indicators) annual survey for 2020. This also means we were best in our own sector – energy. The result is based on an evaluation of working conditions for more than 650,000 people at some 350 companies in Sweden.

## Vital leadership

Active leadership is crucial if Ellevio is to achieve its strategic targets. We have a management programme that is mandatory for all managers. This programme offers support and guidelines by highlighting four different aspects: the manager role, work environment, attractive employer and development.

Leadership at Ellevio focuses on attracting & recruiting, developing & retaining and communication. Our managers work continuously to develop employees with the aim that each and every one of them develops and uses their potential in the most effective way. Collaboration between manager and employee is ensured by ongoing dialogue and feedback. An employee in today's flexible working life must have the ability to rapidly shift gear and do things differently, which places demands on the manager's communication and clarity.

All of the managers at the company gather each year for a Management Day. These were held digitally in 2021 due to the Covid-19 pandemic, with the focus placed on leadership through change and the importance of clear communication. In addition to this, all managers meet through the managers' forum each quarter to discuss and inspire each other on leadership issues.

## Collective intelligence, customer focus and sustainability

Ellevio's corporate culture is characterised by a belief in our collective intelligence, always wanting to exceed customers' expectations and contributing to a sustainable society. Through responsibility, collaboration, commitment and innovative thinking, all employees help foster a work environment in which everyone is respected and included.

**We offer you personal development and a career with opportunities to contribute to a sustainable society.**

**Corporate culture**
- Safety first
- Focus on the customer
- Governed by values
- Inclusion
- Social, financial & environmental responsibility

**Career**
- Career development
- Internal mobility
- Feedback
- Mentorship
- Learning and development
- Management programme

**Compensation**
- Competitive salaries
- Bonus programme
- Annual salary review
- Salary surveys
- Pension

**Benefits**
- Benefits portal
- Insurance
- Preventive wellness activities
- Wellness contribution
- Parental leave allowance
- Compressed working hours

**Work environment**
- Feedback
- Flexibility and balance in life
- Personal development
- Focus on safety
- Ergonomic and activity-based office
- Work environment initiatives

As part of our investment in a robust corporate culture, Ellevio trained 13 employees to become change managers. They work part-time to arrange training courses and represent an internal resource that promotes development at team-level within the organisation.

One of the tasks of the change managers is to hold training courses in collective intelligence. All employees at Ellevio undergo a three-day training course in collective intelligence, and in 2021 five courses were carried out with some 85 participants.

Since 2020 we have measured our performance in areas such as collective intelligence as they are discussed and evaluated in the annual employee survey in connection with our employee profile (see illustration on page 34). Employees' results are discussed in the annual employee survey, alongside their development and ability to be a culture-promoter, of which collective intelligence forms an important part.

## Commitment index at its highest level

Ellevio conducts monthly "employee pulses" – brief surveys sent out via email. These provide a clear and up-to-date view of aspects such as mood, commitment and workload. Thanks to frequent feedback from the entire organisation, we can react quickly to the feedback that is submitted. Each manager receives the results from their group and holds an ongoing dialogue with the employees about them.

The monthly surveys have been conducted since mid-2020 and provide us with an "Employee Engagement Index" based on responses to questions concerning satisfaction, pride and whether employees would recommend Ellevio as an employer. The result for rolling twelve months in December 2021 was 8.0 – our best result ever and a testament to the fact that our corporate culture is fostering employees' commitment. The continuously improving result is also proof that we have succeeded in adapting the business to the Covid-19 pandemic.

## Continued flexibility with Worklife 2.0

On 1 October 2021 we welcomed employees back to the office after around eighteen months of recommended working from home. However, the increased spread of infection in society led us in late December to reinstate working from home in line with the authorities' recommendations.

We quickly shifted over to a new way of working when the pandemic erupted, and we have learnt a lot that we will take with us forward in our new approach to work. We call this Worklife 2.0. We will continue with this flexibility, as the most important thing is not where you carry out your work duties but what you deliver. We offer the option of combining remote working with work at our offices, and our ambition is to obtain the best of both worlds. This gives employees the chance to have a better balance in their working life, which is important for us as an attractive employer.

## An inclusive company

Diversity among employees is considered an important asset at Ellevio, and we take active steps to create an inclusive corporate culture in which everyone feels welcome and can flourish.

Initially, the focus on diversity has been directed at increasing gender equality – we work to achieve a more even gender distribution throughout the company. Ellevio has a cultural organisation that includes an inclusion group with representatives from different parts of the business. The group is tasked with raising these issues and proposing measures to remedy shortcomings.

Our recruitment function also has a specific focus on attracting more female employees. We must always have at least one woman among the final candidates for each advertised position. This has yielded results and we have significantly increased the number of women and female managers at the company.

We at Ellevio and across the wider energy sector have more work to do, however, to achieve an even gender distribution, and we need to look at new perspectives to make the sector more attractive to women. We therefore have an internal women's network – ElleNätet – which organises meetings to exchange experiences, among other things.

Our external collaborations focus on young girls, gender equality and inclusion. Through these, we want to support young girls and gender equality in other areas, as well as gain valuable insights and learn from others.

When it comes to ethnicity, we want to reflect wider society.

Ellevio's diversity and equality targets include continuously working to:

- Maintain an equal distribution between men and women in the management team. At the end of 2021, 60 percent of the management team were women (60).
- Increase the number of female managers at the company. At the end of 2021, 28 percent of managers were women, excluding the management team (27).
- Increase the total number of women at the company. At the end of 2021, 36 percent of employees were women (32).
- Reflect society in terms of employees' cultural background. At the end of 2021, 16.1 percent of employees had a foreign background (16.5).

## Annual Code of Conduct training

Ellevio's business operates as a monopoly, which means we have a profound responsibility to the wider community. We must live up to the demands and expectations of our customers and other stakeholders, as we want to earn their trust. Our values – reliability, commitment and development – must serve as guiding principles for every employee and permeate everything we do. The health, safety, well-being and equality of employees and other people are vital issues for our business. Ellevio is to be an inclusive, safe and attractive workplace and contractor.

The way we should conduct ourselves is described in our Code of Conduct. Varied training courses, workplace meetings and internal audits ensure that the Code of Conduct is well-known. All employees must sign the Code of Conduct annually by undergoing web-based training.

## The Covid-19 pandemic

Ellevio's operations have generally fared very well through the pandemic and the results and efficiency of our operations have not been significantly affected. However, this does not mean that the period has been without challenges or difficulties. Ellevio's operations are critical to society, and we therefore worked strictly in line with our own crisis plans and in collaboration with relevant authorities throughout the pandemic. We were early in setting up a crisis management team which led these efforts, and we implemented our own pandemic crisis plan along with the authorities' recommendations in our operations. A majority of employees were able to work from home, but the offices were kept open throughout the pandemic for the small number of people who had to visit the offices for their roles. Measures

to keep a safe distance from colleagues were introduced in the offices. Special rules applied for extra critical functions that have to be in the office to operate the electricity network.

All managers received training in digital leadership and the importance of continuously checking in with employees about how they handle working from home to safeguard their health and well-being.

## Health and safety

We have a vision of an accident-free and safe workplace for both our own employees and the contractors we hire. To achieve this, we work continuously to ensure safe behaviours, train staff and review safety routines that lead to a safer work environment and a stronger safety culture. We constantly follow up on accidents and near-accidents that have occurred in our operations to ensure that our efforts are moving in the right direction.

In recent years, Ellevio has organised an internal safety day each year, but in 2021 the theme of safety was included as a recurring part of our digital broadcasts instead. Safety is also a theme during Ellevio's culture week, and 2021 employees participated in educational seminars and workshops on aspects such as behaviour-based safety and unannounced site visits (flying audits).

All employees with "one foot in the field", for example project managers and network planners, attended an environmental training course in 2021, which addressed all environmental issues that may be relevant to the business, including the rules of the Environmental Code, environmentally hazardous activities, waste management and handling of environmental risks.

### Safety collaboration with contractors

The contractors we hire are to have a high level of professional competence, training in safety procedures and apply behaviours that create a safe workplace.

In 2019, Ellevio became the first network company to join the construction industry's "Håll Nollan" (Keep to Zero) safety initiative, the purpose of which is to reduce work-related accidents at construction sites. In March 2021, Ellevio was named the winner of Håll Nollan's work environment award for its "Säker arbetsplats" (Safe Workplace) safety programme. The Work environment award draws attention to teams that have made a difference regarding the most important issues for those of us who work in the construction industry – that everyone should come home healthy and unharmed from our workplaces. Ellevio's four-year safety programme has focused on safety culture, processes, training and monitoring. The programme ended in late 2020/early 2021, but the safety initiatives continue. An internal safety forum has been created which, together with the hierarchical organisation, continues to develop our safety initiatives and safety culture.

Our goal for the coming years is to increase collaboration with, and monitoring of, our contractors to ensure that even their subcontractors fully live up to our strict safety requirements. Our 13 change managers contribute by offering safety training and workshops to increase safety and ensuring that the requirements are complied with through a robust safety culture that focuses on safe behaviours.

Ellevio also conducts regular annonced and unannounced site visits to ensure compliance with the requirements governing safety, environment and quality. These site visits are an important tool in terms of identifying potential areas of improvement and enabling a continuous dialogue.

More information about our unannounced site visits can be found in the Sustainability information section on page 86.

## Ellevio Safety Award

We annually give out the Ellevio Safety Award to illustrate the importance of systematic safety initiatives and reward ideas that contribute to a better safety culture in the electricity network sector. This year's award went to the contractor Vattenfall Services, which during the year showed great commitment and, among other things, initiated joint improvement measures.

## Our values

**Reliability**
Our customers should be able to rely on our electricity network and on those of us who work at Ellevio. We are available around the clock to provide the technology and expertise required to supply electricity all the way to customers.

**Commitment**
It should be evident that we care about our customers and community and that we listen. We are driven and take sustainable action in terms of the safety of all who work for us, our impact on the environment and our responsibility as an employer, business and supplier.

**Development**
We have an innovative approach to matters both large and small. We continuously develop and improve our services and look for new expertise while sharing our own, with the aim of ensuring that Sweden's electricity system is developed in a long-term and sustainable manner. Our network should be constructed in a way that meets society's existing and future energy needs. We are building the electricity network of tomorrow, today.

**"Our all-time-high Engagement Index is a testament to the fact that our corporate culture is fostering employee commitment and that we have manged to adapt to the pandemic."**

Susanne Bragée
Head of People, Culture and Sustainability

**Employee Engagement Index rolling twelve months December 2021 (scale 1–10)**

**8.0**

# Employee profile

**We take responsibility**
We create the conditions for a climate-smart future. We offer our customers the best service and help them contribute to the energy transition. We take responsibility for our work, our behaviours and for how we act towards each other. We act sustainably and always have a focus on safety. Whether you are a colleague, customer or supplier, you should always be able to rely on us doing our best.

**We help each other**
We have an important task in society and we work together to find sustainable solutions that help us achieve our goals. We care, we listen and we support through adversity and success, and we contribute to each other's development through clear development goals, dialogue and feedback. We work best together.

**We are committed**
We lift up and encourage each other. We work together and are motivated by the fact that our efforts contribute to our shared goals and to the sustainable energy society of the future. We care about the world around us, our customers and colleagues and we serve as role models and good ambassadors.

**We have an innovative approach**
We take on the challenges linked to our task with a high level of competence and a large dose of curiosity. We show courage and we dare to question old approaches and solve challenges together by encouraging each other to find new ways.

# Ellevio is Sweden's most attractive employer with a focus on safety

Ellevio was designated Sweden's most attractive employer in 2021 by Nyckeltalsinstitutet (Institute of Human Resource Indicators).

In addition, we won the construction and real estate industry's "Håll Nollan" (Keep to Zero) initiative's work environment award for our four-year safety programme "Safe Workplace", which ended at the beginning of the year.

In November, it was also announced that Ellevio had been designated "Career Company" for the second year in a row by the company Karriärföretagen. Parts of the motivation read as follows: "Ellevio puts its employees in the spotlight and its employer branding goes from strength to strength."

**"Ellevio is a meaningful workplace with a strong corporate culture and good working conditions."**

Susanne Bragée, Head of People, Culture & Sustainability

# Value for our owners.

## The electricity grids we are building are designed to function in the long term, which entails major demands in terms of longevity for both ourselves and our owners. At the same time, a shareholding in network companies requires extensive access to capital and long-term responsibility for critical infrastructure.

Ellevio's operations are stable and the pension funds that own Ellevio put long-term capital at our disposal, which we will invest in the electricity grids of the future in the next step. In return, we are to offer the pension funds a reasonable, long-term and stable return.

Ellevio's four owners have a long-term perspective that is clearly aligned with the long-term investment horizon required in the electrical network business.

We are facing a major need for investment and our owners therefore want to enable the investments necessary for us to continue offering our customers a reliable electricity network – under the right conditions.

### Return through interest and dividends

The owners receive compensation for invested capital through interest on shareholder loans and dividends on share capital. One prerequisite for the functioning of this model, however, is that network regulation remains stable over time and permits a reasonable return on invested capital. Between 2019–2021, no interest or dividends have been paid to the owners, but all available cash flows have been reinvested in the business. Interest expenses on loans to shareholders amounted to SEK 1,257 million (1,194) during the year. As this interest has not been paid, it has instead been capitalised as an interest-bearing loan at the end of the year and added to the debt amount for shareholder loans.

### Ellevio's owners

**OMERS Infrastructure (50 percent)**
OMERS Infrastructure is part of the branch of the Canadian pension fund OMERS, which manages pensions for the province of Ontario's public sector employees. Total managed capital amounts to around CAD 32 billion, which is the equivalent of around SEK 238 billion.

**Third National Pension Fund (20 percent)**
The Third National Pension Fund is tasked with helping safeguard the value of the Swedish state pension for both current and future pensioners. The task of this fund is to responsibly invest in and manage the pension system's buffer capital. Total managed capital amounts to approximately SEK 500 billion.

**Folksam (17.5 percent)**
The Folksam Group is one of Sweden's largest pension and insurance companies, with a major investment business and total managed capital of SEK 525 billion.

**First National Pension Fund (12.5 percent)**
The First National Pension Fund aims to invest in a way that ensures the greatest benefit for the pension system. The fund is to strive for a high long-term return while ensuring the risk to current and future pensions remains low. The investments are being made across the globe. Total managed capital amounts to approximately SEK 390 billion.

**Ellevio is owned by pension funds with a long-term ownership perspective**

| Omers Infrastructure | Third National Pension Fund | Folksam | First National Pension Fund |
|---|---|---|---|
| 50% | 20% | 17.5% | 12.5% |

# Ellevio grows through acquisition of Edsbyns Elverk

The Ellevio Group acquired Edsbyns Elverk in 2021 and will thus have just over 4,000 new customers and a number of new employees.

Growing through acquisitions of electricity grids that are adjacent to our existing network areas is part of Ellevio's growth strategy. The bid for Edsbyns Elverk covered the entire Group and amounted to SEK 385 million. For individual shareholders, the bid entailed cash compensation of SEK 2,111 per share. A large majority of the shareholders in Edsbyns Elverk accepted Ellevio's offer and during the fourth quarter all essential conditions were met for the transaction to be completed.

"In Edsbyns Elverk we see a robust and attractive company whose electricity grid will be a natural extension of Ellevio's network. Our comprehensive investment programme means that we can create a more modern and weather-proofed network," Ellevio's CEO Johan Lindehag commented on the deal.

The hydropower operations and electricity trading that were part of Edsbyns Elverk were sold as planned during 2022.

# Financing.

## Ellevio runs a capital-intensive business, with access to capital a prerequisite for our ability to carry out our task.

In addition to the capital the owners have invested and what can be generated from operators, Ellevio needs loan financing in order to implement the necessary investments in the electricity grids.

Ellevio's financing strategy is to minimise the total cost of capital while at the same time ensuring access to loan financing at all times. The owners have concluded that Ellevio should have a capitalisation structure corresponding to a credit rating of "Investment Grade".

### Loan structure

Ellevio's loans comprise loans from external lenders whereby the company's assets are collateral, as well as subordinated shareholder loans issued to Ellevio AB's holding company and then loaned to Ellevio AB. The fact that the loans are subordinate means that if the company were to file for bankruptcy, repayment would only be made once amortisations and interest on other loans have been paid, meaning they entail a higher risk.

The average financing interest rate for Ellevio's external loan financing, including interest hedging derivates, amounted to around 2.8 percent at year-end 2021 (2.8), and the average remaining term was 5.9 years (7).

Shareholder loans with terms until 2040 have an interest rate of 6.0 percent (6.0). In 2021 no interest was paid out on shareholder loans and no dividend was paid to shareholders.

### Green financing

Ellevio has been working with green financing since 2020, when the company issued green bonds totaling SEK 2,000 million maturing in 2027. The framework for green bonds was developed in line with the industry standard ICMA Green Bond Principles and was reviewed by the independent climate and environmental research institute CICERO, receiving the highest score of "Dark Green" during the review.

### Our financing and interest rates do not affect the prices paid by customers.

Network companies are under the supervision of the Swedish Energy Markets Inspectorate (Ei) and are regulated by both legislation and regulations and instructions from Ei. Revenue is determined by Ei and the regulation should ensure that the grids are of good quality and provide long-term security of supply.

Network companies should receive compensation for reasonable costs linked to operations management and a return on investments in the development of the grids. How much we are paid by our customers is determined by a regulation that is the same for all network companies.

Allowed revenue is not affected by the owner of the operations (municipality, state, pension funds as in Ellevio's case or private) or how the operations are financed; no network company can charge its customers more than the revenue regulation permits. This means that neither financing nor interest rates have any impact on the prices paid by customers.

# Värtan switchgear: An energy building that contributes to the urban environment

In the spring of 2021, the first earth was turned for the Värtan switchgear – an important hub for Stockholm's energy supply. This building will also be noticed physically as it is centrally located and is helping create a completely new entrance to the area of Norra Djurgårdsstaden. The architecture has been created with care for the cityscape and environment.

"We want to add something unique while at the same time capturing the social and biological values that are requirements when building in the city," explains Helena Glantz, an architect at Urban Design who has designed the new electricity hub.

From the end of the 19th century until the 1950s, energy buildings were built as symbols of the emerging and democratic society. The gas reservoir in Hjorthagen, which was designed by Ferdinand Boberg, is a good example of this. This is in contrast to the "sheet metal and concrete boxes" that were built in the 1960s and 70s. Now the pendulum has swung and it is time to let energy buildings contribute to an attractive cityscape again.

"It has been fun working with Ellevio. We have been involved in the project for a long time with the goal of changing people's perspectives on this type of building. They must be allowed to take up space and their function must be clear, but at the same time the building must fit into the cityscape. My guess is that in the future energy buildings will be permitted to take up more space again," notes Glantz.

The new switchgear will be operational in 2025.

During 2021, construction of Ellevio's new switchyard in Värtan began. It is planned to be ready in 2025 and is designed with care for the cityscape and the environment. Architect: Urban Design, photo: Adore Adore.

# Financial overview.

# Directors' report.

**Business operations**
Ellevio AB (publ) is one of Sweden's largest distribution network operators. Ellevio invests in, develops and maintains the company's power grids in order to ensure a reliable electricity supply to the 968,000 customers, 24 hours a day, each day of the year. By investing in a long-term sustainable power grid, Ellevio works to improve the quality of life for its customers as well as to enable the ongoing energy transformation and the continued digitalisation of the society. The company conducts electricity distribution operations in concession areas on the west coast (Halland and Bohuslän), in Värmland, Skaraborg–Närke, Dalarna, Gävleborg (Hälsingland and Gästrikland), and the Stockholm region (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn and Vallentuna).

The continued electrification of transport and industry is a prerequisite for a more sustainable society in the future. This leads to an increased use of electricity, which together with a growing proportion of renewable electricity production places new demands on electricity networks. Substantial investments are needed today, and in the decades to come to develop reliable, flexible and digitalised grids. However, the regulatory model valid from 1 January 2020, with decreased allowed revenue, does not incentivise the necessary investments.

During 2021, Ellevio's investments amounted to about SEK 3.6 billion, compared to SEK 3.4 billion in 2020. Our major projects in the Stockholm area have continued along with the development of local networks. In Stockholm, increased capacity is one important factor when renewing our power grids. In rural areas, our focus is mainly on renewal and weather resilience, so as to minimise weather-related power interruptions for our customers.

As one of Sweden's leading distribution network operators, Ellevio has a key societal role during the Covid-19 pandemic. Since the start of the pandemic, we have worked to minimise risks to employees, customers and society at large. A pandemic such as Covid-19 is one of the crisis scenarios that Ellevio has planned and prepared for, and Ellevio has strictly followed own guidelines as well as the recommendations and guidelines provided by national authorities. The impact on Ellevio's operations was limited during the whole pandemic. Thanks to proactive actions Ellevio has succeeded well in maintaining a low level of sick leave and ensuring delivery of electricity to our customers and our investment projects has been able to continue without major delays.

Sustainability – social, economic and environmental – is intregrated in Ellevio's operations. Information on Ellevio's sustainability efforts and value creation can be found on pages 20–21 and in the Sustainability information section including GRI index on pages 74–90.

**Other significant circumstances**
Electricity distribution is a natural monopoly and as such a fully regulated business. This means that Ellevio operates under a regulatory framework, and is supervised by a government agency, the Swedish Energy Markets Inspectorate (Ei). Ei's remit is to ensure fair prices for electricity users, secure reliable electricity supply and facilitate reasonable returns for investors in the network. Ei decides how much distribution network operators like Ellevio are allowed to charge. These limits are known as the allowed revenue and the levels are determined in advance for four years at a time. The allowed revenue shall cover reasonable costs for running the business and provide a reasonable return. According to the Swedish Electricity Act, the electricity network charges paid by customers must be fair, objective and non-discriminatory.

On 1 January 2020, a new regulatory period of four years began. The allowed revenue for the period, decided by the Swedish Energy Markets Inspectorate (Ei), stipulates a WACC (weighted average cost of capital) of 2.16 percent (expressed as real WACC before taxes). Ellevio and more than 120 other companies have appealed the allowed revenue decisions for 2020–2023. The main argument is that the revenue frame ordinance is contrary to both the EU directive and Swedish legislation and hence Ei's decisions should be declared invalid and referred back to Ei for new decisions. The new decisions should be based on valid economic theory and practice from the Swedish Courts. As part of the legal process, Ei has admitted to a WACC at 2.35 percent, but the legal process has continued and rulings in favor of the industry were announced in The Administrative Court in February 2021. The Energy Market Inspectorate (Ei) appealed the verdicts to the Administrative Court of Appeal and leave to appeal was granted in November 2021. When verdicts can be expected is unclear.

The independence of the Swedish Energy Markets Inspectorate has also been questioned by the EU Commission and there is an ongoing Commission vs Sweden case. Three verdicts were carried out by the European court of Justice during 2020 Commission vs Belgium, Hungary and Slovakia), in which the court verified the importance of an independent authority. These verdicts strengthened the Swedish network companies' argument in the Swedish Administrative Court. The verdict in another case, the Commission vs Germany, came in September 2021. Both the European Commission and the Swedish government have been awaiting this decision before taking further action regarding the Swedish revenue framework ordinance. This verdict complied with the previous verdicts that the regulatory authority shall be independent from all other stakeholders. Hence, the Swedish government will have to make adjustments to the revenue framework ordinance. It is expected that a governmental investigation will be issued.

A new law (2021: 311) to incentivise network investments was voted through in the Swedish parlamanent in April 2021. The law came into force on 1 June 2021 and gives grid companies the opportunity to utlilise the regulatory deficit from 2012–2015 for investments during special conditions during two regulatory periods 2020–2023 and 2024–2027. This means that investments over 1 percent of the replacement value can be financed up to 65 percent with the help of deficits from 2012–2015.

**Financial results**
In 2021, net sales amounted to SEK 7,153 million (6,674). The net sales increased, mainly from higher distribution volume due to cold weather and partly due to price increases in January 2021. The Covid-19 impact on distribution volume and sales was limited. The volume of local and regional network transmission 2021 totalled 14.8 TWh (13.8) and 12.7 TWh (12.3), respectively.

EBITDA amounted to SEK 3,700 million (3,614). The increase in EBITDA is mainly related to the distribution margin where higher sales is partly offset by higher cost from feeding networks and grid losses due to considerable increases in electricity prices during 2021.

Depreciations that totalled SEK 1,727 million (1,833) were lower than the previous year following a change in the assessment of useful life for certain network asset categories in 2020. Operating profit totalled SEK 1,973 million (1,781).

Interest income and similar items amounted to SEK 60 million (48). The increase is explained by internal interest due by Ellevio Holding 1 AB related to a Group internal receivable.

The interest expense and similar items were SEK −2,485 million (−2,396), of which SEK −1,314 million (−1,240) were related to Group internal interest expenses and SEK −1,171 million (−1,156) to external interest expenses.

Loss after net financial income/expense amounted to SEK −452 million (−568). Losses for the year amounted to SEK −297 million (−776).

**Financial position and cash flow**
Cash flow from operating activities in 2021 increased by SEK 684 million to SEK 4,784 million (4,100), mainly from an increase in received connection fees of SEK 410 million and contributions from a change in working capital of SEK 252 million. The improvement from the change in working capital is primarily explained by the fact that 2020 cash flow was negatively impacted by the reduction of the December 2019 fixed fee for all local network customers. Change in working capital contributed with SEK 168 million (−84).

Paid capital expenditure increased by SEK 141 million to SEK −3,590 million (−3,449), including acquisitions of assets from Svenska kraftnät totalling SEK 16 million

# Directors' report, cont.

Free cash flow amounted to SEK 1,194 million (651) and cash flow before financing activities to SEK 1,194 million (657).

Paid external interest amounted to SEK −1,139 million (−1,089). During both 2021 and 2020, there has been no interest paid on subordinated shareholder loans.

The external net debt (Class A and Class B) increased with SEK 312 million during the year and amounted to SEK 39,654 million (39,342) by the end of the year.

**Financing**

Financing need in 2021 was limited with no new external long-term debt raised during the year. Short term financing need was covered under existing facilities.

In January, Ellevio extended its existing senior secured (Class A) revolving credit facility (RCF) of SEK 7,500 million and senior secured (Class A) and subordinated (Class B) liquidity facilities (LF) of SEK 1,400 million and SEK 115 million respectively. The new extended facilities mature in January 2026. The RCF may be used for financing of repayment of mature debts, investments and general corporate purposes. The LF facilities may only be used to finance liquidity shortfall amounts under Class A and Class B debt issued by Ellevio.

In December, Ellevio Holding 1 AB acquired 95 percent of the shares in Edsbyns Elverk AB at a total consideration of SEK 367 million. The acquisition was financed via a Group internal loan from Ellevio AB.

As per the end of December 2021, Ellevio's senior secured (Class A) net debt amounted to SEK 35,640 million and subordinated debt (Class B) amounted to SEK 4,014 million. The average repayment period for the total external debt was approximately six years.

On 12 July 2021, S&P confirmed the "BBB" rating for Ellevio's senior secured net debt (Class A) and the "BB+" rating for Ellevio's subordinated debt (Class B). At the same time S&P revised the outlook for the rating from "negative" to "stable". The change in rating outlook reflects S&Ps view that the Swedish regulatory framework for network companies has improved.

**Outlook**

Ellevio works actively to shape the Swedish energy market, with a focus on electricity distribution operations. The company is driving important regulatory matters through active involvement in industry associations, contacts with regulators and collaborations with other actors, both nationally and internationally.

Ellevio strives to achieve long-term and stable market conditions in order to enable the investment levels needed to fulfil society's demand for reliability and continued growth, and to reach the Swedish climate targets. The energy transition towards renewable production and the electrification of the transport sector as well as the industry demands smart modern power grids, in terms of flexibility, capacity and efficiency. The time horizon for investments in this industry is long, often more than 40–50 years and the essence of long term predictable and stable regulation should not be underestimated.

Ellevio will strive to ensure that actors in the market have a mutual understanding of the important role the power grids have in building a climate-friendly society, and a common view of what is needed to reach the climate targets. We will work actively to enable a close dialogue with the policy makers to achieve a long-term and stable regulation that creates the required investment incentives.

**Information on risks and uncertainties**

Risk management is an integral element of operational planning, governance and monitoring. Business risks are assessed through management's and Board of Directors' strategy and planning work, and are documented in a business plan adopted by the Board. The management of operational, financial and compliance risks is based on the company's adopted policies, with adopted principles, frameworks and responsibilities with the aim of limiting the company's risk exposure. The policies are revised and submitted for renewed adoption annually. Operational risks are identified, assessed and addressed as an integral part of the company's day-to-day operations. The company has a company-wide risk process where the most significant risks are identified, classified and assessed, and risk management measures are prioritized and implemented.

Strategic risks refer primarily to risks that change the operating environment for the electricity distribution business. As Ellevio is a regulated business, various political decisions and changes to the regulatory framework may have a major direct impact on the company's operations. The management team and the Board of Directors continuously follow the development of customer and society expectations, both for the energy system as a whole and the electricity distribution business specifically, to identify risks and opportunities arising from changing market conditions. Based on this analysis, the company works proactively to both influence the development of the energy market and to adapt its own operational business to meet new requirements and expectations.

Risk management regarding climate-related risks is a natural part of business management, both from a strategic perspective based on transition risks from the transition of the energy system and electrification of society at large, and from an operational perspective based on impacts from weather-related events (storms, floods, fires, etc.).

With ownership and operation of electricity distribution assets follows operational risks primarily in the form of operational disruptions that result in interruptions in the delivery of power to our customers. These risks are managed mainly through the company's reinvestment and maintenance programs, with a focus on reducing sensitivity to weather related interruptions and improving the general reliability of the electricity network through for example age replacements and increased redundancy. The company also has an established disturbance organization to address major disruptions and a fault repair process that is continuously being improved to ensure that power is restored to customers as soon as possible after an outage.

Through its operations the company is exposed to various types of financial risks, such as market, liquidity and credit risks. Market risks consist mainly of currency, electricity price and interest rate risks. The company enters into derivative instruments to reduce these risks. See also note 4, Financial risk management and financial instruments.

During 2021, the company has continued to work actively to manage the operational risks that have increased as a consequence of the Covid-19 pandemic. The focus for risk management has been to secure the health of our employees and to ensure an uninterrrupted power supply to our customers, as well as progress in our investment and maintenance projects. The closure of society that has been made to limit the spread of the virus has had a negative effect on the financial position for part of the company's customer base, and thus Ellevio's credit risk has increased somewhat. The ongoing follow-up of accounts receivable has shown a small increase in customers who have experienced payment difficulties compared with the period before the pandemic.

The current geopolitical situation, and in particular with regard to Russia's unjustified attacks on Ukraine, gives rise to a higher level of risk, specifically with regard to security protection. Ellevio has implemented higher preparedness.

**Employees**

In 2021, Ellevio had an average of 551 employees, most of whom were based at the head office in Stockholm and at the office in Karlstad. Since 2011, Ellevio has been operating in accordance with a model in which the management and planning of electricity network projects are performed in-house, while field operations are outsourced to external contractors.

Insourcing of billing and debt collection handling was conducted during 2021.

**Environment**

Ellevio AB (publ) is ISO 14001:2015 certified and during 2021 a re-certification was conducted. The company operates under a Board approved sustainability policy.

The permit for the construction and use of a power line (concession) is issued by the Energy Market Inspectorate (Ei) in accordance with the Electricity Act. There are two

# Directors' report, cont.

types of concessions, line concession covering a specific power line, and area concession covering a specific geographic area. As of 1 June 2013, a concession applies until further notice. The review of the application for a concession according the the Electricity act includes an assessment in accordance with parts of the Environmental Code, such as the general rules of consideration. In addition to concession, a power line can in some cases also require a permit or notification according to the Environmental Code (for example related to water activities, shore protection exemptions or exemptions from the general biotope protection).

**Sustainability report**
In accordance with the Annual Accounts Act 6 chap. 11§, Ellevio AB (publ) has chosen to establish the s tatutory sustainability report as a separate report from the annual report. The sustainability report is found on pages 5–9, 20–36 and 74–94.

**Corporate governance report**
In accordance with the Annual Accouns Act, 6 chap. 8 §, Ellevio AB (publ) has chosen to establish the corporate governance report as a separate report from the Annual Report. The corporate governance report can be found on pages 69–71.

**Group contributions and shareholder contributions**
The company has in 2021 received SEK 1,314,495,052 in shareholder contributions and given SEK 256,315 in group contributions.

**Proposed allocation of retained earnings (SEK)**
The following earnings are at the disposal of the Annual General Meeting:

| | |
|---|---|
| Retained earnings | 9,348,032,078 |
| Profit/loss for the year | –297,009,609 |
| | **9,051,022,468** |

The Board of Directors proposes:

| | |
|---|---|
| Retained earnings to be carried forward | |
| | **9,051,022,468** |

For further information on the company's performance and financial position, see the following income statement, balance sheet, statement of changes in equity, cash flow statement and the notes to the accounts. Unless otherwise stated, amounts in tables refer to millions of Swedish kronor (MSEK). Due to rounding of amounts to the nearest million Swedish kronor, some totals may not be exactly equal to the sum of all line items.

# Financial overview.

| MSEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net sales | 7,153 | 6,674 | 6,709 | 6,974 | 6,894 |
| EBITDA | 3,700 | 3,614 | 3,848 | 4,188 | 4,207 |
| Items affecting comparability | –28 | –45 | –59 | –39 | –23 |
| Comparable EBITDA | 3,728 | 3,659 | 3,908 | 4,227 | 4,230 |
| Operating profit | 1,973 | 1,781 | 1,649 | 2,067 | 2,161 |
| External financial items | –1,132 | –1,118 | –1,139 | –1,696 | –1,228 |
| External financial items, Class A | –1,021 | –1,019 | –1,029 | –1,618 | –1,228 |
| Profit/loss after net financial income/expense | –452 | –568 | –982 | –893 | –750 |
| Profit/loss for the year | –297 | –776 | –1,248 | 1,280 | 288 |
| Cash flow from operating activities | 4,784 | 4,100 | 4,859 | 4,676 | 4,117 |
| Free cash flow | 1,194 | 651 | 962 | 2,065 | 1,748 |
| Capital expenditure | 3,590 | 3,415 | 4,000 | 2,870 | 2,381 |
| Total assets | 92,972 | 89,253 | 86,459 | 83,543 | 80,048 |
| Total equity | 9,086 | 8,069 | 7,605 | 7,361 | 6,201 |
| Adjusted equity | 9,835 | 9,101 | 8,629 | 8,296 | 7,035 |
| Equity/assets ratio | 10,6% | 10,2% | 10,0% | 9,9% | 8,8% |
| Adjusted cash | 0 | 1 | 7 | 45 | 1 |
| External net debt | 39,654 | 39,342 | 38,892 | 38,649 | 35,528 |
| External net debt, Class A | 35,640 | 35,324 | 35,907 | 35,666 | 35,528 |
| Leverage ratio | 10.6x | 10.8x | 10.0x | 9.1x | 8.4x |
| Leverage ratio, Class A | 9.6x | 9.7x | 9.2x | 8.4x | 8.4x |
| Interest cover ratio | 3.3x | 3.3x | 3.4x | 2.4x | 3.3x |
| Interest cover ratio, Class A | 3.6x | 3.6x | 3.7x | 2.5x | 3.3x |
| Delivered volume (TWh) | 27,5 | 26.1 | 26.5 | 27.3 | 27.1 |
| No. of customers (in thousands) | 968 | 966 | 962 | 957 | 939 |
| Average no. of employees | 551 | 520 | 500 | 465 | 433 |

**Alternative performance measures**
Ellevio presents alternative performance measures in the annual report which are not defined in accordance with IFRS or the Annual Accounts Act, but which we believe provides valuable additional information. Definitions of how the alternative performance measures are calculated can be found on pages 64–65.

# Income statement.

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| Net sales | 5,6 | 7,153 | 6,674 |
| Capitalised own work | | 104 | 116 |
| Other operating income | 7 | 87 | 76 |
| | | **7,344** | **6,867** |
| **OPERATING EXPENSES** | | | |
| Costs for purchase and transit of power | | −1,805 | −1,462 |
| Other external expenses | 8, 9 | −1,268 | −1,284 |
| Employee benefits expense | 10, 11 | −571 | −508 |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 12 | −1,727 | −1,833 |
| **Operating profit** | | **1,973** | **1,781** |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Interest income and similar items | 13 | 60 | 48 |
| Interest expense and similar items | 14 | −2,485 | −2,396 |
| **Profit/loss after net financial income/expense** | | **−452** | **−568** |
| Appropriations | 15 | 363 | −11 |
| **Profit/loss before tax** | | **−90** | **−578** |
| Income tax expense | 16 | −207 | −198 |
| **PROFIT/LOSS FOR THE YEAR** | | **−297** | **−776** |

# Statement of comprehensive income.

| MSEK | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|
| Profit/loss for the year | −297 | −776 |
| Other comprehensive income | – | – |
| **COMPREHENSIVE INCOME FOR THE YEAR** | **−297** | **−776** |

# Balance sheet.

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | 17 | | |
| Goodwill | | 4,076 | 4,379 |
| Concessions | | 38,656 | 38,656 |
| IT systems | | 334 | 169 |
| Utility easements | | 517 | 295 |
| Projects in progress and advance payments | | 246 | 273 |
| | | **43,830** | **43,772** |
| **Property, plant and equipment** | 18, 29 | | |
| Buildings and land | | 1,100 | 1,000 |
| Machinery and other technical plant | | 32,044 | 30,625 |
| Equipment, tools and facilities | | 52 | 58 |
| Assets under construction and advance payments | | 4,082 | 3,848 |
| | | **37,277** | **35,530** |
| **Non-current financial assets** | | | |
| Investments in associates | 19 | 0 | 0 |
| Receivables from Group companies | | 9,009 | 7,270 |
| Plan assets | 10 | 2 | 2 |
| | | **9,012** | **7,272** |
| **Total non-current assets** | | **90,119** | **86,574** |

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **Current assets** | | | |
| **Current receivables** | | | |
| Trade receivables | 20 | 1,036 | 756 |
| Receivables from Group companies | | 0 | 0 |
| Other receivables | 21 | 5 | 397 |
| Prepaid expenses and accrued income | 6, 22 | 1,800 | 1,513 |
| | | **2,842** | **2,666** |
| **Cash and cash equivalents** | 23, 29 | **12** | **14** |
| **Total current assets** | | **2,853** | **2,679** |
| **TOTAL ASSETS** | | **92,972** | **89,253** |

# Balance sheet, cont.

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Restricted equity** | | | |
| Share capital | | 1 | 1 |
| Statutory reserve | | 0 | 0 |
| Development reserve | | 35 | 39 |
| | | **35** | **40** |
| **Non-restricted equity** | | | |
| Retained earnings | | 9,348 | 8,805 |
| Profit/loss for the year | | –297 | –776 |
| **Total equity** | | **9,086** | **8,069** |
| **Untaxed reserves** | 24 | **960** | **1,323** |
| **Provisions** | | | |
| Deferred tax liability | 16 | 13,732 | 13,577 |
| Other provisions | | 3 | 2 |
| **Total Provisions** | | **13,735** | **13,579** |

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **Non-current liabilities** | 25 | | |
| Bond loans | | 32,329 | 32,309 |
| Liabilities to credit institutions | | 6,489 | 6,239 |
| Liabilities to Group companies | | 23,223 | 21,908 |
| Other non-current liabilities | 6 | 2,466 | 1,567 |
| **Total non-current liabilities** | | **64,506** | **62,023** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | | 661 | 590 |
| Trade payables | | 923 | 764 |
| Liabilities to Group companies | | 0 | 0 |
| Current tax liabilities | | 16 | 8 |
| Other current liabilities | 6, 26 | 1,604 | 1,444 |
| Accrued expenses and deferred income | 27 | 1,481 | 1,454 |
| **Total current liabilities** | | **4,685** | **4,260** |
| **TOTAL EQUITY AND LIABILITIES** | | **92,972** | **89,253** |

# Statement of changes in equity.

| | | | Restricted equity | Non-restricted equity | |
|---|---|---|---|---|---|
| **MSEK** | **Share capital[1)]** | **Statutory reserve[1)]** | **Development reserve[2)]** | **Retained earnings including profit for the year** | **Total equity** |
| **Balance at 1 January 2021** | **1** | **0** | **39** | **8,029** | **8,069** |
| Shareholder contributions | | | | 1,314 | 1,314 |
| Provisions for development reserve | | | −4 | 4 | – |
| **Comprehensive income:** | | | | | |
| Profit/loss for the year | | | | −297 | −297 |
| Other comprehensive income | | | | – | – |
| **Total comprehensive income** | | | | −297 | −297 |
| **Balance at 31 December 2021** | **1** | **0** | **35** | **9,051** | **9,086** |

| | | | Restricted equity | Non-restricted equity | |
|---|---|---|---|---|---|
| **MSEK** | **Share capital[1)]** | **Statutory reserve[1)]** | **Development reserve[2)]** | **Retained earnings including profit for the year** | **Total equity** |
| **Balance at 1 January 2020** | **1** | **0** | **36** | **7,568** | **7,605** |
| Shareholder contributions | | | | 1,240 | 1,240 |
| Provisions for development reserve | | | 3 | −3 | – |
| **Comprehensive income:** | | | | | |
| Profit/loss for the year | | | | −776 | −776 |
| Other comprehensive income | | | | – | – |
| **Total comprehensive income** | | | | **−776** | **−776** |
| **Balance at 31 December 2020** | **1** | **0** | **39** | **8,029** | **8,069** |

[1)] Share capital amounted to SEK 600,000 (600,000) and the statutory reserve amounted to SEK 82,300 (82,300).
[2)] Refers to investments in proprietarily produced IT programmes.

The company has a total of 30 shares (30). The quotient value is SEK 20,000 per share (20,000).

# Cash flow statement.

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Operating profit | | 1,973 | 1,781 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortisation | 12 | 1,727 | 1,833 |
| Disposals/retirements of non-current assets | | 28 | 45 |
| Periodised connection fees | | −50 | −38 |
| Change in provision for doubtful receivables | | −1 | 1 |
| Received connection fees | | 983 | 573 |
| Income tax paid | | −44 | −13 |
| **Cash flow from operating activities before changes in working capital** | | **4,616** | **4,183** |
| **CHANGES IN WORKING CAPITAL** | | | |
| Decrease(+)/increase(−) in trade receivables | | −280 | 267 |
| Decrease(+)/increase(−) in other operating receivables | | 104 | −258 |
| Decrease(−)/increase(+) in trade payables | | 181 | 29 |
| Decrease(−)/increase(+) in other operating liabilities | | 163 | −123 |
| **Cash flow from operating activities** | | **4,784** | **4,100** |
| **INVESTING ACTIVITIES** | | | |
| Capital expenditure in intangible assets | | −414 | −223 |
| Capital expenditure in property, plant and equipment | | −3,176 | −3,226 |
| Acquisition of shares | | – | 6 |
| Proceeds from sales of tangible assets | | **−3,590** | **−3,443** |
| **Cash flow from investing activities** | | **1,194** | **657** |

| MSEK | Note | 1 Jan 2021-01-01 31 Dec 2021-12-31 | 1 Jan 2020-01-01 31 Dec 2020-12-31 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | 28 | | |
| Borrowings | | 593 | 4,021 |
| Repayment of borrowings | | −283 | −3,596 |
| Loans given | | −367 | – |
| Received interest | | 2 | 1 |
| Paid interest | | −1,139 | −1,089 |
| Received/paid group contributions | | 0 | 0 |
| **Cash flow from financing activities** | | **−1,196** | **−663** |
| **Cash flow for the year** | | **−2** | **−6** |
| **Cash and cash equivalents at 1 January** | | **14** | **20** |
| **Cash and cash equivalents at 31 December** | 23 | **12** | **14** |

# Accounting policies and notes.

## NOTE 1
### GENERAL INFORMATION ABOUT THE COMPANY

Ellevio AB (publ), corporate ID number 556037–7326, is a limited liability company registered in Sweden whose registered office is in Stockholm. The address of the head office is Valhallavägen 203, SE-115 53 Stockholm, Sweden. The company conducts electricity network operations within awarded concession areas. Ellevio AB (publ) is a wholly owned subsidiary of Ellevio Holding 4 AB, corporate ID number 559005–2451. Consolidated financial statements are prepared by Ellevio Holding 1 AB, corporate ID number 559005–2444. The Group structure is presented in note 31.

## NOTE 2
### SIGNIFICANT ACCOUNTING POLICIES

This annual report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The application of RFR 2 requires the company to apply, insofar as possible, all EU-adopted International Financial Reporting Standards (IFRS) and interpretations of IFRS issued by the IFRS Interpretation Committee (IFRIC) subject to the provisions of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and take account of the relationship between accounting and taxation.

Assets, provisions and liabilities have been recognised at cost unless otherwise indicated.

The cash flow statement was prepared using the indirect method. The company is classified as a large company in accordance with Ch.1 section 3 of the Swedish Annual Accounts Act (1995:1554). Pursuant to Ch. 7 section 2 of the Annual Accounts Act, consolidated financial statements are not prepared for Ellevio AB (publ).

**New and amended standards and interpretations that have come into effect, as well as amendments to RFR 2**

The IFRS Interpretations Committee (IFRS IC) published an agenda decision in April 2021 regarding reporting of configuration- or customisation costs for cloud based IT services ("cloud computing arrangements"), which means that previously reported intangible assets may need to be reclassified to other type of asset or expensed. Ellevio has analysed the effects of IFRS IC's decision and not found any intangible assets to be reclassified to another type of asset or affect the company's financial results.

**New and amended standards and interpretations that have not yet come into effect, as well as amendments to RFR 2**

The management considers other new and changed standards and interpretations that have not yet entered into force will not have any significant impact on the company''s financial reports when applied for the first time.

**Revenue**

Revenue is recognised at the fair value of the consideration received or receivable after deducting VAT, discounts, returns and similar deductions. The company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's categories of revenue.

The company's revenue comes mainly from network services, connection services and other network-related services. The company's revenue is covered by revenue regulation and any excess or deficit revenue is handled in the subsequent regulation period for accounting purposes.

Network services

Revenue from the sale of network services is based on actual measured consumption during the period (excluding VAT and duties) and revenue is recognised upon completion of delivery.

Connection services

Revenue from the sale of connection services is recognised as revenue to the extent that it is not intended to cover future obligations. Revenue from standard connections is allocated over 40 years and revenue from the connection of wind farms is allocated over 25 years.

Other network related services

Revenue from the relocation of network facilities is recognised as revenue to the extent that it is not intended to cover future obligations.

Communication and rental income

Income from the lease of capacity in company-owned fibre-optic networks, space in masts and poles and rent for premises is recognised in accordance with the rules for operating leases (lessor).

Other recurring operating income

Other recurring operating income such as income from reconnection services and other customer–initiated activities are recognised in connection with the performance of the service.

**Leases**

A finance lease is a lease that transfers substantially all the economic risks and rewards incidental to ownership of an asset to the lessee. Other leases are classified as operating leases. All leases, both finance leases and operating leases, are recognised as operating leases. Lease payments are charged to income statement on a straight-line basis over the term of the lease unless another method systematically provides a better reflection of the user's economic benefit over time.

Future lease payments refer to operating leases. The company has no significant finance leases.

**Foreign currency**

Receivables and liabilities in foreign currency have been translated at the rate at the end of the reporting period. Unrealised foreign exchange gains and losses are included in profit or loss. Foreign exchange gains (losses) on operating receivables and liabilities are recognised in the same item of income and expense as that to which the income or expense refers. Foreign exchange differences related to financial assets and liabilities are recognised under net financial income and expenses.

**Borrowing costs**

Borrowing costs are recognised on an ongoing basis in profit or loss in the period to which they refer.

**Employee benefits**

Employee benefits in the form of salaries, bonuses, paid annual leave, paid sick leave, etc., as well as pensions are recognised as they are earned. Pensions and other post-employment benefits are classified as defined contribution pension plans and are charged to income statement. The company has both defined benefit and defined contribution pension plans.

Under RFR 2, the provisions of IAS 19 concerning defined-benefit pension plans do not need to be applied in a legal entity.

**Corporate income tax**

Current tax

Current tax is the amount of income taxes payable in respect of the taxable profit for the period. The taxable profit differs from the profit recognised in income statement, as it has been adjusted for non-taxable income and other non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The company's current tax liability is calculated based on the tax rates applicable at the end of the reporting period.

### Deferred tax

Deferred tax is recognised for temporary differences that arise between the carrying amount of assets and liabilities and the tax base used in calculating the taxable profit. Deferred tax is recognised in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised for practically all temporary differences to the extent that it is probable that the amounts can be used to offset future taxable surpluses. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises from a transaction that constitutes the initial recognition of an asset or liability (that is not a business combination) and that at the time of the transaction does not affect recognised profit or taxable profit.

Untaxed reserves are recognised inclusive of deferred tax liability. The carrying amount of deferred tax assets is tested for impairment at the end of each reporting period and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is recovered or the liability settled, based on the tax rates (and tax laws) that have been enacted or announced by the end of the reporting period.

Deferred tax assets and tax liabilities are offset when they refer to income tax, are paid to the same authority and when the company intends to settle the tax by paying the net amount.

### Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the income statement.

## Group contributions

Group contributions paid and received are recognised as appropriations.

## Shareholder contributions

Shareholder contributions paid and received are recognised in Equity.

## Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the site and into working condition for its intended use. Subsequent costs are only included in the asset or recognised as a separate asset when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the same can be reliably measured. All other subsequent costs for repairs and maintenance are recognised in the income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is charged to income statement so that the cost of the asset, less any residual profit the cost of the asset, less any residual value at the end of its useful life, is depreciated on a straight-line basis over the asset's estimated useful life. An item of property, plant and equipment is depreciated as of the date when it can be taken into use.

The estimated useful lives for property, plant and equipment are:

| | |
|---|---|
| Buildings | 10–50 years |
| Land improvements | 20 years |
| Machinery and other technical plant | 8–60 years |
| Equipment, tools and facilities | 3–20 years |

Land has an indefinite useful life and is therefore not depreciated. Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period or more frequently and the effect of any changes in assessments is recognised prospectively.

The carrying amount of an item of property, plant and equipment is derecognised upon retirement or disposal or when no future economic benefits are expected from the use or disposal/sale of the asset. The gain or loss on the retirement or disposal of the asset consists of the difference between any net proceeds and the carrying amount of the item and is recognised in profit or loss in the period when the asset is derecognised.

## Intangible assets

### Internally generated intangible assets

Internally generated intangible assets resulting from the company's development of IT systems are recognised only when the following conditions are met:

- it is technically feasible to complete the intangible asset and use it,
- the company intends to complete the intangible asset and use it,
- it is possible to use the intangible asset,
- the company can demonstrate how the intangible asset will generate probable future economic benefits,
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

### Separate acquisition of intangible assets

Intangible assets with definite useful lives that have been acquired separately are recognised at cost less accumulated amortisation and any accumulated impairment. The assets are amortised on a straight-line basis over their estimated useful lives.

The estimated useful lives for intangible assets are:

| | |
|---|---|
| Concessions | Not amortised |
| Goodwill | 20 years |
| IT systems | 3–10 years |
| Other rights | Not amortised or 25 years |

Concessions are not amortised, they apply until further notice and can only be revoked in a potential bankruptcy situation or in case of gross negligence and are therefore considerered to have an indefinite useful life. Other rights consist of network connections to feeding networks that are amortised over 25 years and utility easements. Utility easements (including land leases) are not amortised and refers to contracts that give the company access to land belonging to third parties for an indefinite period for the establishment of electricity network facilities. Intangible assets that are not yet available for use are not amortised.

Estimated useful lives and amortisation methods are reviewed at least at the end of each financial year and the effect of any changes in assessments is recognised prospectively.

## Impairment of non-financial assets

Impairment testing for property, plant and equipment, and intangible assets including goodwill is done on an annual basis and on the indication of a need for impairment.

An asset's recoverable amount is calculated in order to determine the value of any impairment loss. With the aim of determining a need for impairment, the assets are grouped together based on the lowest levels for which there are identifiable cash flows (cash-generating units). If the recoverable amount of a cash-generating unit is determined at a value that is lower than the carrying amount, the carrying amount of the cash-generating unit is impaired to the recoverable amount. Impairment losses must immediately be expensed in profit or loss.

If an impairment is subsequently reversed, the carrying amount of the cash-generating unit is increased to the remeasured recoverable amount, although the increased carrying amount may not exceed the carrying amount that would have been determined if the cash-generating unit had not been subject to impairment in previous years. A reversal of an impairment is recognised directly in profit or loss. Any goodwill impairment is immediately recognised as an expense and is not reversed.

## Non-current financial assets

Investments in subsidiaries are recognised at cost less any impairment. Cost includes acquisition-related costs and any additional consideration paid. When there is an indication that interests in a subsidiary have declined in value, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount an impairment loss is recognised. Impairment losses are recognised in the item "Profit/loss from shares in Group companies."

Investments in associates are recognised at cost less any impairment. Cost includes acquisition-related costs and any additional consideration paid. When there is an indication that interests in an associate are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount an impairment loss is recognised. Impairment losses are recognised in the item "Profit/loss from shares in associates".

**Financial instruments**
Financial instruments reported in the balance sheet includes, on the asset side, cash and cash equivalents, loan receivables, accounts receivable and derivatives. On the debt side, loan liabilities, accounts payable and derivatives. A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contractual terms and conditions of the instrument. Accounts receivable are recognised when the invoice has been sent and debt is raised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset is derecognised in the balance sheet when the contractual right to the cash flow from the asset expires or is settled or when the company loses control of it. A financial liability, or portion of a financial liability, is derecognised in the balance sheet when the contractual obligation is fulfilled or else is terminated.

Financial instruments are measured at cost on initial recognition. Non-current receivables and non-current liabilities are measured at amortised cost on initial recognition. Borrowing costs are allocated to accounting periods as part of the interest expense of the loan.

Subsequent to initial recognition, current assets that are not derivatives are measured at amortised cost, taking into account any expected credit loss. Subsequent to initial recognition, current liabilities that are not derivatives are measured at amortised cost. Accounts payable have a short expected maturity and are valued at nominal amount without discounting.

Amortised cost
Amortised cost refers to the amount at which the asset or liability is measured upon initial recognition using the effective interest method and taking into account deduction for any credit reserve.

Loans and receivables
Financial assets classified as "Loans and receivables" are financial assets that are not derivatives, have fixed or determinable payments, and are not quoted on an active market. This includes trade receivables and cash and cash equivalents. Trade receivables are generally due for payment within 30 days and all accounts receivable have therefore been classified as current assets. Trade receivables are measured at transaction cost on initial recognition. The company holds trade receivable for the purpose of collecting contractual cash flows and therefore measures them at subsequent accounting points at amortised cost using the effective interest rate measurement, less any provision for expected and occurring credit losses.

However, since the expected maturity of trade receivables is short, these are recognised at the nominal amount on an undiscounted basis which is considered to correspond to amortised cost. The company applies the simplified method for calculating expected credit losses. The method means that expected losses during the entire term of the receivable are used as basis for accounts receivables. In order to calculate expected credit losses, the company has developed a model based on classification of the counterparties' credit rating and payment history. Credit losses on accounts receivables are recognised as losses net within operating profit.

As cash and cash equivalents are payable on demand, amortised cost is the same as the nominal amount.

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and presented as a net amount in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives
The company enters into derivatives transactions for the purpose of managing currency, price and interest rate risks. See also note 4 for further information on the Group's risks and hedging strategies.

Due to the connection between accounting and tax, the accounting standard for financial derivatives, IFRS 9, is not applied. Derivatives are instead recognised using the lower of cost method. Derivatives with negative value are measured at the amount that is most favourable for the company if the obligation is settled or transferred at the end of the reporting period.

Hedge accounting
The company applies hedge accounting according RFR2 and even if the company uses the exception in RFR2 not to report financial instruments in accordance with IFRS9 the rules in IFRS9 regarding when hedge accounting may be applied and which financial instruments may include in a hedging relationship must be followed. Hedge accounting is applied for derivatives that are included in a documented hedge relationship. The use of hedge accounting requires an explicit link to exist between the hedging instrument and the hedged item. It also requires the hedge to effectively protect against the risk that it is intended to hedge, that its effectiveness can be shown to be sufficiently high on an ongoing basis through effectiveness measurements and that hedge documentation has been established. The assessment of whether hedge accounting should be applied is made at the inception of the hedge relationship. Valuation is based on cost and accounting of the change in value is not recognised in the income statement as long as the hedge accounting is effective. The effectiveness of a hedge is evaluated when a hedge relationship is entered. Critical terms are i.e. reference interest rates, interest rate conversion days, payment days, electricity price area, maturity date and nominal amount. The hedged item and hedging instruments are evaluated on an ongoing basis to ensure that the relationship meets the requirements. If changed circumstances affect the terms of the hedged item to such an extent that the critical conditions no longer match exactly with the critical instrument of the hedging instrument, the company uses the hypothetical derivative method to evaluate its effectiveness. If the hedging relationship terminates or if the relationship is no longer considered effective, the derivative instrument with negative value is recognized immediately in the income statement in accordance with the lowest value principle.

The company enters interest rate and currency interest rate swaps with equal critical conditions as the hedged item, i.e. the loan. The company does not hedge 100% of the loans and therefore only identifies the proportion of the outstanding loans that correspond to the swaps' nominal amount as the hedged item. The company buys electricity to cover transmission losses in the distribution network. Future electricity purchases are therefore exposed to market price risk, which the company hedges with electricity term contracts whose critical conditions match the forecast purchase. Electricity trading is done through the purchase of the product's system price (SYS) and area price differential (EPAD), which together secure the corresponding electricity price risk. The exposure is considered to be reliably measurable when trading takes place on an active market.

Since the critical conditions for all hedges included in the hedge accounting have been matched throughout the year, the economic relationship has been 100% effective.

**Cash and cash equivalents**
Cash and cash equivalents include cash and bank balances as well as other short-term liquid investments that can be quickly converted into cash and are subject to insignificant risk of changes in value. To be classified as cash and cash equivalents, the maturity must not exceed three months from the date of purchase.

**Provisions**
Provisions are recognised when the company has an existing (legal or constructive) obligation as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount that is set aside is the best estimate of the amount that is required to settle the existing obligation at the end of the reporting period, taking account of risks and uncertainties associated with the obligation. When a provision is calculated by estimating the payments that are expected to be required to settle the obligation, the carrying amount must equal the present value of these payments.

## NOTE 3
## SIGNIFICANT ESTIMATES AND JUDGEMENTS

In preparing financial statements, management is required to make judgements, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. These judgements are based on previous experience as well as assumptions that are deemed to be reasonable under present circumstances and are continuously reviewed. The actual outcome and actual date may differ from the estimates if other assumptions are taken into account or other circumstances are present. Significant estimates and judgements for the company are described below:

### Network income and network expenses

Accrued network income and network expenses as well as the associated receivable and liability are calculated mainly on the basis of measured volumes, but a small portion refers to a share of estimated volume based on historical data in combination with actual temperature data for the period. Income and expenses are assessed and accrued on a monthly basis. Reconciliation of previous periods and potential adjustments are also made on a monthly basis.

### Useful life of goodwill

Goodwill arising from a merger has a useful life of 20 years. Goodwill has arisen from a merger of an electricity distribution business, which is a stable, long-term business with long-term investments, as reflected in the amortisation period. The amortisation period and method are reviewed at the end of each financial year or more frequently.

### Useful life of intangibe IT investments

The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network and measurement values collectionhas been defined as 8 and 10 years based on the minimum expected life of the systems.

### Useful life of property, plant and equipment

The company has property, plant and equipment with a significant carrying amount, and assumptions about the useful lives of the assets involve the use of estimates and assessments. These estimates are based on the status and condition of the assets and on historical knowledge of useful lives for equivalent assets. Continuous inspections and monitoring activities are carried out to ensure that the company's network assets are adequately maintained.

### Deferred tax and current tax

The company has deferred tax assets and liabilities that are expected to be realised in the income statement over extended future periods. When calculating deferred tax, the company is required to make certain assumptions and estimates concerning the future tax consequences for temporary differences between the carrying amounts and tax bases of assets and liabilities.

### Impairment of non-financial assets

The company has property, plant and equipment and intangible assets, including goodwill, with significant carrying amounts, that are tested for impairment pursuant to the accounting policies listed in note 2 Accounting policies. When the cash-generating units are tested for impairment, the calculations are based on estimated future cash flow, which requires management to make assumptions about future expectations. Impairment testing that has been conducted, and significant estimates and assumptions are detailed in note 17.

### Impairment of financial assets

The spread of the coronavirus has not had a material impact on development of the company's operations, position and results. The company's model for calculating expected credit losses is based on classification based on customers' credit rating and payment history. This has lead to the assumption about the effects of the virus on the company's accounts receivable, and assessed that slightly more customers than before may have payment difficulties. However, the effect is limited as the company only seen a small increase in customers who have experienced payment difficulties during the year. See also note 20.

## NOTE 4
## FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Through its operations the company is exposed to various types of financial risks, such as market, liquidity and credit risks. Market risks consist mainly of currency, electricity price and interest rate risks. The company enters into derivative transactions to mitigate these risks. Ultimate responsibility for defining the framework and regulations for managing and monitoring the company's financial risks rests with the Board of Directors. The framework and regulations are set forth in a financial policy adopted by the Board that is reviewed annually.

### MARKET RISKS

### Currency risk

Currency risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in exchange rates. The exposure to currency risk comes mainly from the company's financing as well as payment flows in foreign currency.

### Transaction exposure

Transaction exposure is the risk that earnings will be adversely affected by fluctuations caused by changes in exchange rates for cash flows in foreign currency. The company's commercial transaction exposure is limited, as the company's inflows and outflows are mainly in SEK.

### Balance sheet exposure

Balance sheet exposure is the risk that the value of balance sheet items in foreign currency will be adversely affected by changes in exchange rates. A significant portion of the company's financing is in foreign currency but there is no other significant exposure.

The company's policy is to hedge all balance sheet exposures and contracted cash flows in foreign currency. The company mainly uses cross-currency interest rate swaps for this purpose.

At the end of the reporting period the nominal amount of loans in foreign currency and corresponding outstanding cross-currency interest rate swaps amounted to EUR 655 million (655) and USD 1,041.5 million (1,041.5).

The following table shows outstanding cross-currency interest rate swaps at the end of the reporting period converted into SEK million:

| | 31 Dec 2021 | | |
|---|---|---|---|
| | Nominal amount | Fair value | Average interest rate |
| **EUR converted into MSEK** | | | |
| Maturity within 1–5 years | 476 | 28 | 2,43 |
| Maturity over 5 years | 5,700 | 468 | 4,03 |
| **USD converted into MSEK** | | | |
| Maturity within 1–5 years | 2,231 | 151 | 2,67 |
| Maturity over 5 years | 6,571 | 234 | 3,42 |
| **Total** | **14,978** | **881** | **3,51** |

| | 31 Dec 2020 | | |
|---|---|---|---|
| | Nominal amount | Fair value | Average interest rate |
| **EUR converted into MSEK** | | | |
| Maturity within 5–10 years | 6,176 | 359 | 3,91 |
| Maturity over 10 years | – | – | – |
| **USD converted into MSEK** | | | |
| Maturity within 5–10 years | 5,612 | –269 | 3,02 |
| Maturity over 10 years | 3,190 | –405 | 3,59 |
| **Total** | **14,978** | **–315** | **3,51** |

The cross-currency interest rate swaps refer to hedging of loan capital and future interest payments. Interest payments are made every six months, at which time the company settles the fixed interest amount in foreign currency and the fixed interest amount in SEK with its counterparty. These derivatives have been identified as hedging instruments in a cash flow hedge. Payments of interest and principal on the loan and derivatives are made at the same dates and the amount for the hedged risk that has accumulated in equity is reclassified to the income statement when the payment affects the income statement.

### Electricity price risk

Electricity price risk refers to the risk that future cash flows will fluctuate as a result of changes in the electricity price. The company is exposed to electricity price risk through its consumption of electricity in the form of transmission losses that arise in connection with the distribution of electricity. The company's

policy is to hedge forecast costs for future network losses. The company uses forwards contracts for this purpose.

The following table shows outstanding electricity derivatives at the end of the reporting period:

| | 31 Dec 2021 | | 31 Dec 2020 | |
|---|---|---|---|---|
| | Volume, GWh | Fair value | Volume, GWh | Fair value |
| Maturity within 12 months | 1,366 | 308 | 1,402 | −2 |
| Maturity within 1–5 years | 1,370 | 41 | 1,366 | −23 |
| Maturity after 5 years | – | – | – | – |
| **Total** | **2,735** | **349** | **2,768** | **−25** |

The hedged item consists of highly probable forecast transactions relating to purchases of electricity. Cash flows are expected to be generated in the periods in which the futures mature, as specified above, at which time the cumulative change in value of the futures contract is reclassified from equity to profit or loss.

### Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The company is mainly exposed to interest rate risk through its debt financing. Some borrowings are at variable interest rates, which means that the company's future financial expense is affected by changes in market interest rates. The company manages the interest rate risk in its financing by either borrowing at fixed interest rates or by using interest rate swaps to hedge at fixed-rate terms for variable-rate loans.

The tables below present fixed-rate terms for external interest-bearing liabilities, intra-Group loans, and interest rate derivatives based on nominal amounts converted at hedged price into Swedish Kronor.

| Fixed-rate term | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Maturity within 12 months | 858 | 449 |
| Maturity within 1–5 years | 10,840 | 7,500 |
| Maturity within 5–10 years | 22,433 | 21,443 |
| Maturity over 10 years | 28,727 | 31,835 |
| **Total** | **62,858** | **61,227** |

The company's policy is to reduce the volatility of net financial income/expenses by mainly financing operations at fixed, long-term interest rates. The financial policy states that at least 75 percent of the external interest-bearing debt is to be financed or fixed at fixed interest rate. At the end of the reporting period, 98 percent (99) of the company's external debt was subject to fixed interest rates after taking account of interest rate derivatives. The weighted average interest rate on all borrowings, taking account of derivatives contracts, was 2.8 percent (2.8).

The company applies hedge accounting. The hedge is a cash flow hedge. During the period SEK 0 million (0) was recognised in the income statement in respect of the market valuation of derivatives attributable to this hedge that do not meet the criteria for hedge accounting. Derivatives recognised in accordance with the lower of cost are measured on the basis of contractual cash flows discounted at market interest rates at the end of the reporting period.

The following table shows outstanding interest rate swaps at the end of the reporting period:

| | 31 Dec 2021 | | |
|---|---|---|---|
| | Nominal amount | Fair value | Average interest rate |
| Maturity within 12 months | – | – | – |
| Maturity within 1–5 years | – | – | – |
| Maturity over 5 years | 4,045 | −456 | 0,63 |
| Maturity over 10 years | 3,421 | −412 | 0,80 |
| **Total** | **7,466** | **−867** | **0,71** |

| | 31 Dec 2020 | | |
|---|---|---|---|
| | Nominal amount | Fair value | Average interest rate |
| Maturity within 12 months | – | – | – |
| Maturity within 1–5 years | – | – | – |
| Maturity over 5 years | 4,045 | −678 | 0,63 |
| Maturity over 10 years | 3,421 | −625 | 0,80 |
| **Total** | **7,466** | **−1,303** | **0,71** |

Normally Ellevio enters into interest rate swaps agreements whereby the company receives a cash flow based on short-term variable interest rate and pays a cash flow based on a fixed interest rate. Payments of interest under the interest rate swaps are made mainly on a quarterly basis, at which time the company settles the variable interest amount and fixed-interest amount in SEK with the counterparty. These derivatives have been identified as hedging instruments in a cash flow hedge. Payments of interest and principal on the loans and derivatives are made at the same dates.

### Sensitivity analysis

At 31 December 2021, around 2 percent (1) of the external interest-bearing debt portfolio, including derivatives, was subject to variable interest rates. The cash-flow effect of a 1 percent change in the interest rate for the debt portfolio is SEK 8 million (5) for 2021.

### Valuation of financial instruments to fair value

Financial assets and liabilities measured at fair value in the balance sheet, or where information is provided about fair value, are classified in three levels (1–3) based on the information which is used to determine the fair value.

### Derivatives

All derivatives are measured according to level 2. Interest rate swaps are measured by discounting future cash flows based on actual market interest rates (observable curves) and interest rates according to the derivative agreement, discounted with an interest that takes the credit risk of the counterparty into account. For cross-currency interest rate swaps the currency at the end of the reporting period is also considered. Electricity derivatives are measured by discounting future cash flows which are based on electricity price (observable curves) and price according to the agreement, discounted with an interest that takes the credit risk of the counterparty into account.

### Financial liabilities

Measurement according to level 2 by discounting future cash flows based on actual market interest rates (observable curves) and interest rates according the derivative agreement, discounted with a relevant swap curve.

## LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the company will struggle to meet its obligations related to financial liabilities or other payment obligations. Financing risk refers to the risk that the company will be unable to obtain sufficient financing at a reasonable cost.

To reduce its liquidity risk and financing risk, the financial policy states that the company must at all times maintain a liquidity reserve consisting of cash and cash equivalents and binding loan commitments of at least 1.1 times the sum of forecast liquidity uses for the coming 12-month period. Ellevio strives to minimise the amount of cash and cash equivalents and manages liquidity risk mainly through guaranteed credit commitments. At the end of the reporting period, the company's cash and cash equivalents excluding customer deposits amounted to SEK 0 million (1), while guaranteed loan commitments amounted to SEK 6,317 million (6,494). The company's total loans amounted to SEK 62,877 million (61,251) at the end of the reporting period, of which SEK 39,654 million (39,342) referred to external loans and SEK 23,223 million (21,908) referred to interest-bearing loans from Group companies. No more than 25 percent of the total outstanding externals loans may be repayable in any single calendar year and the average remaining maturity of the total volume of external loans must always exceed five years. At the end of the reporting period, the average remaining maturity for external interest-bearing loans was 5,9 years (7,0). In addition to the requirement to fulfill its payment obligations, Ellevio has in its common financing agreement (Common Terms Agreement) commitments, including among other things so called "Financial Covenants" that limits the company's leverage ratio and interest cover ratio. According to the agreement the total leverage ratio may not exceed 13 times and for the senior debt (Class A) the leverage ratio may not exceed 12 times. The total interest cover ratio may not go below 1,1 times and for the senior debt (Class A) the interest cover ratio may not go below 1,2 times. For definitions please see page 44 Financial overview. As per 2021-12-31 Ellevio's total leverage ratio amounted to 10,6 times and for the senior debt (Class A) the leverage ratio was 9,6 times. The interest cover ratio for Ellevio's total external debt amounted to 3,3 times and for the senior debt (Class A) the interest cover ratio was 3,6 times.

The maturity structure of contractual payment obligations related to the company's financial liabilities excluding derivatives is presented in the following table. The amounts in the table are not discounted values and also include any interest payments and amortisations, which means that they cannot be

NOTE 4 cont.

reconciled to the amounts presented in the balance sheet. Amounts in foreign currency have been converted into SEK at the fixed currency hedging rate or the rates at the end of the reporting period.

| 31 Dec 2021 | Within 12 months | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|
| Interest-bearing liabilities | 3,227 | 19,651 | 46,335 | **69,213** |
| Trade payables | 923 | – | – | **923** |
| **Total** | **4,150** | **19,651** | **46,335** | **70,136** |

The maturity structure of contractual payment obligations related to the company's derivatives is presented in the table below. The amounts in the table are not discounted values. The table is based on net inflows and outflows for derivatives that are settled on a net basis and gross inflows and outflows for those derivatives that cannot be settled on a net basis.

Interest payments and electricity prices have been determined on the basis of the circumstances applying at the end of the reporting period. Amounts in foreign currency have been converted into SEK at the currency hedging rates at the end of the reporting period.

| 31 Dec 2021 | Within 12 months | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|
| Electricity derivatives (net receivables) | 308 | 41 | – | **349** |
| Cross-currency interest rate swaps (liabilities) | –529 | –2,128 | –1,455 | **–4,112** |
| Cross-currency interest rate swaps (receivables) | 473 | 1,904 | 1,345 | **3,721** |
| Interest rate swaps (net debt) | –77 | –738 | –839 | **–1,653** |
| **Total** | **175** | **–920** | **–949** | **–1,695** |

## CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that a counterparty to a transaction will cause a loss by failing to fulfil its contractual obligations. The company's exposure to credit risk is primarily attributable to trade receivables, cashflow management and interest rate risk management. The company's derivatives are transacted with counterparties with a minimum credit rating of BBB+ (S&P, Fitch) or Baa1 (Moody's). Trade receivables are spread across a large number of customers and no individual customer accounts for a significant share of the company's total trade receivables. Nor are the company's trade receivables concentrated to a specific geographic area. The total sales to the single biggest customer equals approximately 1.3 percent of the company's net sales. The company therefore considers the concentration risks to be limited. The company's credit losses in relation to the trade receivables amounted to SEK 8 million (8) in 2021, see note 20. The company is striving to maintain only less transaction liquidity in the form of cash and cash equivalents. The company's liquid assets are held in the Swedish banking system with a minimum rating of A- (S&P, Fitch) or A3 (Moody's). The company's derivative instruments are entered with counterparts with minimum rating equivalent to BBB+ (S&P, Fitch) or Baa1 (Moody's).

The exposure to credit risk is offset by the carrying amounts of financial assets excluding derivatives and is presented in the table below.

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Trade receivables | 1,037 | 756 |
| Other current receivables | 1,603 | 1,725 |
| Cash and cash equivalents | 0 | 1 |
| **Total** | **2,640** | **2,481** |

## CAPITAL STRUCTURE

The company's target is to maintain an efficient capital structure that minimises the cost of the sum of equity and debt while ensuring long-term access to debt financing. At the end of the period the company is primarily financed through external interest-bearing debt amounting to about SEK 39,6 bn (39,3). The external interest bearing debt was divided into senior secured debt (Class A) amounting to approx. 35,6 bn (35,3) and contractually subordinated secured debt (Class B) amounting to approx. 4,0 bn (4,0). Ellevio's other financing consist of subordinated group internal loans from Ellevio Holding 4 AB amounting to approx. 23,2 bn (21,9). Ellevio's senior class A debt has a "BBB" credit score (stable outlook) and its subordinated class B debt has a rating of "BB+" from Standard & Poor's.

The company monitors its capital structure by calculating the leverage ratio and the interest coverage ratio.

| Leverage ratio | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Bond loans | 32,329 | 32,309 |
| Liabilities to credit institutions | 7,150 | 6,829 |
| Transaction cost related to financing activities | 175 | 205 |
| Less cash and cash equivalents excl. customer deposits | –0 | –1 |
| **External net debt** | **39,654** | **39,342** |
| Operating profit | 1,973 | 1,781 |
| Plus depreciation, amortisation and impairment | 1,727 | 1,833 |
| **EBITDA** | **3,700** | **3,614** |
| Items affecting comparability | 28 | 45 |
| **Comparable EBITDA** | **3,728** | **3,659** |
| | | |
| **Leverage ratio** | **10,6** | **10,8** |

# NOTE 5
## SEGMENT REPORTING

Operating segments are reported in compliance with the internal reporting submitted to the highest Executive Officer. The highest Executive Officer is the function responsible for allocating resources and assessing the operating segment results. In the company, this function has been identified as the CEO. The company reports its activities as one segment in the internal reporting.

## NOTE 6
### NET SALES BY REGULATED ENTITY

| 2021 | Distribution revenue | Connection fees | Other network related services | Total |
|---|---|---|---|---|
| Local networks Central Sweden | 4,919 | 29 | 74 | 5,021 |
| Local networks West Coast | 903 | 5 | 1 | 910 |
| Regional networks | 1,094 | 29 | 99 | 1,223 |
| **Total** | **6,916** | **63** | **174** | **7,153** |

| 2020 | Distribution revenue | Connection fees | Other network related services | Total |
|---|---|---|---|---|
| Local networks Central Sweden | 4,610 | 28 | 92 | 4,730 |
| Local networks West Coast | 850 | 4 | 3 | 857 |
| Regional networks | 971 | 24 | 93 | 1,088 |
| **Total** | **6,431** | **56** | **188** | **6,674** |

Revenue is essentially attributable to services provided to customers over time.

| Contractual assets and contractual liabilities | 2021 | 2020 |
|---|---|---|
| Contractual assets and contractual liabilities consist of the following items as of 31 December: | | |
| Contractual assets | 984 | 806 |
| Contractual liabilities – Long-term | –2,451 | –1,551 |
| Contractual liabilities – Short-term | –76 | –43 |
| **Net of contractual liabilities** | **–1,543** | **–787** |

| Revenue reported during the period, as of: | 2021 | 2020 |
|---|---|---|
| Revenue included in opening balance in items: | | |
| Contractual assets | – | – |
| Contractual liabilities | 47 | 35 |

The company's contractual assets consist of delivered network services that are not yet invoiced to the customers. Contractual assets is included in the item accrued distribution revenue, note 22. Contractual debt consists of accrued connection services that are recognised as revenue over time and is included in the item long- and short-term liabilities, note 25 and 26.

## NOTE 7
### OTHER OPERATING INCOME

| | 2021 | 2020 |
|---|---|---|
| Communication income | 14 | 14 |
| Rental income | 14 | 7 |
| Reconnection income | 6 | 5 |
| Network monitoring services | 3 | 3 |
| Reminder fees | 33 | 24 |
| Proceed of sale tangilble fixed assets | – | 6 |
| Other operating income | 17 | 17 |
| **Total** | **87** | **76** |

## NOTE 8
### REMUNERATION TO AUDITORS

| Tkr | 2021 | 2020 |
|---|---|---|
| **Ernst & Young AB** | | |
| Audit engagement | –1,126 | –932 |
| Audit activities in addition to audit engagement | –80 | –515 |
| **Total** | **–1,206** | **–1,447** |

Audit engagements refer to the auditor's remuneration for the statutory audit, which comprises the audit of the annual report and accounting records, and the Board of Directors' and CEO's management as well as fees for audit advice provided in connection with the audit engagement. Costs during the year in addition to audit engagement are mainly related to audit of green bond framwork.

## NOTE 9
### LEASES

| Operating leases – lessee | 2021 | 2020 |
|---|---|---|
| **Expense for the year, operating leases** | | |
| Lease expenses | –143 | –141 |
| **Total** | **–143** | **–141** |

Leases refer primarily to land leases, rents for stations and cables in land and tunnels. At the end of the reporting period the outstanding obligations in the form of minimum lease expenses under non-cancellable operating leases fall due as follows:

| | 2021 | 2020 |
|---|---|---|
| **Maturity:** | | |
| Within 1 year | 133 | 130 |
| 1–5 years | 191 | 238 |
| Later than 5 years | 402 | 428 |
| **Total** | **726** | **796** |

NOTE 9 cont.

### Operating leases – lessor

Leases refer to the lease of premises, capacity in the fibre-optic network and space in masts and poles. Lease income during the financial year totalled SEK 14 million (7). Future minimum lease expenses under non-cancellable operating leases fall due as follows:

| | 2021 | 2020 |
|---|---|---|
| **Maturity:** | | |
| Within 1 year | 13 | 7 |
| 1–5 years | 26 | 8 |
| Later than 5 years | 2 | 3 |
| **Total** | **41** | **18** |

## NOTE 10
## EMPLOYEES AND EMPLOYEE BENEFITS

| Average numbers of employees | 2021 | 2020 |
|---|---|---|
| Women | 191 | 164 |
| Men | 360 | 356 |
| **Total** | **551** | **520** |

| Number of directors and senior executives | 2021 | 2020 |
|---|---|---|
| **Women:** | | |
| Board of Directors | 2 | 3 |
| Other senior executives | 6 | 6 |
| **Men:** | | |
| Board of Directors | 7 | 6 |
| Other senior executives including the CEO | 4 | 4 |
| **Total** | **19** | **19** |

| Salaries and remuneration | 2021 | 2020 |
|---|---|---|
| Salaries and other remuneration to Directors, the CEO and other senior executives | –34 | –34 |
| Salaries and other remuneration to other employees | –336 | –294 |
| Pension costs for Directors, CEO and other senior executives | –4 | –5 |
| Pension costs for other employees | –56 | –48 |
| Social security contributions | –130 | –115 |
| **Total** | **–559** | **–496** |

### Remuneration of the Board of Directors, CEO and senior executives

The Board of Directors consist of seven Board members and two employee representatives. The table below shows total remuneration to the Board of Directors, the Chief Executive Officer and other senior executives, who are defined as the management team of the company. The table considers any changes made to both the Board of Directors and the management team during the year.

### Remuneration and other benefits 2021

| Tkr | Grundlön/ Styrelsearvode | Rörlig ersättning[1] | Övriga förmåner[2] | Pensions-kostnad[3] | Summa av ersättningar och förmåner | Kapitalvärde av pensions-åtagande |
|---|---|---|---|---|---|---|
| Fredrik Persson (Chariman of the Board) | –1,400 | | | | **–1,400** | |
| Anna Belfrage (Board member) | –450 | | | | **–450** | |
| Lars Clausen (Board member) | –400 | | | | **–400** | |
| Göran Hägglund (Board member) | –350 | | | | **–350** | |
| Karin Jarl Månsson (Board member) [4] | –450 | | | | **–450** | |
| Michael Mc Nicholas (Board member) | – | | | | **–** | |
| Sten Olsson (Board member) | –450 | | | | **–450** | |
| Johan Lindehag (CEO) | –2,577 | –4,109 | –83 | –783 | **–7,553** | –1,581 |
| Other senior executives (9 persons) | –12,209 | –11,537 | –330 | –3,483 | **–27,559** | –20 |
| **Total** | **–18,286** | **–15,647** | **–413** | **–4,266** | **–38,612** | **–1,601** |

[1] The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 11,132 thousand that will be paid out in during the three following years, expensed short-term incentives,(STIs), amounted to SEK 4,513 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 1 thousand.
[2] Other benefits mainly consist of company cars.
[3] Disclosures on pension costs refer to pension premiums expensed for the financial year
[4] Member of the Board have been paid for consultancy services in his or her resepctive areas of competence, which do not constitute board work. During 2021 Karin Jarl Månsson received SEK 4 thousand.

### Remuneration and other benefits 2020

| Tkr | Grundlön/ Styrelsearvode | Rörlig ersättning[1] | Övriga förmåner[2] | Pensions-kostnad[3] | Summa av ersättningar och förmåner | Kapitalvärde av pensions-åtagande |
|---|---|---|---|---|---|---|
| Fredrik Persson (Chariman of the Board) (from December) | –117 | | | | **–117** | |
| Sören Mellstig (Chairman of the Board) (until November) [4] | –1,692 | | | | **–1,692** | |
| Anna Belfrage (Board member) | –450 | | | | **–450** | |
| Lars Clausen (Board member) | –400 | | | | **–400** | |
| Göran Hägglund (Board member) | –350 | | | | **–350** | |
| Karin Jarl Månsson (Board member) [4] | –450 | | | | **–450** | |
| Michael Mc Nicholas (Board member) | – | | | | **–** | |
| Sten Olsson (Board member) | –300 | | | | **–300** | |
| Johan Lindehag (CEO) | –2,458 | –3,265 | –71 | –769 | **–6,564** | –1,117 |
| Other senior executives (9 persons) | –12,422 | –12,282 | –235 | –3,930 | **–28,869** | –484 |
| **Totalt** | **–18,640** | **–15,548** | **–306** | **–4,698** | **–39,192** | **–1,601** |

[1] The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 12,295 thousand that will be paid out in during the three following years, expensed short-term incentives, (STIs), amounted SEK 3,191 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 61 thousand.
[2] Other benefits mainly consist of company cars.
[3] Disclosures on pension costs refer to pension premiums expensed for the financial year
[4] Member of the Board have been paid for consultancy services in his or her resepctive areas of competence, which do not constitute board work. During 2020, Sören Mellstig received SEK 350 thousand and Karin Jarl Månsson received SEK 33 thousand.

NOTE 10 cont.

Ellevio's principles for the remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. The total remuneration package consists of a combination of a fixed monthly salary, variable remuneration, pensions and other benefits.

In 2021, the CEO received a fixed salary of SEK 2,577 thousand (2,458) and variable remuneration of SEK 4,109 thousand (3,265). Variable remuneration consists of a short-term incentive corresponding to 0–100 percent of the fixed annual salary, and a long-term incentive corresponding to 0–100 percent of the yearly fixed salary. Variable remuneration does not constitute pensionable salary, nor is it a basis for holiday pay. (For further information on variable remuneration, please see information below on STIs and LTIs).

The CEO and all other senior executives in the management team are covered by a defined contribution pension plan that is entirely based on premiums, under which premiums comprise 35 percent of the fixed annual salary for the CEO and 30 percent of the fixed annual salary for all other senior executives (see note 11). For 2021, pension premiums were expensed in accordance with the table above. The retirement age for the CEO and the management team is 65 years.

The period of notice for the CEO is six months both for resignation and when termination is initiated by the company. If the CEO is terminated by the company, a compensation equivalent up to twelve months' salary is payable in addition to the salary during the notice period. Any income from any other employment and/or any other proceeds from other business activity during the period for which the CEO receives severance pay shall be deducted from the severance pay. No other remuneration is paid if the CEO resigns. The employment terms of other senior executives are consistent with market employment terms and there are no agreements providing for termination salary in excess of six months or agreements on severance pay.

### SHORT-TERM INCENTIVES (STI)

Ellevio's STI programme is designed to support the achievement of the company's financial and other relevant non-financial targets on an annual basis. All employees are covered by the programme. The financial targets are the same for all employees including the CEO and the management team and constitute 70 percent of the performance evaluation. The non-financial targets are team-based targets and constitute 30 percent of the target evaluation. The award target level is 5 percent of the annual salary for employees in general, with a maximum award of 10 percent. For the CEO, other senior executives and key employees as designated by management, the award target level is 10–25 percent of the annual salary, with a maximum award of 20–50 percent. Awards from the STI programme are paid in cash in April the year after the performance year.

### LONG-TERM INCENTIVES (LTI)

The CEO and members of the company's management team are covered by a long-term incentive program. The purpose of the programme is to support the delivery of sustainable, long-term performance, and align the interests of management with those of the shareholders as well as assist in committing and retaining senior management. The LTI program is a cash-based supplement to the fixed annual salary. The award target level is 30–50 percent of the annual salary depending on responsibility area, with a maximum award of 60–100 percent.

Each LTI plan consists of a three-year earnings period and is contingent on the participant remaining employed by the company throughout the period of the programme. The outcome of the programme is calculated annually and accumulated over the three-year period and any payments are made in April the year after the programme ends. The reward is recognised as an expense during the earning period with a corresponding increase in liability, along with related accrual for social security contributions.

## NOTE 11
## PENSIONS

All employees are covered by collective agreements and the company's pension obligations comprise both defined-contribution and defined benefit pension plans. The company has elected not to apply the provisions of IAS 19 in a legal entity, which means that the company's defined-benefit pension plans are treated as defined contribution plans and charged to income statement as premiums are paid. A description of the company's defined benefit pension plans and information on the fair values of pension obligations and plan assets in accordance with IAS 19 are provided in the following.

### Defined benefit pension plans

The company has undertaken to make predetermined payments to the employee on or after retirement. The company has the following defined benefit pension plans: PA-KL (including SPP), Birkaplanen and the ITP 2 Plan. PA-KL (including SPP) is a plan for municipal employees in Sweden. There are currently no active employees in that plan. The plan is administered and valued by SPP. Birkaplanen is an alternative ITP plan. The benefits are administered by and secured through an insurance policy with Skandia Liv. The ITP 2 Plan is partly closed, which means that only new employees born before 1979 that previously are included in the ITP 2 Plan has the opportunity to continue within the ITP 2 solution. The ITP 2 Plan is insured with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of the ITP 2 Plan Funded through Insurance with Alecta, this is a defined benefit plan covering several employers. For the 2021 financial year, the company has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan secured through an insurance policy with Alecta is therefore recognised as a defined contribution plan. The premium cost for the defined benefit age and family pension plan is calculated on individual basis and depends on such factors as salary, previous pension earnings and expected remaining worktime. Forecasted premium cost for the next reporting period for the ITP-2 plan with Alecta is expected to be SEK 17 million (20). The company's share of the combined fees to the plan, and the company's total number of active members in the plan is considered to be an insignificant share.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance commitments calculated in line with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally permitted to vary between 125 percent and 175 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 175 percent, measures must be taken to create the requisite conditions for the level of consolidation to return to normal. One possible measure to address a low consolidation level is to raise the contractual price for new subscriptions and expansion of existing benefits. One possible measure to address a high consolidation level is to introduce reduced premiums. At year-end 2021, Alecta's surplus in the form of the collective consolidation level was 172 percent (148).

The company's defined benefit obligations in the Group's annual report that are presented below have been calculated based on the salary levels applying at each end of the reporting period and using a discount rate of 1.3 percent (0.8). Assumed annual returns are defined by the company.

### Defined benefit pension plans in the consolidated balance sheet

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Total present value of defined benefit obligations | 113 | 135 |
| Fair value of plan assets | 129 | 129 |
| **Net amount, defined benefit pension plans** | **16** | **–6** |

### Defined contribution pension plans

The company pays fixed premiums to a number of different insurance companies. Upon payment of the premiums, the company has fulfilled its obligation in respect of pension payments. Defined contribution plans are charged to income statement in the period in which the employee performs his or her services.

### Total premiums paid during the year in respect of defined benefit and defined contribution plans

| | 2021 | 2020 |
|---|---|---|
| **Cost in profit/loss for the year** | | |
| Costs relating to services during current period | –60 | –53 |
| **Total** | **–60** | **–53** |

## NOTE 12
## DEPRECIATION, AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

| | 2021 | 2020 |
|---|---|---|
| Amortisation of intangible assets | –374 | –349 |
| Depreciation of buildings and land improvements | –34 | –31 |
| Depreciation of machinery and other technical plant | –1,299 | –1,437 |
| Depreciation of equipment, tools and facilities | –20 | –15 |
| **Total** | **–1,727** | **–1,833** |

## NOTE 13
### INTEREST INCOME AND SIMILAR ITEMS

| | 2021 | 2020 |
|---|---|---|
| External interest income | 2 | 1 |
| Intra-Group interest income | 58 | 46 |
| **Total** | **60** | **48** |

## NOTE 14
### INTEREST EXPENSE AND SIMILAR ITEMS

| | 2021 | 2020 |
|---|---|---|
| External interest expense | –1,155 | –1,141 |
| Intra-Group interest expense | –1,314 | –1,240 |
| Other financial expenses | –16 | –16 |
| **Total** | **–2,485** | **–2,396** |

## NOTE 15
### APPROPRIATIONS

| | 2021 | 2020 |
|---|---|---|
| Group contributions paid | 0 | 0 |
| Dissolvement of tax allocation reserve | 444 | – |
| Distribution to tax allocation reserve | –81 | –10 |
| **Total** | **363** | **–11** |

## NOTE 16
### TAX

| | 2021 | 2020 |
|---|---|---|
| **Current tax** | | |
| Current tax on profit for the year | –52 | –8 |
| Current tax attributable to prior years | –1 | – |
| **Deferred tax** | | |
| Deferred tax attributable to temporary differences | –270 | –202 |
| Deferred tax attributable to other years | 115 | – |
| Deferred tax attributable to revaluation of tax rate | – | 12 |
| **Total** | **–207** | **–198** |

| **Reconciliation, tax expense for the year** | **2021** | **2020** |
|---|---|---|
| Profit/loss before tax | –90 | –578 |
| Tax calculated at Swedish rate (21.4%) | 18 | 124 |
| **Tax effect, permanent items:** | | |
| Non-deductible depreciation on goodwill | –62 | –65 |
| Non-deductible interest rate | –269 | –266 |
| Other items | –9 | –2 |
| Current tax attributable to prior years | –1 | – |
| **Tax effect, temporary items:** | | |
| Depreciation of fixed assets | 270 | 202 |
| Other items | 0 | 0 |
| Change in deferred tax | –270 | –202 |
| Deferred tax attributable to other years | 115 | – |
| Revaluation of deferred tax attributable to new Swedish tax rates (21.4% and 20.6%) | – | 12 |
| **Total** | **–207** | **–198** |
| **Recognised tax expense for the year** | **–207** | **–198** |

### Deferred tax assets and deferred tax liabilities

The company's deferred tax assets and deferred tax liabilities refer to the following items:

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| **Deferred tax assets** | | |
| Provision for credit losses | 1 | 2 |
| Other | 1 | 0 |
| **Deferred tax assets** | **2** | **2** |
| **Deferred tax liability** | | |
| Surplus value concessions | 7,963 | 7,963 |
| Buildings and land improvements | 126 | 131 |
| Residual value depreciation, machinery and equipment | 5,645 | 5,485 |
| **Deferred tax liability** | **13,733** | **13,579** |
| **Net deferred tax liabilities** | **13,732** | **13,577** |

Deferred tax assets are measured at the highest amount that is likely to be recovered based on current and future taxable profits. Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the deferred taxes relate to the same taxation authority and the taxes can be settled on a net basis.

## NOTE 17
## INTANGIBLE ASSETS

| 2021 | Goodwill | Concessions | IT systems | Other rights | Projects in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Cost at 1 January 2021** | **6,059** | **40,505** | **633** | **300** | **273** | **47,770** |
| Costs incurred during the year | – | – | – | – | 414 | 414 |
| Disposals/retirements | – | – | –69 | – | – | –69 |
| Reclassifications | – | – | – | – | 18 | 18 |
| Classification of capitalised costs | – | – | 229 | 230 | –459 | – |
| **Accumulated cost at 31 December 2021** | **6,059** | **40,505** | **793** | **530** | **246** | **48,133** |
| | | | | | | |
| **Depreciation at 1 January 2021** | **–1,680** | **–1,849** | **–464** | **–5** | **–** | **–3,999** |
| Disposals/retirements | – | – | 69 | – | – | 69 |
| Reclassifications | – | – | – | – | – | – |
| Depreciation for the year | –303 | – | –63 | –8 | – | –374 |
| **Accumulated depreciation at 31 December 2021** | **–1,983** | **–1,849** | **–459** | **–13** | **–** | **–4,304** |
| **Carrying amount at 31 December 2021** | **4,076** | **38,656** | **334** | **517** | **246** | **43,830** |

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 70 million (85). The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network and measurement values collection has been defined as 8 and 10 years and are based on the minimum expected life of the systems. The cost amounts to SEK 107 million (107) and the residual value per 2021-12-31 amounts to SEK 65 million (75).

| 2020 | Goodwill | Concessions | IT systems | Other rights | Projects in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Cost at 1 January 2020** | **6,059** | **40,505** | **523** | **284** | **178** | **47,550** |
| Costs incurred during the year | – | – | – | – | 223 | 223 |
| Disposals/retirements | – | – | –20 | – | – | –20 |
| Reclassifications | – | – | – | – | 18 | 18 |
| Classification of capitalised costs | – | – | 129 | 16 | –145 | – |
| **Accumulated cost at 31 December 2020** | **6,059** | **40,505** | **633** | **300** | **273** | **47,770** |
| | | | | | | |
| **Depreciation at 1 January 2020** | **–1,377** | **–1,849** | **–436** | **–2** | **–** | **–3,664** |
| Disposals/retirements | – | – | 14 | – | – | 14 |
| Reclassifications | – | – | – | – | – | – |
| Depreciation for the year | –303 | – | –43 | –4 | – | –349 |
| **Accumulated depreciation at 31 December 2020** | **–1,680** | **–1,849** | **–464** | **–5** | **–** | **–3,999** |
| **Carrying amount at 31 December 2020** | **4,379** | **38,656** | **169** | **295** | **273** | **43,772** |

### Impairment test

The company's non-financial assets excl. goodwill are divided into three cash-generating units and equated with the regulated entities into which the company is divided pursuant to its reports to the Swedish Energy Markets Inspectorate (Ei). Goodwill is based on synergies among the cash-generating units and are attributable to the company's overall earnings capacity. Accordingly, goodwill is allocated to the company level when testing for impairment requirements.

| 31 Dec 2021 | Goodwill | Concessions |
|---|---|---|
| Local networks Central Sweden | | 27,767 |
| Local networks West Coast | | 7,637 |
| Regional networks | | 3,252 |
| Common | 4,076 | |
| **Carrying amount** | **4,076** | **38,656** |

The recoverable amount is the higher of the fair value of the asset less selling costs and its value in use. The recoverable amount for a cash-generating unit is determined by calculating the value in use. In measuring value in use, the calculation is based on estimated future cash flows based on financial forecasts approved by management covering a period of 40 years, of which the first six years are based on detailed business plans. The 40-year forecast period corresponds approximately with the regulatory lifetime of the electricity distribution assets, which also conforms well with the investment cycle. Determination of future cash flow is made by calculating how allowed revenue is expected to evolve over time.

The calculations are based on the company's long-term investment plans, assumptions concerning the company's evolution of costs for both investments and operating costs in relation to regulatory norm-/reference costs and regulatory rate of return (WACC).

For the period 2020–2023 Ei decided on a WACC of 2.16 percent. Ellevio and more than 120 other companies have appealed t the allowed revenue decisions for the period with the main argument that the revenue frame ordinance is contrary to both the EU directive and Swedish legislation. Ellevio's opinion is that the current regulation does not provides sufficient incentive to implement necessary investments to develop the electricity network and thus enable society's energy transition. In February 2021, the Administrative Court ruled in favour of the industry regarding allowed revenue 2020–2023. Ei appealed this judgment to the Administrative Court of Appeal and leave to appeal was granted. Based on the positive ruling in The Administrative Court Ellevio has assumed that the methodology used to calculate the WACC for the period 2016–2019 will also apply from 2020 and onward, i.e. a return to a long-term sustainable level of rate of return.

After the 40-year period a growth rate of 2 percent is applied, which coincides with the company's long-term assumption of inflation and long-term growth.

**NOTE 17 cont.**

The company's future cash flow is discounted to its value of use with a discount factor of 5.6 percent after tax. Assumptions of the discount rate are based on external observable market information for similar assets. The discount rate is consistently used for all cash-generating units, based on the notion that they all adhere to the same regulatory framework. The annual test for possible impairment performed in the fourth quarter of 2021 shows that there is no need for impairment.

The company has evaluated the sensitivity in the assumptions on which the impairment test is based. The calculations mainly depend on assumptions related to the regulatory rate of return and discount rate. Since these two parameters are strongly connected it does not provide a true or fair outcome to adjust these parameters independently of each other. Sensitivity analysis shows that a 5 percent reduction in the long-term regulatory rate of return, all other factors remaining equal, does not cause any need for impairment. Sensitivity analysis including an increase of the discount rate by 0.5 percent age points after tax, all other factors remaining equal, does not cause any need for impairment.

## NOTE 18
### TANGIBLE FIXED ASSETS

| 2021 | Buildings and land | Land improvements | Machinery and other technical plant | Equipment, tools and facilities | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|
| **Cost at 1 January 2021** | **1,557** | **21** | **55,222** | **221** | **3,848** | **60,869** |
| Costs incurred during the year | – | – | – | – | 3,176 | 3,176 |
| Disposals/retirements | – | – | –387 | – | – | –387 |
| Reclassifications | – | – | – | – | –18 | –18 |
| Classification of capitalised costs | 134 | – | 2,776 | 14 | –2,924 | – |
| **Accumulated cost at 31 December 2021** | **1,691** | **21** | **57,612** | **235** | **4,082** | **63,640** |
| **Depreciation at 1 January 2021** | **–557** | **–20** | **–24,597** | **–163** | **–** | **–25,338** |
| Disposals/retirements | – | – | 329 | – | – | 329 |
| Reclassifications | – | – | – | – | – | – |
| Depreciation for the year | –34 | 0 | –1,299 | –20 | – | –1,353 |
| **Accumulated depreciation at 31 December 2021** | **–592** | **–21** | **–25,568** | **–183** | **–** | **–26,362** |
| **Carrying amount at 31 December 2021** | **1,100** | **0** | **32,044** | **52** | **4,082** | **37,277** |

| 2020 | Buildings and land | Land improvements | Machinery and other technical plant | Equipment, tools and facilities | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|
| **Cost at 1 January 2020** | **1,509** | **21** | **53,118** | **191** | **3,215** | **58,054** |
| Costs incurred during the year | – | – | – | – | 3,192 | 3,192 |
| Disposals/retirements | –1 | – | –358 | – | – | –359 |
| Reclassifications | – | – | – | – | –18 | –18 |
| Classification of capitalised costs | 49 | – | 2,462 | 30 | –2,541 | – |
| **Accumulated cost at 31 December 2020** | **1,557** | **21** | **55,222** | **221** | **3,848** | **60,869** |
| **Depreciation at 1 January 2020** | **–527** | **–20** | **–23,466** | **–148** | **–** | **–24,162** |
| Disposals/retirements | 1 | – | 306 | – | – | 307 |
| Reclassifications | – | – | – | – | – | – |
| Depreciation for the year | –31 | –0 | –1,437 | –15 | – | –1,483 |
| **Accumulated depreciation at 31 December 2020** | **–557** | **–20** | **–24,597** | **–163** | **–** | **–25,338** |
| **Carrying amount at 31 December 2020** | **999** | **0** | **30,625** | **58** | **3,848** | **35,530** |

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 4,466 million (2,899).

## NOTE 19
### INVESTMENTS IN ASSOCIATES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Cost at 1 January | 0 | 0 |
| **Carrying amount at 31 December[1)]** | **0** | **0** |

[1)] The carrying amount was SEK 32 thousand (32).

| Name | Share of equity[2)] | Share of votes | Number of shares | Value Dec 2021 |
|---|---|---|---|---|
| Triangelbolaget D4 AB | 25% | 25% | 525 | 0 |

| Name | Corp. ID no. | Reg. office |
|---|---|---|
| Triangelbolaget D4 AB | 556007–9799 | Stockholm |

[2)] The share of equity is the same as share of votes.

## NOTE 20
### TRADE RECEIVABLES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Trade receivables, gross | 1,043 | 763 |
| Provision for credit losses | –6 | –7 |
| **Trade receivables, net after provisions for credit losses** | **1,036** | **756** |

Management deems the carrying amount of trade receivables, net after provisions for credit losses, to be the same as fair value.

#### Changes in provisions for credit losses

| | 31 Dec 2021 |
|---|---|
| Provisions for credit losses at 1 January | –7 |
| Provisions for credit losses for the year | –6 |
| Write-offs | 3 |
| Reversal of unused amount | 4 |
| **Provisions at 31 December** | **–6** |

| 31 Dec 2021 | Gross | Provisions for credit losses | Net |
|---|---|---|---|
| Not yet payable | 882 | 0 | 881 |
| 30 days past due | 144 | 0 | 144 |
| 31–60 days past due | 7 | 0 | 6 |
| 61–90 days past due | 2 | –1 | 1 |
| > 90 days past due | 8 | –4 | 3 |
| **Total** | **1,043** | **–6** | **1,036** |

The company's assessment is that payment will be received for trade receivables that are due but have not yet been impaired, as the customers' payment history is good.

## NOTE 21
### OTHER RECEIVABLES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Settlement account for taxes and fees | 4 | 0 |
| Settlement, billing agent | – | 318 |
| Other current receivables | 1 | 79 |
| **Total** | **5** | **397** |

## NOTE 22
### PREPAID EXPENSES AND ACCRUED INCOME

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Accrued distribution revenue | 984 | 806 |
| Accrued energy tax | 613 | 521 |
| Accrued interest income | 159 | 159 |
| Prepaid rents | 29 | 14 |
| Other items | 15 | 12 |
| **Total** | **1,800** | **1,513** |

## NOTE 23
### CASH AND CASH EQUIVALENTS

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Available balances with banks and other credit institutions | 0 | 1 |
| Customer deposits | 12 | 13 |
| **Total** | **12** | **14** |

## NOTE 24
### UNTAXED RESERVES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Tax allocation reserve | 960 | 1 323 |
| **Total** | **960** | **1 323** |

## NOTE 25
### NON-CURRENT LIABILITIES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Maturity within 1–5 years | 18,146 | 14,164 |
| Maturity within 5–10 years | 20,480 | 19,367 |
| Maturity over 10 years | 25,881 | 28,492 |
| **Total carrying amount** | **64,506** | **62,023** |

The nominal amount of the long-term loans at the end of the reporting period was SEK 62,216 million (60,661).

The company's utilised overdraft facilities totalled SEK 307 million (499) and are included in the item "Current liabilities to credit institutions." The limit on the overdraft facility is SEK 1,000 million (1,000).

## NOTE 26
### OTHER CURRENT LIABILITIES

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Liability, VAT | 183 | 186 |
| Energy tax | 1,252 | 1,137 |
| Employer contributions and deduction of withholding tax | 17 | 16 |
| Repayments to customers | 12 | 1 |
| Advances received | 60 | 57 |
| Periodised connection services | 76 | 43 |
| Other current liabilities | 4 | 4 |
| **Total** | **1,604** | **1,444** |

## NOTE 27
### ACCRUED EXPENSES AND DEFERRED INCOME

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Accrued interest | 521 | 521 |
| Accrued salaries | 77 | 60 |
| Accrued social security contributions | 29 | 22 |
| Deferred income | 2 | 3 |
| Accrued investment expenses | 285 | 308 |
| Accrued transmission costs | 253 | 114 |
| Accrued measurement value costs | 8 | 7 |
| Accrued rents | 26 | 26 |
| Accrued field services | 230 | 353 |
| Accrued customer service costs | 3 | 8 |
| Other items | 47 | 33 |
| **Total** | **1,481** | **1,454** |

## NOTE 28
### RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

| | | | Non-cash items | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2020 | Cash flows | Capitalized interest | Unrealised contracts/ Reclassification | Periodised financing costs | 31 Dec 2021 |
| Liabilities to Group companies | 21,908 | – | 1,314 | – | – | 23,223 |
| Current liabilities to credit institutions | 590 | –283 | – | 354 | – | 661 |
| Non-current liabilities to credit institutions | 6,239 | 593 | – | –354 | 12 | 6,489 |
| Bonds | 32,309 | – | – | – | 20 | 32,329 |
| **Total liabilities from financing activities** | **61,047** | **309** | **1,314** | **–** | **31** | **62,702** |

| | | | Non-cash items | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2019 | Cash flows | Capitalized interest | Unrealised contracts/ Reclassification | Periodised financing costs | 31 Dec 2020 |
| Liabilities to Group companies | 20,668 | – | 1,240 | – | – | 21,908 |
| Current liabilities to credit institutions | 594 | –96 | – | 92 | – | 590 |
| Non-current liabilities to credit institutions | 5,327 | 993 | – | –92 | 11 | 6,239 |
| Bonds | 32,757 | –471 | – | – | 23 | 32,309 |
| **Total liabilities from financing activities** | **59,347** | **–426** | **1,240** | **–** | **34** | **61,047** |

## NOTE 29
### PLEDGED ASSETS

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Floating charges | 136 | 136 |
| Property mortgages | 462 | 462 |
| Bank deposits | 12 | 14 |
| **Total** | **610** | **612** |

## NOTE 30
### RELATED-PARTY TRANSACTIONS

The company's balances with Group companies mainly consist of interest-bearing liabilities and related interest expenses to the parent company, Ellevio Holding 4 AB and receivables related to group contributions and shareholder contributions from Ellevio Holding 1 AB. The company has not been involved in any significant transactions with board members or with members of the management team. No loans exist for any member of the board or management team as at 31 December 2021. Information on transactions with related parties is provided in notes 4, 13 and 14.

## NOTE 31
### GROUP STRUCTURE

| Company | Corp. ID No. | Share (%) |
|---|---|---|
| Ellevio Holding 1 AB | 559005–2444 | 100 |
| AB Edsbyns Elverk | 556015–7686 | 95.3 |
| Edsbyns Elnät AB | 556015–7686 | 100 |
| Edsbyns Vattenkraft AB | 559330–5369 | 100 |
| AB Helsinge Elhandel | 556075–0118 | 100 |
| Ellevio Holding 2 AB | 559001–1937 | 100 |
| Ellevio Holding 3 AB | 559005–2436 | 100 |
| Ellevio Holding 4 AB | 559005–2451 | 100 |
| Ellevio AB (publ) | 556037–7326 | 100 |

## NOTE 32
### PROPOSED ALLOCATION OF RETAINED EARNINGS

The following earnings are at the disposal of the Annual General Meeting:

| | |
|---|---|
| Retained earnings | 9,348 |
| Profit/loss for the year | –297 |
| The Board of Directors proposes: | |
| Retained earnings to be carried forward | 9,051 |

## NOTE 33
### SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In January, the Swedish government presented a proposal for support to electricity consumers who were hit hard by the sharp increase in electricity prices during the winter 2021/2022. Ellevio and the other electricity network companies are asked to handle the compensation to the affected customers, since these companies are considered to have the best administrative prerequisites for this. On March 15, a new ordinance came into force wich gives electricity consumers the right to compensation from their electricity network company of up to SEK 2,000 per month during the period of December to March based on their actual consumption. Decisions on compensation to the electricity network companies are made by the Chamber of Deputies following an application from the electricity network companies.

On 24 February, 2022, Russia launched a military attack on Ukraine. The geopolitical concerns that have arisen in connection with this give rise to a higher level of risk with regard to both physical security and IT security. Ellevio has therefore implemented higher preparedness. Ellevio also continuously evaluates the consequences of the war for the business, both in the short and the long term, and implements measures accordingly.

# Alternative performance measures.

Definitions and calculations of alternative performance measures
The company presents alternative performance measures in the annual report that are not defined according to IFRS nor the Swedish annual accounts act. These financial measures should not be regarded as substitutes for measures defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of the company's performance, the ability to carry through strategic investments and fulfil financial obligations.

Below the definitions and calculations of the alternative performance measures on page 43 in the company's Annual Report 2020 are presented. Unless other- wise stated, the amounts refer to millions of Swedish krona (MSEK).

| Definition | Calculation | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **EBITDA**<br>Operating profit plus depreciation, amortisation and impairment | Operating profit | 1,973 | 1,781 | 1,649 | 2,067 | 2,161 |
| | Depreciation, amortisation and impairment | 1,727 | 1,833 | 2,200 | 2,121 | 2,046 |
| | **EBITDA** | **3,700** | **3,614** | **3,848** | **4,188** | **4,207** |
| **Items affecting comparability**<br>Gains/losses from sales of fixed assets, scrapping of fixed assets and restructuring costs | Gains/losses from sales of fixed assets | – | 6 | – | 0 | 1 |
| | Scrapping of fixed assets | –28 | –51 | –57 | –29 | –24 |
| | Restructuring costs | – | – | –3 | –10 | – |
| | **Items affecting comparability** | **–28** | **–45** | **–59** | **–39** | **–23** |
| **Comparable EBITDA**<br>EBITDA less items affecting comparability | EBITDA | 3,700 | 3,614 | 3,848 | 4,188 | 4,207 |
| | Items affecting comparability | 28 | 45 | 59 | 39 | 23 |
| | **Comparable EBITDA** | **3,728** | **3,659** | **3,908** | **4,227** | **4,230** |
| **External financial items**<br>Net of external financial interest income and inte- rest expense plus other financial expenses excluding transaction costs related to financing activities | External interest income | 2 | 1 | 2 | 2 | 1 |
| | External interest expense | –1,155 | –1,141 | –1,138 | –1,755 | –1,340 |
| | Other financial expenses | –16 | –16 | –16 | –30 | –43 |
| | Transaction costs related to financing activities | 37 | 36 | 35 | 87 | 154 |
| | **External financial items** | **–1,132** | **–1,118** | **–1,118** | **–1,696** | **–1,228** |
| **External financial items, Class A**<br>External financial items less Class B interest expense | External financial items | –1,132 | –1,118 | –1,118 | –1,696 | –1,228 |
| | Interest expense, Class B | 111 | 99 | 89 | 78 | – |
| | **External financial items, Class A** | **–1,021** | **–1,019** | **–1,029** | **–1,618** | **–1,228** |
| **Free cash flow**<br>Cash flow from operating activities less paid capital expenditure | Cash flow from operating activities | 4,784 | 4,100 | 4,859 | 4,676 | 4,117 |
| | Capital expenditure in property, plant and equipment | –3,176 | –3,226 | –3,706 | –2,508 | –2,305 |
| | Capital expenditure in intangible assets | –414 | –223 | –191 | –102 | –64 |
| | **Free cash flow** | **1,194** | **651** | **962** | **2,065** | **1,748** |
| **Capital expenditure**<br>Cost incurred during the year related to capital expenditure | Capital expenditure in tangible fixed assets | 3,176 | 3,192 | 3,809 | 2,767 | 2,332 |
| | Capital expenditure in intangible assets | 414 | 223 | 191 | 103 | 49 |
| | **Capital expenditure** | **3,590** | **3,415** | **4,000** | **2,870** | **2,381** |

# Alternative performance measures, cont.

| Definition | Calculation | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Adjusted cash**<br>Cash and cash equivalents less customer deposits | Cash and cash equivalents | 12 | 14 | 20 | 56 | 10 |
| | Customer deposits | –12 | –13 | –13 | –11 | –9 |
| | **Adjusted cash** | **0** | **1** | **7** | **45** | **1** |
| **External net debt**<br>External interest-bearing liabilities excluding transaction cost related to financing activities less adjusted cash | Bond loans | 32,329 | 32,309 | 32,757 | 32,732 | 29,749 |
| | Liabilities to credit institutions | 7,150 | 6,829 | 5,922 | 5,747 | 5,514 |
| | Transaction cost related to financing activities | 175 | 205 | 220 | 215 | 266 |
| | Adjusted cash | –0 | –1 | –7 | –45 | –1 |
| | **External net debt** | **39,654** | **39,342** | **38,892** | **38,649** | **35,528** |
| **External net debt, Class A**<br>External net debt less Class B debt | External net debt | 39,654 | 39,342 | 38,892 | 38,649 | 35,528 |
| | Class B debt | –4,014 | –4,018 | –2,985 | –2,982 | – |
| | **External net debt, Class A** | **35,640** | **35,324** | **35,907** | **35,666** | **35,528** |
| **Interest cover ratio**<br>Comparable EBITDA less income tax paid divided by external financial items | Comparable EBITDA | 3,728 | 3,659 | 3,908 | 4,227 | 4,230 |
| | Income tax paid | –44 | –13 | –69 | –107 | –199 |
| | **Total** | **3,683** | **3,646** | **3,839** | **4,121** | **4,030** |
| | Externa finansiella poster | 1,132 | 1,118 | 1,118 | 1,696 | 1,228 |
| | **Interest cover ratio (times)** | **3,3** | **3.3** | **3.4** | **2.4** | **3.3** |
| **Interest cover ratio, Class A**<br>Comparable EBITDA less income tax paid divided by external financial items, Class A | Comparable EBITDA | 3,728 | 3,659 | 3,908 | 4,227 | 4,230 |
| | Income tax paid | –44 | –13 | –69 | –107 | –199 |
| | **Total** | **3,683** | **3,646** | **3,839** | **4,121** | **4,030** |
| | External financial items, Class A | 1,021 | 1,019 | 1,029 | 1,618 | 1,228 |
| | **Interest cover ratio, Class A (times)** | **3,6** | **3.6** | **3.7** | **2.5** | **3.3** |
| **Leverage ratio**<br>External net debt divided by comparable EBITDA | External net debt | 39,654 | 39,342 | 38,892 | 38,649 | 35,528 |
| | Comparable EBITDA | 3,728 | 3,659 | 3,908 | 4,227 | 4,230 |
| | **Leverage ratio (times)** | **10,6** | **10.8** | **10.0** | **9.1** | **8.4** |
| **Leverage ratio, Class A**<br>External net debt, Class A divided by comparable EBITDA | External net debt, Class A | 35,640 | 35,324 | 35,907 | 35,666 | 35,528 |
| | Comparable EBITDA | 3,728 | 3,659 | 3,908 | 4,227 | 4,230 |
| | **Leverage ratio, Class A (times)** | **9,6** | **9.7** | **9.2** | **8.4** | **8.4** |
| **Adjusted equity**<br>Total equity plus 78 percent of the untaxed reserves | Total equity | 9,086 | 8,069 | 7,605 | 7,361 | 6,201 |
| | 78 percent of the untaxed reserves | 749 | 1,032 | 1,024 | 935 | 834 |
| | **Adjusted equity** | **9,835** | **9,101** | **8,629** | **8,296** | **7,035** |
| **Equity/assets ratio**<br>Adjusted equity divided by total assets multiplied with 100 | Adjusted equity | 9,835 | 9,101 | 8,629 | 8,296 | 7,035 |
| | Total assets | 92,972 | 89,253 | 86,459 | 83,543 | 80,048 |
| | **Equity/assets ratio (%)** | **10,6** | **10.2** | **10.0** | **9.9** | **8.8** |

# CEO's and Board of Directors' approval.

The Annual- and Sustainability report were approved for release by the Board of Directors and the CEO on 3 May 2022 and the income statements and balance sheets were adopted by the Annual General Meeting on the same date. The Board of Directors and the CEO assure that the Annual Report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and RFR2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, respectively, and good accounting practice, and it gives a true and fair view of the company's operations, position and results. The Board of Directors' report provides a true and fair view of the development of the company's operations, position and results and describes significant risks and uncertainties that the company faces. Furthermore, it is assured that the statutory sustainability report is prepared in accordance with the Annual Accounts Act, Chapter 6, §11 and that the sustainability as defined in the GRI index on pages 91–93, has been prepared in accordance with GTR's Standard guidelines.

Stockholm, 3 May 2022

Fredrik Persson
*Chairman of the Board*

Anna Belfrage

Lars Clausen

Göran Hägglund

Karin Jarl Månsson

Michael Mc Nicholas

Sten Olsson

Tomas Bergquist

Eyob Yehdego

Johan Lindehag
*Chief Executive Officer*

We submitted our audit report on 3 May 2022
Ernst & Young AB

Henrik Jonzén
*Authorised Public accountant*

# Auditor's Report.

**TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037–7326**

## REPORT ON THE ANNUAL ACCOUNTS

### Opinions

We have audited the annual accounts of Ellevio AB (publ) for the financial year 2021-01-01 – 2021-12-31. The annual accounts of the company are included on pages 40–65 in this document.

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 Ellevio AB (publ) as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Ellevio AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Valuation of intangible assets

Description

Reported value of intangible assets as per December 31, 2021 amounts to 43 830 MSEK, which equals 49% of the company's total assets. Of the reported value, 4 076 MSEK relates to goodwill and 38 656 MSEK relates to concessions. As described in note 2 impairment testing is done on an annual basis and on the indication of a need for impairment. In order to determine the value of a potential impairment loss an asset's recoverable amount is calculated. With the aim of determining a need for impairment, the assets are grouped together based on the lowest levels for which there are identifiable cash flows (cash-generating units). The recoverable amount is determined by calculating the value in use and in note 17 the main assumptions used when calculating the value in use are described. Intangible assets constitute a significant part of the company's total assets and the valuation of these are dependent of management's assumptions and judgments. Hence, we have assessed the valuation of intangible assets as a key audit matter in our audit.

How our audit addressed this key audit matter

In the course of our audit, we have evaluated the company's process for impairment testing. We have audited how cash-generating units are identified compared to set criteria and compared this with how the company internally monitors its business. We have evaluated the company's valuation methods and calculation models, assessed the reasonability of assumptions and sensitivity analyses over changes in assumptions with the assistances of our internal valuation specialists and made comparisons against historical results and the precision of prior projections. We have assessed the reasonability of the discount rate and the terminal growth rate through benchmarking to market data and, where applicable, companies in the same industry. We have also assessed whether the information disclosed is appropriate.

### Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–39 and 66–96. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that it gives a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

# Auditor's Report, cont.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Opinions**

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ellevio AB (publ) for the financial year 2021-01-01 – 2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Managing Director be discharged from liability for the financial year.

**Basis for opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Ellevio AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

Ernst & Young AB, was appointed auditor of Ellevio AB (publ) by the general meeting of the shareholders on April 28, 2021 and has been the company's auditor since April 26, 2018.

Stockholm May 3, 2022
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

# Corporate Governance Report.

Ellevio AB (publ), "Ellevio", is a public Swedish limited liability company with its head office in Stockholm.

At Ellevio, authority, management and governance are allocated among the shareholders, Board of Directors, Chief Executive Officer (CEO) and management team. Ellevio's corporate governance aims to ensure proper risk and internal control, a defined delegation of responsibilities, a healthy corporate culture, effective decision-making procedures and sound relations with the company's stakeholders, and thus to contribute to long-term value creation for the company's shareholders.

The Board of Directors hereby submits its corporate governance report for 2021. A statutory review of the corporate governance report has been carried out by company's auditors whose opinion is on page 71.

**Principles of corporate governance**

Corporate governance at Ellevio is based on applicable laws and ordinances, Articles of Association, shareholder agreement, internal policies and instructions.

The external regulatory policies primarily comprise the Swedish Companies Act, Swedish Annual Accounts Act, as well as other relevant laws. As a natural monopoly, the business is regulated in accordance with the Electricity Act and supervised by the Swedish Energy Markets Inspectorate (Ei). Ellevio also adheres to regulations applicable to companies with interest-bearing instruments registered on the Irish Stock Exchange. Ellevio is not subject to the mandatory requirement for listed companies to comply with the Swedish Corporate Governance Code (the Code) since the company does not have shares admitted to trading on a regulated market in Sweden.

The company's most significant internal governing document is the shareholder agreement signed by the four shareholders of Ellevio Holding 1 AB. The shareholder agreement stipulates how the Parent Company and Group's subsidiaries shall be governed. Other key governing documents are the Articles of Association and the Board's rules of procedure and instructions for the CEO and on reporting to the Board. In addition, there is a Code of Conduct along with internal policies and instructions that are adopted by the Board or by Ellevio and revised on an annual basis.

**Owners and ownership structure**

Ellevio AB (publ) is a wholly owned subsidiary of Ellevio Holding 4 AB. The Ellevio Group's Parent Company is Ellevio Holding 1 AB, which has the following ownership structure:

- The Third National Pension Fund, 20 percent
- Folksam, 17.5 percent
- The First National Pension Fund, 12.5 percent
- OMERS Infrastructure, 50 percent

The Group also includes Ellevio Holding 2 AB and Ellevio Holding 3 AB. The Group structure is presented in note 31 on page 64.

**Annual general meeting**

The annual general meeting is Ellevio's highest decision-making body, through which Ellevio's shareholders are entitled to govern Ellevio's business. The annual general meeting elects the Board of Directors and the auditors, decides their fees, adopts the income statement and balance sheet, resolves on the allocation of the company's earnings, grants the Board and CEO discharge from liability, and resolves on other matters pursuant to the law, Articles of Association and shareholder agreement.

The 2021 annual general meeting was held on 28 April at Ellevio's head office in Stockholm and through video and phone. All shareholders were represented and the auditors were present. No decisions were taken beyond the ordinary decisions at the annual general meeting. Given the limited amount of owners, neither a notification of nor minutes for the annual general meeting were published on the company's website.

The 2021 annual general meeting will be held on 3 May 2022 in Stockholm.

**Board of Directors and its work**

The overall task of the Board of Directors is to bear responsibility for the organisation and management of operations as well as financial reporting and sustainability reporting. The Board is also tasked with ensuring that Ellevio's organisation is designed in a manner that assures satisfactory control of accounting, asset management and financial conditions in general.

The Board is also responsible for establishing effective and appropriate systems for governance, internal control and risk management, as well as for establishing guidelines that aim to ensure long-term value creation. Furthermore, the Board should work to ensure that Ellevio act as an example for sustainable business practises in areas such as the environment, ethics, working conditions, human rights, equality and diversity.

The Board has to establish written rules of procedure governing its own work, and these should be revised and confirmed on an annual basis. These include instructions for the Board's areas of responsibilities and the boundaries versus the Board Committees as well as the CEO.

The Chairman of the Board is in charge of evaluating the work of the Board and reporting to the owners. This is done on an annual basis and aims to provide an overview of the Directors' opinions on how work is progressing, as well as what changes could be made to enhance efficiency.

Composition of the Board

According to the Articles of Association, the Board is to comprise no less than three and no more than ten members, and no more than ten deputies. The shareholder agreement states that the shareholders nominate Directors based on the size of the ownership and that the Board shall consist of seven members, of which one is independent chairman, and that the annual general meeting takes the final decision. As presented below each owner has nominated certain members of the Board of Directors. All elected Board members are independent of the company and the company's management.

In 2021, the Board consisted of seven Directors and two employee representatives. At the end of the year, the Board had the following members, Fredrik Persson, Chairman (independent), Anna Belfrage (nominated by the Third AP Fund), Lars Clausen (nominated by OMERS Infrastructure), Göran Hägglund (nominated by First AP Fund), Karin Jarl Månsson (nominated by OMERS Infrastructure), Michael McNicholas (nominated by OMERS Infrastructure), Sten Olsson (nominated by Folksam), Tomas Bergquist (employee representative) and Eyob Yehdego (employee representative). Deputies to the Board at the end of the year were Henrik Nordlander (nominated by the Third AP Fund), Johan Temse (nominated by the First AP Fund), Alastair Hall (nominated by OMERS Infrastructure), Morgan Holm (employee representative) and Jenny Evred (employee representative).

The following changes were made to the Board during the year. On April 19, Tomas Bergquist and Eyob Yehdego became ordinary emloyee representatives and Pamela Sundin and Mohamad Nazemi resigned as ordinary emloyee representatives .

On the same day, Morgan Holm became deputy employee representative. On November 11, Jenny Evred replaced Fredrik Ullman as deputy employee representative.The Board of Directors is presented on page 72.

Board meetings

According to the Board's rules of procedure, at least four ordinary meetings must be held each year. In addition to the ordinary meetings, the Board may be called to convene whenever necessary. In 2021, nine Board meetings were held at Ellevio, including the statutory meeting. Significant matters discussed included:

- Ellevio's strategic direction, business plan and goals (including sustainability targets)
- Updates on regulatory development
- The Corona pandemic impact on the business operations and management of the consequences
- Safety and security issues, particularly concerning working environment and information security

# Corporate Governance Report, cont.

- Investment decision including additional investment in the Beckomberga–Bredäng project in Stockholm and wind power connections
- Decision on the acquisition of Edsbyns Elverk
- Board evaluation

### Board Committees

Four Board committees have been established to enhance efficiency and opportunities for expanding the work of the Board: The Audit Committee, the Nomination and Remuneration Committee, the Finance Committee and the Sustainability Committee. The committees serve in an advisory capacity and their work primarily involves preparing matters for adoption by the Board. Meetings are minuted and committee chairs report on the progress of their work at every Board meeting. Representatives of Ellevio's executive management participate in committee meetings.

The Audit Committee is responsible for monitoring the financial reporting and the audit process. The Audit Committee monitors compliance with the relevant laws and the application of and compliance with corporate governance policies, including internal control and risk management. In 2021, the Audit Committee comprised Anna Belfrage (Chair) and Michael McNicholas.

The Nomination and Remuneration Committee is responsible for adopting policies for the appointment and dismissal of senior executives, establishing remuneration policies and terms of employment for senior executives, as well as reviewing the performance of senior executives in relation to set objectives. In 2021, the committee comprised Fredrik Persson as chairman, Alastair Hall and Sten Olsson.

The Finance Committee is responsible for reviewing the company's financial strategy and the ongoing monitoring of the financial risk exposure. In 2021, the Finance Committee comprised Alastair Hall (Chair), Sten Olsson, Henrik Norlander, Johan Temse and Eyob Yehdego (employee representative).

The Sustainability Committee is responsible for assessing the strategy, monitoring performance in relation to set targets, identifying key areas of improvement and contribute to greater awareness of the importance of the areas health, safety, security, environment and climate. In 2021, the Sustainability Committee comprised Karin Jarl Månsson (Chair), Lars Clausen and Tomas Bergquist (employee representative).

### Board fees

The shareholders have submitted a proposal for adoption by the annual general meeting concerning Board fees. The 2021 annual general meeting adopted a resolution on fees pursuant to the proposal submitted by shareholders.

Board members, elected by the annual general meeting, could be remunerated for services within their respective areas of expertise in specific cases, if it does not constitute board work. For these services, a market-based fee shall be paid, which the Board shall approve. Information on Board fees for 2021 can be found in note 10 on pages 57–58.

### Auditor

The task of the auditor is to independently review the administration of the Board and CEO along with the company's annual report and bookkeeping. The annual general meeting is responsible for electing an external auditor. Auditors are elected for a term of one year, in accordance with the main rule of the Swedish Companies Act. Pursuant to the Articles of Association, Ellevio must have one or two auditors. An auditing firm can be elected as Ellevio's auditor.

At Ellevio's annual general meeting on 28 April 2021, Ernst & Young AB was elected as the company's auditor for the period until the end of the 2022 annual general meeting. The principal auditor is authorised public accountant Henrik Jonzén.

The auditor reported the findings of the review of the 2021 annual accounts to the Audit Committee at its meeting of 14 February 2022 as well as to the Board at the Board meeting of 3 May 2022.

### CEO and management team

The Board of Directors appoints the CEO, who is responsible for the day-to-day management of Ellevio in accordance with the Board's instructions. The allocation of responsibilities between the Board and the CEO is, in addition to the rules that apply to limited liability companies, specified in an instruction adopted annually by the Board of Directors.

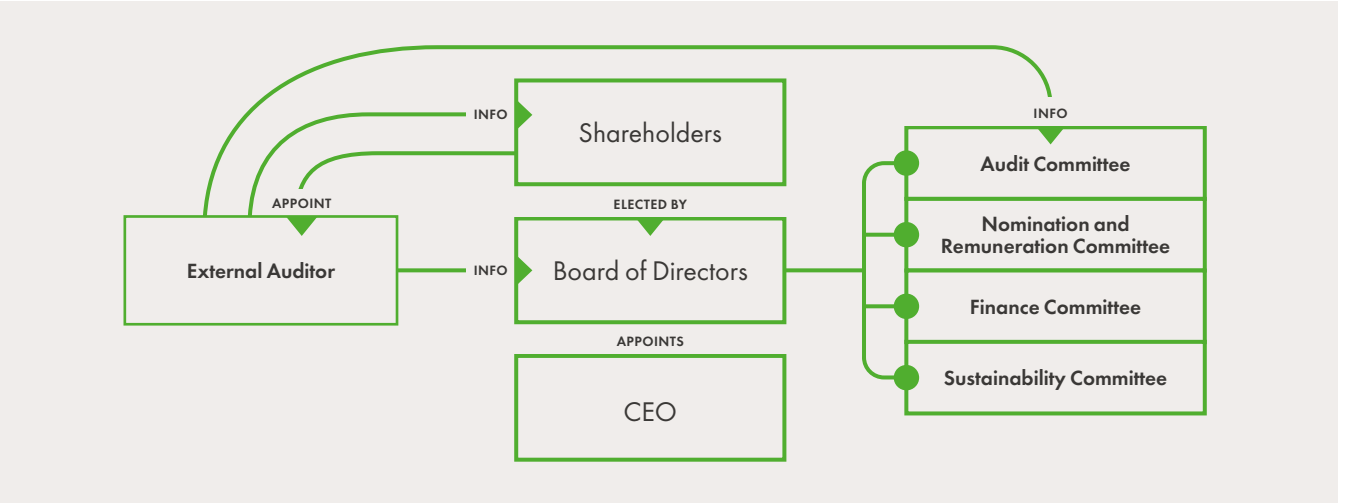
The CEO's responsibility includes, but is not limited to, the operation of the business, human resources, finances and accounting, and maintaining regular contact with Ellevio's stakeholders, such as government agencies. The CEO is responsible for ensuring that the Board receives the information it requires to take decisions and delivers monthly reports to the Board regarding financial circumstances, significant events and other important information.

The CEO has appointed a management team that is in charge of day-to-day operations. The management team meets regularly to make decisions about and monitor the business, to discuss issues linked to the organisation and human resources, as well as current projects and other matters.

The management team, including the CEO, is presented on page 73.

### Guidelines for remuneration of senior executives

Ellevio's principles for the remuneration of senior executives state that the company is to offer market-based terms of employment that enable Ellevio to



recruit, develop and retain senior executives. In this context, 'senior executives' refers to the CEO and other members of Ellevio's management team. The total remuneration package consists of a combination of fixed monthly salary, variable remuneration, pensions and other benefits.

The Remuneration Committee handles remuneration matters for senior executives. The Remuneration Committee draws up and handles proposals for decisions regarding the CEO's remuneration and employment conditions, which are then decided by the Board of Directors. The Board evaluates the work of the CEO annually. For the other senior executives, proposals are drawn up for decisions regarding remuneration and employment conditions by the CEO, based on the frameworks and directives resolved by the Remuneration Committee. The proposal is submitted to the Remuneration Committee for approval.

Remuneration to senior executives should normally consist of a fixed and a variable portion. The fixed salary for senior executives should be based on the market as well as their level of skill, responsibility, experience and performance. The variable portion is divided up into two programmes: a bonus programme that applies to all employees and a long-term incentive programme that applies to the CEO and members of the management team. All variable remuneration should have an established maximum ceiling. The Remuneration Committee monitors and evaluates variable remuneration programmes at Ellevio.

Pensions and pension benefits should be offered via defined contribution schemes, which means that an established percentage of the individual's annual basic salary is paid into a pension premium. When determining the size of the premium, total remuneration should be taken into account. The retirement age for the CEO and senior executives is 65.

The period of notice for the CEO is six months both for resignation and when termination is initiated by the company. If the CEO's employment is terminated by Ellevio, compensation equivalent of up to 12 months' salary is payable in addition to the salary during the notice period. Any income from other employment and/or other proceeds from other activity during the period for which the CEO receives severance pay shall be deducted from the severance pay. No other remuneration is paid if the CEO resigns.

The employment terms of other senior executives are consistent with the market and there are no agreements providing for termination salary in excess of six months, nor any agreements on severance pay.

For more information regarding remuneration of the CEO and senior executives in 2021, refer to note 10 on pages 57–58.

**Operational management and internal control**

The Board and management team work in accordance with an annual cycle including a structured process for strategic business planning and operational monitoring. All Ellevio's activities are based on Ellevio's values, which are in turn based on the key words reliability, commitment and development. Ellevio's business is operated in accordance with Ellevio's Code of Conduct.

Ellevio maintains policies, instructions and procedures that are intended to establish rules and responsibilities for specific areas and to define mandates and authority. In addition to the policies adopted by the Board, there are also policies determined by the CEO, as well as instructions and procedures determined by the head of each business function. In line with the operational management structure, the management has produced policies within the areas of sustainability, financing, management of insider information, security, whistleblowing and others.

These documents are available to all employees. They are revised on an annual basis or when necessary to ensure compliance with the prevailing laws and provisions and so forth. The organisation is continuously updated and given training in policies, instructions and procedures. Overall, this internal framework covers all relevant operational areas in an appropriate manner.

Risk management is an integrated element in the planning, governance and monitoring of operations. Business risks are assessed through the strategy and planning activities of the Board and management, and the underlying premise is that risks are managed on a day-to-day basis in the operations in which they arise. For further information on risks and risk management, see page 42 Risks and uncertainties.

Ellevio conducts internal control efforts aimed at ensuring that operations are managed in a secure, appropriate and efficient manner. Internal control mechanisms for financial reporting aim to secure that Ellevio prepare reliable financial statements and reporting, and to comply with applicable laws and regulations.

Ellevio has information and communication channels that aim to promote completeness and accuracy in its financial reporting. The annual report and half-year reports specify which parts are formal financial reports, the regulations on which they are based and which parts have been audited by the company's auditor. Ellevio publishes the half-year report, year-end report and annual report on the company's website.

Ellevio's operations are subject to supervision by Ei and means that financial and operational reporting should be conducted yearly. These reports can be found on Ei's website.

**Sustainability**

Sustainability is an integrated part of Ellevio's vision and the company is working systematically to integrate sustainability into the business plan and operational management. The Board of Directors is consistently involved in Ellevio's sustainability initiatives and receives monthly progress reports.

In 2017, Ellevio joined the UN Global Compact, which covers the areas of human rights, labour law, environment and anti-corruption.

The UN Sustainable Development Goals are an integrated part of Ellevio's business strategy. Our core business has the biggest impact on the following four goals:

- Goal 7, Affordable and Clean Energy
- Goal 9, Industry, Innovation, and Infrastructure
- Goal 11, Sustainable Cities and Communities
- Goal 13, Climate Action

# Auditor's report on the corporate governance statement.

**TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037–7326**

**Engagement and responsibility**

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2021-01-01 – 2021-12-31 on pages 69–71 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**

Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement.* This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

**Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm May 3, 2022
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

# Board of Directors.

**FROM LEFT TO RIGHT, STANDING:**

**Tomas Bergquist**
Employee representative
Year of birth: 1967, member of the board since 2021

**Michael McNicholas**
Year of birth: 1961, member of the board since 2019

**Göran Hägglund**
Year of birth: 1959, member of the board since 2019

**FROM LEFT TO RIGHT, SEATED:**

**Karin Jarl Månsson**
Year of birth: 1964, member of the board since 2018

**Sten Olsson**
Year of birth: 1953, member of the board since 2019 and as deputy member since 2015

**Fredrik Persson**
Chairman
Year of birth: 1968, member of the board since November 2020

**Anna Belfrage**
Year of birth: 1962, member of the board since 2019

**Lars Clausen**
Year of birth:1959, member of the board since 2018

**NOT IN THE PHOTO :**

**Eyob Yehdego**
Employee representative
Year of birth: 1976, member of the board since 2018

# Management Team.

**FROM LEFT TO RIGHT, STANDING:**

**Jörgen Hasselström**
Network and Operations
Year of birth: 1972,
joined the business in: 2019

**Emma Thorsén**
Customer and market
Year of birth: 1973,
joined the business in: 2019

**David Bjurhall**
Reglering
Year of birth: 1975,
joined the business in: 2010

**Elisabeth Stjernstoft**
Projects and IT
Year of birth: 1969,
joined the business in: 2021

**FROM LEFT TO RIGHT, SEATED:**

**Erika Abrahamsson**
Legal
Year of birth: 1965,
joined the business in: 2011

**Anna Lidberg**
Communications
Year of birth: 1968,
joined the business in: 2008

**Kristofer Fröjd**
Strategy & business development
Year of birth: 1980,
joined the business in: 2016

**Susanne Bragée**
HR
Year of birth: 1963,
joined the business in: 2019

**Johan Lindehag**
CEO
Year of birth: 1972,
joined the business in: 2000

**Anna-Karin Käck**
Finance
Year of birth: 1976,
joined the business in: 1999

# Sustainability information.

## Our sustainability initiatives

Ellevio takes steps to enable the transition to a more sustainable society. Our sustainability initiatives entail financial, social and environmental responsibility, and the fundamental aspect is to ensure that we comply with very strict demands and expectations in these areas. Sustainability is one of the most important elements of our business and is integrated into the entire business.

Ellevio's financial responsibility means that over time we must ensure financially stable operations for our customers, investors and employees. In this way we can make the investments required so that we will continue to have a sustainable electricity network for our customers in the future, while at the same time providing a reasonable and sustainable return to our investors and offering a good workplace for our employees. We work continuously to streamline operations and make investments in the electricity network.

Our social responsibility means we must serve as a positive operator in society that drives the development of a sustainable energy system in line with expectations from partners, customers, authorities and other stakeholders. We should be a safe and attractive employer and contractor.

Ellevio's environmental responsibility has two dimensions: partly our contribution to the transition to a sustainable energy system, and partly our internal efforts to reduce our climate and environmental impact and use as few natural resources as possible. In addition to this, and together with customers and business partners, we want to play an active role in efforts to contribute to a carbon-neutral and climate-smart society.

## Sustainability strategy and significant issues

Ellevio's sustainability initiatives are not merely a question of complying with laws and regulations, but also taking social responsibility by identifying our significant sustainability issues and working on constant improvements. This means that we must establish clear targets and action plans, measure our results and both analyse and take measures where necessary.

Our sustainability strategy consists of three focus areas based on the significant sustainability issues identified in the most recent materiality analysis conducted in 2020:

- An active role in the transition to a fossil-free society (see page 79)
- An energy system for a bright and sustainable future (see page 81)
- A sustainable company (see page 84)

### Commitments

Sustainability is an integral part of Ellevio's operations and we want to be a pioneer that contributes to sustainable societal development. We have established six strategic commitments in the area of sustainability:

Reduced climate and environmental impact: We will drive the energy transition and, together with customers and partners, contribute to counteracting climate change. We must be highly aware of our environmental and climate impact, and we work actively to reduce our own carbon and environmental footprint.

Customer experience that exceeds expectations: Our customers will perceive us to be reliable, committed and proactive. In addition to a reliable supply of electricity, we will offer our customers a digital platform that enables efficiency enhancements along with new e-mobility services and personal electricity production. We will exceed customers' expectations and drive developments towards a fossil-free society in a way that helps the constumers to contribute themselves to that transition.

Long-term regulatory conditions: We take active steps to ensure long-term electricity grid regulation. This will reward efficiency and high quality of supply and will act as an incentive for electricity grids, enabling them to contribute to solving the energy system's challenges while meeting national and global climate targets.

### Materiality analysis methodology, 2020

Over 1,200 people, including 200 employees, participated in Ellevio's most recent materiality analysis with the following steps:

1. **A competitor overview** to identify a general list of relevant sustainability issues
2. **Interviews** with key figures at Ellevio
3. **Stakeholder dialogues** via surveys and interviews with decision-makers, opinion-formers and experts
4. **A working meeting** with the management team and other key people with sustainability skills
5. **Analysis and compilation** of the results, including identification and prioritisation of significant sustainability issues

Long-term investments: Ellevio will ensure a security of supply that meets the needs of customers and society. Through long-term investments, we will work to reduce the risk of long power outages. Increasing automation and remote management of the network help ensure more efficient troubleshooting processes. We are also working to increase the proportion of connected renewable electricity production on our grids. We will prevent and manage risks linked to climate change, including through long-term investments.

Safe workplace: Our safety culture will be well-established at the company and among those who are contracted to work for us on our electricity grid projects. This will lead to improved safety and contribute to our vision of an accident-free workplace. Our proactive efforts will create the conditions for safe operations and infrastructure and strengthen our ability

to withstand disruptions and restore operations following unexpected events.

**High level of employee engagement:** Ellevio will be an attractive company – the first choice of employer for experienced engineers, highly qualified employees, managers and recent graduates. We will have an inclusive corporate culture in which diversity contributes to success. We must live by our values – reliability, commitment and development – and respect each other and our other stakeholders.

## 2030 Agenda

Ellevio supports the UN's Sustainable Development Goals (2030 Agenda) as well as the Paris Agreement, and is playing an important role in the transition towards a climate-neutral society by 2045. In connection with our latest materiality analysis, we also evaluated how Ellevio's business operations contribute to the 2030 Agenda and the UN's sustainable development goals. The analysis showed that we have a direct impact on four goals in particular:

**Goal 7: Affordable and clean energy.** Sustainable energy is the basis of our mission and is the purpose of Ellevio's investments. By developing the electricity system, we can supply the society with more renewable electricity produced by the sun and wind. This also involves guidelines for realising energy efficiency enhancements, to which our efforts relating to the next generation of smart electricity meters is contributing.

**Goal 9: Industry, innovation and infrastructure.** An electricity network that ensures security of supply is a prerequisite for for thriving industries and enterprises and for people to live and work across Sweden, be it in a city or in a rural area. The electricity network is also an enabler of the transition towards a fossil-free society in which industry and transportation run on electricity.

**Goal 11: Sustainable cities and communities.** A reliable and modern electricity network enables society to continue the electrification process and more people to get involved and make greener choices. Our electricity network plays a vital role in terms of sustainable urbanisation and the development of a growing capital region. By burying power lines, we also make space for more green areas and housing, while safeguarding the network from the impact of weather and climate-related risks. We also provide smart solutions for, among other things, charging electric vehicles and installing solar cells.

**Goal 13: Climate action.** Electrification is a crucial aspect of the transition towards a fossil-free society. We are modernising the electricity network to enable the electrification of industry and transportation and to allow for an increase in renewable energy sources such as solar and wind power. In doing so, we simultaneously create job opportunities that in turn promote growth. We are also reinforcing our electricity grids so that they can withstand the impact of extreme weather linked to climate change. We are also working to reduce climate emissions from our own operations.

In addition to these, Ellevio also contributes to the following UN sustainable development goals: **Goal 5:** Equality, **Goal 8:** Decent work and economic growth; **Goal 15:** Life on land; **Goal 16:** Peace, justice and strong institutions; and **Goal 17:** Partnerships for the goals.

## Stakeholders

Ellevio is responsible for critical operations with close to one million customers in Stockholm and Mid-Sweden. We have continuous contact with a large number of stakeholders through our operations and the hundreds of electricity network projects we carry out every year. This entails a responsibility in terms of balancing and reacting to stakeholders' decisions and priorities. It is vital for Ellevio to understand what is expected of us, find suitable solutions and take the best possible decisions. We have classified our most important stakeholder groups as customers,

## Ellevio's sustainability strategy

### An active role in the transition to a fossil-free society

**Commitments:**
- Reduced climate and environmental impact
- Customer experience that exceeds expectations

**Significant sustainability issues:**
- Electrification of the transport sector and industry
- Smart electricity networks
- Increase the proportion of renewable energy

**Objectives:**
- Larger proportion of renewable energy
- Smart electricity meters for all customers by the end of 2023

### An energy system for a bright and sustainable future

**Commitments:**
- Working to ensure long-term regulatory conditions
- Long-term investments

**Significant sustainability issues:**
- Responsible, long-term investments and stable infrastructure
- Impact from climate change
- Security of supply
- Supply affordable energy
- Biodiversity along our power lanes

**Objectives:**
- At least 99.98 percent availability across Ellevio's network
- A sustainable and predictable regulation and shorter permit processes over the long term
- The financial market considers our investments to be green and provides capital
- Promote diodiversity along power lanes

### A sustainable company

**Commitments:**
Safe workplace
- High level of employee engagement

**Significant sustainability issues:**
- Crisis management and preparedness
- Dialogue with local communities
- Business ethics and anti-corruption
- Reduced climate impact
- Responsible purchasing
- Health and safety
- Attractive employer

**Objectives:**
- Zero-vision against accidents
- Customer satisfaction index
- Fossil-free/electric contracts and domestic transport
- Reduced greenhouse gas emissions within scope 1, 2 and 3

employees, contractors and suppliers, authorities, decision-makers, owners, investors, and local operators affected by our operations.

On pages 5–6 and 20–21 we describe our business model and how Ellevio creates value in society.

## Industry collaboration and skills development

Ellevio collaborates with a number of different industry organisations and initiatives in order to promote long-term, sustainable industry development and regulation at local, national and international level.

Examples of such affiliations include:

- The Swedish Balance Commission (Balanskomissionen)
- Energiföretagens arbetsgivareförening AB (EFA)
- Energiforsk
- Swedenergy
- European Distribution System Operators Entity (DSO Entity)
- Håll Nollan initiative
- Advisory Council for Electricity Contingency Planning
- PowerCircle
- Stockholm Chamber of Commerce
- The Centre for Business and Policy Studies
- The 2030 Secretariat

For a network company like Ellevio, the energy transition and climate issues are the main driving forces for the entire business. This also applies to the energy sector in general, and Ellevio is an active member of the industry association Swedenergy, which gives the company continuous access to up-to-date sector-related information. Both the Board and the management team at Ellevio therefore have a high level of climate expertise as well as ongoing collaborations with other leaders and energy and climate experts in the industry. As part of Ellevio's active lobbying efforts relating to the electricity systems of the future, management participates in industry forums and conferences that address areas such as climate-related risks and opportunities. Employees' expertise in climate and environmental issues is ensured through initiatives such as internal lectures, weekly newsletters from the CEO, articles on the intranet and Ellevio's culture week.

### Policies and guidelines that guide Ellevio's sustainability initiatives:

- Sustainability policy
- Code of Conduct
- Ellevio's sustainability requirements for contracts
- Code of Conduct for suppliers
- SF6 policy
- Risk policy
- Grid policy (planning and development, including redundancy)
- Regulatory compliance policy
- Anti-corruption policy
- Competition policy
- Privacy policy
- Whistleblowing policy
- Biodiversity policy
- Safety policy

## Management of sustainability initiatives

The Board of Directors bears ultimate responsibility for Ellevio's sustainability initiatives. All major sustainability issues, such as joint improvement targets, activities and measurements, are prepared by one of the Board-appointed sustainability committees, which consists of participants from both the Board and management. Ellevio's Head of Sustainability is responsible for coordinating the meetings of the sustainability committee.

The Head of Sustainability drives and develops Ellevio's sustainability initiatives, including the company's climate intiatives, and reports regularly to the Head of People, Culture & Sustainability, who is responsible for sustainability in the management team. The Head of Sustainability also informs the entire management group about the initiatives at most of the management group's meetings and is also responsible for ensuring compliance with the sustainability policy, driving efforts to achieve the sustainability strategy and targets, as well as ensuring that proactive work on climate-related risks and opportunities continues.

Ellevio's Code of Conduct – which reflects the UN Global Compact's ten principles and Ellevio's sustainability policy – permeates all operations and forms the basis for governing sustainability initiatives. The content is reflected in the business strategy, environmental management systems, working environment initiatives, collaboration with stakeholders and in day-to-day work generally. Both the Code of Conduct and the sustainability policy have been adopted by Ellevio's Board of Directors. In addition to these policies, there are further policies and guidelines that govern the sustainability initiatives: Ellevio has an environmental management system certified in accordance with ISO 14001:2015. This ensures that environmental aspects and environmental risks are managed in a systematic way. When purchasing, Ellevio requires suppliers to make systematic efforts to reduce their environmental impact, ensure that human rights are respected and that good working conditions are provided for employees. These requirements are established in a special Code of Conduct for suppliers. For contracts, there are additional contract requirements regarding sustainability.

The sustainability initiatives rely on committed and knowledgeable employees, which is why we offer continuous training in sustainability issues. All employees undergo mandatory annual online training in safety and the Code of Conduct.

The company's sustainability risks are reviewed each year, including climate-related risks. This forms part of the company's regular risk review and is reported to the Board.

### Sustainability analysis before investment decisions

There are several sustainability aspects that must be considered for large infrastructure projects and investments in the network, such as choice of materials, project implementation method and whether the planned location involves any environmental or human impact. All projects over SEK 5 million and SEK 10 million respectively (local and regional networks) must therefore undergo a sustainability analysis before an investment decision can be taken. The aim of the analysis is to ensure that every relevant sustainability aspect and risk is taken into account in the investment proposal. By integrating and mapping such sustainability aspects during the investment process, we are able to increase our understanding of sustainability. The analysis ensures that the investment proposals are in line with Ellevio's environmental, climate and sustainability targets.

## Sustainability risks and opportunities

Risk management at Ellevio is an integral part of our operational planning, governance and follow-up. Risk management is decentralised, and each organisational unit is responsible for indentifying, managing and remedying risks. Risk management also involves contractors who, at the beginning of assignments, must present work environment and environmental plans that contain descriptions of how risks are identified, assessed and remedied.

The finance function is responsible for coordinating Ellevio's risk management and for annually reporting significant risks together with action plans to the Board. Ellevio's Audit Committee bears overall responsibility for following up on the company's risk management. The precautionary principle is followed, which refers to the evaluation and management of sustainability risks linked to Ellevio's operations.

The high level of activity within Ellevio's electricity network entails both safety and environmental risks. To reduce these risks, we work on safe workplace initiatives and behaviour-based safety. This includes site visits, checks that our Code of Conduct for suppliers is being complied with and sustainability assessments prior to new investments.

### Climate-related risks and opportunities

Climate change is a strong driving force behind the energy transition. This entails major opportunities for Ellevio's operations, while at the same time requiring them to be continuously and increasingly adapted to manage the risks that accompany a changing climate. Ellevio therefore regularly analyses climate-related risks – both physical and adjustment risks – and identifies measures that need to be taken to minimise the risks of a negative impact on operations.

### Formalised climate action

In 2021, Ellevio has begun formalizing and clarifying our work on identifying and managing climate-related risks and opportunities from the perspectives of governance, strategy, risk management and measurement values and goals. Our work is based on the TCFD's (Taskforce on Climate-related Financial Disclosure) recommendations and assesses climate-related opportunities and risks that exist in the business, as well as necessary measures. Ellevio will report for the first time in line with TCFD in 2021 – see index on page 90.

These risks were identified and assessed during the year through a number of internal workshops and analyses, in which employees participated from areas such as operations and maintenance, facilities, network planning, technical development and sustainability. The report entitled "The impact of climate change on the electricity network" (Swedish: Klimatförändringarnas inverkan på elnätet, 2021) produced by Energiforsk also contributed important expertise to this work. Energiforsk's project includes about 15 leading researchers from Chalmers University of Technology, IVL Swedish Environmental Institute, Profu and SMHI.

### 1.5-degree scenario

In our initial analysis, we have assumed Energiforsk's scenario of a temperature increase of 1.5 degrees, whereby Sweden's climate is expected to be impacted sometime between the next 10 and 30 years, by, among other things:

- More weather-related extremes such as intense rainfall, increased precipitation in connection with low pressure and a greater risk of heat waves
- Higher average temperature – mainly in winter, but also in summer
- Shorter winter season with more precipitation
- Longer summer season

Based on the potential consequences of climate change for the electricity grids, we are making assessments of how technical infrastructure at our facilities may be affected and what measures will be required.

**Sustainability risks and opportunities**

| Risk areas | Description of risk | Potential impact |
|---|---|---|
| Responsible purchasing/ Supplier relationships | Risk of corruption before and during procurements and during implementation phase | Legal consequences |
| | Suppliers, including contractors, that do not live up to Ellevio's Code of Conduct for suppliers | Personal injury |
| | | Damage to the environment |
| | | Legal consequences |
| Environmental and climate impact | Products containing forbidden substances | Injury/ill-health among staff during handling |
| | | Damage to the environment |
| | | Legal consequences |
| | Leakage of oil along oil-filled power lines or from transformers | Damage to the environment |
| | | Increased sanitisation costs |
| | $SF_6$ leakage | Negative climate impact |
| | We do not comply with applicable laws and regulations | Legal consequences |
| | | Increased costs, weaker earnings |
| | Creosote poles used in a way that is not in line with Ellevio's guidelines | Damage to environment or individuals |
| | Extreme weather events and climate change | See specific risk table below |
| Health and safety | Unsafe working conditions or lack of risk awareness among employees who work at Ellevio or on behalf of Ellevio | Accidents or fatalities |
| | | Weakened productivity |
| | | Legal consequences |
| Security of supply | Major, long-term disruptions to electricity supply | Consequences for society |
| | Crisis preparedness during disruptions to electricity delivery | Financial consequences |
| IT and information security | Major IT disruptions and/or loss of customer data or other types of data | Consequences for society |
| | | Legal consequences |

## Climate-related risks

Ellevio's operations are affected both by transition risks related to society's energy transition and physical risks linked to changes due to global warming. In general, Ellevio sees relatively minor climate-related risks for the business.

### Transition risks and physical risks

The transition risks we have identified are mainly linked to Ellevio's long-term ability to meet future demands on the electricity network – society's increasing electricity need is creating new demands and changing market conditions.

In terms of physical risks, the climate-related parameters deemed to be most important for Ellevio's electricity network include floods, fires, temperature, lightning and strong winds. These are areas on which Ellevio has worked continuously for many years. Our risk management in this area is well established and ensured through continuous investments and maintenance, which guarantee reliability of supply and capacity throughout the network. Taking extreme weather into account during new construction is an integral part of this process. We also have a contingency perspective involving efficient troubleshooting processes and a major disruption organisation, which have always been natural parts of Ellevio's work to fulfil our core mission, to deliver reliable electricity to our customers.

### Inventory before new projects

Ellevio's infrastructure is built to last today, tomorrow and in 50 years, and must therefore be able to withstand extreme weather events. A site-specific risk inventory is therefore produced for major projects, which also contains climate-related risks relating to temperature, landslides, mudslides, storms and floods.

## Climate-related opportunities

Both climate change and the energy transition needed in connection with it lead to opportunities for companies that can offer solutions, such as Ellevio. The electricity network operations themselves are a prerequisite and an enabler of climate change. This entails several growth opportunities for Ellevio, in part as a result of the extensive need for investment as the capacity of the electricity network must be strengthened, modernised, digitised and expanded to transition into the energy system of tomorrow.

This transition also paves the way for collaboration with partners to develop new services that support customers in the energy transition and strengthen the customer experience. Ellevio has, in the ambition to contribute to the energy transition, identified further opportunities to create additional sales and strengthen the customer experience in a number of areas, including:

- New charging infrastructure services
- Installation and other services connected to solar panels
- Connection of wind farms
- Development of flexibility services

**Climate-related risks**

| Risk area | Risk description and potential impact | Risk management |
|---|---|---|
| Transition risks | Regulatory and technical risks in the form of legal requirements and policy instruments that change the conditions for our operations, for example:<br>Long permit processes that lead to the expansion of the electricity network not taking place at the desired pace<br>New taxes and price of emissions allowances<br>New requirements on the use and release of $SF_6$ | Ellevio works actively with external monitoring and analysis as well as lobbying efforts, and closely monitors regulatory and technical developments. Correct prioritisation of grid investments and maintenance is ensured through active management. Through continuous process development, we reduce internal lead times and strengthen the capacity for change management in order to adapt the business to changing requirements and new legislation. |
| | Market and branding risks linked to not being able to meet society's and customers' expectations of electricity transmission, for example:<br>Long permit processes that lead to the expansion of the electricity network not taking place at the desired pace<br>Lack of staff with the right skills<br>Lack of understanding in society about the costs of electrification | Through active lobbying efforts, Ellevio works to ensure sustainable regulations and efficient processes over the long term and contributes to social acceptance of the energy transition and its costs. Confidence-building communication initiatives, brand-building and industry collaborations strengthen the company's position.<br>Internal training initiatives, industry collaborations, initiatives to attract students to educations in energy and electric power and Ellevio's internal recruitment competence, contribute to securing the supply of skills. |
| Physical climate risks | Weather-related events that may cause outages or damage to facilities and equipment:<br>Storms – trees can fall on power lines<br>Lightning – flashes and fires<br>Fires (related to drought or thunder) – poles and substations could be ignited<br>Floods – risk of power outages if network and substations end up under water and risk of contaminated water leaking from protective trenches<br>Ice and snow – could create suspension of cables | Through active management, Ellevio ensures the correct prioritisation of grid investments and maintenance and reduces risks associated with weather-related events.<br>Weather-proofing linked to strong winds and hanging ice and snow has long been conducted by burying power lines. The risk of trees falling on lines is also reduced through continuous clearing of power lanes.<br>When it comes to fire risk, power lines are mapped based on the risk of being knocked out in fires. To avoid redundant lines being affected by the same fire, new construction and upgrades are planned with this aspect in mind.<br>To avoid floods, active work is being carried out to enable substations to be built in safe places, such as at higher altitudes. By installing automatic pumps with sensors, level gauges and alarm functions, the risk of flooding in transformer pits that could lead to leakage of contaminated water or damage to equipment is reduced. |

# Sustainability results.
# Focus area: An active role in the transition to a fossil-free society.

**Ellevio is taking an active role in enabling a fossil-free society and works to help customers and partners in the climate transition. This is also one of the focus areas in our sustainability initiatives.**

## Electrification of transport and industry

An increasing share of renewable electricity from large and small-scale solar and wind power facilities, continued digitalisation of society and – not least – the ongoing electrification of the transport sector and industry are all placing intense demands on Sweden's electricity grids. The grids must be reliable and flexible. As one of Sweden's largest network companies, Ellevio plays an important role in this transition.

The transport sector accounts for nearly a third of greenhouse gas emissions in Sweden today and an electrified vehicle fleet will play a major role in achieving the national climate targets. Among other things, Sweden's target is for emissions from domestic transport, in addition to domestic flights, to decrease by at least 70 percent by 2030 compared with 2010. For the transition to work, a comprehensive and accelerated expansion of charging infrastructure is required for both private cars and heavy goods traffic. This expansion will require major investments in Sweden's electricity network.

Electric vehicles present both an opportunity and a challenge for the electricity network – they lead to increased load and a need for more capacity and load governance, but thanks to their batteries also offer a potential opportunity for storage that could play an important role in balancing electricity consumption in the future.

The transition of Sweden's industry away from fossil fuels is another prerequisite for Sweden to achieve its climate targets. Industry's roadmap within the Fossilfritt Sverige (Fossil-free Sweden) initiative shows that electricity is a solution.

In 2021, new calculations were publiced which estimate that Sweden's electricity consumption will increase by up to 120 percent, from the current 140 TWh to 310 TWh per year in 2045. The increase is mainly driven by the transition of industry and the transport sector towards electricity, although population growth and increased digitalisation are also expected to contribute to increased demand for electricity. The need for investments at all grid levels of the electricity system is estimated to come to a total of some SEK 670 billion by 2045, according to a Sweco report that was published in the beginning of 2022.

## Smart electricity networks

Ellevio is currently introducing the next generation of smart electricity meters, representing an important part of the smart electricity networks of the future. Smart electricity networks provide electricity consumers and producers new opportunities to contribute to a sustainable energy system that uses energy more efficiently. In the case of the electricity networks of the future, Ellevio will install information technology that gathers, relays, stores and analyses information from thousands of measurement points. This makes it possible to both control the electricity grids more efficiently and to offer new services that can simplify customers' everyday lives.

A smart grid can also lead to fewer and shorter power outages, as Ellevio gains the opportunity to take preventive action in the sense that the equipment can give an indication of a problem before it leads to an outage. The grids will also be able to solve problems themselves through automatic switches and by providing information that an outage has occurred and where it is located.

The new smart electricity meters also enable other improvements, such as more frequent measurement and a more accurate picture of electricity consumption. This means that electricity can be used in a more climate-smart and cost-effective way. Examples of new services that will be enabled include smart electric vehicle charging, smart heating and the opportunity to produce your own electricity more easily.

The meter replacement process continued apace in 2021. In total, just over 400,000 second generation smart electricity meters were installed during 2020–2021, most of which within the framework of the meter replacement project. Read more about our smart electricity meter initiative on page 29.

In late 2021, an investment decision was also made on the Vision 2030 digitalisation project – Stockholm. The project, which will run until 2026, aims to bridge the gap between today's energy system and that of the future. Network automation will improve security of supply, while increased digitalisation will create opportunities for new data-driven processes.

## Increase the proportion of renewable energy

Ellevio is investing in the electricity networks to allow for a transition towards renewable energy sources such as solar and wind power. This involves working actively to connect renewable energy sources by way of close collaborations with wind and solar power developers. Ellevio also has specific processes to help micro-producers who want to produce electricity using solar panels. In total, input of wind power into our electricity network amounted to 4.0 TWh (4.1) in 2021, which equates to 26 percent (28) of the total amount of electricity directly supplied by sources of production. Connected wind power to Ellevio's grids increases from year to year. However, electricity production can vary depending on wind conditions.

It is estimated that 93 percent (96) of the electricity fed into our electricity grids comes from renewable sources of hydro, wind and solar power. Of the remaining 7 percent of electricity supplied, a majority of CPH is produced using renewable raw materials.

| **Electricity from renewable sources, MWh** | **2021** | **2020** | **2019** |
|---|---|---|---|
| Hydropower | 10,249,423 | 9,785,582 | 9,449,844 |
| Wind power | 3,980,212 | 4,146,330 | 2,386,282 |
| Solar power | 67,237 | 50,991 | 26,820 |

| **Wind energy** | **2021** | **2020** | **2019** |
|---|---|---|---|
| No. of wind farms | 672 | 574 | 541 |
| Total connected power, MW | 2,300 | 1,724 | 1,587 |

| **Solar energy** | **2021** | **2020** | **2019** |
|---|---|---|---|
| No. micro-producing customers[1)] | 11,608 | 8,146 | 5,553 |
| Total connected power, MW | 169 | 116[2)] | 77 |

[1)] Refers to solar energy connected to the low-voltage network
[2)] Information adjusted since last year's report

## EU taxonomy: Electricity networks play an important role in the transition to a fossil-free society

The EU taxonomy for sustainable investments is a classification system that aims to classify environmnetally sustainable economic activities. The taxonomy will be an important tool in achieving the EU's environmental objectives and the objectives of the EU's green growth strategy, the Green New Deal.

In order for an activity to be classified as environmentally sustainable according to the taxonomy, it must make a significant contribution to one or more of the six established environmental objectives, do no significant harm to any of the other objectives, and meet certain minimum requirements relating to social sustainability. Furthermore, the activity must comply with more detailed conditions, known as technical screening criteria.

### Ellevio's operations are to a large extent taxonomy-eligible

In June 2021, screening criteria were adopted for when an economic activity should be deemed to substantially contribute to limiting or adapting to climate change (objectives 1 and 2 of the six EU environmental objectives respectively). Ellevio's core business is described in the Taxonomy regulation, Appendix 1, Chapter 4.9 Transmission and distribution of electricity as "Construction and operation of distribution Systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems."

Ellevio's business is classified as enabling activities to reduce climate change based on the fact that it meets the minimum technical screening criterion stating that the infrastructure for transmission and distribution is located in the interconnected European electricity system.

The table on this page shows the proportion of Ellevio's operations that were taxonomy-eligible in 2021. In 2022, Ellevio will conduct a full evaluation of the proportion of the business that is aligned with the taxnomy (i.e. the proportion that can be classified as sustainable). Preliminary assessments indicate that electricity grids are, to a very large extent, environmentally sustainable operations and taxonomy-aligned.

**Percentage of operations that is taxonomy-eligible**

| | Total (MSEK) | Percentage taxonomy-eligible | Percentage not taxonomy-eligible |
|---|---|---|---|
| Sales | 7 153 | 100% | – |
| Capex | 3 590 | 98% | 2% |
| Opex | 593 | 95% | 5% |

### Comments on key figures

Sales

Ellevio's net sales for 2021 amounted to SEK 7,153 million and were 100 percent covered by the taxonomy. Net sales in Ellevio are by definition solely attributable to the regulated electricity grid operations, which in 2021 consisted of: revenue from distribution of electricity to customers (network services) of SEK 6,916 million, connection of new customers of SEK 63 million and other network-related services (mainly related to remuneration for physical relocation of electricity grid facilities) of SEK 174 million.

Capital expenditure

Capital expenditure (Capex) refers to investments in tangible and intangible assets. These amounted to SEK 3,590 million in 2021, of which 98 percent were taxonomy-eligible. The investments included: direct investments in the electricity grid of SEK 3,037 million, investments in electricity meters of SEK 370 million, investments in IT systems and data communication relating to operation, maintenance and measurement of SEK 101 million and acquisition of network assets from Svenska kraftnät of SEK 16 million. The 2 percent of investments that are not taxonomy-eligible mainly refer to investments linked to general IT infrastructure and administrative systems such as customer service and invoicing.

Operating expenses

Ellevio's operating expenses (Opex) according to the definition in the taxonomy amounted to SEK 593 million in 2021, of which 95 percent was taxonomy-eligible. The operating expenses consisted of rental costs for network assets and utilisation of land, tunnels and premises for placement of electricity grid facilities of SEK 111 million, direct costs for fault repair and maintenance of the electricity network, meters and data communication equipment of SEK 432 million and staff costs linked to planning and project management of maintenance of SEK 19 million. These expenses are directly attributable to ensuring the continuous and effective functioning of the electricity network, i.e. maintaining transmission capacity and security of supply in the electricity network. Operating expenses not taxonomy-eligible amounted to SEK 31 million and consisted of office rents of SEK 30 million as well as operation and maintenance of assets not included in the regulated electricity grid operations (for example rental of extra capacity in optical fibres and space in masts for placement of data communication equipment).

## Definitions

**Sales:** The taxonomy uses the same definition of sales as stated in the Accounting Directive (2013/34/EU) concerning annual accounts, consolidated accounts and reports (Article 2 (5)), meaning it is based on the company's reported net sales (see also Note 6, page 56).

**Capital expenditure:** Capital expenditure according to the taxonomy is based on the IFRS definition of investments, i.e. costs incurred during the year relating to investments in tangible fixed assets and intangible assets (see also Notes 17 and 18, pages 60–61).

**Operating expenses:** The taxonomy uses its own definition of operating costs, referred to as operating expenses. According to the taxonomy, operating expenses refer to direct non-capitalised costs that relate to a) research and development, b) building renovation, c) short-term leasing agreements, d) maintenance and repairs and e) any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment (by the undertaking or third party to whom activities are outsourced) that are necessary to ensure the continued and effective functioning of such assets. Further EU guidance on the interpretation of the definition is limited. Ellevio has placed great emphasis on the content of points d) and e) and has – in addition to rental costs – only included direct costs related to maintenance and fault repair of network assets, meters and data communication equipment. At Ellevio AB, both operational and financial leasing agreements are reported as operational, as IFRS16 Leasing is only applied in the consolidated accounts and not in a legal entity. Ellevio has therefore also included long-term leases in the definition of operating expenses as these are part of the company's reported direct operating expenses.

# Focus area:
# An energy system for a bright and sustainable future.

**Transforming our grids for a bright and sustainable future is central to Ellevio's strategy and a focus area of the sustainability initiatives. To succeed, we need long-term, sustainable regulation that enables extensive investments and thus creates the conditions for a robust security of supply and increased flexibility.**

## Responsible and long-term investments create value for society

Ellevio is active both in regions with major population growth, principally Stockholm, but also in sparsely populated areas where the expansion of the electricity network enables entrepreneurship, tourism and new wind power connections. Ellevio's electricity network should provide a high level of accessibility and be reliable for customers, society and employees. To meet society's need to grow and to enable a greater share of renewable electricity, it is important to increase capacity and ensure new functions on the grids.

During the year we continued to focus on weather-proofing our rural grids and took capacity-increasing measures in the cities. In general terms, there is constantly growing interest from energy-intensive operators, with many major inquiries concerning expanded capacity. Our efforts to contribute to the expansion of charging infrastructure have also continued.

| Investments, SEK m | 2021 | 2020 | 2019 |
|---|---|---|---|
| Customer-driven investments | 1,849 | 1,454 | 1,100 |
| Basic investments | 1,188 | 1,632 | 2,066 |
| Other investments | 537 | 329 | 226 |
| **Investments excl. acquisitions** | **3,574** | **3,415** | **3,392** |
| Acquisition of network assets | 16 | – | 608 |
| **Investments in tangible and intangible assets** | **3,590** | **3,415** | **4,000** |
| Acquisition of shares[1)] | – | – | 44 |
| **Total investments** | **3,590** | **3,415** | **4,044** |

[1)] Acquisition of shares in three companies with assets in Laforsen's distribution station 2019

Through our operations, Ellevio contributes to financial value creation for a large number of stakeholders. Ellevio's operations have a major impact on people's daily lives and the functioning of society as a whole. Without electricity, society would not function, companies would lose revenue as well as competitiveness and innovation in the longer term, which would affect the number of jobs.

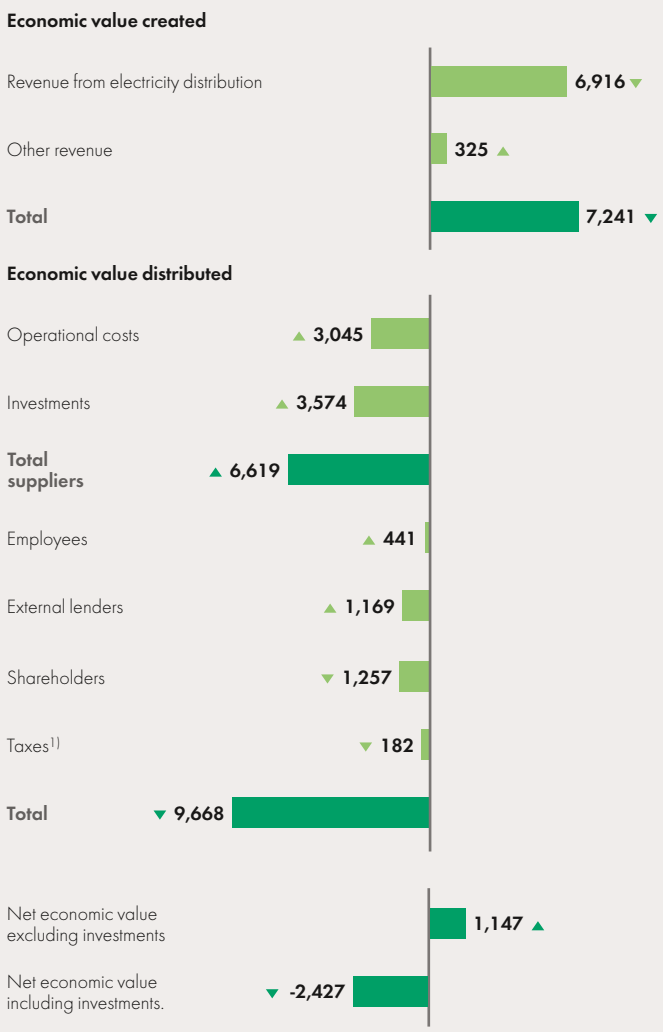
The economic value created by Ellevio is distributed to suppliers via the purchase of goods and services, employees in the form of salaries and other benefits, lenders via interest rates, owners via interest rates on shareholder loans and wider society through the payment of taxes.

In 2021, the difference between created and distributed economic value excluding investments amounted to SEK 1,147 (1,186) million. As investments represent a significant part of our operations and have a major impact on society, Ellevio includes investments in the monitoring of economic value creation. Investments in operations to adapt the electricity network to the needs of the future amounted during the year to SEK 3,574 million (3,415). The net figure for economic value, including

| Economic value created and distributed, SEK m | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Economic value created** | **7,241** | **6,745** | **6,779** |
| Revenue from customers | 7,241 | 6,745 | 6,779 |
| Electricity distribution | 6,916 | 6,431 | 6,527 |
| Other | 325 | 314 | 252 |
| **Economic value distributed** | **9,668** | **8,973** | **9,086** |
| Suppliers | 6,619 | 6,109 | 5,868 |
| Operational expenses | 3,045 | 2,694 | 2,476 |
| Investments | 3,574 | 3,415 | 3,392 |
| Employees | 441 | 391 | 387 |
| External lenders | 1,169 | 1,155 | 1,152 |
| Shareholders | 1,257 | 1,194 | 1,492 |
| Taxes[1)] | 182 | 124 | 187 |
| **Net economic value excl. investments** | **1,147** | **1,186** | **1,085** |
| **Net economic value incl. investments** | **-2,427** | **-2,228** | **-2,307** |

[1)] Income tax SEK 52 million (8), social security contributions SEK 117 million (103) and special payroll tax SEK 14 million (13)

### Economic value created and distributed, 2021, SEK million




The net figure for economic value, including investments, was SEK -2,427 (-2,228) million, which means the equivalent extra capital is needed to implement Ellevio's investment programme.

investments, was SEK -2,427 (-2,228) million, which means the equivalent extra capital is needed to implement Ellevio's investment programme.

In 2019–2021, no interest rate or dividend was paid to the shareholders, as all available cash flows were reinvested into the operations. Interest expense on loans to shareholders was recognised at a net value of SEK 1,257 (1,194) million during the year. As this interest has not been paid, it has instead been capitalised as an interest-bearing loan at the end of the year.

## Security of supply

One of the most significant sustainability issues for Ellevio is ensuring that our customers receive a highly reliable supply of electricity. This is vital if today's society is to function, and accessibility will become increasingly important as new industries become electrified. In order to ensure a robust security of supply, a specific department has been established at Ellevio that constantly monitors the electricity network.

To measure security of supply, we use the international standard, SAIDI, (System Average Interruption Duration Index), which is calculated as the sum of all outage minutes (excluding planned works) experienced by customers divided by the total number of customers. The index enables comparison with other companies. SAIDI is an important key figure for Ellevio. It is measured every month and continuously analysed.

SAIDI can vary between years, depending on whether there have been severe storms. Despite major investments in weather-proofing of the electricity network, overhead lines remain that are exposed to strong winds and the risk of trees falling onto them.

For 2021, SAIDI amounted to 63 minutes (76). The improvement compared with 2020 can primarily be attributed to the fact that the number of storms that affected the electricity grid was fewer in 2021

During 2021, Ellevio's network areas were not affected by any major storms that made us have to go up in readiness. However, the regional network in Stockholm has been affected by five major disruptions, and 14 minutes of this year's SAIDI outcome can be attributed to these.

Security of supply for 2021 amounted to record-high 99.99 percent (99.98).

## Impact from climate change

The effects of global warming on the climate are already visible and are expected to escalate over time. There is an increasing risk of extreme weather involving storms, droughts, floods and fires that can lead to damage to the electricity network. At the same time, society is becoming increasingly dependent on electricity, meaning the importance of an outage-free supply is growing.

Weather-proofing overhead lines can be carried out in different ways; they can be replaced with new, insulated overhead lines or replaced with buried cables. Widening the power lanes is another way of reducing weather-related disruptions, which entails removing trees that could blow down onto the lines.

Since Storm Gudrun in 2005, the entire electricity network industry has undertaken systematic work to weather-proof the rural electricity network. The consequences of storms are not as destructive now as they once were. The main explanation for this is that thousands of kilometres of electrical power lines have been buried in the earth, known as cabling, thus safeguarding them against the forces of the weather. The process of burying power lines can be very long in areas of major natural and cultural value, as it requires permission from authorities and municipalities. Ellevio always maintain a dialogue and negotiate with land owners to obtain permission to use their land.

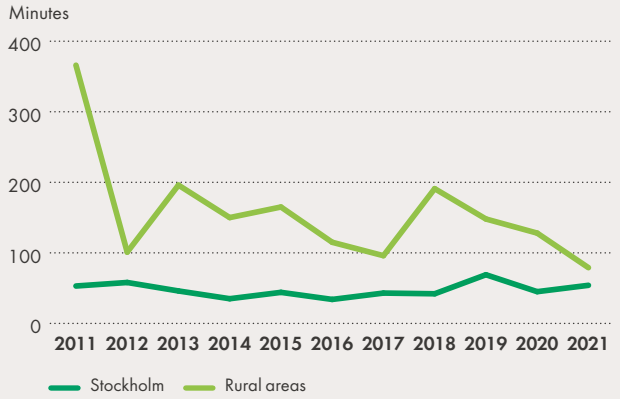
A large proportion of the network is already buried underground in Stockholm. In 2021, Ellevio weather-proofed an additional 1,322 kilometers of pipelines (965), which means that 84 percent (83) of Ellevio's network is now buried.

## Supply affordable energy

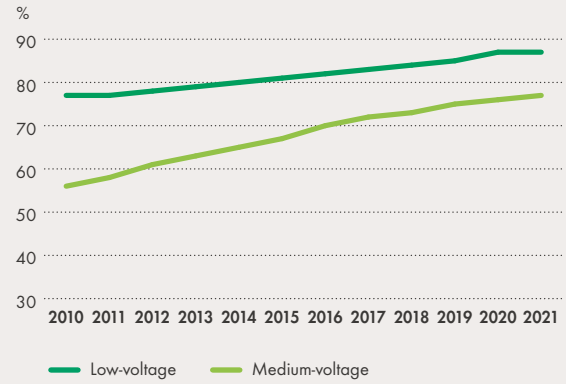
A reliable supply of electricity is the basis of our customer offering and a prerequisite for Ellevio's ability to satisfy its customers. Availability across our electricity network in 2021 amounted to 99.99 percent. This is very good when making international comparisons, but we take every outage seriously as it can have major consequences for those affected.

In order to measure our customers' perceptions of us and ensure that we prioritize the right things, we implement a number of initiatives every year. To take one example, we conduct quarterly surveys with a large number of customers. The measurements are targeted at consumers and corporate customers broken down into mini, small, mid-sized and major customers,

### Security of supply (SAIDI)




### Rate of cabling, local grids (%)




Ellevio is increasing the rate of cabling in our local grids to make our electricity network more weather-resistant.

which means the results can be broken down and analysed more effectively. We do this in order to ensure that we are working on areas that customers consider most important. Svensk Kvalitetsindex (SKI) involves 280 respondents annually, while Ellevio's in-house survey involves 5,206 respondents four times per year.

We have, by the end of 2021, installed second generation smart electricity meters at the homes of around 400,000 customers and launched a new app that offers customers the opportunity to monitor, compare and influence their electricity consumption. We also moved our invoicing in-house and procured a new customer service supplier during the year.

It is self-evident to us that all of our customers should pay the same price for the same service. Since 2017, we have been working to gradually even out prices between urban areas and more sparsely populated areas.

The table below shows the results regarding customer satisfaction for 2021. The change in satisfaction is partly due to a number of changes that have affected customers practically in the short term, for example in connection with us moving invoicing over to Ellevio and changing customer service providers, and partly to the debate about high electricity prices, which affects Ellevio despite the fact we do not engage in electricity trading.

| Customer satisfaction | 2021 | 2020 | 2019 |
|---|---|---|---|
| Customer satisfaction: Consumer | 58.4 | 60.6 | N/A |
| SKI: Consumer | 51.9 | 53.1 | 59.9 |
| Customer satisfaction: Corporate | 55.7 | 57.8 | N/A |
| SKI: Corporate | 55.6 | 57.3 | 58.8 |

## Biodiversity along our power lanes

The ability to contribute to the maintenance and enhancement of biodiversity and natural environments is an important environmental issue for Ellevio's operations.

The damage limitation hierarchy is therefore applied when planning new power lines. This primarily entails that we avoid any negative impact on biodiversity by taking higher nature values into account when selecting the location of new projects, and that we limiting the impact by taking damage-mitigation measures. Our work on new power lines helps identify accessible areas while taking into account known nature values, and planned damage-mitigating measures are described in the environmental impact assessment which forms an important part of the concession application for new power lines on regional grids.

Before a concession application can be submitted to the Swedish Energy Markets Inspectorate, a consultation is held in line with the Swedish Environmental Code with relevant parties, at which point a consultation document is published. The identification of relevant stakeholders is a vital part of these efforts, and the consultation group is adapted based on the assumed extent of the project's environmental impact. The choice of location and implementation is made based on a reasonableness assessment that takes into account submitted viewpoints, assessed environmental consequences, operational safety and finances.

In addition to taking nature values into account when planning new power lines, we also work on the biological diversity along our existing lines. Through adapted management measures in our most species-rich grasslands, we work to preserve and strengthen many endangered meadow and pasture species. It is above all a question of widening the so-called "patrol path".

In 2021, we began an inventory out in the field of potentially species-rich areas on our power line network with a voltage level of 30–40 kV, after having inventoried our network at a voltage level of ≥50 kV between the years 2017–2020. The power lines to be cleared in 2022 have been inventoried primarily so that we can implement adapted management measures as quickly as possible to benefit biodiversity.

In 2021, power lanes with a combined length of some 430 km (410) and a voltage level of 30–40 kV in our network were studied, of which almost 43 km (180) of the power line area was inventoried. The number of field inventories decreased in 2021 because grids with a voltage level of 30–40 kV have fewer valuable areas. 3.1 km (11.4) of valuable areas (class 2 and class 3 areas) were identified during the inventories taken in the field during the summer 2022.

Since 2017, a total of some 55 km of valuable areas (≥ class 3) have been identified in Ellevio's power line network. Ellevio has also been collaborating with other players in this area by way of the "Collaborative group for grasslands within infrastructure" run by the Swedish Species Information Centre.

| Power lanes studied, km | 2021 | 2020 | 2019 |
|---|---|---|---|
| Studied power lanes | 430 | 410 | 600 |
| Length inventoried in the field | 43 | 180 | 195 |
| Valuable areas identified | 3.1 | 11.4 | 18.3 |

## Improved charging infrastructure on Ellevio's grids

| No. of charging infrastructure connections | Number of connections 2021 | Number of connections 2020 | Accumulated number 2021 |
|---|---|---|---|
| Public charging streets and charging stations | 48 | 24 | **360** |
| Other charging connections* | 14 | 4 | **18** |

*Connections that are not part of a broader public network of charging stations.

**SEK 3.6 billion**

Investments in electricity grids in 2021 to contribute to the energy transition (SEK billion).

**400,000**

smart electricity meters installed by the end of 2021

# Focus area: A sustainable company.

**Ellevio is to be a sustainable company for all employees and for everyone affected by our operations. We have a zero vision against accidents, work actively to create an attractive corporate culture and take great responsibility as an operator in society.**

## Health and safety

It is extremely important for Ellevio to be a safe and attractive workplace and contractor. The health and safety of Ellevio's employees and partners are therefore central to the business. The safety of the people who work for Ellevio is always our top priority and we have a zero vision in relation to accidents and work-related illnesses. Ellevio conducts monthly follow-ups of work environment initiatives that contain both reactive and proactive key performance indicators that are reported to management and Board of Directors. Work environment initiatives and events that occur are communicated continuously to all employees and contractors.

Ellevio has a deviation management system (ENIA) for reporting and following up on accidents, incidents and risk observations. Once an incident has been registered, the information is automatically sent to an incident manager who ensures an investigation is carried out, measures are taken and a follow-up is conducted before the case can be closed. Investigations, measures, follow-up work and constant improvements are all vital aspects of the systematic work environment initiatives in place to prevent serious near-accidents, accidents and work-related illnesses. ENIA has been developed further to enable better analyses and efforts are planned based on reported deviations. The system also contains checklists for risk management and follow-up in the field.

| In-house staff | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of fatal accidents | – | – | – |
| No. of accidents that led to sick leave | – | – | – |
| No. of accidents that did not lead to sick leave | 2 | – | – |
| **TRIF** | – | – | – |

| Contractors | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of fatal accidents | – | – | – |
| No. of accidents that led to sick leave | 15 | 8 | 8 |
| No. of accidents that did not lead to sick leave | 62 | 46 | 51 |
| **LTIF** | **4.2** | **2.4** | **3.3** |

| Sick leave, % | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total | 1.89 | 1.74 | 2.47 |
| Short-term sick leave | 0.74 | 0.89 | 1.35 |

**TRIF:** "Total Reportable Incidents Frequency", corresponds to the number of accidents per 1 million hours worked by Ellevio's employees. This includes accidents that have resulted in sick leave from work of more than one day, the need for restricted work, or medical treatment.
**LTIF:** "Lost Time Injury Frequency", corresponds to the number of accidents per 1 million hours worked by Ellevio's contractors. This includes accidents that have resulted in sick leave from work of at least one day (including potential fatalities).

### Accidents and sick leave

To prevent accidents and sick leave, Ellevio conducts audits and both unannounced and announced field visits, known as flying audits. Since 2017, these have been followed up with a Sustainability Index which covers nine areas within health, safety and the environment and assess how well they are being met. The target is for 85 percent of the audits to come back without any remarks. For 2021, the result was 93 percent (90), which is the best outcome since the survey started.

The number of work-related accidents that led to sick leave during the year amounted to 15 (8), of which 6 were related to the ongoing meter change project. This increase is linked to the extensive work of replacing old electricity meters, which entails significantly more different workplaces in environments that may involve a risk of injury. The number of accidents was higher at the beginning of the year when many of the staff were inexperienced, and most accidents were of a less serious nature, such as slipping or tripping accidents.

During the year, three electrical accidents occurred that resulted in sick leave – one electric arc accident and two accidents involving power outages.

All accidents leading to sick leave occurred among Ellevio's contractors and have been investigated and followed up to reduce the risk of recurrence.

The LTIF (Lost Time Injury Frequency) for 2021 came to 4.2 per million hours worked (2.4). Excluding the meter replacement project, the LTIF amounted to 2.8.

Sick leave among Ellevio's own staff increased to 1.89 percent (1.74), within which short-term sick leave fell to 0.74 percent (0.89).

## Attractive employer

Creating good working conditions is a significant issue in terms of Ellevio's ability to attract, recruit, develop and retain the best and most skilled employees and meet the needs of today and tomorrow. Ellevio strives to offer a work environment that is positive both physically and psychosocially and free from discrimination in terms of gender, gender identity or expression, ethnic affiliation, religion or other beliefs, physical ability, sexual orientation and age. Ellevio takes active steps to ensure an inclusive work environment that enables employees to develop both in their professional role and as a person.

### Equality and diversity

All Ellevio employees are to have the same opportunities, rights and obligations. Ellevio works systematically to promote equal treatment, inclusiveness and an even gender balance, and works methodically and preventively to counteract discrimination and harassment. These efforts are adapted to comply with the Discrimination Act in a structured, systematic and documented way to promote equal treatment and counter discrimination.

The CEO and management, in cooperation with trade-union representatives at Ellevio, are ultimately responsible for Ellevio's equal treatment plan. Our managers are responsible for integrating equal treatment activities into operations as well as ensuring that all employees take responsibility for promoting equal treatment and countering all forms of discrimination. Since 2018, Ellevio has had an Equality and Inclusion group that works to enhance skills and promote inclusive behaviours. Long-term goals and activities are documented annually in the equal treatment plan. These efforts form part of the overall work on Ellevio's corporate culture and desired behaviours.

Ellevio monitors diversity developments by measuring the gender distribution within the management team, among managers across the company, the number of employees in different age groups and the proportion of employees with a foreign background. One way equality is measured is by comparing the salaries of men and women for equal or equivalent work. Ellevio annually conducts a survey of salaries with the aim of showing whether there are unjust grounds for the level of salary linked to gender. The company corrects any cases of unjust differences where the survey detects them. Offering equal salaries is a prioritised equality issue, as Ellevio works in a sector in which women are underrepresented, and we work continuously to improve the balance between men and women through a clear recruitment strategy and a value-governed approach. An inclusive culture is a vital part of becoming an equal company.

60 percent of Ellevio's management team consists of women. The total percentage of women at the company has increased to 36 percent (32) and 33 percent of our managers are women. This has been achieved by placing a clear focus on women in the recruitment process. The objective is to present female candidates for all vacancies. In 2021, 54 (45) percent of new recruits were women. Ellevio's diversity index in terms of employees with a foreign background (people who were born abroad or have two parents born abroad) was 16.1 percent (16.5).

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **Age distribution, no.** | **Total** | **of which women** | **Total** | **of which women** | **Total** | **of which women** |
| **Permanent employees** | **564** | **204** | **518** | **167** | **503** | **156** |
| Under age of 30 | 53 | 21 | 58 | 15 | 51 | 20 |
| 30–50 | 346 | 124 | 313 | 106 | 302 | 96 |
| Over age of 50 | 165 | 59 | 147 | 46 | 150 | 40 |
| **Temporary employees** | **7** | **1** | **8** | **2** | **9** | **3** |
| Under age of 30 | 1 | – | – | – | – | – |
| 30–50 | 1 | 1 | – | – | 2 | 2 |
| Over age of 50 | 5 | – | 8 | 2 | 7 | 1 |
| **Total number of employees** | **571** | **205** | **526** | **169** | **512** | **159** |

• No. of employees according to employment contract (broken down by gender and age).
• Ellevio does not have any part-time roles. However, employees do have the opportunity to work part-time for certain periods and under specific circumstances.

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **Gender, %** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Board of Directors | 22 | 78 | 33 | 67 | 33 | 67 |
| Management team | 60 | 40 | 60 | 40 | 60 | 40 |
| Other managers | 28 | 72 | 27 | 73 | 22 | 78 |
| Employees | 37 | 63 | 32 | 68 | 32 | 68 |
| **Total** | **36** | **64** | **32** | **68** | **31** | **69** |

| | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Age, %** | **<30** | **30–50** | **>50** | **<30** | **30–50** | **>50** | **<30** | **30–50** | **>50** |
| Board of Directors | – | – | 100 | – | 22 | 78 | – | 22 | 78 |
| Management team | – | 60 | 40 | – | 60 | 40 | – | 60 | 40 |
| Other managers | 3 | 58 | 39 | – | 67 | 33 | – | 66 | 34 |
| Employees | 11 | 61 | 28 | 13 | 59 | 28 | 12 | 58 | 30 |
| **Total** | **9** | **60** | **31** | **11** | **59** | **30** | **10** | **59** | **31** |

• The percentage for other managers who are men and other managers who are between 30–50 has been adjusted since last year's report.

**Good working conditions and employee development**

All employees at Ellevio undergo training in collective intelligence in order to promote collaboration via a shared methodology. In 2021, five training sessions were organised and 85 people participated. The training is carried out with internal change leaders who also contribute to team development, cooperation and behavior-based security in the organization.

Employees' development is monitored in Ellevio's Performance Management process, in which we strive for a continuous dialogue between manager and employee that addresses the employee's performance, well-being and development plan. A Talent Review process is also conducted each year whin which we analyse the organization, identify critical roles and talents and conduct succession planning. This is vital to ensure that we have the right person in the right place and to minimize risk by having replacements in critical roles and managerial positions.

Work to create good working conditions and engagement is monitored via the "employee pulse", which is sent to all employees each month.

Managers at Ellevio are developed through an internal management programme, Management Days and Manager Forums. The management programme provides support and training in four areas: the manager role, work environment, attractive employer and development.

**Employee turnover**

Ellevio monitors employee turnover to detect potential problems in time. In 2021, employee turnover was 7 percent (6). During the year, 100 new employees (64) were hired, of whom 54 were women (29). A total of 37 employments were terminated.

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **Employee turnover, %** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Under age of 30 | 0 | 1 | 0 | – | 0 | 1 |
| 30–50 | 1 | 4 | 2 | 3 | 2 | 4 |
| Over age of 50 | – | 0 | 0 | 1 | 0 | 1 |
| **Total** | **1** | **5** | **2** | **4** | **3** | **5** |
| **Total, women and men** | **6** | | **6** | | **8** | |

### Employee engagement

Every month, Ellevio conducts so-called "employee pulses" – brief surveys that are sent via e-mail and are based on questions about aspects such as mood, commitment and workload. Thanks to frequent feedback from the entire organisation, we can react quickly to the feedback that is submitted. Each manager receives the results for their group and has an ongoing dialogue and evaluation with their employees. This way we also follow our strengths to constantly develop and become a better employer.

The surveys also produce an "Employee Engagement Index" based on responses to questions concerning satisfaction, pride and whether employees would recommend Ellevio as an employer. The result for 2021 was 8.0 out of a maximum of 10, which shows great satisfaction and commitment among employees.

## Business ethics and countering corruption

Ellevio's core business operates as a natural monopoly, which entails a profound responsibility in relation to the surrounding society. It is important for Ellevio to live up to the demands and expectations of our customers and other stakeholders – and to earn their trust. Our values – reliability, commitment and development – serve as guiding principles for every employee and permeate everything we do.

Ellevio's Code of Conduct describes our fundamental ethical guidelines and core values, how we behave towards others and each other, how we do business and how we protect the company's assets. The Code is a compass for how the company's values are to be demonstrated in practice and ensures that employees are living up to the strict requirements set by the company.

Ellevio's Code of Conduct is based on international labour laws and standard environmental and anti-corruption practices in line with the UN's universal declaration of human rights, the International Labour Organization's (ILO) basic conventions and the ten principles of the UN Global Compact.

Other stakeholders are informed about the Code of Conduct via Ellevio's website as well via contracts and agreements.

The Code is decided annually by the Board, and all employees at Ellevio, Board members and any others who represent the company are covered by it and undertake to act in accordance with it.

To ensure that Ellevio's employees have a clear understanding of the content of the Code of Conduct and undertake to follow it, all employees must complete an online training course on the Code every year. This year's training course was held in November and December. The proportion of employees who had taken the training course by the end of 2021 was 95 percent.

Ellevio's expectations of suppliers and business partners are clarified through a specific Code of Conduct for suppliers, which is included as part of Ellevio's supplier agreement. We are convinced that there is a link between strong business ethics and strong financial results.

Download Ellevio's Code of Conduct and Code of Conduct for suppliers from our website: https://www.ellevio.se/en/about-ellevio/what-we-do/sustainability/sustainability-documents/

### Anti-corruption

Ellevio and all its employees must always comply with laws and provisions in the business. Ellevio does not tolerate any form of corruption or bribery, and efforts countering corruption form part of Ellevio's Code of Conduct. No reported cases of corruption occurred during 2021. Ellevio has an anti-corruption policy that establishes rules preventing corruption in our operations. As of 2020, anti-corruption efforts form part of the annual Code of Conduct training course.

## Responsible purchasing

Ellevio takes active steps to ensure that relevant legislation, permits and other requirements are complied with in terms of the work environment, natural environment, safety and quality. The requirements placed on suppliers are the same as those we place on ourselves. Ellevio's operations are dependent on a large number of suppliers and contractors, and we see it as a significant issue that all purchases are conducted in a responsible manner. In this way, Ellevio ensures sustainable supply chains.

Ellevio is subject to the Act on procurement of water, energy, transport and postal services (LUF). The majority of the purchasing takes place via call-off orders from procured framework agreements in which extensive social and environmental requirements are defined during the procurement process, as well as through specific project procurements where equivalent requirements are placed on the specific project. Ellevio procures goods and services which are divided up into five main categories: contractors, IT, consultants, strategic materials and indirect materials/services. All tenderers and suppliers who wish to qualify to participate in Ellevio's procurements make extensive declarations about their sustainability initiatives, which are reviewed and assessed by Ellevio. The declarations covers aspect such as the work environment, electrical safety, environment, quality, supply chain and Ellevio's Code of Conduct for suppliers.

Before assignments for Ellevio begin, contractors must present contract-specific plans regarding the work environment and natural environment. The plans include descriptions of the risks involved in the assignment and how these are to be managed, as well as the handling of environmental issues.

### Monitoring and audits

We also check whether these requirements are complied with at later stages by way of both announced and unannounced visits to contractors in the field and material suppliers' factories. Ellevio also conducts major audits of both new and existing suppliers in line with a separate plan for each year. A limited amount of suppliers and contractors account for a very high share of Ellevio's purchasing volumes: 70 suppliers (105) account for a full 95 percent of Ellevio's total purchasing volume. These major suppliers are reviewed continuously. Furthermore, Ellevio has a number of smaller suppliers of products and services with annual volumes of less than SEK 100,000. If there is no framework agreement, then as a rule these are directly procured under the threshold value, and the requirements set for these suppliers are lower than in the case of full LUF procurements, in line with the proportionality principle. The majority of these suppliers are from Sweden or Europe, while a small number are located in other parts of the world.

In 2021, Ellevio purchased products and services (excluding direct network services) for some SEK 4.6 billion (4.4), of which

74 percent (71) were contract services and materials for our electricity grids; partly for fault repairs and maintenance and partly for investments. A total of 1,083 (1,190) different suppliers provided contractors, products and services to Ellevio.

Due to the Covid-19 pandemic, a slightly smaller number of site visits were conducted for network operations than in previous years, and a general adjustment was made to processes and action plans in order to reduce the transmission of Covid-19. As an example, audits were conducted outdoors or digitally. In total, 711 (936) site visits were conducted during the year, of which 286 (253) were for network operations and 425 (683) were for electricity meter replacement projects.

| Supplier audits | 2021 | 2020 | 2019 |
|---|---|---|---|
| No. of suppliers who supplied contracts, services or products | 1,083 | 1,190 | 1,261 |
| No. of new major suppliers | 3 | 4 | 5 |
| No. of environmentally audited new suppliers | 3 | 4 | 5 |
| No. of socially audited new suppliers | 3 | 4 | 5 |
| No. of in-depth audits | 10 | 8 | 10 |
| **Announced and unannounced site visits** | | | |
| No. within network operations | 286 | 253 | 301 |
| No. within electricity meter project | 425 | 683 | – |
| **Total** | **711** | **936** | **301** |

## Crisis management and preparedness

To prevent and ensure we are prepared for unexpected events or crises, Ellevio works proactively on risk analysis, risk management, and measures that reduce the likelihood and to mitigate their effects. Ellevio has a well-established crisis management organisation. This applies in particular to the task of maintaining a reliable distribution of electricity that is a vital societal function. Preparedness for weather-related disruptions or other outages on the electricity network is since long an integrated part of the business within the continuity plans that are established. This also includes measures as a result of climate-related risks. See also page 78.

Ellevio's proactive safety initiatives and central preparedness for a number of different scenarios of a lower probability are important for reducing the risk of incidents and their possible negative impact. Ellevio continuously enhances and develops its safety initiatives in the areas of physical safety, information security and IT security.

Ellevio has expanded security vetting of both staff and partners in line with the application of the new Protective Security Act as an important step in reducing risks and enhancing protective security. Protective security in procurements and commercial agreements (Swedish: Säkerhetsskydd vid upphandling och affärsavtal, SUA), in which these requirements must be applied, has also been implemented to a large extent.

During the pandemic year of 2021, Ellevio kept the number of arranged crisis exercises down, as the pandemic has led to several crisis scenarios being practised in everyday life. The national information security exercise NISÖ2021 was supposed to be launched in September, but was postponed due to the pandemic. Similarly, crisis training was carried out during the year together with Ellevio's partners for the meter replacement programme, One Nordic and Sagemcom, to ensure that processes, procedures and decision-making pathways function properly in the event of a crisis.

In 2021, Ellevio's network areas were not affected by any major storms similar to those that occurred in 2020, which meant that we did not have to raise our preparedness level. The operations centre, on the other hand, has been tested in a practical emergency situation when the center had to be relocated after an employee who stayed in the regular premises had tested positive for Covid-19.

### Management and impact of Covid-19

The pandemic has led to active crisis management over a long period, as the situation required special measures and decisions to reduce the risk for employees, business partners and customers and to ensure that operations continued with as little impact as possible.

We worked in line with our pandemic procedures during the year, and Ellevio's management team, together with the relevant functions, have undertook active crisis management since the risks of the pandemic became evident in February 2020.

Several measures have been taken to safeguard socially critical operations, including a ban on visits to the operations centre (with the exception of October and November, when the spread of infection decreased and the recommendations from the authorities were temporarily eased) and weekly checks of the back-up operations centre in the event that it should require activation.

Efficient collaboration with other functions vital to society and other electricity network owners proved to be crucial during the pacdemic. Ellevio has collaborated with Svenska kraftnät and the Swedish Civil Contingencies Agency to mitigate risk and establish continuity plans in order to safeguard socially critical operations.

This crisis management and active risk measures have enabled Ellevio to fulfil its responsibility to society during the pandemic. Despite certain challenges relating to the supply of materials and implementation in the field, Ellevio's operations were able to continue without being seriously affected.

## Dialogue with local communities

In our projects, it is essential for Ellevio to provide good information and obtain knowledge and views from local stakeholders. This is to minimise potential negative effects on the environment and for people and companies that are affected by our work when we initiate new projects. This applies both during the planning and implementation phases.

Ellevio has a communication policy for electricity grid projects, which in brief means that Ellevio must be clear, simple and correct in its communication. As a rule, the need for communication depends on how much impact the project has on residents and the community. The work carried out could affect local communities negatively, for example by limiting accessibility, noise or related issues. Keeping land owners and local residents well informed before and during the planning and construction phases is thus an important aspect.

Ellevio adheres to society's recommendations and uses the regulations in the Swedish Environmental Code as a basis for the planning and permit process. Consultations in accordance with the Environmental Code are carried out with interested parties prior to a concession application. Open houses involving affected land owners, local residents and other relevant parties are also arranged for major power line projects in addition to written consultations. During these consultations, Ellevio has an opportunity to inform people about what is going to be implemented and gather valuable information and viewpoints before the production of an environmental impact descriptions and concession application. Where necessary, separate consultation meetings are also held with authorities or companies that are particularly affected, and the arguments and viewpoints that are submitted are analysed on the basis of cost and benefit.

Financial sustainability is an important factor as it is ultimately the customers who have to bear any potential increases to investment costs. This is why there must be significant advantages for customers if an alternative is selected at a higher cost. A consultation is held with the county administrative board before measures are taken that do not require a concession application but that could considerably alter the natural environment or affect a cultural environment, such as forest management or local network projects.

Work to bury a 400-kV power line between Beckomberga and Bredäng in Stockholm continued during the year. This is a major, complex project in a densely populated area that affects many people and that involves many dialogues with stakeholders. In November, two physical open houses were held for residents in the areas of Bredäng and Bromma respectively. Meetings were also held with business figures in the operational area of the project with viewpoints being put forward concerning road closures, and informational letters were also sent out to local residents.

For major projects, such as the one in Beckomberga and Bredäng, there is a webpage on ellevio.se containing information about the project. In addition, there are emails (functional inboxes) to which customers, local residents and other stakeholders are referred.

## Reduced climate and environmental impact

Ellevio take active steps to reduce our carbon footprint. Since 2018 we has been measuring, following up and reducing greenhouse gas emissions generated by its operations.

### Reporting in line with the GHG protocol

As of 2019, Ellevio has been reporting on its climate impact in line with the Greenhouse Gas Protocol (GHG). Ellevio's greenhouse gas reporting covers direct (scope 1) and indirect emissions (scope 2) of greenhouse gases. The direct emissions mostly consist of emissions (leakage) of $SF_6$ from our own facilities as well as emissions from proprietary and leased vehicles to some extent. Indirect emissions come from the purchase of heating, cooling and electricity for our own use along with energy losses on the power line network.

In 2021, Ellevio undertook a comprehensive calculation of greenhouse gas emissions in scope 3. According to the GHG protocol, scope 3 includes other indirect emissions that arise in the company's value chain. These emissions are primarily owned or controlled by other companies or operators, such as suppliers, contractors, retailers and customers. Emissions within scope 3 occur either upstream or downstream in the value chain. Upstream refers to the indirect emissions that occur before a product or service is received by the company, while downstream includes emissions after the product or service has left the company.

Ellevio's largest emissions in scope 3 occur upstream – in the supply chains. Operation, maintenance and above all expansion of the electricity grids requires a lot of materials, equipment, work with machines and transport. Purchased materials and capital goods for the electricity grids are often highly energy-intensive to produce and involve large greenhouse gas emissions from suppliers, their subcontractors or in the energy production that supplies the suppliers' manufacturing with energy. In Ellevio's case, the use of aluminum in cables and phase conductors for overhead lines accounts for the most significant share of other indirect emissions. The use of copper and steel in Ellevio's operations also give rise to significant greenhouse gas emissions in scope 3. The emissions as a result of the production of cables and the aluminium phase conductors also dominate when we look at Ellevio's total emissions. This year's in-depth survey of Ellevio's emissions in scope 3 has provided very valuable information about our operations' climate impact, and a number of activities have been initiated to enable improvements.

Since the amount of newly installed cables and phase conductors to the overhead lines varies greatly from year to year depending on the investment rate and type of project being carried out, the indirect emissions also vary greatly. Quantities of

other materials and means of transportation also vary from year to year depending on the investments made. The annual variations in scope 3 thus mainly reflect investment volumes. For this reason, Ellevio does not report on scope 3 in the sustainability report.

On the other hand, knowledge of the huge effect of capital goods, and to some extent also transport, on Ellevio's own carbon footprint is used in our internal efforts to reduce our climate impact. These issues are also important in our collaboration with suppliers.

During the year, several initiatives were taken to reduce greenhouse gas emissions in scope 3 in cooperation with our contractors. We launched a joint pilot project together with one of our contractors in the aim of reducing CO2 emissions through electrified machines and optimised transportation of materials. Contractors who offer smart climate solutions can from 2021 be awarded an advantage during procurement evaluations.

### Network losses

When electricity is transported via the electricity network, energy losses occur along the route to customers – these are known as network losses. As an electricity network company, Ellevio is responsible for continuously purchasing the amount of electricity that is lost in our electricity network. During the year, total network losses amounted to 900 GWh (835). Through electricity agreements with electricity traders and purchases of guarantees of origin, Ellevio ensures a fossil-free mix of production sources for network losses.

As Ellevio updates the electricity grids, network losses can be reduced by more energy-efficient components being installed. In 2019, Ellevio began taking measurements to monitor the reduction of network losses that arise when old transformers are replaced with new, more effective transformers. In 2021, energy savings from replacing transformers amounted to 1.4 GWh (1.4).

### $SF_6$

The greenhouse gas $SF_6$ (sulphur hexafluoride) is used in switchgears and switches as insulating gas. Ellevio considers it vital to minimise – or ideally avoid – the use of $SF_6$, which has an impact on the environment 23,000 times greater than carbon dioxide if it leaks.

Ellevio's policy is not to use gases with a major climate impact unless it is absolutely necessary for technical or space reasons. In practice, the use of $SF_6$ as a means of insulation for the entire switchgear is minimised. In Stockholm, new facilities are only built at higher voltages using $SF_6$ where space is limited and there is major competition for land, leaving few or no opportunities to select other technical solutions.

Leakage of $SF_6$ constitutes the largest share of Ellevio's direct and indirect climate impact, and it is important for Ellevio to minimise these emissions. Measures have been taken to prevent and quickly manage any leakages and thereby reduce the volume released. Leakage of $SF_6$ fell from 34.5 kg in 2020 to 18.3 kg in 2021, corresponding to a reduction of 381 tonnes of $CO_2$ equivalents. During the latter part of 2021, Ellevio changed the process for managing a detected leak, which may have had some positive impact. However, the frequency of emissions that have occurred is very small compared to the total number of devices that contain $SF_6$, so it is not possible to say with certainty that this year's relatively low emissions are a clear trend.

As can be seen from the adjacent table, the installed volume of SF6 increased in 2021 compared with the previous year. This is because several new high-voltage switchgears were built, including for the connection of wind power. At these high voltage levels, there are so far no proven technical solutions that do not use SF6, but efforts to develop them are under way.

### Transportation

Ellevio's own transportation led to emissions equivalent to around 31.5 (44.1) tonnes of $CO_2$ equivalents in 2021, which is a reduction of 12.6 tonnes of $CO_2$ equivalents year-on-year. Our transportation mainly consists of our own work vehicles that are gradually transitioning to more environmentally-friendly forms of transportation. In late 2021, the decision was made that all new work vehicles at Ellevio will be electric.

### Creosote poles

Ellevio principally uses wooden poles in the network of overhead lines. These wooden poles have historically been impregnated with creosote, which is classed as a hazardous substance for people and the environment, to protect them against rot.

At the end of 2021, Ellevio made a decision in principle to stop using creosote poles in any new construction and redevelopment, instead switching to alternative, less hazardous solutions. The decision will be implemented in the coming years.

Ellevio works to weather-proof its low-voltage networks by burying cables in the ground. We also reduce the risk of creosote having any local impact in individual cases by removing poles impregnated with creosote. In 2021, around 11.500 poles (15,700) filled with creosote were taken down.

| **Ellevio's climate impact, tonnes of $CO_2$equivalents** | **2021** | **2020** | **2019** |
|---|---|---|---|
| Direct emissions (scope 1) | 461.6 | 854.9 | 1,201.2 |
| of which Proprietary and leased vehicles | 31.5 | 44.1 | 96.7 |
| $SF_6$ gas (leakage) | 430.1 | 810.8 | 1,104.5 |
| Indirect emissions (scope 2) | 34.5 | 32.8 | 44 |
| of which Electricity – compensation for network losses | – | – | – |
| of which Electricity – facilities | 0,8 | 0.8 | 0.8 |
| of which Electricity – properties | 13.3 | 17.9 | 25.5 |
| of which Heating – properties | 20.4 | 14.2 | 17.7 |
| of which Cooling – properties | – | – | – |
| **Total** | **496.1** | **887.6** | **1,245.2** |

Scope 1 Direct emissions entail emissions from operations from sources controlled by Ellevio. For Ellevio, this principally relates to leakage of $SF_6$ in its own facilities and its own proprietary and leased vehicles.
Scope 2 Indirect emissions consist of emissions from purchased electricity, steam, heating and cooling which are created among producers who supply the named services to Ellevio.
Scope 3 Other indirect emissions are not included in Ellevio's external climate report, but are instead monitored internally. Scope 3 covers the other emissions that the business indirectly gives rise to in other parts of the value chain.

| **$SF_6$, kg** | **2021** | **2020** | **2019** |
|---|---|---|---|
| Total leakage | 18.3 | 34.5 | 47 |
| Newly installed | 715 | 339 | 400 |
| Decommissioned | – | 25.5 | 80 |

# TCFD.

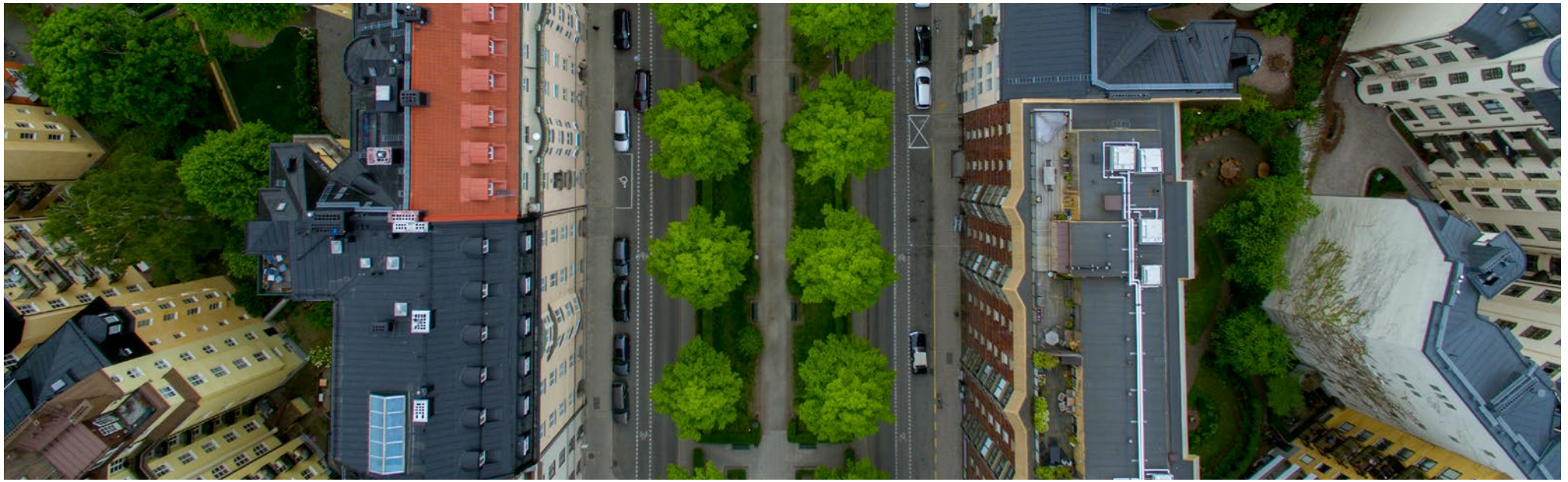
## Reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD)

In its 2021 annual report, Ellevio has adapted the company's reporting to the recommendations in TCFD's framework for describing how we work on climate-related risks and opportunities.

In the table, we describe the scope of the reporting and indicate page references for each area. The fact that such a large part of the Annual and Sustainability Report handles climate-related risks and opportunities reflects the major role that climate change has for Ellevio's strategy and operations.

In 2021, Ellevio began work on formalising our work within the climate area. This will be developed as we move forward.

| Governance | Strategy | Risk management | Indicators & targets |
|---|---|---|---|
| Recommended information | Recommended information | Recommended information | Recommended information |
| A. The Board's monitoring of climate-related risks and opportunities. Pages 42, 69–71 and 76–77 | A. Climate-related risks and opportunities identified by the organisation. Pages 3, 5, 6, 8, 9, 11–16, 18–20, 22–30, 39, 42 and 74–78 | A. The organisation's processes for identifying climate-related risks. Pages 42 and 77–78 | A. The organisation's indicators for evaluating climate-related risks and opportunities. Pages 88, 89, 79 and 80 |
| B. Management's role regarding the assessment and management of climate-related risks and opportunities. Pages 42, 69–71 and 76–77 | B. Impact of risks and opportunities on the organisation's operations, strategy and financial planning. Pages 3, 5, 6, 8, 9, 12–16, 18–30, 36–39, 41–42 and 74–78 | B. The organisation's processes for managing climate-related risks. Pages 9, 12, 22, 42, 75–78, 82 and 87 | B. Emissions of scope 1, 2 and, if applicable, scope 3 under the Greenhouse Gas Protocol. Pages 75, 88 and 89 |
| | C. Resilience in the organisation's strategy regarding various climate-related scenarios. Page 77 | C. Integration of the above processes into the organisation's general risk management. Pages 42 and 76–78 | C. Objectives for managing climate-related risks and opportunities. Pages 3, 5, 12, 14–16, 18, 20, 21, 74, 76, 79, 80, 82, 88 and 89 |



# About the Sustainability Report.

The sustainability report describes Ellevio's sustainability initiatives during the financial year 2021. The 2020 sustainability report was published in April 2021.

The annual sustainability report is published once a year and is produced in accordance with Global Reporting Initiatives (GRI) standards "core" level. The sustainability report is Ellevio's statutory sustainability report in accordance with the Annual Accounts Act and consists of the description of the sustainability work on pages 5–9, 20–38 and the Sustainability Information on pages 74–94 and the other sections in the annual report to which the GRI index on pages 91–93 refers.

Page 80 of the statutory sustainability report includes Ellevio's taxonomy reporting. Page references to Ellevio's reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD) can be found on page 90.

The sustainability report also comprises Ellevio's Communication on Progress (CoP) report for the UN Global Compact (UNGC) and the ten principles within the areas of human rights, labour law, environment and anti-corruption.

The sustainability report has not been reviewed by Ellevio's auditors, but in accordance with the requirements of the Annual Accounts Act, they confirm in an opinion on page 94 that a statutory sustainability report has been prepared.

For questions about Ellevio's sustainability initiatives, please contact Karolina Viksten, Head of Sustainability (karolina.viksten@ellevio.se) or Sarah Östberg, Head of Financial and Sustainability Communication (sarah.ostberg@ellevio.se).

# GRI Index.

| GRI disclosure | | Page | Comments | UN Global Compact | Significant sustainability issue |
|---|---|---|---|---|---|
| **GRI 102: GENERAL DISCLOSURES** | | | | | |
| **Organisational profile** | | | | | |
| 102-1 | Name of the organisation | 2 | | | |
| 102-2 | Activities, brands, products and services | 3, 5–6 | | | |
| 102-3 | Location of headquarters | 2 | | | |
| 102-4 | Location of operations | 4 | | | |
| 102-5 | Ownership and legal form | 4, 36 | | | |
| 102-6 | Markets served | 4 | | | |
| 102-7 | Scale of the organisation | 44–45 | | | |
| 102-8 | Information on employees and other workers | 85 | Ellevio does not report staff divided up by region as this is not considered applicable. The reason for this is that many of our employees work at a specific office while simultaneously carrying out duties that concern the entire business. | | |
| 102-9 | Supply chain | 86–87 | | | |
| 102-10 | Significant changes to the organisation and its supply chain | 86–87 | No changes have occurred within the organisation's supply chain. | | |
| 102-11 | Application of the precautionary principle | 76–77 | | | |
| 102-12 | External initiatives | 75, 77 | | | |
| 102-13 | Memberships of associations | 76 | | | |
| **Strategy and analysis** | | | | | |
| 102-14 | Statement from senior decision-maker | 8–9 | | | |
| **Ethics and integrity** | | | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | 76 | | | |
| **Corporate governance** | | | | | |
| 102-18 | Governance structure | 69–71 | | | |

| GRI disclosure | | Page | Comments | UN Global Compact | Significant sustainability issue |
|---|---|---|---|---|---|
| **Stakeholder dialogue** | | | | | |
| 102-40 | List of stakeholder groups | 74–76 | | | |
| 102-41 | Collective bargaining agreements | 58 | 100% of Ellevio's employees are covered by collective bargaining agreements. | | |
| 102-42 | Identifying and selecting stakeholders | 74–76 | | | |
| 102-43 | Approach to stakeholder engagement | 74 | | | |
| 102-44 | Key topics and concerns raised | 74–75 | | | |
| **Reporting method** | | | | | |
| 102-45 | Entities included in the consolidated financial statements | 91 | | | |
| 102-46 | Defining report content and topic Boundaries | 74–75 | | | |
| 102-47 | List of material topics | 74–75 | | | |
| 102-48 | Restatements of information | 79, 85 | | | |
| 102-49 | Changes in reporting | 91 | | | |
| 102-50 | Reporting period | 91 | | | |
| 102-51 | Date of most recent report | 91 | | | |
| 102-52 | Reporting cycle | 91 | | | |
| 102-53 | Contact point for questions regarding the report | 91 | | | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 91 | | | |
| 102-55 | GRI content index | 91–93 | | | |
| 102-56 | External assurance | 91 | No external assurance is applied. | | |
| **GRI 103: MANAGEMENT APPROACH 2016** | | | | | |
| 103-1 | Explanation of the material topic and its boundary | 22–23, 74–75, 79, 81–89 | | | |
| 103-2 | The management approach and its components | 76–77 | | | |
| 103-3 | Evaluation of the management approach | 79–89 | | | |
| **SPECIFIC DISCLOSURES – GRI 200: Economic performance** | | | | | |
| **GRI 201: Economic performance 2016** | | | | | |
| 201-1 | Direct economic value generated and distributed | 23, 81–82 | | 8–9: Environment | Electrification of transport and industry |
| **GRI 203: Indirect economic impacts 2016** | | | | | |
| 203-1 | Infrastructure investments and services supported | 22–23, 81–82 | All of Ellevio's investments are made on commercial terms | 8–9: Environment | Smart electricity networks / Responsible, long-term investments and stable infrastructure |
| **GRI 205: Anti-corruption 2016** | | | | | |
| 205-1 | Operations assessed for risks related to corruption | 23, 86–87 | | 10: Corruption | Business ethics and countering corruption |
| 205-2 | Communication and training about anti-corruption policies and procedures | 86 | | 10: Corruption | Business ethics and countering corruption |
| 205-3 | Confirmed incidents of corruption and actions taken | 86 | | 10: Corruption | Business ethics and countering corruption |
| **OWN DISCLOSURES: Economic performance** | | | | | |
| In-house measurement: SAIDI | | 27, 74, 82 | | | Responsible, long-term investments and stable infrastructure / Supply reliability |
| In-house measurement: Rate of cabling | | 82 | | | Impact from climate change |
| In-house measurement: AMM2G | | 27, 83 | | | Smart electricity networks |
| **SPECIFIC DISCLOSURES – GRI 300: Environment** | | | | | |
| **GRI 302: Energy 2016** | | | | | |
| 302-1 | Energy consumption within the organisation | 88–89 | Energy consumption within the organisation is indirectly reported in scope 1 and 2. | 7–8: Environment | Increase the proportion of renewable energy |
| 302-2 | Energy consumption outside of the organisation | 88–89 | | 7–8: Environment | Increase the proportion of renewable energy |

| GRI disclosure | | Page | Comments | UN Global Compact | Significant sustainability issue |
|---|---|---|---|---|---|
| **GRI 305: Emissions 2016** | | | | | |
| 305-1 | Direct GHG emissions (scope 1) | 88–89 | | 7–8: Environment | Reduced climate impact |
| 305-2 | Indirect GHG emissions (scope 2) | 88–89 | | 7–8: Environment | Reduced climate impact |
| 305-3 | Other indirect (Scope 3) GHG emissions | 88–89 | Other indirect (Scope 3) GHG emissions is not included in Ellevios external climate reporting, but is internally measured and mitigated. | 7–8: Environment | Reduced climate impact / Electrification of transport and industry |
| **GRI 308: Supplier Environmental Assessment 2016** | | | | | |
| 308-1 | New suppliers that were screened using environmental criteria | 23, 86–87 | | 7–8: Environment | Responsible purchasing |
| **OWN DISCLOSURES: Environment** | | | | | |
| In-house measurement: SF6 | | 89 | | | Reduced climate impact |
| In-house measurement: Biodiversity | | 83 | | | Biodiversity along our power lanes |
| In-house measurement: Energy losses from the power line network | | 89 | | | Reduced climate impact |
| In-house measurement: AMM2G | | 79, 83 | | | Electrification of transport and industry |
| **SPECIFIC DISCLOSURES – GRI 400: Social** | | | | | |
| **GRI 401: Employment 2016** | | | | | |
| 401-1 | New employee hires and employee turnover | 86 | | 6: Labour standards | Attractive employer |
| **GRI 403: Health and safety 2018** | | | | | |
| 403-1 | Occupational health and safety management system | 84 | | 6: Labour standards | Health and safety |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 84 | | 6: Labour standards | Health and safety |
| 403-3 | Occupational health services | 84 | | 6: Labour standards | Health and safety |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 84 | | 6: Labour standards | Health and safety |
| 403-5 | Worker training on occupational health and safety | 84 | | 6: Labour standards | Health and safety |
| 403-6 | Promotion of worker health | 84 | | | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 84 | | 6: Labour standards | Health and safety |
| 403-8 | Workers covered by an occupational health and safety management system | 84 | | 6: Labour standards | Health and safety |
| 403-9 | Work-related injuries | 84 | | 6: Labour standards | Health and safety |
| **GRI 405: Diversity and equal opportunities 2016** | | | | | |
| 405-1 | Diversity of governance bodies and employees | 84–85 | | 6: Labour standards | Attractive employer |
| **GRI 414: Supplier Social Assessment 2016** | | | | | |
| 414-1 | New suppliers that were screened using social criteria | 23, 86–87 | | 1–2: Human rights<br>3–6: Labour standards<br>10: Corruption | Responsible purchasing |
| **OWN DISCLOSURES: Social** | | | | | |
| In-house measurement: Dialogue with local communities | | 87–88 | | | Dialogue with local communities |
| In-house measurement: Annonced and unannounced site visits | | 87 | | | Responsible purchasing |
| In-house measurement: Crisis preparedness | | 87 | | | Crisis management and preparedness |
| In-house measurement: Customer satisfaction | | 83 | | | Supply affordable energy |
| In-house measurement: Employee engagement | | 86 | | | Attractive employer |
| In-house measurement: Sustainability index | | 84 | | | Health and safety |
| In-house measurement: Safety | | 33, 84 | | | Crisis management and preparedness |

# Auditor's report on the statutory sustainability statement.

**TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037-7326**

**Engagement and responsibility**
It is the Board of Directors who is responsible for the statutory sustainability statement for the financial year 2021-01-01 – 2021-12-31 on pages 5–9, 20–38 and 74–94 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

**Opinion**
A statutory sustainability statement has been prepared.

Stockholm May 3, 2022
Ernst & Young AB

Henrik Jonzén
Authorised Public Accountant

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