ELLEVIO

Annual and Sustainability Report 2022


Together we
electrify Sweden

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The Annual Report consists of a directors' report, financial statements and notes on pages 40–68. The auditors' report appears on pages 69–70.

The sustainability report has been produced in line with GRI Universal Standards 2021. The sustainability report is Ellevio's statutory sustainability report in accordance with the Annual Report Act and comprises a review of the company's sustainability work on pages 22–28, 30–32, the section In-depth sustainability information on pages 78–113 and the other sections of the annual report to which the GRI index on pages 114–116 refers. The auditor's report regarding the statutory sustainability report can be found on the page117.

Why?

For a bright and sustainable future

Ellevio's electricity network secures the electricity supply to homes, workplaces, industries, transport and societal functions, while at the same time contributing to the energy transition and the development of a climate-smart energy system.

Modern, robust and well-developed electricity grids are crucial to the functioning of society, the development of new solutions and innovations and Sweden's ability to achieve its climate targets. Moreover, demand for electricity is going to increase drastically in the coming years. By 2045, Sweden will, according to several forecasts, need more than double the amount of electricity it requires today.

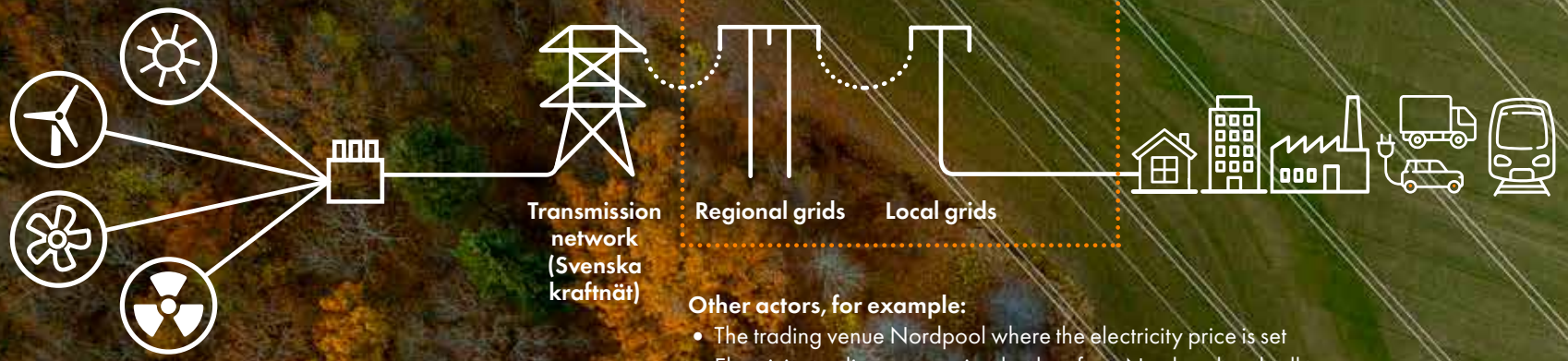
Guaranteeing a reliable supply of electricity is one of society's most vital tasks, and we at Ellevio are proud to be working to create a bright and sustainable future.

What?

Together we electrify Sweden

Through smart energy infrastructure, Ellevio is laying the foundations for a growing society and enabling the transition towards an electrified, fossil-free future. We are working to reinforce, upgrade, manage and weather-proof – and together with our customers and partners, we are identifying solutions for a more flexible energy system.

The government's electricity network regulation governs our revenue. We work to ensure a long-term, stable and predictable regulation.



Other actors, for example:

- The trading venue Nordpool where the electricity price is set
- Electricity trading companies that buy from Nordpool and sell to users
- Aggregators that gather several customers' electricity use and production into larger units
- Service providers such as Ellevio Energy Solutions, see page 33.

Where?

In Sweden

Ellevio owns regional and local grids in six network areas in southern and central Sweden, and we are looking to grow by purchasing nearby grids that can become part of Ellevio and help increase the pace of transitioning to an electrified, fossil-free future. Overall, the grids cover 80,000 kilometres.

Our largest offices are located in Stockholm and Karlstad, but our contractors cover all of our network areas.

Our network areas

- **Dalarna:** 36,000 customers
- **Gävleborg (Hälsingland & Gästrikland):** 74,000 customers
- **Skaraborg-Närke:** 27,000 customers
- **Stockholm (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn and Vallentuna):** 598,000 customers
- **Värmland:** 105,000 customers
- **West Coast (Halland & Bohuslän):** 131,000 customers

Who for?

For one million customers – and the climate

Ellevio has nearly one million customers. This makes us one of Sweden's largest electricity network companies.

Our main task is to meet the electricity demands of our customers and society without outages – both today and in the future. Major efforts are needed due to the demands of the climate and societal developments. The energy system needs to be rebuilt and electricity consumption must increase if Sweden is to achieve its climate targets.

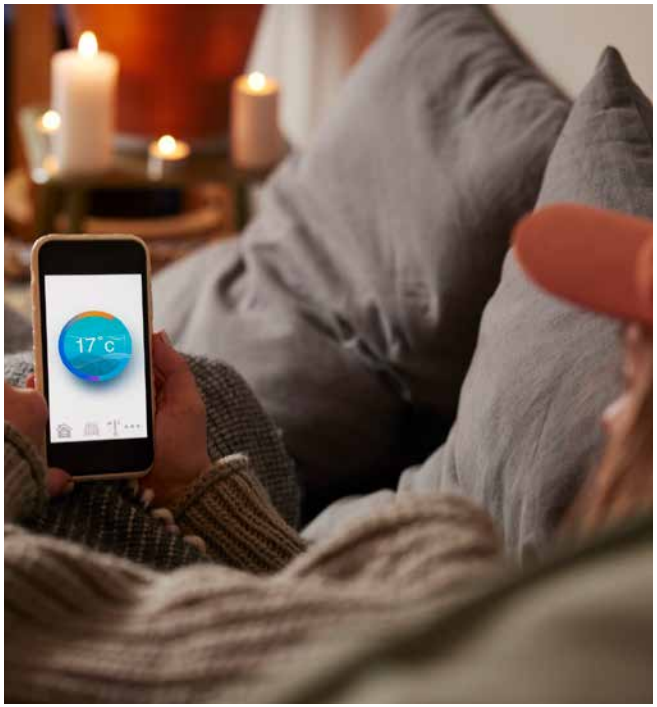
Electricity networks are capital-intensive and long-term operations, which is why Ellevio is owned by pension funds that provide capital in exchange for a long-term and stable return.

99.98%
supply reliability on Ellevio's network in 2022

971,000 customers
of which 86% households and 14% corporate

Sweden's climate target:
Net-zero greenhouse-gas emissions by 2045

Significant events in 2022



War, energy crisis and high electricity prices

Russia's invasion of Ukraine overshadowed the situation in Europe in 2022. The war also led to an energy crisis with record-high electricity prices and a shortage of electricity in many places.

For Ellevio, the crisis led to higher costs for electricity purchases made to compensate for network losses. Ellevio and many other network companies had to bring forward price rises due to this.

→ Read more about this in the CEO's statement on pages 10–11.

Enormous investment needs laid out

In March, Ellevio released the report entitled "Vad kostar framtiden?" (What will the future cost?), which showed that the electricity network requires investments totalling SEK 670 billion by 2045. This is SEK 170 billion more than previous forecasts – and many of the investments need to happen in the next ten years. At the same time, new forecasts appeared showing how electricity consumption will be more than twice as high in 20 years than it is today.

→ Read more on pages 10, 15 and 34–35.

Changing role for electricity network companies

According to the EU's Clean Energy Package, the role of electricity networks is to change in future, from being responsible for network operation to become a system operator with greater responsibility for the functioning of the network compared to today.

→ Read more on page 16.

New business area within the Group

The Ellevio Group launched a new business area that will offer solutions to help companies transition to electrified, fossil-free operations. Its first initiatives included investments in energy supplies and an acquisition of ten percent of the shares in the rapidly growing energy technology companies Flower. The operations are managed by Ellevio Energy Solutions AB.

→ Read more on page 33.

Volvo invests in Mariestad

AB Volvo's announcement in the summer of its plans for a new battery cell factory in Mariestad marked the start of one of Ellevio's largest investments to date. Securing the supply of electricity during the construction and the start-up of production requires a major investment.

→ Read more on page 29.

Strengthened climate ambitions

A new target for reducing Ellevio's carbon footprint was adopted during the year: 'Electric vehicles and machinery by 2030'. Together with our contractors, we want to reduce the emissions from machinery and vehicles used in our operations.

→ Read more on page 90–91.

First to offer large-scale smart control

Ellevio and Telia signed a ten-year agreement to install equipment for digital monitoring, control and data analysis at 550 substations and around 8,000 secondary substations.

→ Read more on page 20.

Fair prices for our customers

Since 2017, Ellevio has been working to ensure that all our customers pay the same price for the same service – regardless of where they live. The price alignment project was completed according to plan during the year.

→ Read more on page 32 and 88.

Compensation for high electricity prices

Two government electricity bill support packages were approved in 2022 for Sweden's electricity customers. The network companies were responsible for paying one of them.

→ Read more on page 14.

815,000

customers have received a new smart electricity meter

Ellevio's major electricity meter replacement project went according to plan during the year. The next generation of smart electricity meters will play a key role in the electricity system of tomorrow.

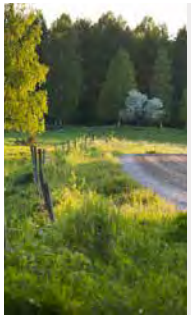
→ Read more on page 31.

AMF new owner of Ellevio

In December 2022, occupational pension company AMF purchased 12.5 percent of the shares in Ellevio from the First National Pension Fund.

"We value the chance to invest in Ellevio – a well-run, socially critical company with a strong sustainability profile," noted Katarina Romberg from AMF in connection with the purchase.

→ Read more on page 38.



Welcome, Edsbyn!

In 2022, Ellevio gained some 4,000 new customers and a handful of new employees when Edsbyns Elverk's electricity grid was integrated into Ellevio.

→ Read more on page 36 and 42.

Investments in the electricity network cannot be neglected

The electricity supply has been at the top of the news throughout the year, not least due to the risk of power shortages and record-high electricity prices. Two government electricity bill support packages were launched, and the risk of manual disconnection was deemed to be considerable before the winter. At Ellevio, we have expanded our dialogue with customers and noticed both heightened interest and more questions. Our household customers radically reduced their electricity consumption during the autumn due to the high prices, a trend that has continued throughout the winter. As we purchase large amounts of electricity to compensate for network losses, this rise in prices also affected us and led to us having to bring forward a price rise in October.

Extensive interest and greater consensus

On the bright side, interest in the electricity market has grown and the energy transition has received a boost in Europe as everyone wants to become independent of Russian oil and gas.

In Sweden, it is assessed that demand for electricity will more than double by 2045 as sectors such as transport and industry are electrified. Despite the turbulence of 2022, we cannot see any slowdown in the pace of electrification: changes are moving fast, with the business community in the driving seat. We are supporting our customers in this transition.

Sweden needs more fossil-free electricity production, expanded electricity grids, smart system solutions and energy-efficiency enhancements. The electricity system represents critical infrastructure – equally vital for society as roads, railways and broadband. According to our report "What will the future cost" from 2022, investments of SEK 670 billion are required in the grids by 2045 to meet future needs.

I am seeing greater consensus in society regarding the need for investments in the energy system. However, we have a way to go in terms of achieving consensus about how such investments are to be financed. The framework for the next regulatory period will be drawn up this year. Network companies require long-term rules, stable and predictable conditions and shorter permit processes to create a system that supports the transition and enables us to achieve climate targets. The sector's collective competence and experience should be exploited in the process, and we at Ellevio are here to contribute.

The transition requires action to be taken now, and the need for stability has therefore never been greater.

How we are building the energy system of tomorrow

In 2022, Ellevio invested SEK 3.4 billion in our electricity network. We replaced old with new, wind and weather-proofed the grids, expanded capacity, digitalised and enhanced efficiency. We also developed our operational, monitoring and troubleshooting capability, installed smart electricity meters for nine out of ten customers, laid underwater cables beneath Lake Mälaren, connected Stockholm's longest charging street and improved our customer dialogue. We also worked to make new battery factories for Northvolt in Borlänge and Volvo in Mariestad a reality, and we connected the major Tovåsen wind farm in Ånge. And that is merely a selection of this year's highlights.

Yes, it has been fast-paced and that pace will continue. If we are to succeed, we need more people. Both we and the rest of the sector need to recruit. That is why it is particularly pleasing that we have once again ranked among the frontrunners of Sweden's most attractive employers

and that our customer satisfaction index hit a new record of 8.1 on a 10-point scale in December.

The Ellevio family is growing

2022 also saw the launch of an entirely new business area – Ellevio Energy Solutions AB – which kicked off with investments in energy storage and part ownership in the energy technology company Flower.

We also saw an increase in the number of customers and employees in 2022. We welcomed 4,000 new customers from Edsbyns Elverk and we recruited 150 new colleagues.

We also gained a new owner in December, the pension fund AMF, which, just like our other owners, has a long-term investment horizon and a stable financial position.

An enabler and role model

According to the new EU taxonomy for sustainable investments, electricity grid operations contribute to the EU's climate targets. This is specified in this year's sustainability report. In addition to this, we want to serve as a role model through our own operations. Two of our main areas of sustainability are safety and the climate: everyone who works for us should come home healthy and unharmed from work and we must reduce the carbon footprint of our operations.

"Without modern and expanded electricity grids, there will be no climate transition. It is as simple as that."

Statistics show that we are on the right track: the number of work-related injuries that led to sick leave fell while safety observations doubled, which is positive as observation is the first step to ensuring safe behaviours. We also established a target for electric vehicles and construction machines, drew up stricter sustainability requirements in procurements and and launched a unique collaborative project for reduced environmental and climate impact in Orsa in Dalarna, during the year.

This year's annual and sustainability report serves as our Communication on Progress in line with the UN Global Compact, and I would like take this chance to reaffirm our ongoing support for this initiative.

A stable foundation

We first proved that we have an ability to adapt to new conditions when the pandemic struck. But this was reaffirmed in 2022 when the operating environment demanded a greater focus on protective security, management of high electricity costs and the customer dialogue to support worried customers. Despite the energy crisis, customer satisfaction also increased among corporate customers, while the level remained unchanged among household customers.

Once again, we have delivered in an unusually complicated operating environment. Ellevio has committed, reliable and innovative employees who have proven that they are at their best when tackling challenges. This is part of our DNA and bodes well for the years to come. This period of upheaval demands that we are able to manage both the aspects for which we have planned and the unforeseen situations that arise along the way. I conclude this CEO's statement with great confidence that we have what it takes.

Johan Lindehag
CEO, Ellevio

Net sales

SEK 7,535 M
(SEK 7 153 M)

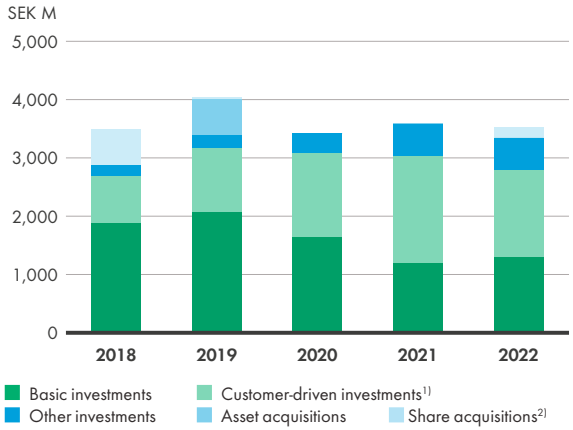
Security of supply

99.98%
(99,99%)

New smart electricity meters

815,000
(≈ 400,000)

Investments including acquisitions 2018–2022



[1] Investments initiated by our customers, such as investments in connections of new homes, industries and wind farms to the electricity grid.
[2] Acquisition of the shares in Edsbyns Elnät AB in 2022, in three companies with assets in Laforsen's distribution station in 2019 and Elverket Vallentuna AB in 2018.

How the electricity market works

Electricity grids represent fundamental infrastructure in every modern society; it is through them that electricity is transmitted from the producer to the consumer. They need to be robust, comprehensive, modern and sufficiently developed to ensure that society can function and develop. The grids are also a prerequisite for more renewable energy and the electrification of transport and industries. In this sense, they play a key role in the climate transition.

The Swedish electricity network comprises the national grid, regional grids and local grids. The national grid, also referred to as the transmission grid, is owned by state-run Svenska kraftnät, while the regional and local grids are owned by some 160 electricity network companies. Ellevio, Vattenfall and E.ON are Sweden's largest electricity network owners.

Due to the fact that it is not socioeconomically profitable to build parallel networks, the electricity networks are known as natural monopolies subject to governmental revenue regulation.

Electricity users and producers are connected to the grid where they live and work and thus become customers of the network company.

No other European country has as many network companies as Sweden. Many of them are small, municipally-owned and limited to individual municipalities and urban areas. Ellevio pursues an acquisition strategy, which entails growing the company by purchasing grids connected to our existing network. This creates interconnectivity benefits and gives customers access to our extensive investment programme which modernises, digitalises and expands the electricity networks. In 2022, Edsbyns Elnät AB in Ovanåker municipality in Hälsingland was integrated into Ellevio following an acquisition implemented the year before.

Regulated market

Electricity network operations are regulated. This means that Ellevio is monitored and reviewed by a public authority, the Swedish Energy Markets Inspectorate (Ei), which also decides what proportion of revenue we are allowed to charge our customers. This network regulation is based on the Electricity Act and seeks to ensure that the electricity grids provide high quality and security of supply.

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 Swedish Electricity Act, the prices that customers pay to the network companies should be fair, objective and non-discriminatory. Allowed revenues for network companies are decided in advance for periods of four years at a time. The current revenue regulation applies to the period 2020–2023. Conditions for the period 2024–2027 are to be presented by October 2023 at the latest.

Authority's decisions create uncertainty

The current revenue regulation entailed reduced revenue frameworks compared to the previous period and has been appealed by around 120 network companies, since it leads to insufficient investment to protect security of supply, growth and climate change.

The appeals focused in particular on the halving of the weighted average capital cost (WACC), as it was far from sufficient. In June 2022, a ruling by the Administrative Court of Appeal decided that the directive which had governed Ei's decision before the current regulatory period was in conflict with EU law. The ruling also stated that Ei does not need to consider the standard practice of previous judges when deciding on allowed revenue. Ellevio and the other network companies appealed the latter part of the ruling at the Supreme Administrative Court, but were not granted permission.

Ei's independence has been called into question by the EU Commission, and the Government has appointed an inquiry into the legislative changes required.

Contractors play important role

Contractors are a vital part of the Swedish electricity network market. They are responsible for maintaining and building the electricity network. Currently, Ellevio has no in-house employees who work in the field; all physical work on our network is carried out via contractors. It is thus of the utmost importance to have a close dialogue and collaboration with those contractors, not least on issues concerning the environment, personal safety at the workplace and cooperation to reduce our climate impact. Ellevio has a continuous and close dialogue with its contractors and sets out sustainability criteria in procurements.

→ Read more about the different operators on the electricity market at ellevio.se.

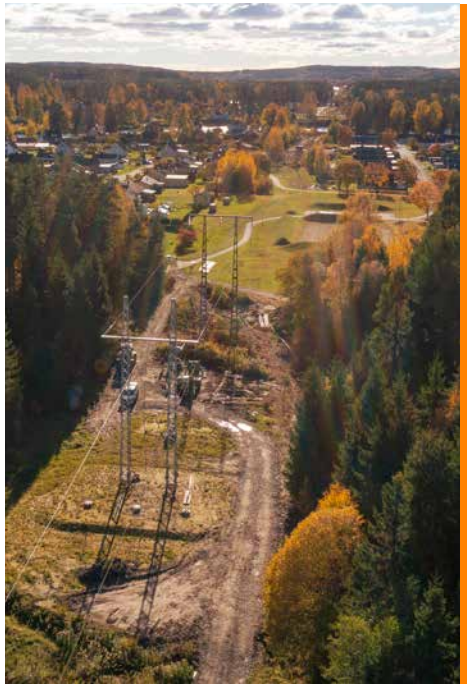
ENERGY MARKETS INSPECTORATE CONTROLS ELLEVIO'S REVENUE

According to the Electricity Act, customers should pay fair, objective and non-discriminatory fees. The state-run Energy Markets Inspectorate (Ei) monitors network companies and determines the level of their allowed revenue in advance and for four years at a time.

The allowed revenue consists of four parts: firstly, compensation that must cover the network company's interest on loans to enable investments and returns to owners ('compensation for capital costs'); secondly, compensation for aspects such as overhead networks, network losses and authority fees ('non-controllable costs'); thirdly, compensation for troubleshooting in the event of a power outage, customer service, operational monitoring, personnel costs and more ('controllable costs'); and finally a quality parameter which means that network companies can receive deductions to or increases in allowed revenues depending on the quality of their network operations.

Overhead networks are the electricity networks that deliver electricity to our grids; Svenska kraftnät's national grid is included in this along with the regional grids.

The cost of network losses refers to the costs we incur when purchasing electricity as compensation for network losses – in other words, the power lost during transmission. As a network company, we are also obliged to charge taxes and fees to customers and pass these on in full to the state.

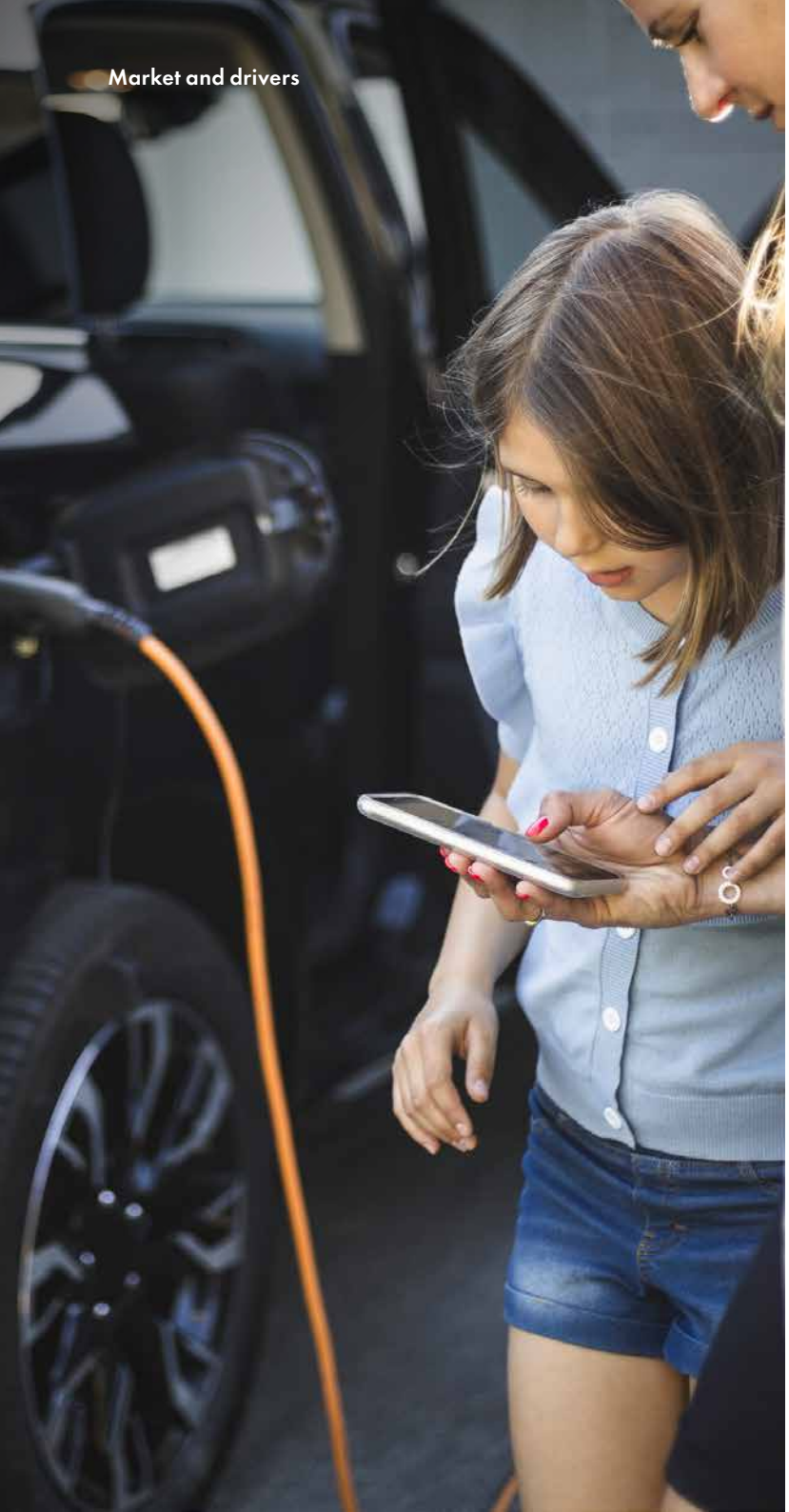


Ellevio's view:

On electricity network regulation

Ellevio works to ensure that the electricity network regulation provides a reasonable long-term return on the investments we require to create the fossil-free, electrified society dictated by the climate targets.

The revenue regulation for the period 2016–2019 provided the necessary incentive for investments in the network, but the revenue frameworks were lowered for 2020–2023, which risks jeopardising the opportunity to develop the network. For this reason, Ellevio appealed the regulation together with 120 other network companies.



Market conditions and trends in 2022

The fossil-free, electrified society of the future needs a smart electricity system with greater capacity and flexibility than today. Network companies play a decisive role in this, and the need for investment is huge. The market was challenged afresh in 2022 by the war in Ukraine, which caused an energy crisis throughout Europe.

2022 energy crisis

2022 proved to be a dramatic year for the electricity market. Russia's invasion of Ukraine led to a shortage of gas in Europe, while several nuclear power reactors in countries such as France and Sweden were taken out of operation at times when the availability of wind and hydropower was insufficient. This, combined with closed production facilities in southern Sweden and Germany, led to unusually volatile electricity prices in Sweden and large differences in electricity price area 1 in northern Sweden and area 4 in southern Sweden.

Price s reached record levels several times during the year, and even northern Sweden was affected later in the year by unusually high prices. According to statistics from the Swedish Consumer Energy Markets Bureau, the average price in price area 4 (southern Sweden) was 162 Swedish öre in 2022, compared with 82 öre in 2021. In price area 1 (northern Sweden), the average price was 63 öre in 2022, compared with 43 öre in 2021.

The high electricity prices also affected Ellevio, whose costs for purchasing electricity to compensate for network losses increased by 27 percent to SEK 555 million in 2022. This led to us needing to bring forward a price increase for local network customers averaging SEK 10–25 per month for an apartment and SEK 50–150 a month for a detached home. To limit the impact of price fluctuations, Ellevio has hedged 80 percent of its electricity purchases.

Two government electricity bill support packages for Swedish customers were launched during the year. The first package, in spring 2022, was paid to households by the network companies – including Ellevio – during the second quarter. The second was approved during the autumn and was paid to both households and companies by Försäkringskassan.

Funds for the second support package were taken from the 'bottleneck revenue' Svenska kraftnät received due to the large differences in electricity prices between electricity price areas. Bottleneck revenue occurs if the price of electricity is lower where that electricity is produced than in the area in which it is consumed. This often happens in Sweden as we have extensive electricity production in the north, a denser population in the south and insufficient transmission capacity in certain places. In these cases, the customer has to pay a higher price for the electricity than the producer charges for it. The difference between these two prices is known as bottleneck revenue and accrues to Svenska kraftnät if they are the company who transmitted the electricity.

To reduce the need for further price increases, Svenska kraftnät decided during the autumn to remove the fixed tariff paid by the network companies for August–December 2022 – as a way of compensating for high electricity prices.

Risk of manual disconnection

In autumn 2022, warnings were issued that the winter could lead to electricity being manually disconnected if there were times when demand for power exceeded supply. In such a scenario, Ellevio and the other network companies receive orders from Svenska kraftnät for temporary disconnection of certain power lines, and such orders can be placed with 15 minutes' warning in the most urgent cases. If manual disconnection is required, the order of priority is followed in accordance with the Styrel model produced by the Swedish Energy Agency. At the end of March, the measure had not needed to be taken.

Swedes radically reduced their electricity consumption as a result of the high prices and broad information campaigns from both the energy sector and the media. For example, Ellevio's household customers reduced their electricity consumption by around 15 percent between September and December, adjusted for temperature differences. The change in consumption among industrial customers was limited.

Major need for investment and greater demand for electricity

While the past year has entailed high electricity prices and the need to reduce electricity consumption in the short term, the fact remains that climate change requires increased electrification of society. Sweden's electricity consumption has remained largely constant since the 1980s, but within 20 years demand for electricity is predicted to be over twice as high as today.

The future also requires solutions that can support households and companies in the energy transition. It is therefore important for Ellevio to collaborate with customers and partners to electrify Sweden together.

The business community is the driver of this transition. Major technological transformations are under way in areas such as basic industry, the steel industry in northern Sweden and the transport sector. The direction of travel is clear. The energy transition is progressing, and the electricity system needs to be expanded and modernised.

Ellevio's view:

Congratulations on the new job, Ebba Busch – here are your top priorities:

In October 2022, Ebba Busch became Sweden's new Minister for Energy, Business and Industry and thus responsible for an area at the heart of societal developments. The climate transition, new industrialization, urban and rural development – all of these areas depend on a reliable supply of electricity. These are not issues that can be disregarded. If they are, Sweden will grind to a halt. Literally.

The electricity system is complex and requires many parallel investments, but some aspects are more critical than others.

Given the changes in the climate policy priorities of the transport sector, such as the removal of climate bonuses, tax breaks for petrol and diesel and the minimising of the greenhouse gas reduction mandate, it is vital for the Government to clarify how efforts to electrify the transport sector and industry will be accelerated. We lay out our list of priorities for Ebba Busch here – along with part of our response to the budget proposal from autumn 2022.

- Shorten lead times for permit processes. These can currently take 10–12 years for electricity network investments that are already needed tomorrow. Implement proposals from existing inquiries and review how access to land can be accelerated. The funding for the Swedish Energy Markets Inspectorate to shorten permit processes for electricity grids included in the budget proposal is much needed.
- Help foster a broad understanding that more power lines are required and that they need to coexist with areas of natural value, defence interests and the interests of land owners.
- Review how the energy system is to be funded, not least in terms of how electricity taxes are designed. Customers' costs must be reasonable and predictable.
- Produce a long-term, stable and predictable regulatory model for investments in the electricity network. The network companies must be given the conditions to deliver society's targets and infrastructure needs.
- Offer support to customers who want to reduce their electricity consumption. We welcome the budget proposal's contributions to enhance the energy efficiency of detached homes heated by direct electricity or gas and an eased tax burden for CHP.
- The budget proposal contains targeted investments for charging infrastructure, including via the Climate Leap and Industrial Leap projects. Particularly important investments in this area include charging infrastructure for heavy goods vehicles, improved accessibility of charging points and greater charging capacity nationwide.

A holistic and long-term approach is the basis of the way forward. Good luck!

Ensuring the success of the transition to an electrified, fossil-free society thus requires major investments. Sweden currently has an ageing electricity network. Major parts of it have reached their technical service life and need replacing. Moreover, the transition requires a smart and more flexible electricity system, which is why network companies are making the largest investments in the electricity network since the 1960s and '70s.

In March 2022, Ellevio presented the report "Vad kostar framtiden?" (What will the future cost?), which laid out the investment requirements for new network infrastructure to enable twice as much electricity consumption in the next 20 years. The previous forecast of SEK 500 billion in electricity network investments was adjusted upwards to SEK 670 billion by 2045.

For this reason, Ellevio is working to ensure that Sweden's network companies have a stable network regulation that creates the conditions to make the necessary major investments, and which also promotes incentives for flexibility solutions.

Ellevio has a balanced investment programme focusing on sustainability, reliability and digitalisation. We have invested approx. SEK 16.6 billion between 2018 and 2022.

Long investment horizon

Network operations require a very long planning horizon, as we are responsible for infrastructure that needs to deliver for many decades to come. At the same time, network companies require extensive access to capital and need to take long-term responsibility. This places strict long-term planning demands on us, our owners – and not least the network regulation that sets the framework for the market.

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 be as long as ten years.

Already in August 2021, a new law took effect with the aim of shortening lead times for expanding the electricity network. Several important measures remain, however, and the budget from the newly-appointed Government in 2022 proposed further investments to shorten lead times.

Political initiatives and lobbying

Together with the sector, Ellevio pursues efforts to explain the importance of a long-term and predictable revenue regulation and appropriate conditions for the electricity network market. Several political initiatives and collaborations within the sector are also under way, both at an EU and a national level, to establish the framework for the future electricity market.

In early 2022, the then-government presented a national electrification strategy that aims to contribute to a rapid, smart and socioeconomically efficient process of electrification. The strategy was drawn up in collaboration with business, authorities and other operators in society and includes 67 measures for the period 2022–2024. In early 2023, it was unclear how the Government that took office in September 2022 views these measures. During the autumn, the new Government presented a number of new measures to support the electricity market, including measures to shorten permit processes, electricity bill support for households and businesses, tax breaks for CHP (combined heat and power) and investment support for greater energy efficiency of houses heated by electricity or gas.

Clean Energy Package to reduce fossil-fuel dependency

The EU's Clean Energy Package was processed in Sweden in 2022 and aims to make the EU a leader in the global transition to clean energy. The package contains reforms in areas such as energy security, the EU's internal energy market, energy efficiency, financial dependency on fossil fuels and grants for research and innovation.

For network companies, the Clean Energy Package entails adopting a partially new role – from being a network manager to being a system operator. Among other things, this means that there must be clear development plans for the electricity grids in various areas and that there will be significantly stricter connection requirements for owners of electricity grids at all voltage levels – be it the national grid, regional grids or local grids.

In Sweden, legislation has been adjusted to comply with the EU directive. The changes took effect on 1 July 2022 with a transition period in place until 31 December 2023, and Ellevio is adapting its operations accordingly.

Ellevio takes active steps to monitor and attempt to influence how the legislative proposals to be implemented in Sweden are formulated. We publish regular news items about this at www.ellevio.se/en/about-ellevio/newsroom/.

Heightened preparedness and sector collaboration

Protective security and preparedness were particularly high-priorities on the electricity market 2022. The geopolitical situation has deteriorated due to the war in Ukraine, which has entailed attacks targeting energy infrastructure. Ellevio has taken measures to enhance its ability to withstand antagonistic influence by collaborating with the energy sector and the public authorities. In 2022, cyber attacks have been averted with the help of security systems and an increased security competence of our staff.

Ellevio's view:

For network companies, the EU's Clean Energy Package entails adopting a partially new role – from being a network manager to becoming a system operator. Ellevio considers it highly important for the national revenue regulation to adapt to this changing role.

Presenting Sweden's longest and heaviest road transport

During the spring and summer, Ellevio's largest transformer to date was driven across Sweden. The transport convoy was a record size, and crowds built up along the way as many onlookers wanted to see the spectacular piece of equipment.

The huge transformer has a capacity of 850 MVA and will play a key role in what will become Sweden's largest cluster of wind farms south of Ånge. When fully developed, the cluster will be able to generate up to 1,500 MW of electricity – roughly the same as Stockholm's annual consumption, or 1–2 nuclear reactors – and the transformer will convert energy from the wind turbines into voltage that can be transmitted to the electricity grids.

This transformer, which alone weighs roughly the same as 80 elephants, will thus play a decisive role in achieving the requisite electricity production as Sweden transitions and electrifies areas such as industry and the transport sector.

The journey across the country entailed multiple challenges. Sweden's roads are not adapted for weights, lengths and sizes of this magnitude, meaning sections all along the route required reinforcement, widening or lowering. There were also five bridge crossings, with each crossing requiring extra axles to be fitted to the trailer, before being removed again once the bridge had been crossed.

Facts about the transport

- Transformer weight (during transportation): 390 tonnes
- Transformer weight (when installed): approx. 420 tonnes
- Length of transport convoy: approx. 110 metres, depending on assistance vehicles
- Total weight of transport: 750 tonnes
- No. of wheels: 256
- Speed of the convoy: between 5 and 15 km per hour

Drivers – Sweden's electricity system undergoing fundamental change

Over the past few years, entirely new conditions have emerged in Sweden's electricity system. New types of power, new technology, large-scale electrification, capacity shortages and the climate crisis are just a few examples of drivers leading to a fundamental change in Sweden's electricity system.

Drivers

Electrification of industries and transport

The climate crisis has started an industrial revolution in Sweden, and the solution is electrification. By 2045, electricity consumption is expected to increase from 145 TWh today to well over 300 TWh.

Industries and transport need to be electrified to ensure Sweden achieves its climate targets – but also to maintain its competitiveness. This means that the need for electricity will increase dramatically, which in turn requires the electricity system to be modernised and expanded.

The transition to an electrified transport sector is moving rapidly and many major vehicle manufacturers have ambitious targets. This trend is needed; the climate and environmental effects of an electric vehicle fleet will be huge.

In addition to reducing CO_2 emissions, the local environment will also be affected through better air quality and less traffic noise. However, for the transition to work, rapid and extensive expansion of charging points are needed, both for private vehicles and heavy, commercial traffic. Developments within the transport sector are moving incredibly fast and if the expansion of charging points falls behind then obstacles may risk hindering progress.

Rapid developments towards electrified processes are also under way within industry. Thanks to technological breakthroughs, Swedish industry is now heading for a comprehensive transition that could have huge positive effects on the emission of greenhouse gases. This kind of breakthrough is expected in the steel industry, with the aim of entirely fossil-free manufacturing by 2045. If it succeeds, emissions will be reduced while electricity consumption will increase sharply. Similar breakthroughs are underway in other sectors. Industry is simultaneously becoming increasingly efficient, which could also help curb the increase in electricity consumption.

New energy mix

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. However, the reality looks somewhat different now.

Four out of ten Swedish nuclear power have been decommissioned since 2017. Nuclear power currently accounts for around 30 percent of Swedish energy production, and the six reactors currently in operation are expected to be in use for another 20 years or so. It will not be possible to expand one single type of power sufficiently to meet the rising level of electricity consumption alone. The Government which took office in 2022 has a more positive view of nuclear power than the previous one, but it takes time to make new reactors operational and the future of nuclear power in Sweden remains uncertain. Small-scale modular reactors are increasingly seen as a complement to more traditional, larger nuclear power plants.

At the same time, more and more electricity is being supplied from renewable energy sources: wind, first and foremost, but also solar power. Wind power has been expanded at a rapid pace in recent years, with growth mainly taking place on land but major investments also being made in offshore wind. The supply of these types of power varies greatly with the season and weather, which limits the possibility of controlling production.

An increasing number of households are producing and selling electricity via solar panels.

The electricity system must now be able to manage an irregular inflow, with rapid and sharp fluctuations in electricity production.

More "prosumers"

More and more consumers are producing and selling their own electricity by connecting solar panels to the network and transferring their surplus electricity. They are often referred to as "prosumers". In late 2022, Ellevio had 19,000 customers who were micro-producers of solar electricity – an increase of 61 percent compared with the previous year. 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. Greater flexibility is needed in the electricity system.

Use surpluses effectively

Managing 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 storing it. The technological development is fast, but the solutions are still young and often untested.

Expanded capacity and flexible consumption

At other times, the demand for electricity will be greater than the capacity of 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 in a smarter way are all needed. Flexible consumption also needs to increase by giving consumers incentives and tools to consume electricity in a flexible way, thus reducing the maximum load on the grid.

Greater network capacity needed

A challenge facing the electricity system is that more and more people are living in cities. There is a lack of capacity in both Stockholm and other cities, which is mainly due to a lack of transmission capacity on the national network (owned by state-run Svenska kraftnät). The problems will increase on regional and local grids too, however, if the necessary investments are not made soon. Urban planning has long taken the electricity supply for granted without considering the need for expanding the electricity network. This risks threatening both growth and the climate transition.

Industrial establishments also require extensive investments in network capacity. One example is AB Volvo's investment in a battery-cell factory in Mariestad presented in 2022. Battery production on that scale requires an enormous amount of network capacity, and Ellevio, which is responsible for supplying that electricity, is therefore facing major investments.

Cyber security risks – heightened preparedness

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's response

Extensive investments are therefore needed to meet the demands of tomorrow. Ellevio is working broadly to create the climate-smart electricity system of the future through:

- Major investment projects to modernise, digitalise, weather-proof and expand the electricity network and enable the connection of new fossil-free sources of production. See pages 34–37 for more.
- Installation of the second generation of smart electricity meters for all customers, see pages 31 and 90.
- Digitalisation through projects such as Vision 2030. See pages 20 and 86.
- Lobbying to create long-term and predictable market conditions, See pages 16, 22, 82 and 88.
- Investment in solutions to use electricity effectively and tackle the imbalance between supply and demand for electricity. In 2022, the business area Ellevio Energy Solutions AB (a subsidiary of Ellevio Holding 1 AB) was launched to develop these types of services alongside the regulated network operations. See page 33.
- Extensive investments to strengthen and increase capacity on the regional electricity grid in Stockholm, including the new 400 kV power line between Beckomberga and Bredäng, as well as the redevelopment of the switchgears in Värtan/Hjorthagen and Skanstull. See pages 35 and 37.
- Sector initiatives to increase flexibility, for example via the sthlmflex market place. See page 31.
- Development of digital services for energy efficiency and steering. See pages 30–31.
- Collaborations on expanded charging infrastructure, for example via the Electrification Pact See pages 31, 39 and 113.
- Promotion of new innovations through the Startup 4 Climate competition. See page 88.
- Major investments in cyber security and collaborations with public authorities and other operator. See page 86.

Digitalisation to ensure fewer and shorter outages

Ellevio's efforts to establish the next generation of smart electricity grids can be seen in several different projects. One of these is the Vision 2030 digitalisation project, while another is the collaboration with Telia Cygate launched in 2022.

"Greater local production of solar energy, more connections of charging infrastructure, battery solutions and different types of flexible solutions require smart electricity grids. By digitalising and automating the grids, we are enabling the energy transition," explains Johan Löwemo, programme manager of the smart electricity grid initiative.

The aim of Vision 2030 is to reduce the total amount of outages for customers. This can be achieved through digitalisation and automation of the electricity network in that errors can be detected and corrected more quickly. The project also aims to increase capacity in the area of data analysis.

During the year, the FLISR (Fault Location, Isolation and Supply Restoration) IT function became operational. Thanks to FLISR, customers can get their power back faster following an outage, as they are automatically reconnected once the fault has been isolated.

Another digitalisation milestone is the collaboration with Telia Cygate. 550 substations and 8,000 secondary substations are to be digitalised in order to prevent, reduce and shorten power outages. Telia Cygate has full responsibility for supplying the modern equipment to assist in monitoring, controlling and analysing incidents on the electricity network.

How we are creating Sweden's climate-smart energy system

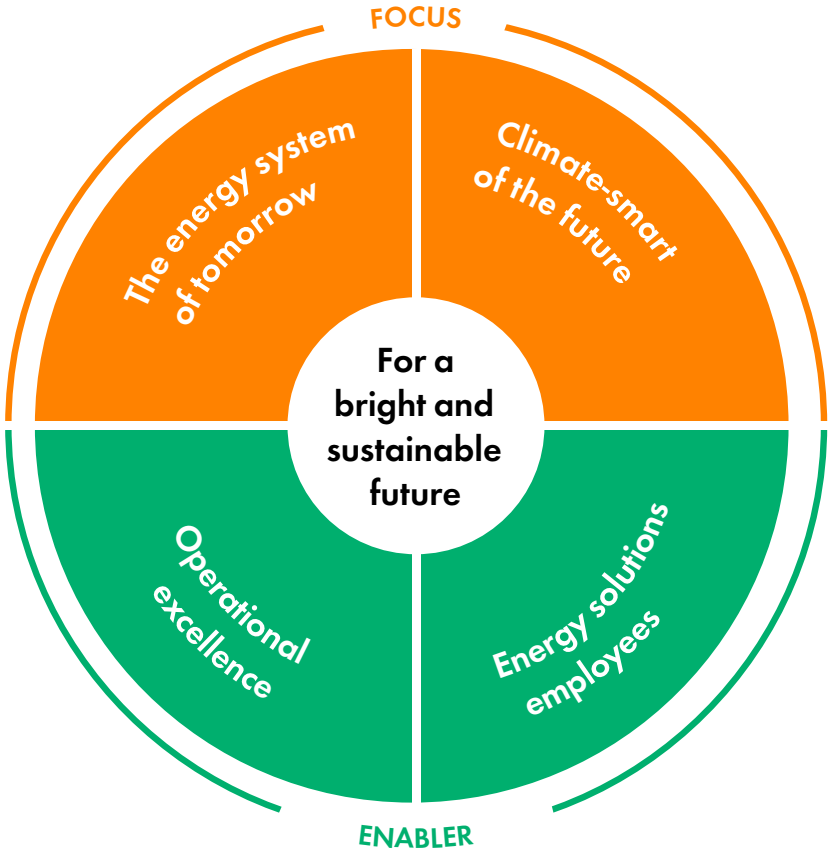
By building the sustainable electricity systems of the future and developing climate-smart energy services together with customers and partners, Ellevio is creating the foundations on which the society of the future needs to stand. We succeed in this by having first-rate operations and through being an attractive employer with clear values and opportunities for employees to develop.

As one of Sweden's largest network companies, Ellevio plays a key role in the country's development, growth, welfare and climate transition.

STRATEGIC FOCUS

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

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 ENABLER

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.

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.

Sustainability: integrated into business strategy

Ellevio's sustainability agenda is a driver for the entire business and is closely connected to the business strategy. Significant sustainability aspects are managed as part of the company's day-to-day operations.

The framework for this sustainability agenda is defined by the significant sustainability aspects – aspects that are key to both Ellevio and our most important stakeholders, and where Ellevio has a major impact on the operating environment from an economic, social and environmental perspective. We measure performance and continuously pursue efforts to improve on these issues, with results reported annually in the sustainability report – see the section In-depth sustainability information on page 78.

Strategic focus areas	Significant sustainability aspects	Contribution to the UN SDGs
The energy system of tomorrow Climate-smart energy solutions	Security of supply Affordable electricity supply Reduce climate impact	7, 9, 11, 13
Operational excellence	Business ethics and anti-corruption Responsible supply chain Local dialogue and environmental considerations Biodiversity	5, 8, 15, 16
The employees of the future	Attractive employer Health and safety	5, 8

The electricity systems of tomorrow and climate-smart energy solutions

Security of supply

One of our most significant sustainability aspects forms the very basis of our operations and is a prerequisite for satisfied customers: a high level of reliability in the electricity supply. This is a vital aspect of a prosperous and competitive society. As more and more sectors become electrified, its significance is increasing.

Affordable electricity supply

Ellevio's customers should pay the same price for the same service, and prices should be stable and reasonable.

We do not believe that the network cost should vary depending on where a person lives or works. We have therefore been gradually evening out prices between urban areas and more sparsely populated areas. With a few exceptions, this process was completed as from 1 January 2023. For prices to be stable and reasonable, there needs to be a predictable and long-term network regulation. Ellevio actively lobbies to ensure this is the case.

Reduce climate impact

There are several aspects to our climate initiatives. On the one hand, our core business enables an electrified, fossil-free society through the climate-smart energy system of tomorrow, while on the other hand we limit our own carbon footprint by actively working to reduce our operations' negative climate impact both directly and indirectly.

Ellevio takes an active role in enabling the energy transition and, together with customers and partners, contributes to efforts to achieve a climate-neutral society in line with the Paris Agreement and Sweden's climate targets. All of our investment decisions contribute to the fulfilment of climate targets. We want awareness of our important role in climate change mitigation to be high, and we work actively to reduce our own carbon and environmental footprint.

However, the fact remains that climate change is already happening, which is why an important part of our climate initiatives also involves analysing risks and adapting operations to changing conditions.

For example, we measure the proportion of connected renewable energy, the number of connected charging streets,

the number of installed smart electricity meters and the reduction in greenhouse gas emissions.

Operational excellence

Business ethics and anti-corruption

Ellevio's operations are to be defined by good business ethics. 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 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. All employees, Board members and others who represent the company are subject to the Code of Conduct. Neither corruption nor bribery is tolerated, and anti-corruption efforts form part of the Code of Conduct.

Responsible supply chain

We place the same strict demands on suppliers and partners as we do on ourselves, which is important since the business is dependent on a large number of suppliers and contractors. Most purchases are made via call-off orders from procured framework agreements that contain social and environmental requirements, or through project procurements where equivalent requirements are set for the projects. All tenderers and suppliers who wish to participate in Ellevio's procurements make extensive declarations about their sustainability initiatives. Field and factory visits as well as extensive audits are carried out to check that requirements are being met, and we have a special Code of Conduct for suppliers and partners.

Local dialogue and environmental considerations

An active dialogue with local communities is a priority, not least in order to increase acceptance of, and confidence in, Ellevio's operations and the required investments in network infrastructure. This dialogue is pursued during both the planning and implementation phases. When implementing a major project in an area, a stakeholder analysis is carried out in which we map who will be affected and how. Communication should be clear, simple and accurate, and both negative and positive aspects are raised.

Biodiversity

Contributing to the conservation and enhancement of biodiversity and natural environments are important environmental issues for Ellevio, and we strive for net-zero impact. We apply the damage mitigation hierarchy. This means that in the first instance we try to avoid or minimise any impact, and secondly limit the impact through damage prevention measures. We take steps to preserve and strengthen many endangered meadow and pasture species through power lane inventories and adapted maintenance measures.

The employees of the future

Health and safety

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. Everyone who works for us should come home healthy and unharmed – every single day. Investigations, measures, follow-up work and improvements are all vital aspects of the systematic work environment initiatives in place to prevent serious incidents, accidents and work-related illnesses. The work environment initiatives are followed up every month and reported to the management and Board of Directors. Reporting and follow-up of accidents, near-misses and risk observations are processed in a special deviation management system.

Attractive employer

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. Creating good working conditions is a significant issue in terms of Ellevio's ability to have the best and most skilled employees and thus meet the needs of today and tomorrow. Read more in the Employees of the future section on pages 24–27.

→ Read more about our significant sustainability aspects and events during 2022 in the In-depth sustainability information section starting on page 78.

One of the most significant sustainability aspects for Ellevio is ensuring that our customers receive a highly reliable supply of electricity.

The employees of the future

Future new requirements placed on the electricity system involve major changes for us at Ellevio. One aspect is that we need new skills – as well as more people. It is crucial that we are able to recruit, train and retain the right employees. For this reason, some of our top priorities are recruitment, skills development and being an attractive employer.

We enable the energy transition. This makes Ellevio the right workplace for employees who want to contribute to Sweden's climate target and a fossil-free society. In 2022, we recruited 150 new employees who are now helping us to realise our vision of a sustainable future.

We have a strong corporate culture guided by our values of reliability, commitment and development, and we believe in an inclusive culture where diversity is seen as an asset.

Collective intelligence and inclusion

Through responsibility, collaboration, commitment and innovative thinking, employees help foster a work environment in which everyone is respected and included.

Organisations with a high level of collective intelligence have more committed employees and perform better. Collective intelligence can be described as the ability of individuals to cooperate and share knowledge so that the group's results are greater than those of the individual. All of those employed at Ellevio therefore take a course on collective intelligence.

→ More information about Ellevio as employer is available in Swedish on our website.

Opportunities for development

We have clear career paths and a strong focus on personal development.

Our culture

Our corporate culture is proven to be inclusive and positive.

Our offering

We offer a generous package of benefits and bonus programmes.

As part of our investment in a robust corporate culture, we have trained a dozen employees to become change managers. They spend part of their working hours training their colleagues in collective intelligence and serve as an internal resource to promote team-level development across the organisation.

Employees' results are discussed in continuous employee dialogues, alongside their development and ability to be a culture-promoter, of which collective intelligence forms an important part. These dialogues are based on our employee profile, which is illustrated on page 27.

The way in which we should conduct ourselves is described in our Code of Conduct, which is communicated in training courses, workplace meetings and information sessions. All employees sign the Code by undertaking an online course each year.

Our corporate culture is also reinforced each year during a culture week involving meetings and digital broadcasts on prioritised themes. The 2022 culture week had four themes: customer focus; thinking innovatively and testing new things; trust and reliability; and collaboration and inclusion.

Vital leadership

Leadership at Ellevio focuses on attracting and recruiting, developing and retaining and clear communication.

Ellevio is facing new challenges and will need employees who in part offer a different type of skill set than previously needed. One of our managers' most important tasks is therefore to develop employees so that each one of them is able to make the most of their potential. Continuous dialogue and feedback are crucial here, and regular employee appraisals are held to offer more comprehensive reflection and evaluation.

An employee in today's flexible work life must have the ability to quickly adapt and do things differently. This also places intense demands on managers' ability to be clear and communicative.

A mandatory management programme offers support and guidelines to managers by highlighting four different aspects: the manager role, work environment, attractive employer and development.

All managers at the company gather each year for "Ellevio's Management Days". The themes for 2022 were changing management, the importance of a shared purpose and time for reflection. All managers also meet through the managers' forum each quarter to discuss and inspire each other on leadership issues.

Extensive opportunities for learning and development

Ellevio offers extensive opportunities for learning and development, which are managed through individual development plans. We encourage internal mobility, and in 2022 some 40 percent of open vacancies were filled current employees. This is one way of developing and retaining skilled employees.

All new recruits to Ellevio are able to participate in a company-wide introduction day offering strategically important content and a course on collective intelligence. We also have a digital training platform containing course in areas such as safety and the Code of Conduct. Digital lunch broadcasts are arranged continuously during the year, known as Learning Lunches.

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 our 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.

Recruitment and collaboration

All recruitment is managed by an 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.

We increase awareness of Ellevio among students and talented young people 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 participation in sector initiatives and societal debates.

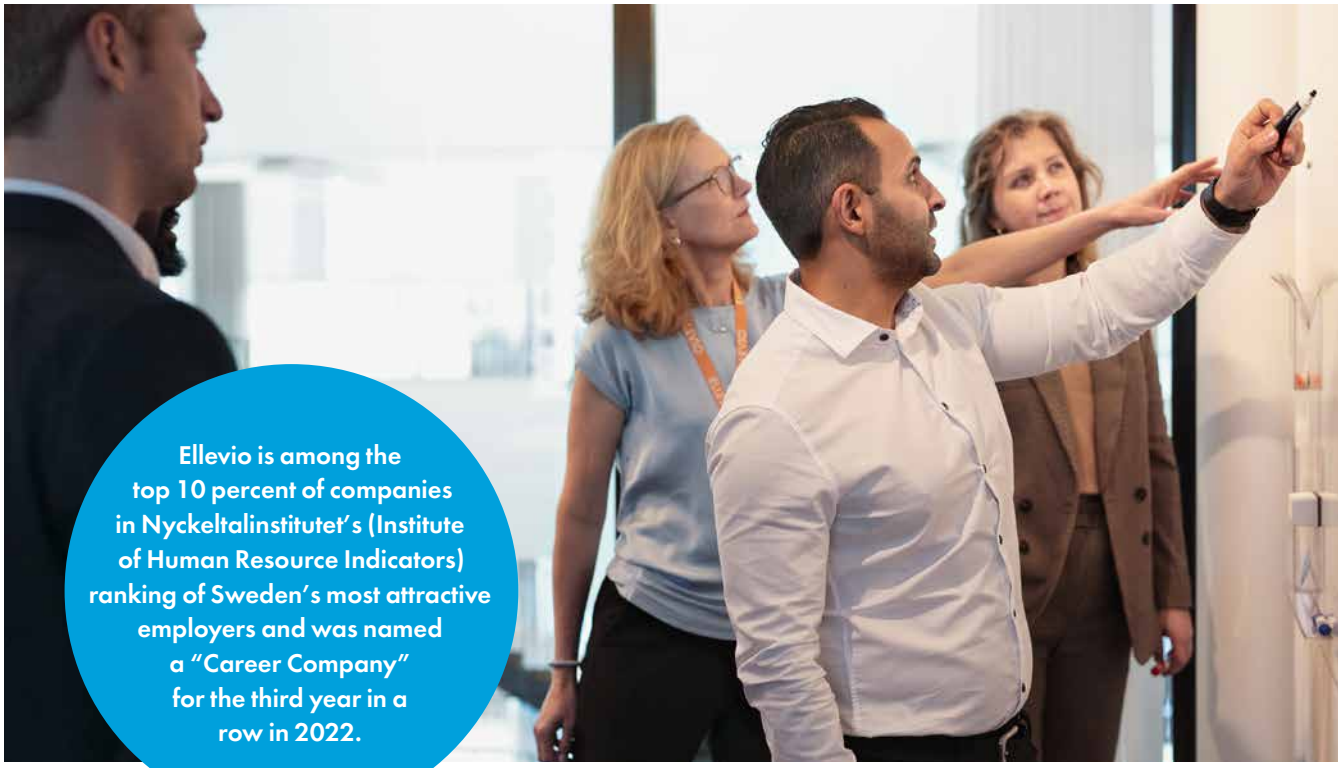
Committed employees

Ellevio takes the pulse of employees each month by putting a dozen questions to all employees via an online survey. This helps managers get a clear and up-to-date picture of their mood, commitment and workload. Thanks to frequent feedback from across the organisation, we are able to 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 carried out since mid-2020 and provide us with an "Employee Engagement Index" based on responses to questions concerning satisfaction, pride and the willingness to recommend Ellevio as an employer. The result for the rolling 12-month period in December 2022 was 8.1 (on a scale of 1–10). Commitment has increased year-on-year over the past few years. We see this as a testimony to the fact that we react quickly and are taking the right action, thus creating a corporate culture in which employees feel happy.

Flexible work life with the best of both worlds

During the Covid-19 pandemic of 2020–2021, we rapidly adapted to new ways of working while learning a lot at the same time. We have taken these experiences with us and created we refer to as Worklife 2.0, which offers the option of combining remote working with work at our offices. Our ambition with this is to gain the best of both worlds. It gives employees the chance to have a better balance in their life, while retaining the important personal meetings at the office.



Ellevio is among the top 10 percent of companies in Nyckeltalinstitutet's (Institute of Human Resource Indicators) ranking of Sweden's most attractive employers and was named a "Career Company" for the third year in a row in 2022.

Diversity – an important asset

Diversity is 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 in this area was on increasing gender equality, but we are now focused on inclusion, that is, all minority groups enjoying the same conditions.

Our recruitment function has a specific focus on attracting more female employees and other minority groups. We always strive to have at least one woman among the final candidates for each advertised position. This has yielded results, with the number of women and female managers at the company totalling 36 and 32 percent respectively at the end of 2022. 6 out of 10 members of the management group are women.

Internally, Ellevio has created an inclusion group with representatives from different parts of the business. Its task is to initiate activities that steer these issues in the right direction. We also have an internal women's network – ELLEnätet – which organises meetings to foster contacts and 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.

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 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 are committed

We lift up and encourage each other. We work together and are motivated by the fact that our efforts contribute to 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 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 provide support in both adversity and success, and we contribute to each other's development through clear development goals, dialogue and feedback. We work best together.

We have an innovative approach

We take on challenges linked with a high level of competence and a large dose of curiosity. We show courage and dare to question old approaches and solve challenges together by encouraging each other to find new ways.

An accident-free and safe workplace

Ellevio is to be an accident-free and safe workplace for both our own employees and the contractors we hire. We have a zero vision for accidents, and to achieve this we work continuously to ensure safe behaviours, train staff and review safety routines. We follow up on accidents and incidents, collaborate with – and place demands on – contractors, organise training courses, undertake site visits and regularly raise safety issues in our internal communication. A decision was taken on a new safety programme in 2022.

Safety is a recurring theme in our internal "Learning Lunch" broadcasts and was one of the four themes of Ellevio's culture week in 2022. Employees also take part in educational seminars and workshops on behaviour-based safety (BBS) along with both announced and unannounced site visits, known as flying audits. A decision was also taken to launch a new safety programme in 2022. "Säkra förutsättningar" (Safe conditions), which aims to ensure that Ellevio, in line with its role, improves the conditions for safe work out in the field.

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.

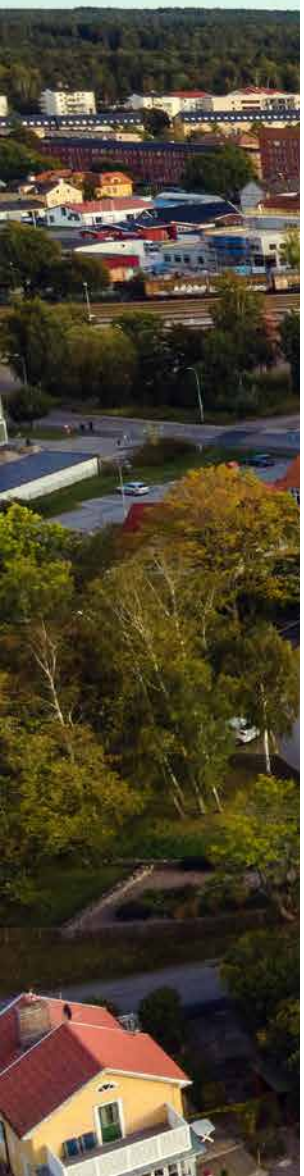
In 2019, Ellevio became the first network company to join the construction industry's "Håll Nollan" (Keep to Zero) safety initiative, the purpose of which is to reduce work-related accidents at construction sites. Together with the hierarchical organisation, an internal safety forum develops our safety initiatives and safety culture.

During the year we expanded our collaboration with, and monitoring of, our contractors to ensure that even their subcontractors fully live up to our strict safety requirements. Our internal 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 announced and unannounced site visits to ensure compliance with the requirements governing the work environment, electrical safety and the environment. These site visits are an important tool in terms of identifying potential areas of improvement and enabling a continuous dialogue.

More information about our site visits and safety statistics can be found in the In-depth sustainability information section on pages 99–100.

Work is continuously under way to ensure safe workplaces, guided by our motto: We work in a safe manner or not at all.



Record investment for Ellevio as Volvo chooses Mariestad

In 2022, Volvo presented its plans for a large-scale production battery-cell factory in Mariestad municipality. For Ellevio, which is responsible for the supply of electricity, this means that one of the largest investments ever will need to be made in the Skaraborg region.

The decision to pick Sweden and the Västra Götaland region was largely due to the access to fossil-free electricity. And this is where Ellevio comes into the picture.

"Battery production on this scale requires enormous amounts of electricity, and we will need to outdo ourselves to build infrastructure that can handle electricity consumption on this level. We at Ellevio are dedicated to making these plans a reality and meeting the needs. The battery factory will be a vitamin shot not just for Mariestad, but also Swedish industry, Sweden's competitiveness and the climate transition," comments Tomas Brunzell, Ellevio's electricity grid manager for Mid-Sweden.

Volvo's announcement was received very positively in Mariestad and the Västra Götaland region when the news landed, as the establishment is expected to lead to thousands of new jobs both directly and indirectly.

Building electricity network infrastructure involves both high costs and long lead times. To achieve Volvo's plans, it will be important for the network investments to get started promptly.

"We will need to outdo ourselves."

Tomas Brunzell
Electricity grid manager for Mid-Sweden

A partner in the energy transition

Ellevio has nearly one million customers; everything from single-person households to companies with thousands of employees. Our electricity network must ensure they receive the electricity they need without outages – today, tomorrow and in 50 years. However, we also want to be their partner in the energy transition – a role that became even more important than ever in 2022.

Our customers

971,000
in the counties of Dalarna, Gävleborg, Halland, Värmland, Örebro, Västra Götaland and Stockholm.

86% households
(of which apartments 48% and single-family houses 38%)

14% corporate

Causes of outages:
Damage to equipment 50%
Weather-related 18%
Planned outages 19%
Error in another grid owner's grid 13%

69 minutes
average total outages in 2022 (SAIDI)

Reliable and affordable electricity supply

The foundation of everything we do is about giving customers a reliable and affordable electricity supply. In 2022, reliability on the electricity network was 99.98 percent. This is very high when comparing both nationally and internationally. That said, every disruption is a serious matter and we have great respect for the consequences that our customers can experience after an outage. To maintain the high level of availability, major investments combined with greater flexibility and digitalisation are needed, which is why we are implementing a major investment programme.

Many questions about electricity in 2022

The high electricity prices, electricity bill support packages and the debate about the energy system considerably intensified the demands on customer service, communication and support services in 2022. It is clear that our customers want even more help from us than previously – and we are working hard to meet that need.

The number of incoming cases to our customer services increased considerably during the year as a result of the high electricity prices. Even though Ellevio does not sell electricity, customers sought out information from us too. A particularly large number of people also got in touch in connection with the two government electricity bill support packages that were launched during the year, the first of which the network companies were responsible for managing. More and more people also downloaded and started using Ellevio's customer app. By late 2022, 128,000 customers had downloaded the app created an account, an increase of some 100,000 accounts since the beginning of the year.

Improved customer experience

We have been taking active steps to improve the customer experience for several years now in order to exceed customers' expectations. The major interest in electricity in 2022 further intensified these efforts. Initiatives in recent years have included:

- Installing the second generation of smart electricity meters for 815,000 customers, meaning customers can monitor their consumption per hour and are prepared for the installation of solar panels, among other benefits.
- Hiring a new customer service provider, training customer service staff, opening another customer service office in 2022 and increasing staffing by some 30 employees, an expansion of around 40 percent.
- Improving information before and during power outages and increasing the number of customers we are able to reach with information about outages.
- Launching a new app in which customers can track their electricity consumption per hour, see details about their contracts and invoices and activate energy efficiency and control services.
- Launching a modern, user-friendly website with improved pages after log-in and extensive information on everything from electricity grids, electricity bill support, energy efficiency and how the energy market works.
- Increasing communication to our customers via e-mail, text message, newsletters and social media channels and establishing a technical platform that allows us to tailor information.
- Building up a team that works exclusively on improving the customer experience and data analysis.

- Initiating local discussions with corporate customers with high electricity consumption in order to understand their future needs and inform them of future plans in their area.
- At the request of the government, paying out electricity bill support to entitled customers during the first half of 2022.

Smart electricity meters for all

During 2022 we continued to install the second generation of smart electricity meters for our customers. The new meters give us access to a huge amount of data that provides a better overview of the electricity network's status. This means that faults can be detected and remedied more quickly, which leads to fewer and shorter outages.

For the customer, the new meters hold advantages such as better information in the event of an outage, the opportunity to quickly connect solar panels and real-time information about electricity consumption that can be used for smart control of technology in the home, for example charging electric cars and regulating heating. Demand for this type of service increased further in 2022.

Smart control can also create flexibility on the electricity network and help solve the capacity issue in Stockholm.

In late 2022, the new generation of smart electricity meters had been installed at the premises of 815,000 customers. The meter replacement project is due to be complete before the first half of 2023.

Private electricity through solar panels

Interest in producing electricity for private use and for sale is continuing to increase. The "gröna avdraget" (green tax break) in 2021, which meant that private individuals could get a tax break for installing solar panels, batteries and charging wall boxes, helped drive up demand. The electricity price crisis of 2022 has boosted this trend even further, but a shortage of items such as solar panels, components and fitters is creating obstacles in the market.

Ellevio's website offers tips to customers who want to install solar panels. 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 and sends out newsletters to anyone interested in finding out more about solar panels.

In 2022 the number of connected solar panel installations (micro-production) in Ellevio's network area increased by 61 percent to 19,000.

128,000
accounts in the Ellevio app, December 2022

815,000 customers
had received the second-generation smart electricity meter, 31 December 2022

99.98%
supply reliability on Ellevio's network in 2022

Enabling charging

Ellevio has also developed charging solutions to make it easier for customers to take an active part in the energy transition.

The transition to electric transports requires both privat-echarging possibilities and expanded public charging infrastructure. The later is challenging i.a. because it is expensive and time-consuming to dig in cities and towns.

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 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 concept also includes a subscription designed to ensure we are able to continue installing charging points, despite there being a capacity shortage on the grid. In brief, this enables us to reduce power at the charging points when the network is reaching its peak load. In return, customers receive a cheaper subscription.

In 2022 Ellevio connected 90 charging streets and completed 113 charging infrastructure projects, the majority located in Stockholm. In June, Stockholm's longest charging street was inaugurated offering 59 charging points, see page 39.

As of 2023, part of this business is part of Ellevio Energy Solutions AB.

The City of Stockholm was awarded the "Laddguld" prize for 2022 by the Swedish 2030 Secretariat for its systematic approach and work on the Electrification Pact. The Electrification Pact is a collaboration launched in 2021 by Ellevio, the City of Stockholm, Volvo and Scania that aims to accelerate efforts to make the city's transport sector entirely fossil-free by 2030. Some 60 other operators have now joined the collaboration.

Record-high interest in shlmflex – 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 can either produce more electricity in exchange for payment or decrease their usage when demand for power is at its peak. sthlmflex was launched to identify electric power resources when the lack of capacity in Greater Stockholm became increasingly strained a few years ago. More homes, industries, electrified traffic and ambitious targets to reduce climate emissions mean that the electrification process is constantly growing in Greater Stockholm. The network companies are making record investments in new and upgraded cables, switchgears and other equipment, but before the electricity network is complete, cold winter days can cause demand for electricity to suddenly increase dramatically. Capacity on the grids then risks hitting the ceiling.

Interest was at a record high as the third season of sthlmflex opened, with a 120-percent increase in participating flex resources compared to the previous year.

Fair prices

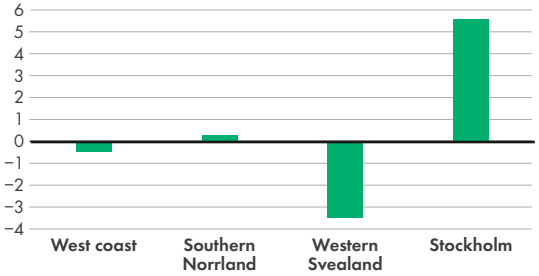
Ellevio's customers should pay the same price for the same service – regardless of geography. We have been gradually implementing this principle since 2017, when the Swedish Energy Markets Inspectorate decided to permit it. Step by step, we have evened out prices between urban and more sparsely populated areas. In practice, this has often entailed lower or unchanged prices for sparsely populated areas and small rises for customers in Stockholm. With few exceptions, the harmonisaton was completed in January 2023.

Price rises due to high electricity prices

Network companies are negatively effected by high price of electricity as we purchase a lot of electricity to compensate for network losses that arise while transporting it. Ellevio has hedged 80 percent of its electricity purchases, but still costs for network losses increased by 27 percent in 2022. To mitigate the effect of this on network companies, Ellevio proposed a temporary countermeasure: that Svenska kraftnät temporarily remove fees for network companies. This also occurred when the fixed tariff was removed for the period August–December 2022.

As a direct result of the rapidly rising electricity prices, Ellevio raised the network fees for local grid customers on 1 October 2022. This price rise would otherwise have taken place in January 2023.

Average price change/per year (Jan 2018–Jan 2023), %



For a customer living in an apartment, this meant a rise of around SEK 10–25 per month, and around SEK 50–150 per month for a detached home.

According to the Nils Holgersson report released in 2022, Ellevio's network prices were just under the nationwide average.

Lower SKI for entire sector

In a survey by Svensk kvalitetsindex (SKI) in autumn 2022, the entire electricity network sector had a lower result than the previous year. We assess that this is largely due to concerns about high electricity prices, the debate about the energy system in general and the fact that the entire energy sector had long customer service response times when so many people were contacting them. For Ellevio, the sector comparison is not entirely relevant as we are the only purely electricity network-oriented major company. Other major network companies also offer competitive electricity trading under the same brand, making them more visible and better known. Furthermore, this year's SKI survey was carried out just as Ellevio was communicating its price increases to customers due to higher network loss-related costs. Ellevio's own customer surveys showed higher levels of customer satisfaction among corporate customers and the same level among private customers.

→ Read more about customer satisfaction on page 88.

Ellevio's shared pricing means that customers should pay the same price for the same service, regardless of where they live. This has led to reduced prices in rural areas and increased prices in urban areas including Stockholm in the last five years.

[1] The six types of customers are 16A, 2,000 kWh, Detached home 16A, 5,000 kWh, Detached home 20A, 10,000 kWh, Detached home 20A, 20,000 kWh, Detached home 25A, 20,000 kWh, Detached home 25A, 30,000 kWh. The data is based on data reported to Ei. Nynäshamn and Vallentuna are excluded as both these were acquired during the period and their price change will not be representative of Ellevio.

The cost of electricity consists of electricity transmission, electricity consumption and taxes and fees. The network cost accounts for 13 percent of the total electricity cost.

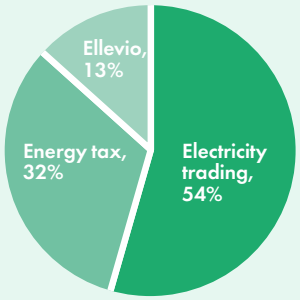
Electricity transmission. The cost of having the electricity transported through the electricity grid to the place where it is to be used. As it is not economically viable to build parallel electricity grids, the electricity user is a customer of the network company that owns the grid in the area where the customer lives or works.

The invoice consists partly of payment to the network company (e.g. Ellevio) in the form of a fixed subscription fee and a variable cost that varies with consumption, and partly of taxes and VAT. The fee covers the costs of the grid, such as operation, troubleshooting, maintenance, modernisation, expansion, customer service and more. The network companies are also obliged to charge fees to cover public authority fees and electricity tax.

Electricity consumption. The cost of the electricity consumed. The electricity is purchased from an electricity trading company chosen by the customer. The invoice consists of a variable cost for electricity consumed, often a fixed subscription fee.

Taxes. Over 50 percent of the electricity cost comprises government taxes and fees to authorities, such as the energy tax and VAT. This tax is paid via invoices from the network and electricity trading companies, and consists of the energy tax (added to the network company's invoice) and 25 percent VAT. The electricity tax was 45 öre/KWh in 2022 and 49 öre/KWh in 2023.

The network cost accounted for 13 percent of the total electricity cost.



Distribution of electricity costs for detached-home customers on Ellevio's network, 2022*.

*Calculated based on a customer with a 20A fuse and consumption of 20,000 kWh/year. The electricity trading cost is calculated based on electricity trading prices in 2022 in price area SE3. The electricity tax amounted to 0.45 öre per KWh in 2022 plus VAT on the electricity trading and network cost.

Energy Solutions: new business area within the Ellevio Group

In 2022, the Ellevio Group expanded its operations to help companies transition to electrified, fossil-free operations and help establish a balance in the electricity system. The new business area is run as part of Ellevio Energy Solutions AB (EES) and is thus separate from the network operations at Ellevio AB.

Through a "Power as a Service" approach, EES offers turnkey solutions for charging infrastructure, energy storage, reserve power and comprehensive electric power solutions. Its customers include industry, transport and logistics companies and data centres.

"Our investment in energy solutions is a strategically important step and we want to achieve strong growth in the coming years through multiple investments and new customer offerings," comments Ellevio's CEO Johan Lindehag regarding the new business area.

Major investment in energy storage

The electrification of transport and industry, expanding wind and solar power and more small electricity producers all make it more difficult to maintain a balance in the electricity system, which in turn increases the risk of disruptions. In order to support the system and create the conditions for more renewable energy, EES invests in large energy stocks, among other areas. The first investment involved a major energy storage facility of 10 MW in Grums. Agreements were concluded for more energy storage facilities in December at a value of several hundred million Swedish kronor. They will be established in Kungsbacka and Lindome, among other locations.

"These investments are important steps on our road to becoming the market leader in energy storage," noted Kristofer Fröjd, Head of Strategy and Business Development, when the agreements were communicated in early 2023.

Acquisition of 10 percent of Flower

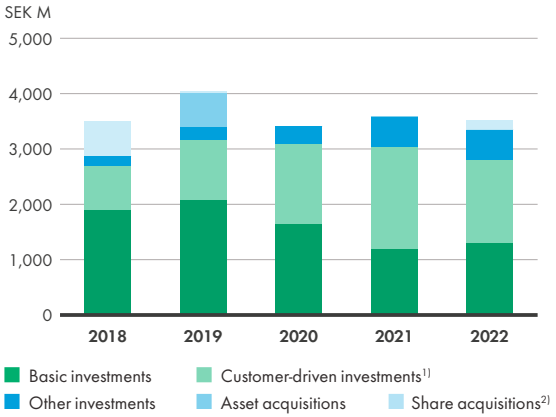
EES also acquired 10 percent of the young tech company Flower (previously Krafthem) during the year. Flower develops flexibility and support services that help ensure a balanced electricity system and the conditions for more wind and solar energy. By bringing together many different energy resources – everything from individual electric cars to large-scale batteries – Flower creates a virtual power plant.

Flower was one of the winners of the Startup 4 Climate 2021 innovation competition.

Record-high investment needs require funding

Ellevio invests heavily in the electricity network to manage society's need for electrification, digitalisation, the energy transition and capacity reinforcements. Investments amounted to SEK 3,345 million in 2022.

Investments including acquisitions 2018–2022



Investments excluding acquisitions in 2022

SEK 3,345 million

1) Investments initiated by our customers, such as investments in the connection of new homes, industries and wind farms to the electricity grid.
2) Acquisition of the shares in Edsbyns Elnät AB in 2022, in three companies with assets in Laforsen's distribution station in 2019 and Elverket Vallentuna AB in 2018.

Our investment and maintenance strategy remains in place – Ellevio is to serve as an enabler of the energy transition. This involves efforts on two fronts. Firstly, we are developing smart networks that lead to fewer and shorter outages and more efficient operation. Secondly, we are upgrading and reinforcing our infrastructure to increase transmission capacity and enable electrification.

Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, need to make record-high investments to manage the transition to the electricity system of the future. It is absolutely necessary to meet society's rapidly increasing need for electricity, maintain high levels of availability and enable Sweden to achieve its climate targets.

According to the report "Vad kostar framtiden" (What will the future cost?) produced in 2022, SEK 670 billion of investment is needed in the electricity network by 2045.

Since its foundation in 2015, Ellevio has more than tripled investments in its electricity networks to meet the expectations of customers and enable increased electrification. Over the past five years, 2018–2022, Ellevio has invested almost SEK 17 billion in its electricity grids. And this intense rate of investment needs to continue.

A prerequisite for these investments is that capital can be attracted to them, and for that to happen the framework governing network investments must be long-term, stable and predictable.

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

Financing via owners and external lenders

Access to capital is therefore a prerequisite for us to be able to carry out our mission and implement the necessary investments.

In addition to the capital the owners have invested and what can be generated from operators, Ellevio needs loan financing.

The 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", i.e. a level corresponding to at least BBB– for the company's Class A debt.

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, the lenders would only be repaid once amortisations and interest on other loans have been paid. These loans therefore 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 2022 (2.8), and the average remaining term was 5 years (5.9).

Shareholder loans with terms until 2040 have an interest rate of 6.0 percent (6.0). In 2022 no interest was paid out on shareholder loans and no dividend was paid to shareholders. Read more about our owners on page 38.

Loans from NIB and EIB in 2022

Ellevio obtained loans totalling SEK 1 billion from the Nordic Investment Bank (NIB) during the year to partially finance the reconstruction of the switchgears in Värtan and Skanstull in Stockholm.

NIB finances projects that improve productivity and benefit the environment, and commented the loan to Ellevio in a press release: "The upgrade and expansion of Värtan and Skanstull's substations supports electrification in society and the growing population in Stockholm. The reconstruction of the two large substations in Värtan and Skanstull is seen as crucial for increasing long-term distribution capacity in Stockholm and thereby enabling sustainable development in the capital region."

The loan from NIB runs for ten years and constitutes partial financing of the reconstructions. The loan from NIB was paid out on 31 October 2022.

In January 2023, the same amount was raised to finance these projects from the European Investment Bank, which invests in projects that contribute to the achievement of the EU's sustainability targets.

Green financing

Ellevio has worked with green financing since 2020, when green bonds for a total of SEK 2,000 million were issued. See also page 84.

Ellevio's view:

Insufficient incentives for investment in the current regulation

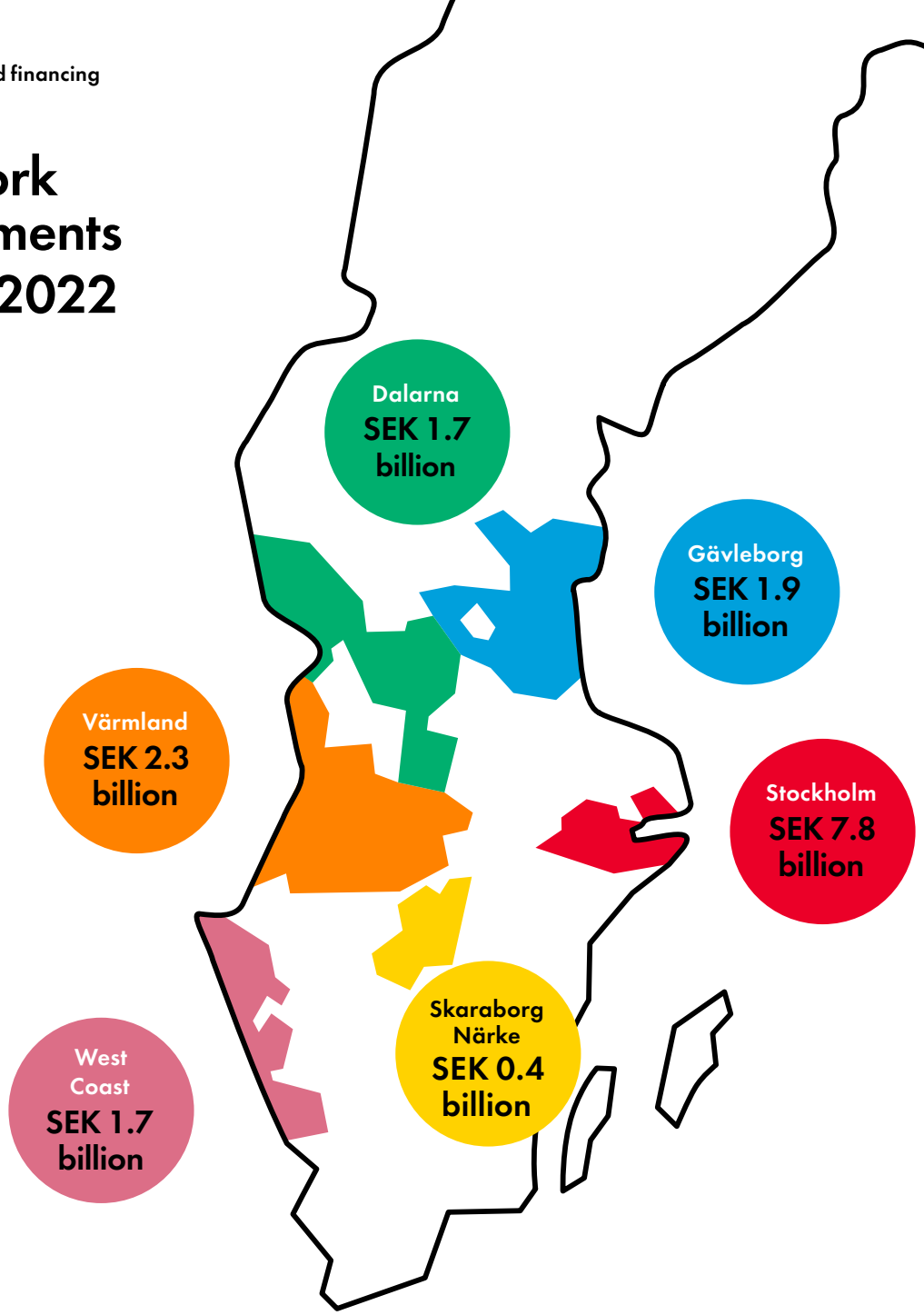
The revenue frameworks applicable to the period 2020–2023 are considerably lower than during the previous period, which is leading to a major disincentive to invest in the electricity network. The consequence of this is that the transition to renewable electricity production, electrified transportation and fossil-free industry will be hindered. The reduced revenue frameworks might 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, higher electricity prices due to bottlenecks in the electricity network and poorer opportunities to manage the energy transition and 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.

Network companies have appealed the regulation

The less beneficial regulation, with its insufficient investment incentives for 2020–2023, has led to more than 120 of Sweden's 160 electricity network companies, including Ellevio, appealing against the current regulation. Read more on page 13.

Network investments 2018–2022



Dalarna

Approx. 36,000 customers

- 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. Major projects were undertaken in 2022 in locations such as Gömslet, Idre fjäll, Hornberget, Örebäcken and Hemulberget.
- Several local grid projects were completed and planning is under way for further projects that will be launched in 2023 and 2024.
- Preparations have begun in Borlänge to build a new switchgear that will guarantee the electricity supply to the battery factory to be built by Northvolt in Kvarnsveden.
- Many new customers have been connected during the year, including charging stations, mobile phone masts and new facilities at Idre Fjäll.
- Network investments totalled SEK 535 million in the Dalarna network area in 2022.

Gävleborg

(Hälsingland, Gästrikland)

Approx. 74,000 customers

- Projects are under way in Gävleborg to weather-proof the local grid by burying power lines. A large number of secondary substations are also being replaced. Projects continued during the year in such areas as Sunnanåsbo, Renshammar, Sörväna and Fröste.
- The newly acquired electricity grid in Ovanåker municipality (Edsbyns Elnät) was integrated during the year, and in connection with this Ellevio gained around 4,000 new customers.
- Many new customers have been connected during the year, including charging stations, mobile phone masts and the new bandy arena in Bollnäs.
- Network investments totalled SEK 278 million in the Gävleborg network area in 2022.

Skaraborg–Närke

Approx. 27,000 customers

- Projects are under way in the area to weather-proof the local grid by burying power lines. A large number of secondary substations are also being replaced. Projects continued during the year in such areas as Forsvik, Undenäs, Bällefors and Kullåsen.
- A further "Skaraborg package" was launched in 2022 involving weather-proofing and modernisation of local grids. The works included in the package will be carried out over the coming years in Horn.
- In Mariestad, work on planning and concessions got under way to enable the construction of power lines required for the battery factory to be established by AB Volvo in the municipality. This factory forms part of Volvo's efforts to deliver more electric vehicles. Communication with relevant groups began during the year.
- A new switchgear will be constructed outside Lindbacka to power a 30-MW solar farm. Permit planning was initiated during the year.
- Many new customers have been connected during the year, including charging stations.
- Network investments totalled SEK 87 million in the Skaraborg-Närke network area in 2022.

Stockholm

(City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn, Vallentuna)

Approx. 598,000 customers

- Reconstruction is under way on the Värtan switchgear, which plays a vital role in meeting demand for electricity distribution in Stockholm. The new station will have almost double the amount of transmission capacity. The project is Ellevio's largest to date and is scheduled for completion in 2026.
- Construction of a new 400-kV line between Beckomberga and Bredäng continued, with seven out of ten partial routes complete. 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 meeting capacity challenges in the region. It is planned to be operational in 2023.
- The expansion of the switchgear in Skanstull to allow power of 220 kV began during the year. The project will increase capacity and create a new entry point from the national network to Stockholm's regional and local grids. The project is estimated to be complete in 2025.
- Many major projects are under way on the local electricity grid to modernise and increase capacity. Works are under way in areas such as Herrängen, Arninge, Snösätra, Vallentuna and Gamla stan. In addition to the network reinforcements, a number of charging infrastructure projects have been implemented, and Ellevio is also building new grids in development areas such as Täby Park and the Slakthus area.
- Network investments totalled SEK 1,419 million in the Stockholm network area in 2022.

Värmland

Approx. 105,000 customers

- Projects are under way in Värmland to weather-proof the local grid by burying power lines. A large number of secondary substations are also being replaced. Projects continued during the year in such areas as Ed, Torkilsbyn, Trötvik, Gammelkroppa and Torsby.
- A wind farm has been established in Stöllsätersberget in north Värmland, for which Ellevio built a switchgear in 2022.
- The construction of a new regional grid power line continued between Kil and Munkfors, which is to be completed in 2023.
- Many new customers have been connected during the year, including charging stations, mobile phone masts, a fish farm and a sawmill.
- Network investments totalled SEK 477 million in the Värmland network area in 2022.

Västernorrland

In Tovåsen in Ånge municipality, Sweden's first wind power cluster is being established which, when fully constructed, will have the potential to generate up to 1,500 MW of electricity. Ellevio is responsible for the regional grid part of the project, commissioning 750 MW in 2022.

West Coast

(Halland, Bohuslän)

Approx. 131,000 customers

- The ongoing "West Coast package" is to be completed by 2024, with redevelopment and reinforcements under way in 2022 in areas including Gothenburg's southern archipelago. Around 100 km of land and underwater power lines have been replaced and weather-proofed. In total, approximately 3,200 households will be supplied with a modern electricity grid.
- Work continued in Särö and Onsala to provide around 14,000 households with a modern grid. Around 180 km of lines are being buried and 150 new secondary 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. The project will be completed in 2023.
- We have also weather-proofed and modernised the local electricity grid in Hjälmstad. A lot of work was carried out in 2022 and the final parts will be completed in 2023.
- Many new customers have been connected during the year, and there is extensive interest in connecting charging infrastructure in the area.
- Network investments totalled SEK 399 million in the West Coast network area in 2022.

Long-term owners

Our operations are stable and predictable and have a long-term investment horizon. At the same time, a shareholding in network companies requires extensive access to capital and long-term responsibility for critical infrastructure.

Ellevio gained a new owner in 2022 when occupational pension company AMF purchased the First National Pension Fund's 12.5 percent ownership stake.

All of Ellevio's owners – Omers Infrastructure, the Third National Pension Fund, Folksam and AMF, have a long-term perspective that is clearly aligned with the needs of the business.

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

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 is that network regulation remains stable over time and permits a reasonable return on invested capital.

No interest or dividends were paid to the owners during 2019– 2022. All available cash flows were reinvested in the business. Interest expenses on loans to shareholders amounted to SEK 1,393 million (1,257) 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. Internal interest income amounted to SEK 77 (58) million.

Ellevio's owners

OMERS INFRASTRUCTURE
(50 percent)

Omers Infrastructure is part of the branch of the Canadian pension fund Omers Infrastructure, which manages pensions for the province of Ontario's public sector employees. Total managed capital amounts to around CAD 34 billion, which is the equivalent of around SEK 260 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 around SEK 468 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 around SEK 527 billion.

AMF
(12.5 percent)

AMF is an occupational pension company whose principle task in society is to deliver a good pension to its 4 million customers. AMF is jointly owned by LO and Confederation of Swedish Enterprise and manages capital of around SEK 715 billion (September 2022).

Stockholm's longest charging street inaugurated on Valhallavägen

Transport in Stockholm is being electrified at a rapid rate, and public charging infrastructure needs to keep pace with this trend. Together with several car manufacturers, the City of Stockholm and charging operators, Ellevio has created the collaborative Electrification Pact project to contribute to faster expansion. In 2022, our CEO, Johan Lindehag, participated in the inauguration of Stockholm's longest charging street to date – 59 charging points on Valhallavägen in the centre of the city.

Access to charging stations is currently unable to match demand, but by 2030 the City of Stockholm aims to have at least 50,000 charging points. According to the operators involved in the Electrification Pact, many initiatives are needed to reach the goal, including simplifications, faster permit processes, collaborations, increased proactivity and large-scale efforts.

The operator Milepost is responsible for the new charging street inaugurated in June.

"For us, this connection was a dream scenario," notes Albin Kjellberg, Senior Strategic Business Manager for charging infrastructure at Ellevio. "After all, we want to help expand charging infrastructure, and in this case we also had free capacity on the electricity grid. This meant we could connect the street relatively quickly.

For Ellevio, it is important to be involved as early as possible in the charging operators' projects, as that way we can plan how the grid needs to be developed in good time."

Inauguration

Ellevio's CEO, Johan Lindehag, gave a speech at the inauguration of Stockholm's longest charging street on Valhallavägen in summer 2022. Other participants included Mattias Bergman, CEO of industry organisation Mobility Sweden, Cecilia Routledge, Global Director Energy & Facilities at CTEK, Stefan Nyström, Head of the Climate Department at the Swedish Environmental Protection Agency and then Minister for Energy and Digital Development Khashayar Farmanbar.

Financial statements

Financial statements

Directors' report

Business operations

Ellevio AB (publ), corporate registration number 556037-7326, is one of Sweden's largest electricity network companies. Ellevio invests in, develops and maintains the company's electricity grids in order to ensure a reliable electricity supply to its 971,000 customers, 24 hours a day, every day of the year. By ensuring that Sweden has a sustainable electricity network in the long term, Ellevio safeguards the electricity supply to homes, workplaces, industries, transport and societal functions – while at the same time contributing to the energy transition and the development of a climate-smart energy system.

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).

Market conditions and investments

The continued electrification of transport and industry is a prerequisite for a more sustainable society in the future and for the achievement of Sweden's climate targets. This leads to higher electricity consumption, which together with a growing proportion of renewable electricity production places new demands on electricity grids. Substantial investments are needed both today and in the coming decades to develop reliable, flexible and digitalised grids. However, the regulatory model valid from 1 January 2020, with its decreased allowed revenue, does not incentivise the necessary investments.

In 2022, Ellevio's investments amounted to approximately SEK 3,345 million (3,590). Our major projects in the Stockholm area have continued alongside the development of our local grids. In Stockholm, greater capacity is an important factor when renewing our grids. In rural areas, the focus is mainly on upgrades and weather-proofing, so as to minimise weather-related power outages for our customers.

Customer-oriented investments are primarily driven by industrial initiatives, expansion of charging infrastructure and the connection of wind farms and solar panels.

The roll-out of smart electricity meters to all our customers represents an important prerequisite for the climate-smart energy system of tomorrow, and by the end of 2022, 815,000 of Ellevio's customers had had second-generation smart electricity meters installed.

Electricity price crisis and heightened security tensions in Europe

2022 was strongly influenced by the war in Ukraine and its subsequent effects on the economy, inflation, geopolitical security and the energy market. A shortage of gas in Europe combined with closed nuclear power reactors in Sweden and France, weak winds and intense demand for electricity led to record-high electricity prices. Two government electricity bill support packages were approved for Swedish customers during the year. High electricity prices are also affecting Ellevio negatively as they entail higher costs to cover our own network losses and energy fees from overhead (power) networks.

Sustainability work

Sustainability – social, economic and environmental – is integrated into Ellevio's operations. Information about Ellevio's sustainability work, including the GRI index and reporting in line with the EU taxonomy and TCFD, can be found in the In-depth sustainability information section on pages 78–117. Ellevio's statutory sustainability report for 2022 comprises pages 22–28, 30–32 and 78–113.

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 monitored by a public authority, the Swedish Energy Markets Inspectorate (Ei). Ei decides how much network companies like Ellevio are allowed to charge their customers in the form of a revenue framework. Decisions on the level of allowed revenue are taken in advance for periods of four years and are intended to cover reasonable costs of running operations and providing a reasonable return. According to the Swedish Electricity Act, the electricity network charges paid by customers must be fair, objective and non-discriminatory.

A new four-year regulatory period began for the period 2020–2023 on 1 January 2020. Ellevio and more than 120 other companies have appealed the allowed revenue decisions for this period. The legal process has continued, with the Administrative Court of Appeal ruling in June 2022 that the directive was in violation of the EU's Third Electricity Market Directive, but that Ei does not need to consider previous rulings when deciding on allowed revenue. Ellevio and the other network companies appealed this part of the ruling, but their appeal was not granted. Ei will take a new decision in 2023 based on the court's guidelines.

On 20 December 2022, Ei announced its decision regarding the information network companies are to report ahead of the calculation of allowed revenue for 2024–2027. This decision indicates that Ei intends to change the calculation method for capital compensation, and over 120 network companies appealed against this in early January 2023. On April 6 2023 the Administrative Court announced its verdict. The Administrative Court states that Ei is not according to the electricity act entitled to ask for original acquisition values for calculating the

allowed revenue and that this part of Ei:s decision therefore is overruled. The decision on the allowed revenue for 2024–2027 shall be taken by Ei by 31 October 2023 at the latest.

The independence of the Swedish Energy Markets Inspectorate has also been questioned by the EU Commission, and the Swedish government will need to make adjustments to the revenue framework directive. The government has launched an inquiry (SOU) into the required legislative changes. Its end date coincides with the deadline for the decision on the revenue framework for 2024–2027, meaning the investigation's conclusions cannot be taken into account before the next regulatory period.

The EU's Clean Energy Package entails significant changes for network companies, who will take on the role of system managers. In the first half of 2022, the Swedish parliament took a decision on how the framework legislation should be implemented in a Swedish context. The Electricity Act and other legislation has been adapted to comply with the EU directive, with the changes taking effect on 1 July 2022. Necessary adaptations are under way internally at Ellevio.

Financial result

In 2022 net sales amounted to SEK 7,535 million (7,153). The net sales increased, as an effect of price increases that outweighted lower distribution volumes. In addition to the yearly price change in January, Ellevio also increased prices for the local network customers in October 2022 to compensate for higher electricity price related cost, i.e. variable energy fees from feeding networks and grid losses.

The volume of local and regional network transmission 2022 totalled 13.9 TWh (14.8) and 11.1 TWh (12.7), respectively. The lower volume was due to milder weather and reduction in consumption patterns among households as an effect of high electricity prices. The reduction in the regional network was to a large extent related to the closedown of business at one large industrial site in Kvarnsveden in Borlänge in the end of 2021.

EBITDA amounted to SEK 3,918 million (3,700). 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 higher electricity price. Depreciations that totalled SEK 1,833 million (1,727) were higher than previous year due to both the investments made in the network and from the acquisition and merger of Edsbyns Elnät AB in 2022. Operating profit totalled SEK 2,085 million (1,973).

Interest income and similar items amounted to SEK 78 million (60). The increase is mainly explained by internal interest from Ellevio Holding 1 AB related to a Group internal receivable.

The interest expense and similar items were SEK −2,603 million (−2,485), of which SEK −1,394 million (−1,314) were related to Group internal interest expenses and explained by higher amount of subordinated shareholder loans. External interest expense and similar items increased to SEK −1,209 million (−1,171). The increase in cost is mainly related to changes in fair value of derivatives of SEK −34 million (−). Loss after net financial income/expense amounted to SEK −440 million (−452).

Loss for the year amounted to SEK −363 million (−297).

Financial position and cash flow

Cash flow from operating activities 2022 increased by SEK 14 million to SEK 4,798 million (4,784), mainly from higher EBITDA of SEK 218 million, offset by negative contributions from change in working capital of SEK −202 million. The lower contribution from change in working capital is primarily explained by a decrease in trade payables and accrued expenses during the year. Change in working capital contributed 2022 with SEK −34 million (168).

Paid capital expenditure decreased by SEK 341 million to SEK −3,249 million (−3,590). The cash flow includes an intraGroup acquisition of the shares in Edsbyns Elnät AB from AB Edsbyns Elverk which amounted to SEK −178 million. Free cash flow amounted to SEK 1,549 million (1,194) and cash flow before financing activities to SEK 1,373 million (1,194).

Paid external interest amounted to SEK −1,141 million (−1,139). During both 2022 and 2021, there has been no intraGroup interest paid, i.e. interest on subordinated shareholder loans. The external net debt (Class A and Class B) decreased by SEK 555 million during the year and amounted to SEK 39,100 million (39,654) by the end of the year.

Financing

During 2022 Ellevio raised SEK 1,000 million of new longterm debt as well as extended SEK 1,515 million of existing bank loan facilities. The purpose of these transactions was to finance investments into Ellevio's electricity grid and to secure access to financing over the coming five years.

In January, Ellevio extended its existing senior secured (Class A) and subordinated (Class B) liquidity facilities (LF) of SEK 1,400 million and SEK 115 million respectively. The extended facilities mature in January 2027. The LF facilities may only be used to finance liquidity shortfall amounts under Class A and Class B debt issued by Ellevio. In October Ellevio raised a 10 year SEK 1,000 million loan from Nordic Investment Bank to partially finance the rebuilding of substations Värtan/Hjorthagen and Skanstull in Stockholm.

In June, Ellevio acquired 100 percent of the shares in Edsbyns Elnät AB for a total consideration of SEK 178 million. In connection with this transaction Ellevio Holding 1 AB repaid a group internal loan to Ellevio AB of 367 million originally given in connection with the acquisition of AB Edsbyns Elverk Group in December 2021.

As per end of December 2022, Ellevio's senior secured (Class A) net debt amounted to SEK 35,090 million and subordinated debt (Class B) amounted to SEK 4,010 million. The average repayment period for the total external debt was approximately 5 years.

On 13 July 2022 Standard and Poor's confirmed the "BBB" rating for Ellevio's senior Class A debt and the "BB+" rating for Ellevio's Class B debt.

Outlook

Ellevio takes active steps to shape the Swedish energy market, with a focus on electricity distribution operations. The company drives important regulatory matters through active participation in sector associations, contact with regulators and collaborations with other operators, both nationally and internationally.

Ellevio strives to achieve long-term and stable market conditions in order to enable the required investment levels to meet society's demand for reliability and continued growth, as well as to achieve the Swedish climate targets. The transition towards renewable energy and the electrification of the transport sector and industry requires smart and modern electricity grids that offer flexibility, capacity and efficiency. The horizon for investments in this industry is long – often more than 40–50 years – and the importance of predictable and stable regulation over the long term should not be underestimated.

Ellevio will strive to ensure that operators in the market have a mutual understanding of the important role that the electricity grids have in building a climate-friendly society, and a common view of what is needed to achieve 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.

Risks and uncertainties

Risk management is an integral element of operational planning, governance and monitoring. Business risks are assessed through the management and Board of Directors' strategy and planning, 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 that aim to limit the company's exposure to risk. The policies are revised and submitted for renewed adoption annually. Operational risks are identified, assessed and remedied 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 prioritised and implemented.

Strategic risks refer primarily to risks that alter 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 operational governance, 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.).

Ownership and operation of electricity distribution assets entail operational risks, primarily in the form of operational disruptions that result in interruptions to 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 exposure to weather-related interruptions and improving the general reliability of the electricity network through replacements of ageing infrastructure and increased redundancy, for example. The company also has an established major disruption organisation to address major disruptions, as well as a troubleshooting process that is continuously improved to ensure that power is restored to customers as soon as possible after an outage.

In 2022, the geopolitical situation deteriorated as a result of Russia's attack on Ukraine, which has led to a higher level of risk, specifically in relation to protective security. As a result, Ellevio has implemented heightened preparedness. Ellevio has taken active steps to strengthen its ability to withstand antagonistic influence in collaboration with the energy sector and the majority of public authorities.

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 uses derivative instruments to reduce these risks. See also note 4.

Employees

In 2022, Ellevio had an average of 607 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.

Environment

Ellevio AB (publ) is ISO 14001:2015 certified, with the latest certification taking place in 2021. The company operates under a Board-approved sustainability policy.

The permit for the construction and use of a power line (known as a network concession) is issued by the Energy Market Inspectorate (Ei) in accordance with the Electricity Act. There are two types of concessions: a line concession covering a specific power line, and an area concession covering a specific geographic area. As of 1 June 2013, one concession is valid until further notice. When reviewing an application for a concession according to the Electricity Act, several parts of the Swedish Environmental Code are applied, 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 relating to water operations, shore protection exemptions or exemptions from the general biotope protection).

Sustainability report

In accordance with the Chapter 6, Section 11 of the Annual Accounts Act, Ellevio AB (publ) has chosen to produce the statutory sustainability report separately from the Annual Report. The statutory sustainability report comprises the description of our sustainability work on pages 22–28, 30–32 and in In-depth sustainability information section on pages 78–113.

Corporate governance report

In accordance with Chapter 6, Section 8 of the Annual Accounts Act, Ellevio AB (publ) has chosen to produce the statutory corporate governance report separately from the Annual Report. The corporate governance report can be found on pages 71–75.

Group contributions and shareholder contributions

The company has in 2022 received SEK 1,393,364, 755 in shareholder contributions and given SEK 3,303,292 in group contributions.

Proposed allocation of retained earnings (SEK)

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

Retained earnings	10,411,221,142
Profit/loss for the year	–362,774,607
	10,048,446,535
The Board of Directors proposes:	
Retained earnings to be carried forward	
	10,048,446,535

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	2022	2021	2020	2019	2018
Net sales	7,535	7,153	6,674	6,709	6,974
EBITDA	3,918	3,700	3,614	3,848	4,188
Items affecting comparability	−40	−28	−45	−59	−39
Comparable EBITDA	3,958	3,728	3,659	3,908	4,227
Operating profit	2,085	1,973	1,781	1,649	2,067
External financial items	−1,136	−1,132	−1,118	−1,139	−1,696
External financial items, Class A	−1,025	−1,021	−1,019	−1,029	−1,618
Profit/loss after net financial income/expense	−440	−452	−568	−982	−893
Profit/loss for the year	−363	−297	−776	−1,248	1,280
Cash flow from operating activities	4,798	4,784	4,100	4,859	4,676
Free cash flow	1,549	1,194	651	962	2,065
Capital expenditure	3,345	3,590	3,415	4,000	2,870
Total assets	95,659	92,972	89,253	86,459	83,543
Total equity	10,080	9,086	8,069	7,605	7,361
Adjusted equity	10.564	9,835	9,101	8,629	8,296
Equity/assets ratio	11,0%	10,6%	10,2%	10,0%	9,9%
Adjusted cash	2	0	1	7	45
External net debt	39,100	39,654	39,342	38,892	38,649
External net debt, Class A	35,090	35,640	35,324	35,907	35,666
Leverage ratio	9,9x	10,6x	10,8x	10,0x	9,1x
Leverage ratio, Class A	8,9x	9,6x	9,7x	9,2x	8,4x
Interest cover ratio	3,5x	3,3x	3,3x	3,4x	2,4x
Interest cover ratio, Class A	3,8x	3,6x	3,6x	3,7x	2,5x
Delivered volume (TWh)	25,0	27,5	26,1	26,5	27,3
No. of customers (in thousands)	971	968	966	962	957
Average no. of employees	607	551	520	500	465

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 66–67.

Income statement

MSEK	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Net sales	5, 6	7,535	7,153
Capitalised own work		124	104
Other operating income	7	121	87
		7,779	**7,344**
OPERATING EXPENSES			
Costs for purchase and transit of power		−1,887	−1,805
Other external expenses	8, 9	−1,349	−1,268
Employee benefits expense	10, 11	−625	−571
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	−1,833	−1,727
Operating profit		**2,085**	**1,973**
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	13	78	60
Interest expense and similar items	14	−2,603	−2,485
Profit/loss after net financial income/expense		**−440**	**−452**
Appropriations	15	382	363
Profit/loss before tax		**−58**	**−90**
Income tax expense	16	−305	−207
PROFIT/LOSS FOR THE YEAR		**−363**	**−297**

Statement of comprehensive income

MSEK	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit/loss for the year	−363	−297
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	**−363**	**−297**

Balance sheet

Mkr	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	17		
Goodwill		3,778	4,076
Concessions		38,710	38,656
IT systems		351	334
Utility easements		801	517
Projects in progress and advance payments		62	246
		43,702	**43,830**
Property, plant and equipment	18, 29		
Buildings and land		1,310	1,100
Machinery and other technical plant		33,557	32,044
Equipment, tools and facilities		72	52
Assets under construction and advance payments		4,128	4,082
		39,067	**37,277**
Non-current financial assets			
Investments in associates	19	0	0
Receivables from Group companies		10,161	9,009
Plan assets	10	3	2
		10,163	**9,012**
Total non-current assets		**92,932**	**90,119**
Current assets			
Current receivables			
Trade receivables	20	1,031	1,036
Receivables from Group companies		1	0
Other receivables	21	5	5
Prepaid expenses and accrued income	6, 22	1,675	1,800
		2,713	**2,842**
Cash and cash equivalents	23, 29	14	12
Total current assets		**2,727**	**2,853**
TOTAL ASSETS		**95,659**	**92,972**

Mkr	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1	1
Statutory reserve		0	0
Development reserve		30	35
		31	**35**
Non-restricted equity			
Retained earnings		10,411	9,348
Profit/loss for the year		–363	–297
Total equity		**10,080**	**9,086**
Untaxed reserves	**24**	**621**	**960**
Provisions			
Deferred tax liability	16	14,071	13,732
Other provisions		4	3
Total Provisions		**14,075**	**13,735**
Non-current liabilities	**25**		
Bond loans		31.348	32,329
Liabilities to credit institutions		6,046	6,489
Liabilities to Group companies		24,616	23,223
Derivative instruments		34	–
Other non-current liabilities	6	3,329	2,466
Total non-current liabilities		**65,374**	**64,506**
Current liabilities			
Bond loans		1,000	–
Liabilities to credit institutions		567	661
Trade payables		975	923
Liabilities to Group companies		3	0
Current tax liabilities		1	16
Other current liabilities	6,,26	1,570	1,604
Accrued expenses and deferred income	27	1,394	1,481
Total current liabilities		**5,510**	**4,685**
TOTAL EQUITY AND LIABILITIES		**95,659**	**92,972**

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 2022	**1**	**0**	**35**	**9,051**	**9,086**
Shareholder contributions				1,393	1,393
Merger difference				−37	−37
Provisions for development reserve			−5	5	–
Comprehensive income:					
Profit/loss for the year				−363	−363
Other comprehensive income				–	–
Total comprehensive income			**0**	**−363**	**−363**
Balance at 31 December 2022	**1**	**0**	**30**	**10,048**	**10,080**

	Restricted equity			Non-restricted equity	
Mkr	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**

[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	Not	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		2,085	1,973
Adjustments for non-cash items:			
Depreciation and amortisation	12	1,833	1,727
Disposals/retirements of non-current assets		40	28
Periodised connection fees		−88	−50
Change in provision for doubtful receivables		0	−1
Received connection fees		976	983
Income tax paid		−15	−44
Cash flow from operating activities before changes in working capital		**4,832**	**4,616**
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(−) in trade receivables		5	−280
Decrease(+)/increase(−) in other operating receivables		151	104
Decrease(−)/increase(+) in trade payables		−54	181
Decrease(−)/increase(+) in other operating liabilities		−135	163
Cash flow from operating activities		**4,798**	**4,784**
INVESTING ACTIVITIES			
Capital expenditure in intangible assets		−226	−414
Capital expenditure in property, plant and equipment		−3,023	−3,176
Acquisition of shares		−178	–
Divestment of property, plant and equipment		1	–
Cash flow from investing activities		**3,426**	**−3,590**

MSEK	Not	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flow from investing activities		**1,373**	**1,194**
FINANCING ACTIVITIES	**28**		
Borrowings		998	593
Repayment of borrowings		−1,548	−283
Loans given		−50	−367
Repayment of loans		367	–
Received interest		4	2
Paid interest		−1,141	−1,139
Received/paid group contributions		0	0
Cash flow from financing activities		**−1,371**	**−1,196**
Cash flow for the year		**2**	**−2**
Cash and cash equivalents at 1 January		**12**	**14**
Cash and cash equivalents at 31 December	**23**	**14**	**12**

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 32.

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 management considers that new and changed standards and interpretations that have entered into force during the financial year have not had any significant impact on the company's financial reports.

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.

Note 2 cont.

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 considered to have an indeterminable 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 indeterminable 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.

Note 2 cont.

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 credit reserve. 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 percent 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.

Note 2 cont.

Since the critical conditions for all hedges included in the hedge accounting have been matched throughout the year, the economic relationship has been 100 percent 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 intangible 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 collection has 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. Currency futures are used to hedge currency risk in future purchases in foreign currency. During the year, the company hedged future purchases in EUR of tangible fixed assets on behalf of the group company Ellevio Energy Solutions AB. The table below shows the currency forwards that are outstanding on the balance sheet date converted to SEK million.

	31 Dec 2022	
	Nominal amount	Fair value
EUR converted into MSEK		
Maturity within 1–5 years	178	2
Maturity over 5 years	–	–
Total	**178**	**2**

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 2022		
	Nominal amount	Fair value	Average interest rate
EUR converted into MSEK			
Maturity within 1–5 years	3,067	420	3.63
Maturity over 5 years	3,109	355	4.18
USD converted into MSEK			
Maturity within 1–5 years	2,231	482	2.67
Maturity over 5 years	6,571	1,258	3.42
Total	**14,978**	**2,514**	**3.51**

	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**

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 2022		31 Dec 2021	
	Volume, GWh	Fair value	Volume, GWh	Fair value
Maturity within 12 months	696	583	687	308
Maturity within 1–5 years	704	290	690	41
Maturity after 5 years	–	–	–	–
Total	**1,400**	**874**	**1,377**	**349**

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 2022	31 Dec 2021
Maturity within 12 months	432	858
Maturity within 1–5 years	15,484	10,840
Maturity within 5–10 years	21,885	22,433
Maturity over 10 years	25,902	28,727
Total	**63,703**	**62,858**

Note 4 cont.

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, 99 percent (98) 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 34 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 2022		
	Nominal amount	Fair value	Average interest rate
Maturity within 12 months	–	–	–
Maturity within 1–5 years	1,053	36	0.80
Maturity over 5 years	6,413	408	0.69
Maturity over 10 years	–	–	–
Total	**7.466**	**444**	**0.71**

	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**

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 2022, around 1 percent (2) 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 4 million (8) for 2022.

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

Valuation according to level 2 takes place by discounting future cash flows based on current market rates (observable curves) and interest rates according to the derivative agreement, discounted with the 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 that covers 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 2 million (0), while guaranteed loan commitments amounted to SEK 7,550 million (6,317). The company's total loans amounted to SEK 63,717 million (62,877) at the end of the reporting period, of which SEK 39,100 million (39,654) referred to external loans and SEK 24,616 million (23,223) 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 5,2 years (5,9).

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 66–67 Alternative performance measures. As per 2022-12-31 Ellevio's total leverage ratio amounted to 9,9 times and for the senior debt (Class A) the leverage ratio was 8,9 times. The interest cover ratio for Ellevio's total external debt amounted to 3,5 times and for the senior debt (Class A) the interest cover ratio was 3,8 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 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 2022	Within 12 months	1–5 years	Over 5 years	Total
Interest-bearing liabilities	3,253	23,607	43,019	69,879
Trade payables	975	–	–	975
Total	**4,228**	**23,607**	**43,019**	**70,854**

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 2022	Within 12 months	1–5 years	Over 5 years	Total
Electricity derivatives (net receivables)	583	290	–	874
Cross-currency interest rate swaps (liabilities)	–529	–2,031	–1,023	–3,583
Cross-currency interest rate swaps (receivables)	473	1,827	949	3,248
Interest rate swaps (net receivables)	190	241	206	637
Total	**717**	**327**	**132**	**1,176**

Not 4 forts.

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 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 2022, 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 2022	31 Dec 2021
Trade receivables	1,031	1,037
Other current receivables	1,445	1,603
Cash and cash equivalents	2	0
Total	**2,478**	**2,640**

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 39,1 bn (39,6). The external interest bearing debt was divided into senior secured debt (Class A) amounting to approx. 35,1 bn (35,6) 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. 24,6 bn (23,2). 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 2022	31 Dec 2021
Bond loans	32,348	32,329
Liabilities to credit institutions	6,613	7,150
Transaction cost related to financing activities	140	175
Less cash and cash equivalents excl. customer deposits	−2	−0
External net debt	**39,100**	**39,654**
Operating profit	2,085	1,973
Plus depreciation, amortisation and impairment	1,833	1,727
EBITDA	**3,918**	**3,700**
Items affecting comparability	40	28
Comparable EBITDA	**3,958**	**3,,728**
Leverage ratio	**9.9**	**10.6**

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

2022	Distribution revenue	Connection fees	Other network related services	Total
Local networks [1]	6,086	43	92	6,221
Regional networks	1,181	60	74	1,314
Total	**7,267**	**103**	**165**	**7,535**

2021	Distribution revenue	Connection fees	Other network related services	Total
Local networks	5,822	34	75	5,930
Regional networks	1,094	29	99	1,223
Total	**6,916**	**63**	**174**	**7,153**

[1] In 2022, the company received a decision from the Energy Market Inspectorate on joint reporting of local operations, which meant that the network areas Local network Mid-Sweden and Local network Västkusten must be jointly reported. Comparative figures for 2021 have thus been adjusted.

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

Contractual assets and contractual liabilities	2022	2021
Contractual assets and contractual liabilities consist of the following items as of 31 December:		
Contractual assets	958	984
Contractual liabilities – Long-term	−3,313	−2,451
Contractual liabilities – Short-term	−102	−76
Net of contractual liabilities	**−2,457**	**−1,543**

Revenue reported during the period, as of:	2022	2021
Revenue included in opening balance in items:		
Contractual assets	–	–
Contractual liabilities	84	47

The company's contractual assets consist of delivered network and relocation 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

	2022	2021
Communication income	12	14
Rental income	14	14
Reconnection income	8	6
Network monitoring services	2	3
Reminder fees	37	33
Proceed of sale tangible fixed assets	1	–
Administration electricity price compensation	29	–
Other operating income	17	17
Total	**121**	**87**

Note 8
Remuneration to auditors

SEK thousand	2022	2021
Ernst & Young AB		
Audit engagement	−1,414	−1,126
Audit activities in addition to audit engagement	−65	−80
Total	**−1,479**	**−1,206**

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 framework.

Note 9
Leases

Operating leases – lessee	2022	2021
Expense for the year, operating leases		
Lease expenses	−149	−143
Total	**−149**	**−143**

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:

	2022	2021
Maturity:		
Within 1 year	134	133
1–5 years	167	191
Later than 5 years	376	402
Total	**677**	**726**

Operational 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 (14). Future minimum lease expenses under non-cancellable operating leases fall due as follows:

	2022	2021
Maturity:		
Within 1 year	13	13
1–5 years	26	26
Later than 5 years	2	2
Total	**41**	**41**

Note 10
Employees and benefits

Average numbers of employees	2022	2021
Women	221	191
Men	386	360
Total	**607**	**551**

Number of directors and senior executives	2022	2021
Women:		
Board of Directors	2	2
the senior executives	6	6
Men:		
Board of Directors	7	7
the senior executives including the CEO	4	4
Total	**19**	**19**

Salaries and remuneration	2022	2021
Salaries and other remuneration to Directors, the CEO and other senior executives	−36	−34
Salaries and other remuneration to other employees	−370	−336
Pension costs for Directors, CEO and other senior executives	−5	−4
Pension costs for other employees	−55	−56
Social security contributions	−141	−130
Total	**−607**	**−559**

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.

Note 10 cont.

Remuneration and other benefits 2022

SEK thousand	Base Salary/ Board fees	Variable remuneration[1]	Other benefits[2]	Pension costs[3]	Total	Capital value of pension commitment
Fredrik Persson (Chairman 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)	−450				−450	
Michael Mc Nicholas (Board member)	–				–	
Sten Olsson (Board member)	−450				−450	
Johan Lindehag (CEO)	−3,066	−4,106	−76	−788	−8,036	−1,972
Other senior executives (9 persons)	−13,149	−12.296	−539	−4,178	−30,162	−41
	−19,715	**−16,402**	**−615**	**−4,966**	**−41,698**	**−2,013**

[1] The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 12,465 thousand that will be paid out in during the three following years, expensed short-term incentives,(STIs), amounted to SEK 3,937 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 16 thousand.
[2] Other benefits mainly consist of company cars.
[3] Disclosures on pension costs refer to pension premiums expensed for the financial year

Remuneration and other benefits 2021

SEK thousand	Base Salary/ Board fees	Variable remuneration[1]	Other benefits[2]	Pension costs[3]	Total	Capital value of pension commitment
Fredrik Persson (Chairman 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
	−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 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 respective areas of competence, which do not constitute board work. During 2021, Karin Jarl Månsson received SEK 4 thousand.

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 2022, the CEO received a fixed salary of SEK 3,066 thousand (2,577) and variable remuneration of SEK 4,106 thousand (4,109). 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 2022, 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.

Not 10 cont.

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 2022 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 14 million (17). 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 2022, Alecta's surplus in the form of the collective consolidation level was 172 percent (172).

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 3.6 percent (1.3). Assumed annual returns are defined by the company.

Defined benefit pension plans in the consolidated balance sheet

	31 Dec 2022	31 Dec 2021
Total present value of defined benefit obligations	79	113
Fair value of plan assets	118	129
Net amount, defined benefit pension plans	**39**	**16**

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

	31 Dec 2022	31 Dec 2021
Cost in profit/loss for the year		
Costs relating to services during current period	–60	–60
Total	**–60**	**–60**

Note 12

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2022	2021
Amortisation of intangible assets	–415	–374
Depreciation of buildings and land improvements	–39	–34
Depreciation of machinery and other technical plant	–1,354	–1,299
Depreciation of equipment, tools and facilities	–24	–20
Total	**–1,833**	**–1,727**

Note 13
Interest income and similar items

	2022	2021
External interest income	2	2
Intra-Group interest income	77	58
Total	**78**	**60**

Note 14
Interest expense and similar items

	2022	2021
External interest expense	−1,160	−1,155
Intra-Group interest expense	−1,394	−1,314
Interest rate derivatives	−34	–
Other financial expenses	−16	−16,
Total	**−2,603**	**−2,485**

Note 15
Appropriations

	2022	2021
Group contributions paid	−3	0
Accelerated depreciations	47	–
Dissolvement of tax allocation reserve	338	444
Distribution to tax allocation reserve	–	−81
Total	**382**	**363**

Note 16
Tax

	2022	2021
Current tax		
Current tax on profit for the year	0	−52
Current tax attributable to prior years	1	−1
Deferred tax		
Deferred tax attributable to temporary -differences	−315	−270
Deferred tax attributable to other years	9	115
Total	**−305**	**−207**

Reconciliation, tax expense for the year	**2022**	**2021**
Profit/loss before tax	−58	−90
Tax calculated at Swedish rate (21.4%)	12	18
Tax effect, permanent items:		
Non-deductible depreciation on goodwill	−63	−62
Non-deductible interest rate	−266	−269
Other items	2	−9
Current tax attributable to prior years	1	−1
Tax effect, temporary items:		
Depreciation of fixed assets	213	270
Other items	102	0
Change in deferred tax	−315	−270
Deferred tax attributable to other years	9	115
Total	**−305**	**−207**
Recognised tax expense for the year	**−305**	**−207**

Deferred tax assets and deferred tax liabilities

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

	2022	2021
Deferred tax assets		
Derivatives	7	–
Provision for credit losses	1	2
Other	1	0
Deferred tax assets	**9**	**2**
Deferred tax liability		
Surplus value concessions	7,974	7,963
Buildings and land improvements	121	126
Residual value depreciation, machinery and -equipment	5,985	5,645
Deferred tax liability	**14,080**	**13,733**
Net deferred tax liabilities	**14,071**	**13,732**

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

2022	Goodwill	Concessions	IT systems	Other rights	Projects in progress and advance payments	Total
Cost at 1 January 2022	**6,059**	**40,505**	**793**	**530**	**246**	**48,133**
Costs incurred during the year	–	–	–	–	227	227
Disposals/retirements	–	–	–	–	–	
Acquisitions via merger	5	55	–	–	–	60
Reclassifications	–	–	–	–	1	1
Classification of capitalised costs	–	–	109	302	–412	–
Accumulated cost at 31 December 2022	**6,064**	**40,560**	**902**	**832**	**62**	**48,421**
Depreciation at 1 January 2022	**–1,983**	**–1,849**	**–459**	**–13**	**–**	**–4,304**
Disposals/retirements	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–303	–	–93	–19	–	–415
Accumulated depreciation at 31 December 2022	**–2,286**	**–1,849**	**–552**	**–31**	**–**	**–4,719**
Carrying amount at 31 December 2022	**3,778**	**38,710**	**351**	**801**	**62**	**43,702**

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 22 million (70). 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 111 million (107) and the residual value per 2022-12-31 amounts to SEK 59 million (65).

2021	Goodwill	Concessions	IT systems	Other rights	Projects in progress and advance payments	Total
Cost at 1 January 2022	**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 2022	**6,059**	**40,505**	**793**	**530**	**246**	**48,133**
Depreciation at 1 January 2022	**–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 2022	**–1,983**	**–1,849**	**–459**	**–13**	**–**	**–4,304**
Carrying amount at 31 December 2022	**4,076**	**38,656**	**334**	**517**	**246**	**43,830**

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 2022	Goodwill	Concessions
Local networks		35,458
Regional networks		3,252
Common	3,778	
Carrying amount	**3,778**	**38,710**

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 five 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 to 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 June 2022, the Court of Appeal confirmed the administrative court's ruling from 2021 in the cases on revenue frameworks 2020-2023 that the regulation contravenes the EU's third electricity market directive and referred the matter back to Ei for a new decision. Based on the court outcome, Ellevio has assumed that the methodology used to calculate WACC 2016-2019 will also apply from 2020 onwards, i.e. a return to a long-term sustainable rate of return to a long-term sustainable level of rate of return.

Note 17 cont.

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

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 2022 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 percentage points after tax, all other factors remaining equal, does not cause any need for impairment. In December 2022, Ei made a decision on which information the electricity network companies must report for the calculation of allowed revenue for 2024–2027. The decision indicates that Ei intends to change the method for calculating the capital compensation, which means that the regulatory risk has increased somewhat, but is difficult to assess as Ei has not yet presented a complete methodology.

Not 18

Tangible fixed assets

2022	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 2022	**1,691**	**21**	**57,612**	**235**	**4,082**	**63,640**
Costs incurred during the year	–	–	–	–	3,118	3,118
Disposals/retirements	–	–	–1,060	–5	–	–1,065
Acqusitions via merger	4	–	266	6	2	278
Reclassifications	–	–	–	–	–1	–1
Classification of capitalised costs	246	–	2,783	44	–3,073	–
Accumulated cost at 31 December 2022	**1,940**	**21**	**59,602**	**279**	**4,128**	**65,970**
Depreciation at 1 January 2022	**–592**	**–21**	**–25,568**	**–183**	**–**	**–26,362**
Disposals/retirements	–	–	977	5	–	982
Accumulated depreciations via merger	–	–	–100	–5	–	–105
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–39	0	–1,354	–24	–	–1,418
Accumulated depreciation at 31 December 2022	**–631**	**–21**	**–26,045**	**–207**	**–**	**–26,903**
Carrying amount at 31 December 2022	**1,310**	**–**	**33,557**	**72**	**4,128**	**39,067**

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	**1691**	**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	**1100**	**0**	**32,044**	**52**	**4,082**	**37,277**

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 3,896 million (4,466).

Note 19
Investments in associates

	31 Dec 2022	31 Dec 2021
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 2022
Triangelbolaget D4 AB				

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 2022	31 Dec 2021
Trade receivables, gross	1,038	1,043
Provision for credit losses	–7	–6
Trade receivables, net after provisions for credit losses	**1,031**	**1,036**

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 2022
Provisions for credit losses at 1 January	–6
Provisions for credit losses for the year	–6
Write-offs	2
Reversal of unused amount	3
Provisions at 31 December	**–7**

31 Dec 2022	Gross	Provision for credit losses	Net
Not yet payable	914	–0	913
30 days past due	105	–1	104
31–60 days past due	5	–1	5
61–90 days past due	2	–1	1
> 90 days past due	12	–4	8
Total	**1,038**	**–7**	**1,031**

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 2022	31 Dec 2021
Settlement account for taxes and fees	4	4
Other current receivables	1	1
Total	**5**	**5**

Note 22
Prepaid expenses and accrued income

	31 Dec 2022	31 Dec 2021
Accrued distribution revenue	841	920
Accrued relocation income	117	64
Accrued energy tax	475	613
Accrued interest income	177	159
Prepaid rents	32	29
Other items	33	15
Total	**1,675**	**1, 800**

Note 23
Cash and cash equivalents

	31 Dec 2022	31 Dec 2021
Available balances with banks and other credit institutions	2	0
Customer deposits	12	12
Total	**14**	**12**

Note 24
Untaxed reserves

	31 Dec 2022	31 Dec 2021
Tax allocation reserve	621	960
Total	**621**	**960**

Note 25
Non-current liabilities

	31 Dec 2022	31 Dec 2021
Maturity within 1–5 years	21,275	18,146
Maturity within 5–10 years	17,397	20,480
Maturity over 10 years	26,701	25,881
Total carrying amount	**65,374**	**64,506**

The nominal amount of the long-term loans at the end of the reporting period was SEK 62,150 million (62,216).

The company's utilised overdraft facilities totalled SEK 213 million (307) 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 2022	31 Dec 2021
Liability, VAT	221	183
Energy tax	1,117	1,252
Employer contributions and deduction of withholding tax	19	17
Repayments to customers	15	12
Advances received	57	60
Periodised connection services	102	76
Other current liabilities	38	4
Total	**1,570**	**1,604**

Note 27
Accrued expenses and deferred income

	31 Dec 2022	31 Dec 2021
Accrued interest	541	521
Accrued salaries	79	77
Accrued social security contributions	30	29
Deferred income	2	2
Accrued investment expenses	282	285
Accrued transmission costs	280	253
Accrued measurement value costs	9	8
Accrued rents	29	26
Accrued field services	84	230
Accrued customer service costs	6	3
Other items	50	47
Total	**1,394**	**1,481**

Note 28
Reconciliation of liabilities from financing activities

			Non-cash items			
	31 Dec 2021	Cash flows	Capitalized interest	Unrealised contracts/ Reclassification	Periodised financing costs	31 Dec 2022
Liabilities to Group companies	23,223	–	1,393	–	–	24,616
Current liabilities to credit institutions	661	–448	–	354	–	567
Current bonds	–	–	–	1,000	–	1,000
Non-current liabilities to credit institutions	6,489	–102	–	–354	13	6,046
Bonds	32,329	–	–	–1,000	19	31,348
Derivatives	–	–	–	34	–	34
Total liabilities from financing activities	**62,702**	**–550**	**1,393**	**34**	**32**	**63,611**

			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**

Note 29
Merger

In June 2022, Ellevio AB acquired the group company Edsbyns Elnät AB, corporate ID number 556015-7686. As of November 1 2022, the acquired company was merged with Ellevio AB. The income statement for Ellevio AB for 2022 includes net sales of SEK 24,663 thousand, SEK 3,796 thousand in operating profit. SEK 3,870 thousand in profit after tax that relates to the merged company's profit and loss account before the merger (taking into account the elimination of internal of intercompany transactions). In the merger, goodwill on consolidation from intangible and tangible assets and related deferred tax and depreciations were taken over by Ellevio AB. The balance items are allocated follows:

	2022-12-31
Assets	
Goodwill	5
Surplus value concessions	55
Surplus value buildings and land	3
Surplus value machinery, equipment and tools	164
Projects in progress and advanced payments	4
Current assets	4
Cash and cash equivalents	3
Total assets	**236**
Equity and liabilities	
Untaxed reserves	47
Deferred tax liabilities	34
Current liabilities	11
Total equity and liabilities	**92**

Note 30
Pledged assets

	31 Dec 2022	31 Dec 2021
Floating charges	136	136
Property mortgages	465	462
Bank deposits	14	12
Total	**615**	**610**

Note 31
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 2022. Information on transactions with related parties is provided in notes 4, 13 and 14.

Note 32
Group structure

Company	Corp. ID No.	Share (%)
Ellevio Holding 1 AB	559005–2444	100
AB Edsbyns Elverk	556015–7686	100
AB Helsinge Elhandel	556075–0118	100
Ellevio Energy Solutions AB	559366–8600	100
Ellevio Sverige AB	559414–0542	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 33
Proposed allocation of retained earnings

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

Retained earnings	10,411
Profit/loss for the year	–363
The Board of Directors proposes:	
Retained earnings to be carried forward	10,048

Note 34
Significant events after the end of the period

On 20 December 2022, Ei announced its decision regarding the information network companies are to report ahead of the calculation of allowed revenue for 2024–2027. This decision indicates that Ei intends to change the calculation method for capital compensation, and over 120 network companies appealed against this in early January 2023. On April 6 2023 the Administrative Court announced its verdict. The Administrative Court states that Ei is not according to the electricity act entitled to ask for original acquisition values for calculating the allowed revenue and that this part of Ei:s decision therefore is overruled. The decision on the allowed revenue for 2024–2027 shall be taken by Ei by 31 October 2023 at the latest.

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.

Definition	Calculation	2022	2021	2020	2019	2018
EBITDA Operating profit plus depreciation, amortisation and impairment	Operating profit	2,085	1,973	1,781	1,649	2,067
	Depreciation, amortisation and impairment	1,833	1,727	1,833	2,200	2,121
	EBITDA	**3,918**	**3,700**	**3,614**	**3,848**	**4,188**
Items affecting comparability Gains/losses from sales of fixed assets, scrapping of fixed assets and restructuring costs	Gains/losses from sales of fixed assets	1	–	6	–	0
	Scrapping of fixed assets	−41	−28	−51	−,57	−29
	Restructuring costs	0	–	–	−3	−10
	Items affecting comparability	**−40**	**−28**	**−45**	**−59**	**−39**
Comparable EBITDA EBITDA less items affecting comparability	EBITDA	3,918	3,700	3,614	3,848	4,188
	Items affecting comparability	40	28	45	59	39
	Comparable EBITDA	**3,958**	**3,728**	**3,659**	**3,908**	**4,227**
External financial items Net of external financial interest income and interest expense plus other financial expenses excluding transaction costs related to financing activities	External interest income	2	2	1	2	2
	External interest expense	−1,160	−1,155	−1,141	−1,138	−1,755
	Other financial expenses	−16	−16	−16	−16	−30
	Transaction costs related to financing activities	38	37	36	35	87
	External financial items	**−1,136**	**−1,132**	**−1,118**	**−1,118**	**−1,696**
External financial items, Class A External financial items less Class B interest expense	External financial items	−1,136	−1,132	−1,118	−1,118	−1,696
	Interest expense, Class B	111	111	99	89	78
	External financial items, Class A	**−1,025**	**−1,021**	**−1,019**	**−1,029**	**−1,618**
Free cash flow Cash flow from operating activities less paid capital expenditure	Cash flow from operating activities	4,798	4,784	4,100	4,859	4,676
	Capital expenditure in property, plant and equipment	−3,023	−3,176	−3,226	−3,706	−2,508
	Capital expenditure in intangible assets	−226	−414	−223	−191	−102
	Free cash flow	**1,549**	**1,194**	**651**	**962**	**2,065**
Capital expenditure Cost incurred during the year related to capital expenditure	Capital expenditure in tangible fixed assets	3,118	3,176	3,192	3,809	2,767
	Capital expenditure in intangible assets	227	414	223	191	103
	Capital expenditure	**3,345**	**3,590**	**3,415**	**4,000**	**2,870**

Alternative performance measures

Definition	Calculation	2022	2021	2020	2019	2018
Adjusted cash Cash and cash equivalents less customer deposits	Cash and cash equivalents	14	12	14	20	56
	Customer deposits	−12	−12	−13	−13	−11
	Adjusted cash	**2**	**0**	**1**	**7**	**45**
External net debt External interest-bearing liabilities excluding transaction cost related to financing activities less adjusted cash	Bond loans	32,348	32,329	32,309	32,757	32,732
	Liabilities to credit institutions	6,613	7,150	6,829	5,922	5,747
	Transaction cost related to financing activities	140	175	205	220	215
	Adjusted cash	−2	−0	−1	−7	−45
	External net debt	**39,100**	**39,654**	**39,342**	**38,892**	**38,649**
External net debt, Class A External net debt less Class B debt	External net debt	39,100	39,654	39,342	38,892	38,649
	Class B debt	−4,010	−4,014	−4,018	−2,985	−2,982
	External net debt, Class A	**35,090**	**35,640**	**35,324**	**35,907**	**35,666**
Interest cover ratio Comparable EBITDA less income tax paid divided by external financial items	Comparable EBITDA	3,958	3,728	3,659	3,908	4,227
	Income tax paid	−15	−44	−13	−69	−107
	Total	**3,943**	**3,683**	**3,646**	**3,839**	**4,121**
	External financial items	1,136	1,132	1,118	1,118	1,696
	Interest cover ratio (times)	**3.5**	**3,3**	**3,3**	**3,4**	**2,4**
Interest cover ratio, Class A Comparable EBITDA less income tax paid divided by external financial items, Class A	Comparable EBITDA	3,958	3,728	3,659	3,908	4,227
	Income tax paid	−15	−44	−13	−69	−107
	Total	**3,943**	**3,683**	**3,646**	**3,839**	**4,121**
	External financial items, Class A	1,025	1,021	1,019	1,029	1,618
	Interest cover ratio, Class A (times)	**3.8**	**3,6**	**3,6**	**3,7**	**2,5**
Leverage ratio External net debt divided by comparable EBITDA	External net debt	39,100	39,654	39,342	38,892	38,649
	Comparable EBITDA	3,958	3,728	3,659	3,908	4,227
	Leverage ratio (times)	**9.9**	**10,6**	**10,8**	**10,0**	**9,1**
Leverage ratio, Class A External net debt, Class A divided by comparable EBITDA	External net debt, Class A	35,090	35,640	35,324	35,907	35,666
	Comparable EBITDA	3,958	3,728	3,659	3,908	4,227
	Leverage ratio, Class A (times)	**8.9**	**9,6**	**9,7**	**9,2**	**8,4**
Adjusted equity Total equity plus 78 percent of the untaxed reserves	Total equity	10,080	9,086	8,069	7,605	7,361
	78 percent of the untaxed reserves	485	749	1,032	1,024	935
	Adjusted equity	**10,564**	**9,835**	**9,101**	**8,629**	**8,296**
Equity/assets ratio Adjusted equity divided by total assets multiplied with 100	Adjusted equity	10,564	9,835	9,101	8,629	8,296
	Total assets	95,659	92,972	89,253	86,459	83,543
	Equity/assets ratio (%)	**11.0**	**10,6**	**10,2**	**10,0**	**9,9**

Approval of the Board and CEO

The Annual- and Sustainability report were approved for release by the Board of Directors and the CEO on 25 April 2023 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 114–116, has been prepared in accordance with GRI Universal Standards 2022.

Stockholm, 25 April 2023

Fredrik Persson
Chairman of the Board

Anna Belfrage

Lars Clausen

Göran Hägglund

Karin Jarl Månsson

Adam Friedrichsen
Alternate board member
replacing Michael McNicholas

Sten Olsson

Tomas Bergquist

Eyob Yehdego

Johan Lindehag
Chief Executive Officer

We submitted our audit report on 25 April 2023
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 2022-01-01 – 2022-12-31. The annual accounts of the company are included on pages 40–68 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 2022 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, 2022 amounts to 43 702 MSEK, which equals 46% of the company's total assets. Of the reported value, 3 778 MSEK relates to goodwill and 38 710 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 deter mine 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 69–120. 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 they give 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.

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 2022-01-01 – 2022-12-31 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 parent 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 the 3 May 2022 and has been the company's auditor since the 26 April 2018.

Stockholm 25 April, 2023
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Corporate Governance

Corporate governance

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 the 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 2022. A statutory review of the corporate governance report has been carried out by the company's auditors whose opinion is on page 75.

Principles of corporate governance

Corporate governance at Ellevio is based on applicable laws and ordinances, Articles of Association, shareholders' 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's shares not are listed on a regulated market in Sweden.

The company's most significant internal governing document is the shareholders' agreement signed by the four shareholders of Ellevio Holding 1 AB. The shareholders' agreement stipulates how the Parent Company and Group's subsidiaries shall be governed. Other key governance 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:

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

AMF bought its share from the First National Pension Fund on 15 December 2022. The group structure is shown in note 32 Group structure.

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 shareholders' agreement.

The 2022 annual general meeting was held on 3 May 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 number of owners, neither a notification of nor minutes for the annual general meeting were published on the company's website.

The 2023 annual general meeting will be held on 25 April 2023 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 acts as a role model for sustainable business practises in areas such as the environment, ethics, working conditions, human rights, equality and diversity.

The Board shall establish written rules of procedure governing its own work, and these should be revised and confirmed on an annual basis. These contains, among other things, instructions on the board's areas of responsibility and the demarcation against the board's committees and CEO. The board's rules of procedure state that a board member must inform the board if conflict of interest occurs. Such information is not disclosed to other parties.

The Chairman of the Board oversees the evaluation the work of the Board, including sustainability aspects, and reports 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. The evaluation in 2022 did not cause any material changes in the Board's work.

Composition of the Board

According to the Articles of Association, the Board is to comprise of no less than three and no more than ten members, and no more than ten deputies. The shareholders' 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 an 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 2022, 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 AMF), 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), Fredrik Lundeborg (nominated by AMF), Adam Friedrichsen (nominated by OMERS Infrastructure), Marcus Blomberg (nominated by Folksam), Morgan Holm (employee representative) and Fredrik Ullman (employee representative).

The following changes have been made to the board during the year: Fredrik Ullman replaced Jenny Evred on May 3, 2022, Adam Friedrichsen replaced Alastair Hall on May 5, 2022, Marcus Blomberg replaced Birgitta Stenmark on October 7, 2022, Fredrik Lundeborg replaced Johan Temse on December 21, 2022.

The Board is presented on page 76.

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 meet whenever necessary. In 2022, 14 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.
- Security and safety issues, above all concerning the war in Ukraine as well as working environment and information security.
- Investment decisions regarding Skanstull, North/South Hälsingland and Everest Data Communication Network.
- The formation of a new company – Ellevio Energy Solutions AB – in the Group as well as investments in batteries and companies for flexible energy solutions.
- Board evaluation.

During the year, the following four topics of a particularly significant nature were reported to the Board: regulatory issues, the impact of electricity price on Ellevio, the security policy situation and information in connection with major outages.

Board Committees

Four Board committees have been established to enhance efficiency and opportunities for expanding the work of the Board: The Audit Committee, the Remuneration Committee, the Finance Committee and the Sustainability Committee. The committees serve in an advisory capacity and their work primarily involves preparing matters for decision 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 2022, the Audit Committee consisted of Anna Belfrage (Chair) and Michael McNicholas.

The 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 2022, the committee comprised Fredrik Persson as chairman, Adam Friedrichsen 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 2022, the Finance Committee comprised Adam Friedrichsen (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 2022, the Sustainability Committee comprised Karin Jarl Månsson (Chair), Lars Clausen and Tomas Bergquist (employee representative). Karin Jarl Månsson has many years of experience both as Board Professional and Executive Director in the energy and infrastructure industry with a strong focus on sustainability and in particular safety. Lars Clausen also has extensive leadership experience in the energy and infrastructure sectors including within strategy, governance, sustainability and investment advice for energy and infrastructure funds.

Board fees

The shareholders have submitted a proposal for adoption by the annual general meeting concerning Board fees. The 2022 annual general meeting adopted a resolution on fees pursuant to the proposal submitted by shareholders.

Board members elected at the annual general meeting can in special cases be remunerated for services within their respective areas of competence, which do not constitute Board work. A market consultancy fee shall be paid for these services, which shall be approved by the Board. Information on Board fees for 2022 can be found in Note 10.

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 principal 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 3 May 2022, Ernst & Young AB was elected as the company's auditor for the period until the end of the 2023 annual general meeting. The principal auditor is authorised public accountant Henrik Jonzén. The auditor reported their year-end review for 2022 to the audit committee at the meeting on 13 February 2023 and to the Board at the Board meeting on 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 specified in addition to the Swedish companies act in instructions that are established by the Board each year.

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 the financies circumstances, significant events and other important information.

The CEO has appointed a management team that oversees the day-to-day operations. The management team meets regularly to make decisions about and monitor the business, to discuss issues related to the organisation and human resources, as well as current projects and other matters. The management team, including the CEO, is presented on page 77.

Guidelines for the 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 enables 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 submit 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 proposed 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 more than six months, nor any agreements on severance pay.

For more information regarding remuneration of the CEO and senior executives in 2022, refer to note 10.

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 of 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 several areas, including sustainability, financing, the management of insider information, security and whistleblowing.

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 the 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 43 for Risks and uncertainty factors 103 for Sustainability risks and 112 for Climate related risks.

Ellevio conducts internal controls 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 prepares reliable financial statements and reporting, and complies 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 Report 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 submitted annually. These reports can be found on Ei's website.

Sustainability

Ellevio's sustainability work is integrated into the company's business strategy and is managed within the framework of the company's daily operations. The sustainability agenda is based on Ellevio's most material sustainability topics, which are central to both Ellevio and our most important stakeholders, and where Ellevio has a major impact on the outside world from an economic, social and environmental perspective. We measure performance and drive continuous improvement work within the material sustainability topics, and the results are reported annually in the Sustainability Report.

The Board is continuously involved in Ellevio's sustainability work and receives monthly reports on how the work is progressing. Through the sustainability committee, processes and due diligence are monitored within material sustainability topics and risks.

The Board's sustainability competence is good and is continuously developed through the Board's work as these topics are integrated into the company's business strategy. Many of the key figures that are followed up monthly are related to sustainability, for example LTIF, Sustainability index and SAIDI. At each Board meeting, the chairman of the sustainability committee addresses relevant sustainability topics from the committee's meetings. The Board further adopts Ellevio's Code of Conduct and Sustainability Policy annually.

Since 2017, Ellevio has been a signatory of 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 2022-01-01–2022-12-31 on pages 71–75 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 the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 25 April 2023
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Board of Directors

STANDING (from left)

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

SEATED (from left)

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 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: 1962, member of the board since 2021

Management Team

STANDING (from left)

Jörgen Hasselström
SVP, Asset Management & Operations
Year of birth: 1972
Joined the business in: 2019

Emma Thorsén
SVP, Customer and Market
Year of birth: 1973
Joined the business in: 2019

David Bjurhall
SVP, Regulation
Year of birth: 1975
Joined the business in: 2010

Elisabeth Stjernstoft
SVP, Business Solutions
Year of birth: 1969
Joined the business in: 2021

SEATED (from left)

Erika Abrahamsson
SVP, Legal & Security
Year of birth: 1965
Joined the business in: 2011

Anna Lidberg
SVP, Brand & Communications
Year of birth: 1968
Joined the business in: 2008

Kristofer Fröjd
SVP Strategy & Business Development
Year of birth: 1980
Joined the business in: 2016

Susanne Bragée
SVP, People, Culture & Sustainability
Year of birth: 1963
Joined the business in: 2019

Johan Lindehag
Chief Executive Officer
Year of birth: 1972
Joined the business in: 2000

Anna-Karin Käck
SVP, Finance
Year of birth: 1976
Joined the business in: 1999

In-depth sustainability information

Our sustainability work

Guaranteeing a reliable supply of electricity is one of society's most vital tasks. Modern, expanded electricity grids are also needed for the energy transition and to help ensure that the Paris Agreement, Sweden and the EU can achieve their climate targets.

As one of Sweden's largest electricity network companies with almost 1 million customers, Ellevio plays a key role in people's daily lives, in communities, in business and in creating the sustainable society of the future. Sustainability is also an integrated part of Ellevio's operations, business model and strategy.

We implement our sustainability work by measuring and setting targets, creating and executing action plans and following up on our results. Our Sustainability policy, Code of Conduct and Risk policy govern our general sustainability work.

	Strategic focus areas	Significant sustainability aspects	Contribution to the UN SDGs
Focus 	**The energy system of tomorrow** **Climate-smart energy solutions**	Security of supply	7, 9, 11, 13
		Affordable electricity supply	
		Reduce climate impact	
Enabler 	**Operational excellence**	Business ethics and anti-corruption	5, 8, 15, 16
		Responsible supply chain	
		Local dialogue and environmental considerations	
		Biodiversity	
	The employees of the future	Attractive employer	5, 8
		Health and safety	

Significant sustainability aspects and stakeholders

Ellevio conducted a comprehensive materiality analysis in 2020 based on stakeholder dialogues involving more than 1,200 people, of whom 200 were employees Through this analysis, Ellevio's most significant sustainability aspects were identified in connection with financial, social and environmental responsibility – and how these related to Ellevio's strategy. The analysis has been continuously supplemented by ongoing dialogues with stakeholders.

Since the publication of the 2021 sustainability report, we have reviewed how we group together and name these significant sustainability aspects to more clearly demonstrate how they are linked to Ellevio's strategic focus areas. The content of the significant aspects remains the same, however.

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 acting on their decisions and priorities. We strive to understand what is expected of us, find suitable solutions and take the best possible decisions.

Our most important stakeholder groups are customers, employees, contractors and suppliers, authorities, decision-makers, owners, investors, and local actors such as land owners, local residents and local authorities who are affected by, or have an impact on, our operations. We also collaborate with partners, various sector organisations and initiatives in order to promote long-term and sustainable trends in the sector and across society at a local, national and international level.

Our sustainability agenda

Ellevio's sustainability agenda is closely linked to the company's business strategy and is managed as part of its day-to-day operations.

This sustainability agenda comprises the significant sustainability aspects, that is, aspects that are key to both Ellevio and our most important stakeholders, and where Ellevio has a major impact on the operating environment from an economic, social and environmental perspective. We measure performance and continuously pursue efforts to improve in terms of our significant sustainability aspects, with results reported annually in the sustainability report.

The sustainability agenda and our strategic focus

The security of supply on our electricity grids must meet customers' and society's increasing demand for electricity. Through increased digitalisation, automation and remote management of the grids, we are driving the trend towards smart electricity grids that will revolutionise the way we control, measure and operate the electricity system in the future. We are making major investments to enhance flexibility and increase capacity. Our proactive efforts create the conditions for a robust electricity supply, which strengthens our ability to withstand disruptions and rapidly restore operations following unexpected incidents.

Ellevio is to be a pioneer that drives the transition towards a sustainable energy system. Together with our customers and partners, we play an active role in efforts to achieve a carbon-neutral and more climate-smart society.

We work to increase the proportion of connected renewable electricity production on our grids and take active steps to reduce the carbon footprint of our own value chain. We also offer our customers solutions to enhance energy efficiency as well as charging solutions and options for private electricity production. The new smart electricity meters installed at our customers' properties enable all of this.

The sustainability agenda and our strategic enablers

The so called "strategic enablers" – operational excellence and the employees of the future – create the requisite conditions for Ellevio to achieve its operational goals. Some aspects of sustainability are of particular importance here:

First and foremost, Ellevio is to provide safe and healthy workplaces free from accidents. Those who work for Ellevio should come home healthy and unharmed – every day.

Creating the electricity system of the future requires more committed employees. By being an attractive employer – the first choice for experienced engineers, highly qualified employees, managers and graduates – we safeguard our ability to drive the company towards our goals.

Our business is characterised by a high level of business ethics, with zero tolerance for corruption and the same strict demands placed on suppliers and partners that we place on ourselves.

Through dialogue with local communities, we increase acceptance of and confidence in Ellevio's operations and the investments required. At a local level, we also promote biodiversity and the protection of natural environments.

Guaranteeing a financially stable business is a basic prerequisite which requires a regulatory framework that enables access to capital for investments and a reasonable return to our owners.

→ Read more about how our significant sustainability aspects are linked to our business strategy on pages 22–23.

2030 Agenda

Ellevio's business operations contribute to several of the UN's Sustainable Development Goals within the 2030 Agenda. The materiality analysis showed that we have a direct impact on four goals in particular:

Goal 7: Affordable and clean energy

By developing and maintaining the electricity network, we guarantee its reliability and ability to meet future demand. At the same time, we make more renewable electricity available and help our customers enhance energy efficiency.

7.1 Proportion of population with access to electricity

Ellevio contributes by creating the sustainable energy system of tomorrow, which is our core business.

7.2 Increase substantially the share of renewable energy in the global energy mix

Ellevio contributes by connecting renewable electricity production and offering related services.

7.3 Double the global rate of improvement in energy efficiency

Ellevio contributes through services and support to customers in enhancing energy efficiency.

7.A Enhance international cooperation to facilitate access to clean energy research and technology and promote investment in clean energy technology

Ellevio contributes by participating in research projects via Elforsk and arranging the Startup 4 Climate competition together with GodEl.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

An electricity network that ensures security of supply is a prerequisite for thriving industry and companies and for people to live and work across Sweden, be it in a city or a rural area. The electricity network is also an enabler of the transition towards a fossil-free society in which industrial processes and transportation run on electricity. As we expand capacity and digitalise our grids, we create jobs and promote growth.

9.1 Develop quality, reliable, sustainable and resilient infrastructure

Ellevio contributes by providing society with electricity network infrastructure, safeguarding a high level of sustainability work in its operations and increasing the system's resilience by burying power lines, for example.

9.2 Promote inclusive and sustainable industrialisation

Ellevio helps industrial customers transition to more sustainable energy consumption (electricity). Furthermore, Ellevio influences the business community both in Sweden and abroad through major purchases of material and equipment that are to be produced in accordance with Ellevio's sustainability requirements.

9.4 Upgrade infrastructure and retrofit industries to make them sustainable

Ellevio contributes to the electrification of industries and transport through new connections, reinforcements of the electricity network and expanded charging infrastructure.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

A reliable and smart electricity network enables society to continue the electrification process and enable more people to make greener choices. Ellevio's electricity network plays a vital role both in terms of sustainable urbanisation and the development of vibrant rural areas. Capacity-enhancing projects guarantee a long-term energy supply and the opportunity for sustainable growth. Buried power lines create 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 initiatives such as charging electric vehicles and installing solar cells, so that more people can produce their own electricity.

11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all

Ellevio enables electrified transport via a modern, expanded electricity system and investments in charging infrastructure. We also drive this trend through our internal target for vehicles and work machines used on our behalf to be electric by 2030.

11.5 Significantly reduce the number of people affected and decrease the direct economic losses caused by disasters

Through initiatives such as robust crisis and disruption preparedness, burying of power lines, remote management and monitoring and placement of infrastructure beyond areas at risk of flooding, mudslides and other weather phenomena, we are strengthening the resilience of the electricity system. Ellevio pursues active climate-adaptation initiatives and meets the TCFD standards.

11.6 Reduce the adverse per capita environmental impact of cities

Ellevio contributes to electrified transport and industries, which both reduces greenhouse gas emissions and improves air quality.

11.A Support links between urban, peri-urban and rural areas by strengthening national and regional development planning

Ellevio has a close collaboration with regions and local communities concerning electricity grid capacity. As Sweden's second-largest network owner, Ellevio has a major influence on regional and national development.

Goal 13: Take urgent action to combat climate change and its impacts.

Electrification is vital for the transition to a fossil-free society. We are increasing flexibility and capacity on the electricity network and enabling connection of renewable energy sources. We are also focusing on reducing the climate and environmental impact of our own operations.

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

Through initiatives such as robust crisis and disruption preparedness, burying of power lines, remote management and monitoring and placement of infrastructure beyond areas at risk of flooding, mudslides and other weather phenomena, we are strengthening the resilience of the electricity system. Ellevio pursues active climate-adaptation initiatives and meets the TCFD standards.

13.2 Integrate climate change measures into national policies, strategies and planning

Ellevio contributes to Sweden's climate policy goals, works to reduce the climate impact of its own operations and actively lobbies to ensure predictable and long-term sustainable revenue regulation for network companies.

In addition, Ellevio contributes to:

Goal 5: Gender equality
5.1 End all forms of discrimination against all women and girls everywhere
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making

Goal 8: Decent work and economic growth
8.8 Protect labour rights and promote safe and secure working environments for all workers

Goal 15: Life on land
15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services
15.5 Take urgent and significant action to reduce the degradation of natural habitats and halt the loss of biodiversity

Goal 16: Peace, justice and strong institutions
16.3 Promote the rule of law and ensure equal access to justice for all
16.5 Substantially reduce corruption and bribery in all their forms

Goal 17: Partnership for the goals
17.6 Enhance international cooperation on and access to science, technology and innovation
17.17 Encourage and promote effective public, public-private and civil society partnerships

Economic value generated and distributed

As a network company, Ellevio's operations have a major impact on people's daily lives and the functioning of society. The economic value generated by these operations is also distributed to a number of stakeholders. This distribution is outlined in the table below.

Ellevio obtains revenue from customers, mainly through electricity distribution and related services. Ellevio's economic value generated in 2022 amounted to SEK 7,655 million (7,241).

Ellevio distributes economic valule to a large number of stakeholders – 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 society through taxes. In 2022, Ellevio's distributed economic value totalled SEK 9,656 million (9,668).

Investments to modernise the electricity network to meet future demand and increase capacity and flexibility are of the highest priority for Ellevio and represent a prerequisite for the necessary energy transition. 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 the electricity network account for around a third of Ellevio's distributed value, and in 2022 these amounted to SEK 3,345 million (3,574).

The total generated value in 2022 was SEK -2,002 million (2,427) lower than the total distributed value.

The net figure for economic value, including investments, was SEK -2,002 (-2,427) million, which means that the equivalent extra capital is needed to implement Ellevio's investment programme. However, not counting implemented investments, Ellevio's total generated value would have exceeded the total distributed value by SEK 1,343 million (1,147).

No interest or dividends were paid to the owners between 2019 and 2022, as all available cash flows were reinvested in the business. Interest expenses on loans to external shareholders amounted to SEK 1,393 million (1,314) during the year. This interest has not been paid, but has been capitalised as an interest-bearing loan at the end of the year and added to the debt amount for shareholder loans.

Economic value generated

SEK m	2022	2021	2020
Revenue from customers (and other stakeholders)			
of which electricity distribution	7,267	6,916	6,431
of which other	388	325	314
Total economic value generated	7,655	7,241	6,745

Economic value distributed

SEK m	2022	2021	2020
Suppliers	6,540	6,619	6,109
of which operational expenses	3,195	3,045	2,694
of which investments	3,345	3,574	3,415
Employees	484	441	391
External lenders	1,174	1,169	1,155
Shareholders and Group parent company	1,317	1,257	1,194
Taxes[1)]	141	182	124
Total economic value distributed	9,656	9,668	8,973

1) Income tax SEK 0 million (52), social security contributions SEK 128 million (117) and special payroll tax SEK 14 million (14)

Net economic value

SEK m	2022	2021	2020
Total economic value generated	7,655	7,241	6,745
Total economic value distributed	9,656	9,668	8,973
Net economic value incl. investments	-2,002	-2,427	-2,228
Investments	3,345	3,574	3,415
Net economic value excl. investments	1,343	1,147	1,186

EU taxonomy

Electricity network plays crucial role in climate change mitigation

The EU taxonomy for sustainable activities is a framework for classifying environmentally sustainable economic operations. The taxonomy is an important tool in achieving the EU's climate targets and the objectives of the EU's green growth strategy.

In 2022, Ellevio analysed and calculated the extent to which its operations are eligible for or aligned with the taxonomy. Electricity grids are classified as an "enabling activity" in terms of climate change mitigation (goal 1), and Ellevio's operations are categorised under Section 4.9 of the taxonomy: "Transmission and distribution of electricity".

Following an extensive review and analysis, combined with a dialogue with other network companies regarding interpretations and assessments, Ellevio has concluded that its operations are both eligible for and aligned with the taxonomy to a very large extent. In practice, this means that Ellevio's operations and investments can be deemed to be key to achieving the EU's goal of limiting climate change.

The taxonomy thus gives us the opportunity to put concrete numbers on what we have long claimed: that Ellevio's operations and investments are an enabler of the climate transition.

→ Read more about Ellevio's work on the taxonomy in sustainability note 4.

The taxonomy

Transmission and distribution of electricity	Percentage eligible[1], %	Percentage non-eligible[2], %	Percentage aligned with the taxonomy[3], %	Percentage aligned with the taxonomy, of percentage eligible[4], %
Sales	100	0	100	100
Capital expenditure	98	2	98	100
Operating expenses	95	5	95	100

Green financing framework

Ellevio launched a framework for green bonds in 2019. The purpose of this is to offer the capital market the opportunity to invest in projects that support the transition to a carbon-neutral society and climate-smart energy system. Projects that could be considered be for financing should also be aligned with the UN's sustainable development goals. The framework was reviewed by the independent climate and environmental research institute CICERO, receiving the highest score of "Dark Green".

Ellevio has issued a total of SEK 2,000 million within the framework of these green bonds. These funds have been earmarked for investments in the categories of renewable energy and energy efficiency.

By late 2022, a total of SEK 1,201 million had been invested in approved projects in the area of renewable energy and SEK 993 million in energy efficiency projects.

The energy system of tomorrow and climate-smart energy solutions

Modern society is strongly dependent upon a functioning energy supply. Disruptions and outages can have serious consequences for individuals, for businesses and for many critical functions across society. For this reason, intense demands are placed upon the reliability of the energy system. For Ellevio, one of the largest electricity network companies in Sweden, it is a top priority to ensure a reliable electricity supply that meets the needs of society and our customers.

Over the coming years, electricity consumption is expected to increase rapidly, in part due to society becoming increasingly electrified and digitalised. A transition is under way from the use of fossil fuels to electricity as a means of achieving climate targets and reducing dependence on imported fuels – not least in industry and the transport sector. This major societal change requires infrastructure with plenty of capacity.

At the same time, the increasing share of renewable electricity from large and small-scale solar and wind power places new and higher demands on Sweden's electricity network. The Swedish system was built to manage predictable electricity production from a limited number of large facilities based on hydropower, nuclear power and CHP (combined heat and power production). The electricity system now needs to become more flexible and cope with an uneven flow of rapid and sharp variations in electricity production from energy sources such as solar and wind.

An increasing number of electricity consumers are also producing and selling their own electricity. These "prosumers" connect for example solar panels or small wind turbines to the grid, and they can output the excess electricity they produce. This change in production will place new demands on the electricity network, which will need to become more flexible and able to function in both directions. On certain days and at certain times, the network needs to receive locally produced surplus electricity, while on other days it needs to distribute electricity from power stations far away.

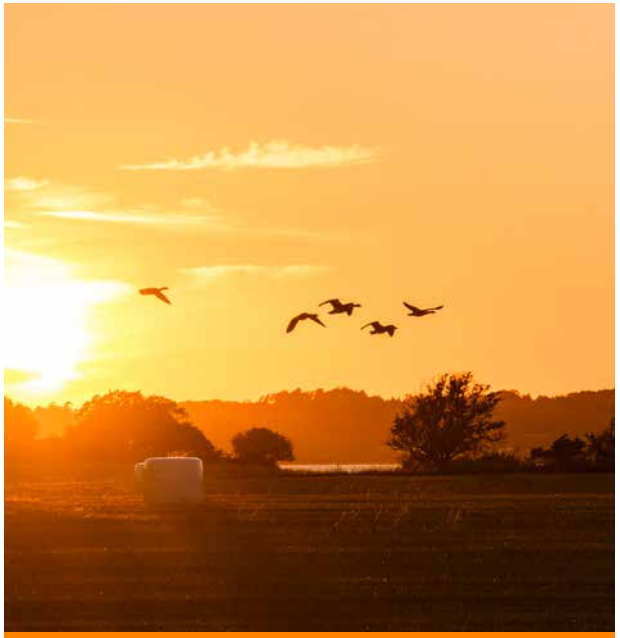
The growing number of electric vehicles also poses challenges for the electricity network due to the accompanying demand for more capacity and load governance. At the same time, electric vehicles with their batteries offer a potential storage option that could play an increasingly important role in balancing electricity use in the future.

The design of electricity systems needs to be continually developed and adapted to meet changes in society and the world around us. The success of the energy transition across society requires significant investment. Ellevio operates both in areas with population growth, such as Stockholm, and in areas outside the cities where expansion of the electricity network enables business, industry and tourism to develop and new wind farms to be connected. We therefore play a major role in the ongoing transition.

Over the past year, high electricity prices have had a negative impact on individuals, businesses and society as a whole. The affordability of the electricity supply is a key issue for sustainable societal development, which is why Ellevio works to ensure that conditions and regulations are in place that enable us to meet the demand for electricity in a cost-effective and sustainable way, as well as with broad societal acceptance for creating the climate-smart energy system of tomorrow.

To create that climate-smart energy system of tomorrow, Ellevio prioritises the following three sustainability aspects:

- **Security of supply in electricity distribution**
- **Affordable electricity supply**
- **Reduce climate impact**



Our efforts to create the climate-smart energy system of tomorrow are guided by the following policies:

- Sustainability policy
- Grid policy (planning and development, including redundancy)
- Policy to limit use and emissions of the SF6 greenhouse gas

Security of supply in electricity distribution

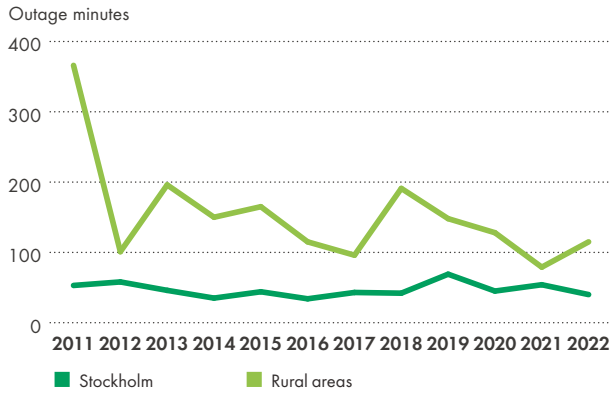
Target area	Measurement	Result 2022
Security of supply	Target: At least 99.99% security of supply in electricity distribution	99.98%
Outages, minutes	Target 2023: SAIDI (minutes of outage, unannounced outages longer than three minutes) 72 minutes	69 minutes

Ensuring reliable electricity supply and distribution is a critical task for society. Security of supply is also becoming increasingly important as more sectors and parts of society are electrified. As one of Sweden's largest network companies, Ellevio must have a robust security of supply that meets the needs of customers and society.

The reliability of Ellevio's electricity network amounted to 99.98 percent (99.99) in 2022. This is very good when comparing both nationally and internationally, but every outage can have major consequences for those affected and Ellevio takes every incident seriously.

To measure security of supply, Ellevio also uses 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 network companies. Measurements are taken each month and analysed continuously. SAIDI can vary between years, depending on whether there have been severe storms. In 2022, SAIDI amounted to 69 minutes (63). In contrast to before, faults on another network owner's network had a significant impact on outages in 2022. Half of the outages during the year were caused by damage to cables or other equipment. We are seeing a positive trend in terms of damages, for example as a result of excavation work. Ellevio is investing heavily in weather-proofing the electricity network by reducing the number of overhead lines, as these are exposed and vulnerable to strong winds and falling trees, but during the year weather conditions continued to cause outages to the same extent as the previous year. Planned outages for maintenance and expansion purposes also had some impact on this.

Security of supply (SAIDI)



Continuous work to secure the electricity supply

Ellevio is constantly working to prevent and maintain an uninterrupted supply of electricity. We work proactively on risk analysis, risk management and measures. This creates the conditions for safe operations and infrastructure and strengthens our ability to withstand disruptions and restore operations following unexpected events.

Ellevio has an operations centre that is manned around the clock to monitor the electricity network. We also have a well-established crisis management organisation and strong central preparedness for both extraordinary situations and a number of low-probability scenarios. Preparedness for weather-related disruptions or other disruptions to the electricity network has long been an integral part of our operations and our business continuity plans. Crisis training is carried out regularly. Several crisis training courses were carried out during the year to ensure that processes, procedures and decision-making pathways function properly in the event of a crisis. One of the areas covered involved crisis training relating to cybersecurity. We have also held several crisis and continuity training courses with our contractors and other key stakeholders.

Ellevio carries out regular inspections of power lanes to check the electricity network. In addition to helicopter inspections, some inspections are carried out by drones; these attempts have proved very successful. More potential faults have been identified through the drone inspections, enabling even more effective work to prevent disruptions. Drone inspections also produce less carbon diaoxid emissions and are safer.

Smart grids reduce the risk of outages

The electricity grids of the future will be smart, meaning they contain information technology that enables them to collect, transmit, store, analyse and act on information, both from the grid itself and from all those who are connected – electricity producers, consumers and those who are both. As part of Ellevio's Vision 2030 digitalisation project, automated system support for this area was activated during the year.

Thanks to increased digitalisation, automation and remote management of the grid, opportunities are being created for new data-driven processes, digital monitoring and control, and early prediction of potential faults. This is leading to fewer and shorter power outages, thanks to efficient troubleshooting processes and automatic switching by the grids themselves. It also reduces the need for time-consuming trips into the field to remedy faults and carry out maintenance. Our customers' smart meters also form part of the digitalised, smart electricity network of the future.

Enhanced security for greater protection

Smarter electricity networks enable us to supply electricity in a more secure way, but also entail new risks that need managing. One of the most important aspects of the electricity network of the future is cyber security.

Smart components and digitalised operating systems can be attacked by individuals, organisations or foreign powers who want to damage the grids. Ellevio is working to maximise the opportunities of digitalisation while minimising the risks to the electricity network, our customers and society. We continuously enhance and develop protective security initiatives in the areas of information security and IT security. Protective security and preparedness were particularly high-priority areas in 2022.

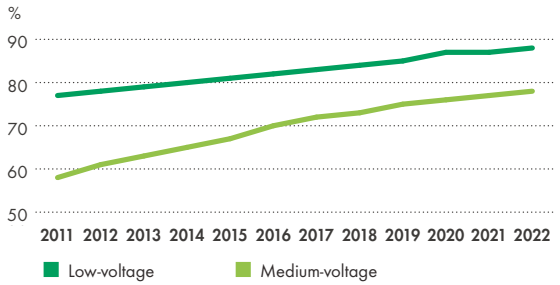
In parallel with this, Ellevio works continuously to strengthen physical security. Ellevio has expanded security vetting of both staff and partners in line with the application of the new Protective Security Act in order to reduce risks and enhance protective security. Protective security in procurements and commercial agreements (Swedish: Säkerhetsskydd vid upphandling och affärsavtal, SUA), has also been implemented in accordance with legislation.

Climate change is creating new risks

Target area	Measurement	Result 2022
Reduce risks and vulnerability relating to impact of climate change on the network	Proportion of underground lines on local grids (cabling rate)	84

We are also taking proactive steps to prevent and manage risks to the electricity network relating to climate change. The effects of global warming on the climate are already visible and are expected to escalate over time. The risk of extreme weather events such as storms, droughts, floods and fires is increasing, which could lead to outages and damage to the electricity network. This is happening at a time when society is becoming increasingly dependent on electricity.

Rate of cabling, local grids (%)



Ellevio is increasing the rate of cabling on our local grids to make our electricity network more weather-resistant.

We continued to weather-proof our rural grids during the year. Since Storm Gudrun in 2005, the entire electricity network industry has undertaken systematic work to weather-proof overhead lines in rural areas. This is usually done by replacing overhead lines with underground cables, known as cabling. 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 also always maintains a dialogue and negotiates with land owners to obtain permission to use the land.

Widening the power lanes is another way of reducing weather-related disruptions, which entails removing trees that could blow down onto the lines. The consequences of storms are thus not as destructive now as they once were.

In 2022, Ellevio weather-proofed another 37 kilometres, thus now totalling 1,359 kilometres of cables (1,322), which means that 84 percent (84) of Ellevio's local grids are now underground.

Weather-proofing projects are mainly carried out in less densely populated areas. In Stockholm, most of the network is already underground.

Read more about the climate impact of Ellevio's operations in our TCFD report, note 5, on page 111.

Greater capacity to meet demand

Target area	Measurement	Result 2022
Capacity-enhancing measures that enable the energy transition and meet growing demand for electricity transmission	Continual increase in network capacity based on total installed transformer capacity	2.4%

Projections from several sources consistently point to more than a doubling of electricity consumption in Sweden by 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 contributing to increased demand for electricity. This is taking place just as a major transition towards more renewable electricity is under way in the energy system.

Energy companies are therefore facing huge investments. The electricity network infrastructure alone is estimated to require SEK 670 billion in investments by 2045 to deliver a secure electricity supply, according to Ellevio's "Vad kostar framtiden" (What will the future cost?) report produced in 2022. This forecast includes investments to increase capacity to meet society's growing electricity demand, reinvesting due to ageing networks and ensuring flexibility and new functions on the grids to increase the share of renewable electricity.

As one of Sweden's largest network companies, Ellevio has a central role to play in these efforts. Ellevio is making major long-term investments and carrying out several significant projects to strengthen and increase the electricity network's capacity. We worked on capacity-enhancing measures in 2022, mainly in the Stockholm region where there is currently a lack of capacity, while the surrounding municipalities continue to grow rapidly. The most significant projects are the new 400 kV line between Beckomberga and Bredäng, as well as the rebuilding of the Värtan and Skanstull substations.

To enable network companies to meet the infrastructure needs for Swedish electricity, the regulatory model for investments in the network must be long-term, stable and predictable and should reward efficiency and quality of supply. Ellevio is engaged in a constructive dialogue with decision-makers and sector operators to find a common way forward that gives the network companies reasonable financial conditions for these investments. Ellevio is working to bring about a regulation that promotes solutions to the energy system's challenges and actions that contribute to the achievement of the Paris Agreement and national climate targets.

Another important area is to shorten permit processes so that they do not constitute an obstacle to infrastructure development. Permit processes for building new power lines are currently complex and time-consuming. The issue of local acceptance also needs to be high up on the agenda. Read more about Ellevio's lobbying efforts on pages 16, 22, 82 and 88.

Affordable electricity supply

Target area	Measurement	Result 2022
Price harmonisation	Target: Flat pricing complete by 2023	~100 %

Ellevio's goal is to achieve stable and reasonable prices. According to the Nils Holgersson report published in November 2022, Ellevio's prices are slightly below the Swedish average. To ensure price stability over time, we actively lobby for long-term and predictable revenue regulation.

In October 2022, Ellevio brought forward an increase in network prices for local grid customers. This rise was a direct result of the sharp increase in electricity prices, which drastically affected Ellevio's network loss costs that occur when electricity is transported over the network. Hedging our own electricity purchases to cover these network losses limited the price increase. The price increase also marked the final phase of Ellevio's flat pricing policy, whereby everyone pays the same price for the same service regardless of their geographical location. With a few exceptions, flat pricing ended as of 1 January 2023.

The prevailing electricity price crisis in 2022 has both harmed people's personal finances and threatened the existence of many businesses. During the year, Ellevio lobbied for issues such as effective electricity price compensation, reduced national grid fees and promotion of energy efficiency improvements. Cost increases for households must be reasonable and predictable. An inquiry is also needed into how changes in the energy system should be financed in the future.

Satisfied customers

In order to measure our customers' perception of us and ensure we are prioritising the right things, we carry out a number of initiatives each year, including quarterly surveys involving a large number of customers. The surveys involve a total of more than 8,000 respondents and are aimed at both consumers and corporate customers. The respondents are divided into mini, small, medium and large customers to help us analyse the results appropriately.

The external independent market research company Svensk Kvalitetsindex (SKI) also conducts annual customer satisfaction surveys. However, these only survey 389 respondents.

In 2022, customer satisfaction increased among our corporate customers while the same level was maintained among consumers in our own surveys.

Customer satisfaction	2020	2021	2022
Customer satisfaction, own survey - Consumer[1)]	60.6	58.4	58.5
SKI Consumer[2)]	53.1	51.9	48.4
Customer satisfaction, own survey – Corporate[3)]	57.8	55.7	58.0
SKI Corporate[4)]	57.3	55.6	52.0

[1)] Customer satisfaction, own survey (Consumer) is an average of four quarterly surveys.
[2)] SKI's survey period for consumers was 5–27 October 2022.
[3)] Customer satisfaction, own survey (Corporate) is a weighted value of two quarterly surveys for the Small/Medium consumption segment (1st quarter 3rd and quarter) and one survey for the Large consumption segment (3rd quarter).
[4)] SKI's survey period for corporate customers was 5 October – 11 November 2022.

Sweden's best climate innovations 2022

Fossil-free fertiliser and process technology for factories to save electricity and water – these were Sweden's most promising innovations with a climate benefit in 2022, according to the Startup 4 Climate jury. The competition is one of Europe's largest climate-oriented innovation competitions and was founded by Ellevio and GodEl in 2020.

The winners, NitroCapt and Helios Innovation, received SEK 1 million each and personal coaching from a jury member of their choice.

"This year's winners show impressive potential to accelerate the transition in two sectors that are crucially important to for climate efforts across the globe", commented Johan Lindehag, jury member and CEO of Ellevio, at the award ceremony.

→ Read more about the competition and the winners on startup4climate.com

Reduce climate impact

Target area	Measurement	Result 2022
Contribution to the climate transition	Percentage of Ellevio's sales, capital expenditure and operating expenses aligned with the taxonomy (based on the activities eligible for the taxonomy)	100% 100% 100%
Increase the amount of electricity fed into our grids that is deemed to come from renewable energy sources	Increase the amount of renewable energy supplied	92%
Contribute to the transition to fossil-free transport	Number of connected public charging streets	442 in total
	Reduction in CO_2e by enabling charging stations for electric vehicles (definition according to the Swedish Environmental Protection Agency)	12,833 tonnes of CO_2e
Work to help customers and partners in their climate transition	Target: Second generation of smart electricity meters for all customers by 2023	Outcome: 86%

Ellevio adopts an active role in ensuring that the electricity system of tomorrow enables the energy transition and contributes to Sweden's goal of becoming a climate-neutral society by 2045. We also work to help customers and partners adapt to the climate transition.

Ellevio focuses on three areas in particular where we have a major impact:

- Increasing the share of renewable energy
- Investing in the development of charging infrastructure
- Helping customers and partners in their climate transition

We also work to reduce the climate impact of our own operations and value chain.

Increasing the share of renewable energy

Ellevio is working to increase the share of connected renewable electricity production on our grids. By working closely with solar and wind power developers, we help ensure the efficient connection of these energy sources. Ellevio also has specific processes to help micro-producers who want to produce electricity using solar panels, and we work to shorten permit processes for new renewable energy sources.

An increasing share of renewable electricity is placing completely new demands on the electricity networks, such as balancing supply and demand for electricity even when large parts of the electricity production mix vary in line the weather and wind. The investments in more flexible and smarter grids that Ellevio is simultaneously making are therefore crucial in terms of enabling more renewable electricity on the network.

Of the electricity fed into our electricity grids, 92 percent (93) is estimated to come from the renewable energy sources of water, wind and solar. Of the remaining 8 (7) percent, CHP (combined heat and power production) accounts for the ZZmajority.

The amount of electricity produced by hydropower depends on aspects such as the filling level of Swedish reservoirs, which was unusually low in 2022 among reservoirs in electricity area 3.

In total, input of wind power to our electricity network in 2022 amounted to 4,665,125 MWh (3,980,212). This corresponds to 35 percent (26) of total direct electricity input. The data for 2022 regarding the number of wind turbines and power refers to the connections that Ellevio has built and put into service. However, some of the new turbines had not been connected to the grid by the end of the year, as our clients had not yet been able to complete them.

Electricity by type of production MWh	2022	2021	2020
Hydropower	7,349,259	10,249,423	9,785,582
Wind power	4,665,125	3,980,212	4,146,330
Solar power	116,702	67,237	50,991

Wind energy	2022	2021	2020
No. of wind farms	773	672	574
Total connected power, MW	2,914	2,300	1,724

Solar energy Small facilities (low-voltage)	2022	2021	2020
No. micro-producing customers [1]	18,811	11,608	8,146
Total connected power, MW	266	169	116

1) Solar energy connected to low-voltage grid

Solar energy Large facilities (high-voltage)	2022	2021	2020
Number of large solar energy facilities	57	41	31
Total connected power, MW	13	9.4	3.8

Investment in expansion of charging infrastructure

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 terms of the national climate targets. Among other things, Sweden has a target to reduce emissions from domestic transport, domestic flights excluded, with at least 70 percent by 2030 compared with 2010. To achieve this, a comprehensive and accelerated expansion of charging infrastructure is required for both private cars and heavy goods traffic.

In 2022, we continued to contribute to the expansion of charging infrastructure. To date, 491 charging infrastructure projects have been implemented and 442 public charging streets have been connected to our electricity network.

No.	No. connections per year		Cumulative number
	2022	2021	2022
No. connected public charging streets on our network	93	48	442
Completed charging infrastructure projects*	113	14	491

* Charging infrastructure refers to everything that needs to be put in place to allow charging, such as cable cabinets, the charging station parts and the connection parts.

Helping customers and partners in their climate transition

Ellevio wants to be a partner in the energy transition and is developing services and solutions to support and collaborate with customers and partners.

Smart electricity meters are an important part of the climate-smart energy system of tomorrow, and Ellevio is installing second-generation smart electricity meters for all customers.

For customers, the new meters hold advantages such as better information in the event of an outage, the opportunity to quickly connect solar panels and real-time information about electricity consumption that can be used for smart control of electric-vehicle charging and heating, for example. Using an app, customers can track their hourly electricity consumption, see details of contracts and invoices, read about the climate impact of their electricity consumption and activate energy-efficiency and management services.

By the end of 2022, we had installed second-generation smart meters for around 815,000 customers.

Reduce the climate impact of our operations

Target area	Measurement	Result 2022
Reduce GHG emissions within scopes 1, 2 and 3		
	Target: Electric vehicles and machinery by 2030: • All of Ellevio's proprietary new work vehicles will be electric, with the exception of some emergency vehicles • All contracts must be carried out using electric vehicles and machinery (in some cases, however, fossil-free fuel can be used)	
	Accumulated reduction of network losses based on number of new transformers installed, MWh/year	1,239 MWh
	Target: Carbon footprint in scopes 1 and 2 to a maximum of 613 tonnes of CO_2e by 2027	983 tonnes of CO_2e
	Target: Leakage of SF6 to not exceed 25 kg by 2027	39.7 kg

Ellevio continuously adjusts its climate ambitions and has accelerated efforts to reduce the climate impact of our operations.

The company focuses primarily on reducing emissions in the three areas where our climate impact is greatest:

- Electric vehicles and machinery
- Reducing the climate impact of materials for our projects
- Reducing leakage of the climate-damaging gas SF6

We are also working to reduce our network losses, including by installing more energy-efficient components.

Electric vehicles and machinery by 2030

In 2022, Ellevio adopted a new target to reduce the climate impact of its own operations and value chain. The new target for electric vehicles and machinery is to be met by 2030 and includes, among other things:

- work vehicles, service vehicles and company cars used by our contractors
- vehicles that transport materials or equipment to us and to our contractors (within Sweden)
- machinery, such as excavators, wheeled loaders, cranes and forestry equipment
- proprietary work vehicles and company cars

Currently, several hundred service vehicles are operated daily to carry out maintenance, service and troubleshooting across Ellevio's network. Electricity is the goal, but if charging infrastructure, aspects of readiness or technical challenges prevent electric vehicles and machinery, HVO – renewable diesel made from vegetable and animal fats – or other fossil-free fuels can be used in exceptional cases.

A number of activities have been initiated to achieve the 2030 target, including:

- Increased requirements in procurements. Ellevio already rewards contractors with ambitious climate initiatives through the "added value" aspect of procurements, and these efforts will be developed
- Reporting on vehicles and fuel. Contractors now report which vehicles and machinery they use and the amount of fuel consumed
- Ongoing dialogues with suppliers, contractors and sector colleagues
- Pilot project on sustainability for collaboration and learning

Climate impact of materials

Ellevio's investments in new substations and power lines mean we need to use large amounts of materials and equipment. These materials are sourced via long chains of suppliers and subcontractors, with some manufacturing steps requiring large amounts of energy, which in turn results in CO_2 emissions. Cable production accounts for a particularly large share of Ellevio's CO_2 emissions along the supply chain, mainly due to the high emissions involved in aluminium production.

In 2022, Ellevio initiated a project together with the cable supplier NKT to develop a cable produced using significantly lower CO_2 emissions than a conventional cable. The cable was completed in November 2022 and will be used in a joint project on Ellevio's electricity network. This is a completely new product on the global market that has a significantly lower climate impact than traditional cables in the production of aluminium and polyethylene. It has been manufactured using low-carbon aluminium supplied by a Norwegian company. The cable's insulation and sheathing are made from renewable raw materials. The cables are delivered on wooden cable reels that form part of an efficient return system from NKT's factory in Falun, which is also 100% powered by renewable electricity.

Reduce SF6 leakage

The greenhouse gas SF6 (sulphur hexafluoride) is used in substations and switches as an insulation gas. SF6 has more than 23,000 times the climate impact of carbon dioxide. Leakage

Collaborative project in Orsa to reduce climate and environmental impact

Ellevio, contractor Omexom and cable manufacturer NKT want to carry out large-scale infrastructure projects with smarter resource consumption and significantly reduced emissions from materials, machinery and transportation. For this reason, a joint pilot project unique to the sector called "Sustainability Orsa" was launched in 2022.

The pilot project is part of a modernisation and weatherproofing project in the municipality of Orsa, where a five-kilometre overhead line will be replaced by an underground cable. The project will map the climate and environmental impact at all stages, identify challenges and find ways to reduce the carbon and environmental footprint.

Two of the key measures of the pilot project are the use of electric machinery and vehicles and the choice of sustainable materials and products. There are major climate savings to be made as early as during the manufacturing stage, especially in cable production, which is why the use of the new cable, with its significantly lower climate impact – developed by NKT in dialogue with Ellevio, has also been included. The project also includes specific actions to promote biodiversity in cooperation with the municipality and the County Administrative Board.

In dialogue with Ellevio, the cable manufacturer NKT has developed a new cable with a significantly lower climate impact to be used in the pilot project "Sustainability Orsa".

Pilot project to detect leaks of SF6 gas

In 2022, Ellevio conducted a pilot project to detect leakage of SF6 at a substation in Björneborg in Värmland. Together with technology provider Gomero, a digital SIPP Hub was installed to monitor and reduce SF6 leakage.

Maintenance of electricity grids has traditionally relied on manual work, physical visits and scheduled maintenance activities, which is demanding and can entail a long period between data collection, analysis and action. All of that is about to change. Thanks to the SIPP Hub, up-to-date measurements are continuously collected, which allows small leaks to be detected immediately.

By connecting sensors to the SIPP Hub, it is also possible to connect the collected information directly to Ellevio's own systems. Once the SIPP Hub is in place, additional sensors can also be added to access other metrics in the field. SIPP equipment has been used in the past to detect oil leaks.

of SF6 represents the largest share of Ellevio's direct climate impact and it is important for Ellevio to minimise these emissions, or preferably avoid all use of SF6.

Ellevio's policy is to not use gases with a major climate impact unless it is absolutely necessary for technical or space reasons. Substations insulated with SF6 gas are built in exceptional cases, preferably in Stockholm. This applies to substations at higher voltage levels that need to be established in densely populated areas with strong competition for land. This leaves little or no scope for other technological choices. SF6-free switchgear is under development, but is not yet commercially available for the highest voltage levels.

By connecting our substations, we can now collect large amounts of data in real time and detect deviations quickly. Through digital solutions and smart grids, we can prevent faults, detect maintenance needs and quickly deal with leaks. A pilot project to detect SF6 leaks was carried out in 2022 together with the technology provider Gomero.

SF6 leakage during the year amounted to 39.7 kg (18.3 kg). This was mainly due to a handful of major leaks that occurred during the year. SF6 emissions vary from year to year and involve a small number of emissions compared to the relatively large number of switches and other components containing SF6.

SF6, kg	2022	2021	2020
Total leakage	39.7	18.3	34.5

Reducing emissions associated with network losses

When electricity is transported via the electricity network, energy losses occur – these are known as network losses.

As an electricity network company, Ellevio is responsible for continuously purchasing the amount of electricity that is lost via network losses across our network. Through agreements with electricity traders and the purchase of guarantees of origin, we ensure a fossil-free production mix for the network losses. In 2022, these purchases were hedged. During the year, total network losses amounted to 832 GWh (900).

As Ellevio reinvest in 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 ones. In 2022, energy savings from the replacement of transformers amounted to 1.2 GWh (1.4).

Reporting in line with the GHG Protocol

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 SF6 from our own facilities as well as emissions from proprietary and leased vehicles to some extent. The outcome for scope 1 in 2022 was due to the relatively large SF6 gas leaks during the year. Indirect emissions come from the purchase of heating, cooling and electricity for own use along with energy losses on the power line network. All property-based electricity in office buildings in Stockholm, Karlstad and Kungsbacka is now renewable.

In 2021, Ellevio carried out a comprehensive calculation of greenhouse gas emissions in scope 3. According to the GHG protocol, scope 3 includes indirect emissions other than scope 2 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.

Ellevio's largest scope 3 emissions 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 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 aluminium in cables and phase conductors for overhead power lines accounts for the most significant share of emissions in scope 3. The use of copper and

steel in operations also gives rise to significant greenhouse gas emissions in scope 3. The emissions resulting from the manufacture of cables and aluminium phase conductors also dominate when we look at Ellevio's total emissions.

Ellevio's scope 3 emissions depend to a great extent on the investments that are made. The annual variations in scope 3 thus mainly reflect investment volumes and the composition of those investments. The amount of newly installed cables and overhead power line phase conductors, as well as the amount of other materials and transportation, varies from year to year depending on the pace of investment and the type of project being carried out.

Ellevio's total greenhouse gas emissions in scope 3 amounted to approximately 52,900 tonnes of CO_2e (2020), 52,200 tonnes (2021) and 48,700 tonnes (2022). This difference in emissions is mainly due to the fact that the volume of the type of investments that drive scope 3 emissions was slightly lower in 2022 than in 2020 and 2021, thus reducing scope 3 emissions accordingly.

Ellevio's scope 3 data is divided into the categories Capital Goods and Transportation and Distribution (these are highly dependent on investments) and Purchased Goods and Services, Fuel and Energy Related Products and Business Travel (these are relatively independent of investments).

In end of 2022, we initiated a review of our GHG data to ensure improvements where we currently have some shortcomings, for example regarding our use of backup generators in case of disruptions.

Understanding of Ellevio's emissions in scopes 1–3 is very valuable, and a number of activities have been initiated to enable improvements, including in the areas of materials (cables) and machinery and vehicles.

Management of climate-related risks and opportunities

In 2021, Ellevio formalised efforts to identify and manage climate-related risks and opportunities from the perspectives of governance, strategy, risk management, measurement values and targets. Based on the recommendations of the TCFD (Taskforce on Climate-related Financial Disclosures), we reviewed all climate-related opportunities and risks in the business and identified necessary actions. In 2022, a review was carried out in connection with work on the taxonomy. For a summary overview of that analysis, see the index in note 5, on page 111.

Ellevio's climate impact

CO_2e, tonnes	2022	2021	2020
Direct emissions (scope 1)	967.9	461.6	854.9
of which Proprietary and leased vehicles	*34.9*	*31.5*	*44.1*
of which Insulation gas SF6 (leakage)	*933.0*	*430.1*	*810.8*
Indirect emissions (scope 2)	15.2	34.5	32.8
of which Electricity – compensation for network losses	–	–	–
of which Electricity – facilities	*0.8*	*0.8*	*0.8*
of which Electricity – properties	*0.0*	*13.3*	*17.9*
of which Heating – properties	*14.4*	*20.4*	*14.2*
of which Cooling – properties	–	–	–
Total, scopes 1 and 2	983.1	496.1	887.6

Scope 1 Direct emissions entail emissions from operations from sources controlled by Ellevio. For Ellevio, this principally relates to leakage of SF6 at 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 See text.

Operational excellence

Ellevio's business operates as a natural monopoly. This entails a great responsibility towards the outside world, and it is important for Ellevio to live up to the demands and expectations of customers and other stakeholders.

Our values – reliability, commitment and development – serve as guiding principles for every employee and permeate everything we do. For Ellevio, there is a clear connection between robust business ethics and strong financial performance.

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. All employees at Ellevio, including Board members and any others who represent the company, are covered by the Code and undertake to act in accordance with it. Other stakeholders are informed about the Code of Conduct in contracts and agreements and through Ellevio's website.

Ellevio's Code of Conduct addresses the rights and obligations of employees and is based on international labour laws, environmental and anti-corruption practices, the UN's Universal Declaration of Human Rights, the International Labour Organization (ILO) core conventions, the OECD Guidelines for Multinational Enterprises and the ten principles of the UN Global Compact. The Code of Conduct is adopted annually by the Board of Directors.

Ellevio's expectations of suppliers and business partners are clarified through a specific Code of Conduct for suppliers and partners. This is included as part of Ellevio's supplier agreements and in other important collaboration agreements.

→ Download Ellevio's Code of Conduct and Code of Conduct for suppliers from our website (in Swedish): ellevio.se/om-ellevio/det-har-gor-vi/hallbarhet/hallbarhetsdokument.

Policies that guide our sustainability efforts in the area of Operational excellence

- Sustainability policy
- Code of Conduct
- Code of Conduct for suppliers and partners
- Regulatory compliance policy
- Risk policy
- Anti-corruption policy
- Competition policy
- Privacy policy
- Whistleblowing policy
- Biodiversity policy
- SF6 policy
- Security policy
- Information security for employees (instruction)
- Purchasing policy
- Sponsorship policy

Systematic governance of sustainability efforts, including clear roles and responsibilities and continuous improvements and follow-up, also contributes to Ellevio's operational excellence.

→ Read more on page 104.

Business ethics and anti-corruption

Target area	Measurement	Result 2022
Ellevio does not tolerate any form of corruption or bribery	Target: No cases of corruption	No cases of corruption
	Target: All employees have undergone training in Ellevio's Code of Conduct	98%

Good business ethics across our operations and anti-corruption are fundamental aspects of our business. 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 has an anti-corruption policy which establishes rules to prevent corruption in its operations.

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. As of 2020, anti-corruption is included as part of the training course. This year's training course was held in November and December. The percentage of employees who had completed the course amounted to 98% (98) by the end of 2022. Ellevio has established risk management, review and monitoring processes to ensure compliance with relevant policies.

Responsible supply chains

Target area	Measurement	Result 2022
All contractors meet basic safety and environmental requirements	Target: Sustainability Index, at least 90% compliance during field visits	91%
Announced and unannounced site visits (Flying audits and Safety inspections)	Target: 660 in 2022	691 in total, of which 289 were for network operators and 402 for the electricity meter replacement project
Code of Conduct for suppliers and partners signed	Target: Code of Conduct for suppliers signed in all procurements*	100%
Respect for human rights	Respect for human rights	No cases of violation

*exceeding the limit for direct procurement

Ellevio takes active steps to ensure compliance with applicable legislation, permits, contractual requirements and other requirements in the areas of work environment, environment, electrical safety, business ethics, labour law and human rights. We place the same demands on our suppliers as we do on ourselves. Ellevio's expectations of suppliers and business partners are clarified through a specific Code of Conduct for suppliers and partners. This is included as part of all of Ellevio's supplier agreements that exceed the direct procurement threshold of SEK 1.2 million per year, as well as in the majority of smaller procurements.

Ellevio's operations rely on a large number of suppliers and contractors, and all purchases must be made responsibly. The risks associated with our supplier and contractor agreements are continuously assessed in terms of likelihood and impact. During the year, we carried out an updated review of procurement risks and due diligence processes, including human rights, labour and environmental issues. Based on these risk assessments, we have formulated contractual requirements and monitoring methods for various types of agreement.

Ellevio is subject to the Act on procurement of water, energy, transport and postal services (LUF). The majority of its purchasing takes place via call-off orders from procured framework agreements in which extensive social and environmental requirements are set 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. 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 content of the declarations depends on current risks and sustainability aspects and therefore varies between categories. Areas that are typically covered are health and safety, electrical safety, environment, quality, business ethics and the supply chain. Commitment to comply with Ellevio's Code of Conduct for suppliers and partners applies at all times. For new contractors, an in-depth dialogue or sustainability performance audit is also carried out in many cases.

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 governance of work environment and environmental issues.

Monitoring and audits

To ensure compliance with our contractual requirements and to prevent accidents and incidents, Ellevio conducts unannounced and announced field visits to contractors, known as flying audits.

Since 2017, these have been followed up using the Sustainability Index, which covers nine areas and some 30 control points in the areas of work environment, electrical safety, safety and the environment. The target is for at least 90 percent of the control points to be free from deviations. In 2022, the Sustainability Index amounted to 91 percent (93).

Ellevio also conducts in-depth audits of both new and existing contractors and suppliers, including factory visits, in line with a separate plan for each year.

A limited number of suppliers and contractors account for a very high proportion of Ellevio's purchasing volumes; 79 (70) suppliers account for 95 percent (95) 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 suppliers are Swedish or European, with a few suppliers located in other parts of the world. In contrast, suppliers' subcontractors are located globally in a lot of cases.

In 2022, Ellevio purchased goods and services (excluding direct network services) for approximately SEK 4.2 billion (4.6), of which the majority were contracting services and materials for our electricity grids, in part troubleshooting and maintenance and in part investments. A total of 1,193 (1,083) different suppliers delivered contracts, goods and services to Ellevio.

Supplier audits	2022	2021	2020
No. of suppliers who supplied contracts, services or products	1,193	1,083	1,190
No. of new major suppliers	3	3	4
No. of environmentally audited new suppliers	3	3	4
No. of socially audited new suppliers	3	3	4
No. of in-depth audits	10	10	8

RESPECT FOR HUMAN RIGHTS

Ellevio's Code of Conduct and Code of Conduct for suppliers and partners clarify Ellevio's commitment to human rights. We respect human rights, workers' rights and international labour law, and we expect our suppliers, business partners and collaborative partners to respect human rights in the same way.

In 2022, work was undertaken to further examine the issue of human rights. This included a review of the guidelines that govern how companies should work on human rights, namely:

- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- ILO's eight core conventions on fundamental principles and rights at work
- The international human rights framework.

The concept of human rights includes civil and political rights, labour rights, social and cultural rights and the rights of particularly vulnerable groups. Through risk analysis and due diligence of the impact of our value chain on human rights, we recognise that groups who may be affected by our activities include customers, employees including consultants, local residents, land owners and other stakeholders at sites and in investment projects, partners and contractors, suppliers and subcontractors. Following the review, we can conclude that Ellevio essentially meets the requirements described, largely due to the fact that we have had our codes of conduct for a long time, complied with the UN Global Compact's ten principles, included the precautionary principle in our governance and worked on issues relating to social sustainability. Moreover, Swedish legislation has already implemented far-reaching human rights principles.

We have robust processes and practices in place to manage and monitor our actual and potential impact on human rights, and to address any harm we cause. In terms of land owners and other stakeholders in local communities affected by our activities, we have established legal processes for consultation, complaints and compensation mechanisms based on the Swedish Mapping, Cadastral and Land Registration Authority's practice, as well as agreement templates common to the sector. For customers, there is our customer service team and a customer care team that handles complaints and claims.

Due to its status as a monopoly, the electricity network industry has very clear rules on equal treatment. Our sector association Swedenergy has common guidelines and agreement templates to ensure equal treatment. Ellevio also has a whistleblowing function for employees and internal consultants. Overall, we can conclude that people impacted by our activities are treated with respect in terms of aspects that could be included in the concept of human rights, and we avoid, remedy and mitigate the consequences and compensate for any negative impacts. The risk of our activities violating human rights is generally considered to be very low.

The area that stands out is our supply chains. The single biggest risk in Ellevio's supply chain relates to the health and safety of those working at our sites. Electricity grids with operational facilities and construction sites pose risks to workers, which is why this area has been a top priority for many years. We have a zero vision for accidents and work preventively both internally and with our contractors to ensure safe workplaces. This critical area is therefore well managed within the company's risk management processes, both with regard to its own employees and its consultants, contractors and subcontractors.

Despite our requirements and monitoring, some risks still remain regarding social sustainability and human rights in our supply chain. Human rights will therefore remain a very high priority within our supplier relationships and in our monitoring of supply chains.

We have also noted that we need to be clearer in some areas. We therefore clarified our commitment to human rights during the year, for example by establishing broader due diligence processes throughout our value chain, by clarifying that any violations may be reported (also anonymously if desired), and through transparent accounting and reporting.

Our reporting in the areas of responsible supply chains, local dialogue and environmental considerations, healthy and safe workplace and attractive employer includes KPIs that describe how we follow up our work on social sustainability and human rights.

We had no cases that could be considered human rights violations in 2022.

Local dialogue and environmental considerations

Target area	Measurement	Result 2022
Environmental considerations – preserving areas of natural and cultural value	Target: No new creosote poles on our grids after second quarter of 2023	According to plan
	Number of dismantled creosote poles:	8,692 poles dismantled

Tailored communication activities

Active dialogue with local communities is important in terms of reducing negative impacts and increasing acceptance of and confidence in Ellevio's operations and projects. This dialogue is pursued during both the planning and implementation phases.

When implementing a major project, we catalogue who will be affected and how. We gather knowledge and viewpoints from local stakeholders and authorities and prioritise clear and proactive communication with those affected.

Examples of groups affected by our projects include local residents, land owners, businesses, schools and public transportation companies.

The need for communication is determined by the expected level of impact and the duration of the project. Examples of negative impacts include access restrictions, noise, impact on the natural environment, safety risks and reduced attractiveness due to noisy outdoor environments.

Common communication channels for project communication are letters, information sessions, emails, billboards, websites, sponsored posts on Facebook, editorials and town square meetings. Ellevio's customer service also takes calls about projects.

Consultations and meetings

Ellevio adheres to established guidelines and uses the regulations in the Environmental Code and other legislation as a basis during planning and permit processes. Consultations in accordance with the Environmental Code are carried out with interested parties prior to a concession application.

For major power line projects – in addition to the written consultation – open houses are organised with landowners, local residents and other people affected. Separate consultation meetings also occur with particularly affected parties.

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. These so-called 12:6 consultations, referring to Chapter 12, Section 6 of the Environmental Code, are held for smaller measures, such as forest maintenance or local grid projects. Ellevio often chooses to conduct 12:6 consultations with the County Administrative Board to a greater extent than the law requires to ensure that we are aware of all areas of natural and cultural value and can implement appropriate protective measures, even for smaller projects.

Stakeholder dialogues on Beckomberga–Bredäng

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.

Meetings were held continuously with business figures in the operational area of the project, with viewpoints being put forward concerning road closures. A number of informational letters were also sent out to local residents. For major projects, such as the one between Beckomberga and Bredäng, there are pages on ellevio.se containing information about the project. There are also dedicated email addresses to which customers, local residents and other stakeholders are directed.

No new creosote poles for environmental reasons

Ellevio principally uses wooden poles in the network of overhead lines. These poles have historically been impregnated with creosote, which is classified 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.

This decision was implemented during the year, including through the procurement of a new type of pole.

New creosote poles are no longer installed on local grids. Creosote poles are being installed as part of three ongoing regional grid projects in which the design, permit and/or procurement had been carried out before the decision to stop using creosote was taken. We will have installed the very last creosote pole in our network in the second quarter of 2023, when the last of these projects is expected to be completed and operational.

In our "large-scale disruption stock" of poles, there are still around 80-100 creosote-impregnated poles located in different parts of the country, which can be used for troubleshooting during power outages.

In 2022, around 8,692 poles (11,500) with creosote were dismantled.

Biodiversity

Target area	Measurement	Result 2022
Towards net-zero impact on biodiversity	Target: 100% of power lanes (regional grids) to be inventoried by 2023	To date, 87% of power lanes have been inventoried

Preserve biodiversity and areas of natural value

Our electricity network affects surrounding ecosystems and biodiversity. This applies both to the installation of new power lines and to our existing lines. Minimising our impact on flora and fauna and helping to preserve and strengthen biodiversity is an important environmental issue for Ellevio.

The damage limitation hierarchy is applied when planning new power lines. This primarily means that we avoid any negative impact on biodiversity by taking higher natural values into account when selecting the location of new projects, and then limiting the impact by taking damage-mitigation measures.

Our planning of new power lines helps identify accessible areas while taking into account known natural 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 (Ei), a consultation is held with relevant parties in line with the Swedish Environmental Code, 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 expanded 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.

We also work to promote biodiversity along existing regional grid (30–220kV) power lanes. Through adapted management measures in our most species-rich grasslands, we work to preserve and strengthen endangered meadow and pasture species. This includes the widening of the so-called "patrol path", which is cleared following removal of leaves and branches.

Field inventory of 30–40 kV power lines

In 2021-2022, a field inventory was conducted of potentially species-rich areas on Ellevio's 30-40 kV grids. The lines earmarked for clearing over the coming years were prioritised so that adapted management measures benefitting biodiversity can be implemented immediately.

In 2022, power lanes with a total length of some 510 kilometres (430) were studied within the 30–40 kV network. Of these, approximately 47 kilometres (43) were inventoried in the field. Networks with a voltage level of 30–40 kV have fewer areas of value than high voltage networks and a total of 3.5 kilometres (3.1) of areas of value – known as class 2 and class 3 areas – were identified in line with Swedish standard SS 199000:2014: Biodiversity survey – Implementation, assessment and reporting.

Grids with voltage levels above 50 kV were inventoried between 2017 and 2020. Since 2017, a total of approximately 58 (55) kilometres of areas of value (divided into 198 objects) have been identified within Ellevio's power line network.

By the end of 2022, we had inventoried 87 percent of power lanes on our regional grids (voltage level 30–220kV). The target is to inventory 100 percent of the regional grids by the end of 2023.

Ellevio also collaborates with other operators in the area through participation in the "Collaborative group for grasslands within infrastructure" run by the Swedish Species Information Centre.

Power lanes studied, km	2022	2021	2020
Studied power lanes	510	430	410
Length inventoried in the field	47	43	180
Identified as area of value	3.5	3.1	11.4

High natural values in Garphyttan

In Garphyttan, particularly fine new areas in natural value class 2 with calcareous soil have been discovered. This may have been an area that once contained meadow and pasture lands. Several endangered plants and an abundance of the threatened Marsh fritillary butterfly have been identified here.

In 2023, the area will undergo adapted management to further promote the unique environment and high natural values, in accordance with Ellevio's maintenance plan.

Invasive plants an increasingly common problem

Ellevio has geographically diverse operations, with lines and cables extending over long distances and almost always over land owned by other parties.

When digging for maintenance purposes or laying new cables, we increasingly come into contact with invasive plants. These have been moved with help from humans from their original environment and are beginning to spread rapidly in their new surroundings. They can cause serious damage to ecosystems or infrastructure, resulting in major costs for society and individuals. Invasive species are one of the biggest threats to biodiversity, both in Sweden and globally. The number of foreign species that become invasive is increasing year-on-year. Invasive plants therefore represent an environmental risk that needs to be managed.

It is land owners' responsibility to control invasive plants, but our contractors carrying out excavation work must also deal with the challenges of encountering these plants.

In some cases, it is possible to predict where populations may be located (via artdatabanken.se) and plan accordingly. But often the plants are discovered during work that is already under way, meaning it may have to be interrupted or rescheduled. Some County Administrative Boards have also started to set higher standards.

Together with the sector organisation Swedenergy, Ellevio has initiated a cross-sector working group on this issue involving participants from both network companies and contractors.

The employees of the future

Sustainability integrated into strategy

Ellevio's employees work each and every day to design the energy system of the future, and demands on employees are changing. We need more people, and in some areas we need new skills. It is therefore important to be an attractive employer with employees who are happy, committed and driven by the desire to continuously learn and develop.

One prerequisite for this is to provide a healthy and safe workplace. We have a zero vision for accidents that includes both employees and anyone else who works on behalf of Ellevio.

Guidelines that govern our work on Employees of the future

- Code of Conduct
- Sustainability policy (including work environment policy)
- Equal treatment plan for gender equality and diversity
- Whistleblowing policy

Healthy and safe workplace for all those working for Ellevio

Target area	Measurement	Result 2022
Healthy and safe workplace for all those working for Ellevio		
	Sick leave, %	2.32%
Zero-vision against accidents		
	Target: Sustainability index (at audits) 90	(see Responsible supply chains)
	Target: TRIF = 0	0
	Target: LTIF <2.4	3.4
Safety culture at Ellevio	Employee pulse survey on internal safety culture with max. level of 10	8.9

Much of the work on and surrounding Ellevio's electricity network involves safety risks and sometimes even health risks. A healthy and safe workplace for Ellevio therefore concerns not only our own employees but also everyone who is contracted to work for us, i.e. our contractors' employees. Our safety culture should be well-established at the company and among all those working on our behalf as part of our network operations. Ellevio's own internal safety culture survey showed that employees rate Ellevio's safety culture highly, with an average score of 8.9 out of 10 (8.7).

The safety and health of those working for Ellevio is always the top priority, as reflected in our vision of an accident-free workplace with no work-related illnesses.

Behaviour-based safety and safety programmes

To reduce these risks, we pursue initiatives relating to the safe workplace and behaviour-based safety. In 2022 we decided to implement a new safety programme: "Säkra förutsättningar" (Safe conditions). The programme aims to ensure that we, as site owners, clients and developers, create safe conditions and reduce risks for those who work for us in the field.

Systematic work environment initiatives

At Ellevio, systematic work environment management is well integrated into our processes and procedures, making it a natural part of our operations. Our continuous evaluations and dialogues enable proactive work environment management. Adjustments are made as needed in parallel with the monitoring of established targets. The work environment covers organisational, social and physical conditions at work.

Work environment issues are handled by the "Elleviorådet" (Ellevio Council), which includes employer representatives, union representatives and the main work environment representative. The Council meets every four months to discuss general and fundamental issues such as occupational health care, employee pulse surveys, occupational injuries or incidents, operational development measures and any changes to the organisation or our premises.

A work environment representative group collaborates with the employer on work environment issues and can provide guidance and support to employees.

Ellevio only uses contractors who have the same high standards of health and safety as we do. Through procurement requirements and monitoring, we ensure that contractors and suppliers have a systematic approach to health and safety. We work closely with our contractors and carry out site visits, verify compliance with our contractual requirements and investigate accidents, incidents and risk observations.

In 2022, the Swedish Work Environment Authority carried out preventive targeted inspections in the electricity network sector, both at network companies and contractors. The focus of the inspections was to see how companies undertake risk management with and without electrical hazards, building and construction work, systematic work environment management, etc. The Work Environment Authority visited Ellevio on two occasions. No remarks were noted.

Agreement with Previa

Ellevio has an agreement with occupational health service Previa, which has an advisory role for work environment issues and work-related ill health. We collaborate with Previa on both preventive health initiatives and rehabilitation. Ellevio's employees also have health insurance that offers preventive initiatives once they have contacted a health and rehabilitation counsellor.

Work environment plans

Ellevio's network analysts and project managers create a work environment plan for each individual project to identify and prevent potential risks at an early stage.

Safety is also included in our sustainability analyses for new investments and projects. Active risk management by contractors is monitored through contractor meetings, flying audits and in-depth audits.

An online work environment and safety training course is mandatory for both employees and contractors.

Monitoring, communication and improvements

The work environment initiatives include both reactive and proactive key figures that are followed up on a monthly basis and reported to management and the Board. Work environment initiatives and events that occur are communicated continuously to all employees and contractors.

Ellevio and its contractors report and follow up on accidents, incidents and risk observations in the ENIA deviation management system. 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 analysis and planning of initiatives based on reported deviations. The system also contains checklists for risk management and follow-up in the field.

Accidents and sick leave

The number of work-related accidents among our contractors leading to sick leave in 2022 amounted to 11 (15), of which three were related to the ongoing meter replacement project. The extensive work to replace old electricity meters, which entails significantly more and different workplaces in environments that may involve a risk of injury. To reduce the risk of accidents within the meter replacement project, 402 safety inspections were carried out during the year.

A total of 13 electrical accidents occurred during the year. Two of these resulted in sick leave – one electrical arc accident and an accident involving an electric current. One accident involving an electric current occurred at a customer's premises.

All accidents leading to sick leave occurred among Ellevio's contractors and have been investigated, remedied and followed up to reduce the risk of recurrence.

LTIF (Lost Time Injury Frequency) for 2022 was 3.4 per million hours worked (4.2). Excluding the meter replacement project, LTIF amounted to 2.7 (2.8).

Sick leave among Ellevio's own staff increased to 2.32 percent (1.89), within which short-term sick leave rose to 1.25 percent (0.74).

In-house staff	2022	2021	2020
No. of fatal accidents	–	–	–
No. of accidents that led to sick leave	–	–	–
No. of accidents that did not lead to sick leave	2	2	–
TRIF	–	–	–

Contractors	2022	2021	2020
No. of fatal accidents	–	–	–
No. of accidents that led to sick leave	11	15	8
No. of accidents that did not lead to sick leave	57	62	46
LTIF	3.4	4.2	2.4

Sick leave, %	2022	2021	2020
Total	2.32	1.89	1.74
Short-term sick leave	1.25	0.74	0.89

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: 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).

Attractive employer

Target area	Measurement	Result 2022
Attractive employer	Target: Employee satisfaction index >8.0	8.1
	Target: Proportion of women at the company should be at least: 38% by 2026	36%

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 takes active steps to ensure an inclusive work environment that enables employees to develop both in their professional role and as a person. 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.

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 2022, eight training sessions were organised involving 139 participants. The training is conducted by internal change managers who also contribute to team development, collaboration and behavioural safety in the organisation.

Employee development is followed up in Ellevio's Performance Development process, in which we strive for a continuous dialogue between manager and employee that looks at the employee's performance, satisfaction and development plan. Every year, a Talent Review process is carried out to review the organisation, identify critical roles and talented individuals and conduct succession planning. This is essential in terms of ensuring that we have the right person in the right role and in minimising risk by having replacements for critical roles and management positions in place.

Efforts to create good working conditions and engagement are monitored via the "employee pulse" survey 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; Role of the manager, Working environment, Attractive employer and Development.

During the year, Ellevio continued to establish the framework for our so-called Worklife 2.0, that is, the way Ellevio works to enable a flexible working life where employees carry out their work in the environment that best supports their duties. Working from home can be effective for solving certain tasks and enabling a flexible work-life balance. In the office, spontaneous meetings and conversations across teams and functions can be held, which can lead to new perspectives, ideas and solutions. This is extremely valuable to Ellevio as a company.

All employees are covered by collective agreements.

Employee commitment

Every month, Ellevio conducts "employee pulse" surveys – brief surveys that are sent via email and based on questions concerning 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. They can also help us monitor our strengths and thereby continuously develop and become a better employer.

Each manager receives the results for their group and has an ongoing dialogue and evaluation with their employees. The surveys also produce an "Employee Satisfaction Index" based on responses to questions concerning satisfaction, pride and whether employees would recommend Ellevio as an employer.

The result for 2022 was slightly higher than the previous year, 8.1 (8.0) on a 10-point scale – which shows a very high level of commitment and satisfaction among employees.

Gender equality and diversity

All Ellevio employees have the same opportunities, rights and obligations. Ellevio works systematically to promote equal treatment, inclusion and a 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. This forms 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 conducts an annual survey of salaries with the aim of showing whether there are unjust grounds for the level of salary linked to gender. We rectify 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 therefore work continuously to improve the balance between men and women through a clear recruitment strategy and a value-governed approach. An inclusive culture is an important part of becoming a gender-equal company.

60 percent of Ellevio's management team consists of women. The total proportion of women in the company was 36 percent in 2022. This is the same level as in 2021 and an increase from 32 percent in 2020. Women accounted for 34 percent of managers (33). This positive trend has been achieved through a strong focus on women in the recruitment process. The objective is to present female candidates for all vacancies. The diversity index for employees with a foreign background (people born abroad or who have two parents born abroad) was 16.9 percent (16.1).

The ratio of the annual total compensation for the organisation's highest paid individual (CEO) and the median value for annual total compensation for all employees (excluding the highest paid individual) amounted to 13 times.*

*The calculation is based on the number of permanent employees and the current monthly salary as of the end of December. Wages for part-time employees are converted to full-time wages. Total compensation includes basic salary, vacation pay, variable compensation in the form of bonuses and provision for pension.

Age distribution, no.	2022		2021		2020	
	Total	of which women	Total	of which women	Total	of which women
Permanent employees	652	238	564	204	518	167
Under age of 30	66	28	53	21	58	15
30–50	400	145	346	124	313	106
Over age of 50	186	65	165	59	147	46
Temporary employees	7	2	7	1	8	2
Under age of 30	1	1	1	–	–	–
30–50	1	1	1	1	–	–
Over age of 50	5	0	5	–	8	2
Total number of employees	**659**	**240**	**571**	**205**	**526**	**169**

No. of employees according to employment contract (broken down by sex 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.
The methodology used to produce the data is as follows: for the number of employees, the HC measure has been used, the data applies to the end of the year, includes 150 new employees in 2022.

Gender, %	2022		2021		2020	
	Women	Men	Women	Men	Women	Men
Board of Directors	22	78	22	78	33	67
Management team	60	40	60	40	60	40
Other managers	31	69	28	72	27	73
Employees	37	63	37	63	32	68
Total	**36**	**64**	**36**	**64**	**32**	68

Age, %	2022			2021			2020		
	<30	30–50	>50	<30	30–50	>50	<30	30–50	>50
Board of Directors	–	–	100	–	–	100	–	22	78
Management team	–	60	40	–	60	40	–	60	40
Other managers	–	64	36	3	58	39	–	67	33
Employees	12	60	28	11	61	28	13	59	28
Total	**10**	**61**	**29**	**9**	**60**	**31**	**11**	**59**	30

The percentage of other managers who are men and other managers who are between the ages of 30–50 has been adjusted since last year's report.

Employee turnover

Ellevio monitors employee turnover to detect potential problems in good time. Employee turnover during the year was 8 percent (7). A total of 150 people were recruited during the year, of which 41 percent (54) were women. A total of 57 people ended their employment at Ellevio, 6 of whom retired.

Employee turnover, %	2022		2021		2020	
Total women and men	**8**		**7**		**6**	
of which	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Under age of 30	0	1	0	1	0	0
30–50	3	3	1	4	2	3
Over age of 50	1	1	0	0	0	1
Total	**4**	**4**	**1**	**5**	**2**	**4**

Employee turnover during the year as a percentage of the number of employees at 31 December.

The number of new employees is calculated on the basis of all employed individuals at 31 December, including hourly employees and employees scheduled to leave due to redundancy or retirement, but who were still employed at the end of the year.

At the end of 2022, there were around 320 people (circa 320) who worked for Ellevio without being employed by the company, but whose work was controlled by Ellevio. These were mainly project-based consultants working as officials in roles such as project manager.

Sustainability risks

Risk management at Ellevio is an integral part of our operational planning, governance and follow-up. Risk management is decentralised, and the responsibility for identifying, managing and remedying risks lies with each organisational unit. This also applies to sustainability risks. Risk management in the areas of sustainability and safety involves in part Ellevio's own planning and project planning, and in part contractors who, at the beginning of assignments, must present work environment and environmental plans containing descriptions of how risks are identified, assessed and remedied.

Ellevio takes comprehensive steps to manage and reduce the sustainability-related risks. All risks are closely connected to several of Ellevio's material sustainability issues.

Risk area	Description of risk	Potential impact
Security of supply	Major, long-term disruptions to electricity supply Crisis preparedness during disruptions to electricity delivery	Consequences for society
Health and safety	Unsafe working conditions or lack of risk awareness among employees who work at Ellevio or on behalf of Ellevio	Personal injuries
Responsible purchasing/ Supplier relationships	Risk of corruption before and during procurements and during implementation phase	Legal consequences
	Suppliers, including contractors, who do not live up to Ellevio's Code of Conduct for suppliers and partners and other sustainability and security requirements in agreements	Personal injuries Damage to the environment Negative impact on human rights Legal consequences
Environmental and climate impact	SF6 leakage	Negative climate impact
	Leakage of substances into natural environments, for example transformer oil, vehicle fuel and machinery	Damage to the environment Increased sanitisation costs
	Creosote poles used in a way that is not in line with Ellevio's guidelines	Damage to environment or individuals
	Extreme weather events, climate change and climate risks	See specific risk table on page 112
	Products containing forbidden substances	Injury/ill-health among staff during handling Damage to the environment
	We do not comply with applicable laws, regulations and local conditions	Environmental damage Legal consequences Increased costs
	We are unable to meet society's and customers' expectations regarding the climate transition through for example capacity-increasing investments, connection of renewable energy (wind and solar) and charging infrastructure	Consequences for society Negative climate impact

Governance

The Board of Directors bears ultimate responsibility for Ellevio's sustainability work. All overall sustainability issues, such as joint improvement targets, activities and measurements, are prepared by the sustainability committee, appointed by the Board, which has an advisory function. The committee comprises members from both the Board and management. Ellevio's Head of Sustainability is responsible for the meetings of the sustainability committee.

The Head of Sustainability drives and develops Ellevio's sustainability work and reports regularly to the Head of People, Culture & Sustainability, who is responsible for sustainability in the management team. To support discussions and strategic decisions, the Head of Sustainability has a steering group consisting of four representatives from the management team, including the CEO. The Head of Sustainability also informs the entire management team about the work at some of the management group's meetings. The Head of Sustainability is responsible for ensuring compliance with the sustainability policy and for driving and coordinating efforts to carry out the sustainability strategy in line with the business plan. As sustainability issues and sustainability targets have a broad impact across Ellevio's operations, responsibility for individual sustainability issues lies with the relevant managers in certain cases.

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 work. The content is reflected in the business plan, environmental management system, safety 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 work.

Ellevio's sustainability work is integrated into ordinary processes and governance, for example in our processes for constructing and maintaining the network, managing purchases and supplier relationships and in our management processes.

Identifying and managing sustainability risks, including climate-related risks, is a vital part of the company's sustainability management.

In terms of environmental management specifically, Ellevio has an environmental management system certified in accordance with ISO 14001:2015. This ensures that environmental aspects and risks are managed systematically through targets and measures, that laws and requirements are complied with and that the initiatives are followed up and continuously improved.

There are several sustainability aspects that must be considered for large infrastructure projects and investments in the electricity network, such as choice of materials, project implementation method and how the planned location impacts on people and the environment. All projects over SEK 5 million (local and regional grids) must therefore undergo a sustainability analysis before an investment decision can be taken.

The sustainability analysis was revised in 2022 to better reflect aspects that need to be considered. The new sustainability analysis is based on the specific sustainability-related risks and opportunities that each project may involve. The purpose is to ensure that all relevant risks and opportunities are considered when making an investment decision. By integrating and mapping such sustainability aspects at an early stage of the investment process, we are able to create more opportunities to manage relevant sustainability aspects in each individual project. The analysis also ensures that the investment proposals are in line with Ellevio's sustainability-related policies and targets.

To be approved, suppliers are required to work systematically on environmental and work environment issues, ensure that human rights are respected and that good working conditions are provided for employees. Ellevio also expects other business and operating partners to fulfil the same minimum standards relating to sustainability issues. These requirements are established in a special Code of Conduct for suppliers, which was expanded during the year to clarify that it also applies to partners. For contractors, there are additional contract requirements regarding sustainability and safety.

The sustainability work rely on committed and knowledgeable employees, and we offer continuous training in sustainability issues. All employees undergo regular mandatory training in safety and the Code of Conduct.

Both the Board of Directors and the management team have a high level of expertise regarding sustainability and climate issues, which is in part due to the nature of the business as an enabler of the energy and climate transition. Employees' expertise is ensured through initiatives such as internal lectures, weekly newsletters from the CEO, articles on the intranet and Ellevio's culture week.

Notes

Note 1 About the Sustainability Report

The sustainability report describes Ellevio's sustainability work during the financial year 2022 and corresponds to operations covered by the financial report. The 2022 sustainability report was published on 27 April 2023.

It is published once per year and is drawn up in accordance with GRI Universal Standards 2021. The sustainability report constitutes Ellevio's statutory sustainability report in accordance with the Annual Accounts Act and includes the description of the sustainability work on pages 22–28, 30–32 and in the section "In-depth sustainability information" on pages 78–113.

No changes were made to the production process of the sustainability report in 2022, but the material sustainability aspects were restructured in such a way that they better correspond to Ellevio's overall business plan and strategy.

Ellevio's report in line with the EU taxonomy for green investments can be found on pages 106–110 ("EU taxonomy"). Page references to Ellevio's reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD) can be found on pages 111–113.

The sustainability report also comprises part of 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 a statement on page 117 that a statutory sustainability report has been prepared.

For questions about Ellevio's sustainability work and sustainability report, please contact Karolina Viksten, Head of Sustainability (karolina.viksten@ellevio.se) or Sarah Östberg, Head of Financial and Sustainability Communications (sarah.ostberg@ellevio.se).

Note 2 Materiality analysis methodology

The materiality analysis that was carried out in 2020 included a stakeholder dialogue where over 1 200 people, including 200 employees, participated. This comprised the following steps:

1. A competitor overview to identify a general list of relevant sustainability aspects
2. Interviews with key functions at Ellevio to identify impacts
3. Stakeholder dialogues via surveys and interviews with customers, contractors, partners, decision-makers, opinion-formers and experts
4. Working meetings with the management team and other internal key people with sustainability expertise
5. Analysis and compilation of the results, including identification and prioritisation of significant sustainability aspects.

Continuous updates also in 2022

The analysis is updated and supplemented every year, including 2022. The analysis covers Ellevio's impact on the environment, social issues and financial/governance issues, and is carried out to ensure that the sustainability work focus on the right issues where we have a significant impact. The update process includes information that we receive through ongoing contact with our stakeholders.

Note 3 Policies and guidelines that guide Ellevio's sustainability work:

- Sustainability policy
- Code of Conduct
- Ellevio's sustainability requirements for contracts
- Code of Conduct för suppliers and partners
- Policy to limit use and emissions of the SF6 greenhouse gas
- Risk policy
- Grid policy (planning and development, including redundancy)
- Regulatory compliance policy
- Anti-corruption policy
- Competition policy
- Privacy policy
- Whistleblowing policy
- Biodiversity policy
- Purchasing policy
- Sponsorship policy

Note 4 EU taxonomy

Electricity networks play an important role in the transition to a fossil-free society

The EU taxonomy for sustainable activities is a framework for classifying environmentally sustainable economic operations. The taxonomy will be an important tool in achieving the EU's climate targets and the objectives of the EU's green growth strategy, the Green Deal.

In order for an activity to be classified as environmentally sustainable according to the taxonomy, it must make a significant contribution to at least one of the six established environmental targets, not cause significant damage to any of the other targets och meet certain minimum requirements relating to social sustainability. In addition, the activity is required to comply with more detailed conditions, known as technical screening criteria, in order to be aligned with the taxonomy.

Financial operations eligible for and aligned with the EU taxonomy

Ellevio is eligible according to the taxonomy framework. In 2022, Ellevio analysed and calculated the extent to which its operations are aligned with the taxonomy. The analysis also included active participation in the sector association Swedenergy's network relating to the taxonomy to ensure a shared interpretation of the framework for the electricity network sector.

EU taxonomy

Transmission and distribution of electricity	Percentage eligible[1], %	Percentage non-eligible[2], %	Percentage aligned with the taxonomy[3], %	Percentage aligned with the taxonomy, of eligible[4], %
Sales	100	0	100	100
Capital expenditure	98	2	98	100
Operating expenses	95	5	95	100

Electricity grids are classified as an "enabling activity" in terms of climate change mitigation (goal 1), and Ellevio's operations are categorised under Section 4.9 of the taxonomy: "Transmission and distribution of electricity", mainly as "Construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems."

After reviewing Ellevio's financial activities in 2022, we have made the assessment that large parts of our operations are aligned with the taxonomy. For the 2022 financial year, we established that 100 percent (100) of Ellevio's sales, 98 percent (98) of capital expenditure and 95 percent (95) of operating expenses are eligible and aligned with the EU taxonomy.

Assessment of how Ellevio's financial activities are aligned with the taxonomy

Chapter 4.9 of the taxonomy, "Transmission and distribution of electricity" states that an activity can significantly contribute to climate change mitigation (goal 1) as an enabling activity if the transmission and distribution infrastructure or equipment is part of an electricity system that is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems (criterion 1a).

Exception 1: if the activity includes infrastructure used to establish a direct connection or extend an existing direct connection between a substation or grid and a production facility that is more greenhouse gas-intensive than 100g of CO_2e/kWh calculated on a life-cycle basis, that part is not aligned with the taxonomy.

Exception 2: if the activity includes installation of metering infrastructure that does not meet the requirements for smart metering in Article 20 of Directive (EU) 2019/944, then that part is not aligned with the taxonomy.

Ellevio's network comprises regional and local grids that could be considered subordinate systems to Svenska kraftnät's national grid and other companies' regional grids. Ellevio's regional grids are connected to the European electricity system both directly and via Svenska krafnät. This therefore fulfils criterion 1a).

During the year, Ellevio connected new wind and solar power to the network. These types of power have a greenhouse gas (GHG) emissions intensity far below 100g of CO_2e/kWh based on the life cycle.

Ellevio normally installs electricity meters that fulfil the specifications for smart metering set by the EU directive. In individual cases, some customers can demand a meter that does not meet all of the specifications for security reasons. In 2022, Ellevio

exclusively installed meters that fulfil the specifications for smart meters, without any exceptions.

Ellevio's assessment is therefore that operations in 2022 fulfilled the technical conditions set out in Section 4.9, criterion 1a.

Do No Significant Harm

A number of criteria are set out in the framework that must be fulfilled to ensure that operations within the scope of Section 4.9 do not cause any significant harm to other environmental targets. When assessing the alignment of its operations, Ellevio has ensured that requirements to not cause any significant harm have been fulfilled. A short summary of these assessments is set out below.

Operations are impacted by multiple physical climate risks, such as storms, flooding and elevated risk of fire. An in-depth climate risk and vulnerability analysis was conducted in 2021 and 2022 to supplement the existing risk analyses and measures that are carried out to ensure robust and outage-free facilities.

Ellevio's operations generate waste, both in project and maintenance operations and our office-based operations. Ellevio has ensured that processes, procedures, agreements and plans for waste management are in place to achieve maximum reuse or recycling at the end of the life cycle. To describe these processes, procedures, agreements and plans for waste management, a separate overall plan for Ellevio's waste management has been compiled.

Ellevio has a certified environmental management system (ISO14001), which means that environmental aspects and risks as well as environmental legislation are managed and followed up systematically. In line with Ellevio's environmental plan, environmental aspects and risks are evaluated for projects at the planning stage, with initial measures drawn up. Potential location-specific measures are also included in the environmental plan. Overhead line projects are carried out by procured contractors. To ensure these contractors comply with laws and other requirements and have robust environmental management, they are required to have environmental management systems that include all relevant aspects. This is checked at the contractor qualifications stage in the beginning of the procurement process. Through this company-wide and project-specific management, Ellevio's environmental aspects and risks are managed in a structured way and in line with IFC EHS Guidelines.

With regard to applicable standards and regulations to limit the effects of electromagnetic radiation on human health, the Council recommendations have been implemented in Swedish legislation through the Swedish Radiation Safety Authority's general advice (SSMFS 2008:18), with which Ellevio complies for both new and existing power lines.

All usage of PCBs has been banned since 1978, so Ellevio does not use any PCBs in its operations today. However, there is a small risk that some PCBs remain in older equipment and that small amounts may also been introduced in transformers installed even after 1978 due to contamination from another transformer oil or oil container during refilling. Ellevio deems this risk within its operations to be small. Ellevio has long included PCBs as an identified environmental aspect. To manage the small risk that PCBs may still be found, robust procedures are in place to test, handle, eradicate and scrap in the correct manner.

Ellevio complies with the Electricity Act and the Environmental Code and produces the required environmental impact assessments, for example for regional grid projects. We also carry out "12:6 consultations" (referring to Chapter 12, Section 6 of the Swedish Environmental Code) for other projects at risk of making significant changes to the natural environment.

There is also a biodiversity policy that governs our work in that area.

See also our description of significant environmental aspects in the "Operational excellence" section on pages 94–98.

Minimum Safeguards

Ellevio has evaluated and assessed compliance with all requirements. Our assessment is that requirements regarding Minimum Safeguards are fulfilled. A summary can be found in the "Human rights" and "Responsible supply chains" sections on pages 95–96.

Comments on the taxonomy tables

Sales

Ellevio net sales amounted to SEK 7,535 million (7,153) in 2022 and were 100 percent (100) eligible for and aligned with the taxonomy. Net sales in Ellevio are by definition solely attributable to the regulated electricity grid operations, which in 2022 consisted of: revenue from distribution of electricity to customers (network services) of SEK 7,267 million (6,916), connection of new customers of SEK 103 million (63) and other network-related services (mainly related to remuneration for physical relocation of electricity grid facilities) of SEK 165 million (174).

Capital expenditure

Capital expenditure refers to investments in tangible and intangible assets. In 2022 these amounted to SEK 3,345 million (3,590), of which 98 percent (98) were eligible for and aligned with the taxonomy. The investments covered by the taxonomy included: direct investments in the electricity grid of SEK 2,787 million (3,037), investments in electricity meters of SEK 412 million (370), investments in IT systems and data communication relating to operation, maintenance and measurement of SEK 68 million (101). Investments in 2021 also included the acquisition of network assets from Svenska kraftnät worth SEK 16 million. The 2 percent (2) 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.

In 2022, SEK 597 million of investments were allocated to Ellevio's green bonds. If these investments are excluded from the key figures, 80 percent of capital expenditure are taxonomy-aligned.

Operating expenses

Ellevio's operating expenses as defined in the taxonomy amounted in 2022 to SEK 630 million (593), of which 95 percent (95) were eligible for and aligned with the taxonomy. The operating expenses aligned with the taxonomy consisted of rental costs for network assets and utilisation of land, tunnels and premises for placement of electricity grid facilities of SEK 115 million (111), direct costs for troubleshooting and maintenance of the electricity network, meters and data communication equipment of SEK 455 million (432) and staff costs linked to planning and project management of maintenance of SEK 27 million (19). These expenses are directly attributable to ensuring the continuous and efficient 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 33 million (31) and consisted of office rents of SEK 32 million (30) 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).

Alignment with the taxonomy

Sales, capital expenditure and operating expenses are defined as described here and calculated in the same manner minus annual revenue, capital expenditure and operating expenses attributable to:

- connection of production facilities with a GHG intensity above 100g of CO_2e/kWh
- revenue connected to installation of meter infrastructure that does not meet smart meter specifications.

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 61–62).

Operating expenses: The taxonomy uses its own definition of operating costs, referred to as operating expenses. According to the taxonomy, operating expenses refers to direct costs that are not reported as assets and which relate to:
a) research and development,
b) building renovation,
c) short-term leases,
d) maintenance and repairs, and
e) all other direct expenses relating to the daily maintenance of tangible fixed assets (carried out by the company or a third party engaged for this purpose) and required to ensure the continuous and efficient functioning of those 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 troubleshooting 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.

Proportion of taxonomy-eligible activities defined as environmentally sustainable

				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria									
Financial activities (1)	Code/ codes (2)	Absolute sales (3)	Percentage of sales (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned percentage of sales, 2022 (18)	Taxonomy-aligned percentage of sales, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		SEK m	%	%	%	%	%	%	%	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable (taxonomy-aligned) activities																				
Transmission and distribution of electricity	4.9	7,535	100%	100%						n/a	Yes	n/a	Yes	Yes	Yes	Yes	100%	100%	Enabling	
Sales of environmentally sustainable (taxonomy-aligned) activities (A.1)		7,535	100%	100%													100%	100%	Enabling	
A.2. Activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned)																				
Transmission and distribution of electricity	4.9	0	0%																	
Sales of activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		**7,535**	**100%**														**100%**	**100%**	**100%**	
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
Sales of activities that are non-taxonomy-eligible (B)		0	0%																	
Total (A + B)		**7,535**	**100%**																	

				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria									
Financial activities (1)	Code/ codes (2)	Absolute capital expenditure (3)	Percentage of capital expenditure (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned percentage of capital expenditure, 2022 (18)	Taxonomy-aligned percentage of capital expenditure, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		SEK m	%	%	%	%	%	%	%	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable (taxonomy-aligned) activities																				
Transmission and distribution of electricity	4.9	3,267	98%	100%						n/a	Yes	n/a	Yes	Yes	Yes	Yes	98%	98%	Enabling	
Capital expenditure on environmentally sustainable (taxonomy-aligned) activities (A.1)		3,267	98%	100%													98%	98%	Enabling	
A.2. Activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned)																				
Transmission and distribution of electricity	4.9	0	0%																	
Capital expenditure on activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		**3,267**	**98%**														**98%**	**98%**	**98%**	
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
Capital expenditure on activities that are non-taxonomy-eligible (B)		78	2%																	
Total (A + B)		**3,345**	**100%**																	

Proportion of taxonomy-eligible activities defined as environmentally sustainable

				Substantial contribution criteria						Do No Significant Harm (DNSH) criteria									
Financial activities (1)	Code/ codes (2)	Absolute operating expenses (3)	Percentage of operating expenses (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned percentage of operating expenses, 2022 (18)	Taxonomy-aligned percentage of operating expenses, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity)
		SEK m	%	%	%	%	%	%	%	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Percent	Percent	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable (taxonomy-aligned) activities																				
Transmission and distribution of electricity	4.9	597	95%	100%						n/a	Yes	n/a	Yes	Yes	Yes	Yes	95%	95%	Enabling	
Operating expenses for environmentally sustainable (taxonomy-aligned) activities (A.1)		597	95%	100%													95%	95%	Enabling	
A.2. Activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned)																				
Transmission and distribution of electricity	4.9	0	0%																	
Operating expenses for activities eligible for the taxonomy but not environmentally sustainable (non-taxonomy-aligned) (A.2)		0	0%																	
Total (A.1 + A.2)		**597**	**95%**														**95%**	**95%**	**95%**	
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
Operating expenses for activities that are non-taxonomy-eligible (B)		33	5%																	
Total (A + B)		**630**	**100%**																	

Note 5 Reporting in accordance with TCFD

For Ellevio, the TCFD (Task Force on Climate-Related Financial Disclosures) methodology is important for producing relevant climate targets for our operations. Ellevio has been reporting in accordance with TCFD since 2021. In 2022, Ellevio carried out a review of its climate risk and vulnerability analysis and continued efforts to formalise its climate work.

In the table, we describe the scope of the reporting and indicate page references for each area. That so much of the Annual and Sustainability Report deals with climate-related risks and opportunities reflects the major role that climate change plays in terms of Ellevio's strategy and operations.

These risks were identified and assessed in 2021 through a number of internal workshops and analyses, in which employees participated from areas such as operations and maintenance, asset management, 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 included about 15 leading researchers from Chalmers University of Technology, IVL Swedish Environmental Institute, Profu and SMHI (the Swedish Meteorological and Hydrological Institute.)

We continued to include these issues in our processes throughout 2022. Furthermore, in line with our work on the taxonomy we have reviewed the climate risk and vulnerability analysis produced as part of our work on TCFD to ensure that the taxonomy's climate adaptation requirements are being fulfilled.

In our analysis, we assumed Energiforsk's scenario of a temperature increase of 1.5 degrees – a scenario in which Sweden's climate is expected to be impacted sometime between the next 10 and 30 years through:

- More weather-related extremes such as intense rainfall, increased precipitation in connection with low pressure and a greater risk of heat waves
- Higher average temperatures – 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.

A range of other warming levels were studied in Energiforsk's report, including a rise of 2.0 and 2.50 degrees. From the electricity grid perspective, risks and measures are relatively similar whichever scenario occurs, apart from changes in probability and consequence. Our most important task is to constantly supply outage-free electricity to our customers, which is why weather-related risks have always been managed in Ellevio's operations. Our grids and their components are always planned and designed to be disruption-resistant and to have a long lifespan.

Recommended information

Governance	Strategy	Risk management	Indicators and targets
A. The Board's monitoring of climate-related risks and opportunities. Pages 43, 72–75 och 103 and 112	A. Climate-related risks and opportunities identified by the organisation. Pages 4, 5, 7, 10–11, 12–16, 18–19, 21–23, 30–32, 34–37, 79–93, 103 and 111–112	A. The organisation's processes for identifying climate-related risks. Pages 43, 103 and 111–113	A. The organisation's indicators for evaluating climate-related risks and opportunities. Pages 81–82 and 89–93
B. Management's role regarding the assessment and management of climate-related risks and opportunities. Pages 43, 72–75 och 103 and 112	B. Impact of risks and opportunities on the organisation's operations, strategy and financial planning. Pages 4–5, 7, 10–11, 18–19, 21–23, 30–32, 34–35, 43, 179–93, 103 and 111–112	B. The organisation's processes for managing climate-related risks. Pages 36–-37, 43, 81–82, 87, 103 and 111–113	B. Emissions of scope 1, 2 and, if applicable, scope 3 under the Greenhouse Gas Protocol. Page 93
	C. Resilience in the organisation's strategy regarding various climate-related scenarios. Pages 103 and 111–112	C. Integration of the above processes into the organisation's general risk management. Pages 43, 74, and 93	C. Objectives for managing climate-related risks and opportunities. Pages 81–82, 86–87 and 89–93

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 transition risks – and identifies measures that need to be taken to minimise the risks of a negative impact on operations.

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. Our business faces climate-related risks, but these are generally minor or already well-managed as part of operations.

Transition risks and physical risks

The transition risks we have identified are mainly linked to Ellevio's long-term conditions being able to meet future demands on the electricity network, while society's increasing electricity consumption is leading to new demands and changing market conditions.

In terms of physical risks, strong winds, floods, fires, extreme temperatures and lightning are the climate-related parameters deemed to be most significant for Ellevio's electricity network. 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 ensure a reliably supply of electricity to our customers.

Risks related to the climate

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: • Long permit processes that lead to the expansion of the electricity network not taking place at the desired pace • New taxes and price of emissions allowances • New requirements on the use and leakage of SF6 • New conditions resulting from drastically increased electricity prices in 2022 • Further increased demand for new electricity production, potentially also fossil-based • Risk that climate policy is altered as a result of the new situation in Europe • Changes to network regulation that do not provide long-term and predictable conditions	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: • Long permit processes that lead to the expansion of the electricity network not taking place at the desired pace • Lack of staff with the right skills • 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. Trust-building communication initiatives, branding and sector collaborations strengthen the company's position. Internal training initiatives, sector collaborations, efforts to attract students to courses in energy and electric power, as well as Ellevio's internal recruitment expertise all help to secure the supply of skills.
Physical climate risks	Weather-related events that may cause outages or damage to facilities and equipment: • Storms - trees can fall on power lines • Lightning – flashes and fires • Fires (related to drought or thunder) – poles and substations could be ignited • Floods – risk of power outages if network and substations end up under - water and risk of contaminated water leaking from protective trenches • 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. Weather-proofing linked to strong winds and hanging ice and snow has long been under way by replacing power lines with cables. The risk of trees falling on lines is reduced through continuous clearing of power lanes and trees lining them. In terms of fire risks, 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. 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. Good crisis and disruption preparedness with an established crisis management organisation and recurring crisis exercises.

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 and sustainability analysis are therefore produced for major projects, which also tackle climate-related risks relating to flooding, landslides, mudslides and storms.

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 networks themselves are a prerequisite and an enabler of climate change mitigation, which is also clearly shown in the EU taxonomy which identifies electricity grids as an important enabler. 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 will also pave the way for collaboration with partners to develop new services that support customers in the energy transition and strengthen the customer experience.

In its ambition to contribute to the energy transition, Ellevio has identified further opportunities to create additional sales and strengthen the customer experience by connecting fossil-free electricity production and flexibility services. Customers' growing interest in energy issues as a result of the climate crisis also creates opportunities for a strengthened customer experience through closer contact to support them in the energy transition.

Note 6 Sector collaboration

Ellevio collaborates with a number of different industry organisations and initiatives in order to promote long-term, sustainable sector development at local, national and international level. Ellevio is an active member of sector organisations such as Swedenergy, which ensures continuous access to up-to-date sector-related information. As part of Ellevio's active lobbying efforts relating to the electricity systems of the future, management participates in sector forums and conferences that address areas such as climate-related risks and opportunities. The following are a few examples of sector organisations and initiatives in which Ellevio participates:

- The Electrification Pact
- Swedenergy
- Energiforsk
- Energiföretagens arbetsgivareförening AB (EFA)
- European Distribution System Operators Entity (DSO Entity)
- Värmland Chamber of Commerce
- Håll Nollan initiative
- International Chamber of Commerce (ICC)
- Mid-Sweden Chamber of Commerce
- Power Circle
- Startup 4 Climate
- Stockholm Chamber of Commerce
- The Centre for Business and Policy Studies
- The 2030 Secretariat
- UN Global Compact

GRI index

GRI Standard	Disclosure no.	Disclosure name	Page reference	Deviation	Cause	Explanation
General disclosures						
GRI 2: General disclosures 2021						
	2-1	Organisational profile	41, 43			
	2-2	Entities included in the organization's sustainability reporting	41, 105			
	2-3	Reporting period, frequency and contact point	105			
	2-4	Restatements of information	105			
	2-5	External assurance	117			
	2-6	Activities, value chain and other business relationships	5–7, 12–13, 19, 30–32, 34–37, 113			
	2-7	Employees	102			
	2-8	Workers who are not employees	102			
	2-9	Governance structure and composition	73, 75, 104			
	2-10	Nomination and selection of the highest governance body	72–73			
	2-11	Chair of the highest governance body	72			
	2-12	Role of the highest governance body in overseeing the management of impacts	73, 75, 104	Deviation	lack of information in some parts	
	2-13	Delegation of responsibility for managing impacts	104			
	2-14	Role of the highest governance body in sustainability reporting	104			
	2-15	Conflicts of interest	72			
	2-16	Communication of critical concerns	75			
	2-17	Collective knowledge of the highest governance body	73, 75			
	2-18	Evaluation of the performance of the highest governance body	72			
	2-19	Remuneration policies	57–59, 73			
	2-20	Process to determine remuneration	73			
	2-21	Annual compensation rate	102	Deviation 2-21 B	The annual percentage increase in total remuneration cannot be calculated.	Total compensation decreased between the years for the median due to lower variable compensation from bonuses in 2022 than in 2021.
	2-22	Statement on sustainable development strategy	10–11			
	2-23	Policy commitments	95, 96, 105			
	2-24	Embedding policy commitments	104			
	2-25	Processes to remediate negative impacts	96			
	2-26	Mechanisms for seeking advice and raising concerns	96			
	2-27	Compliance with laws and regulations	72, 94–96			
	2-28	Membership associations	114			
	2-29	Approach to stakeholder engagement	105			
	2-30	Collective bargaining agreements	39, 101			

GRI Standard	Disclosure no.	Disclosure name	Page reference	Deviation	Cause	Explanation
GRI 3: Material topics 2021						
	3-1	Process to determine material topics	105			
	3-2	List of material topics	105			
Specific disclosures						
GRI 201: Economic performance 2016						
GRI 3: Material topics 2021	3-3	Management of material topics	83			
	201-1	Direct economic value generated and distributed	83			
GRI 203: Indirect economic impacts 2106						
GRI 3: Material topics 2021	3-3	Management of material topics	83			
	203-1	Infrastructure investments and services supported	83			
GRI 205: Anti-corruption 2016						
GRI 3: Material topics 2021	3-3	Management of material topics	95			
	205-2	Communication and training about anti-corruption policies and procedures	95			
	205-3	Confirmed incidents of corruption and actions taken	95			
Own disclosures						
GRI 3: Material topics 2021	In-house measurement:	SAIDI	86			
	3-3	Management of material topics	86			
	In-house measurement:	Rate of cabling	87			
	3-3	Management of material topics	87			
	In-house measurement:	Installation of second-generation smart electricity meters	90			
	3-3	Management of material topics	90			
GRI 302: Energy 2016						
	3-3	Management of material topics	92-92			
	302-1	Energy consumption within the organisation	92–93 (recalculated as CO_2e emissions)			
	302-2	Energy consumption outside the organisation	92–93 (recalculated as CO_2e emissions)			
GRI 305: Emissions 2016						
	3-3	Management of material topics	90, 92–93			
	305-1	Direct GHG emissions (scope 1)	90, 92–93			
	305-2	Indirect GHG emissions (scope 2)	90, 92–93			
	305-3	Other indirect GHG emissions (scope 3)	90, 92–93			
GRI 308: Supplier Environmental Assessment 2016						
	3-3	Management of material topics	94–96			
	308-1	New suppliers that were screened using environmental criteria	94–96			

GRI Standard	Disclosure no.	Disclosure name	Page reference	Deviation	Cause	Explanation
Own disclosures						
	In-house measurement:	SF6	90–93			
	3-3	Management of material topics	90–93			
	In-house measurement:	Biodiversity	98			
	3-3	Management of material topics	23, 98			
	In-house measurement:	Energy losses from the power line network (network losses)	90, 92–93			
	3-3	Management of material topics	90, 92–93			
GRI 401: Employment 2016						
	3-3	Management of material topics	102			
	401-1	New employee hires and employee turnover	102			
GRI 403: Health and safety 2018						
	3-3	Management of material topics	23, 28, 99–100			
	403-1, 403-7	All obligatory disclosures	99–100			
	403-9	Work-related injuries	99–100			
GRI 405: Diversity and equal opportunities 2016						
	3-3	Management of material topics	101–102			
	405-1	Diversity of governance bodies and employees	101–102			
Own disclosures						
	In-house measurement:	Dialogue with local communities	97			
	3-3	Management of material topics	97			
	In-house measurement:	Announced and unannounced site visits	95–96			
	3-3	Management of material topics	95–96			
	In-house measurement:	Customer satisfaction	32, 88			
	3-3	Management of material topics	88			
	In-house measurement:	Employee engagement	101			
	3-3	Management of material topics	101			
	In-house measurement:	Sustainability index	95			
	3-3	Management of material topics	95			
	In-house measurement:	Capacity-increasing measures	87			
	3-3	Management of material topics	87			
	In-house measurement:	Safety culture	99			
	3-3	Management of material topics	99–100			

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 2022-01-01 – 2022-12-31 on pages 22–28, 30–32 and 78–16 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.

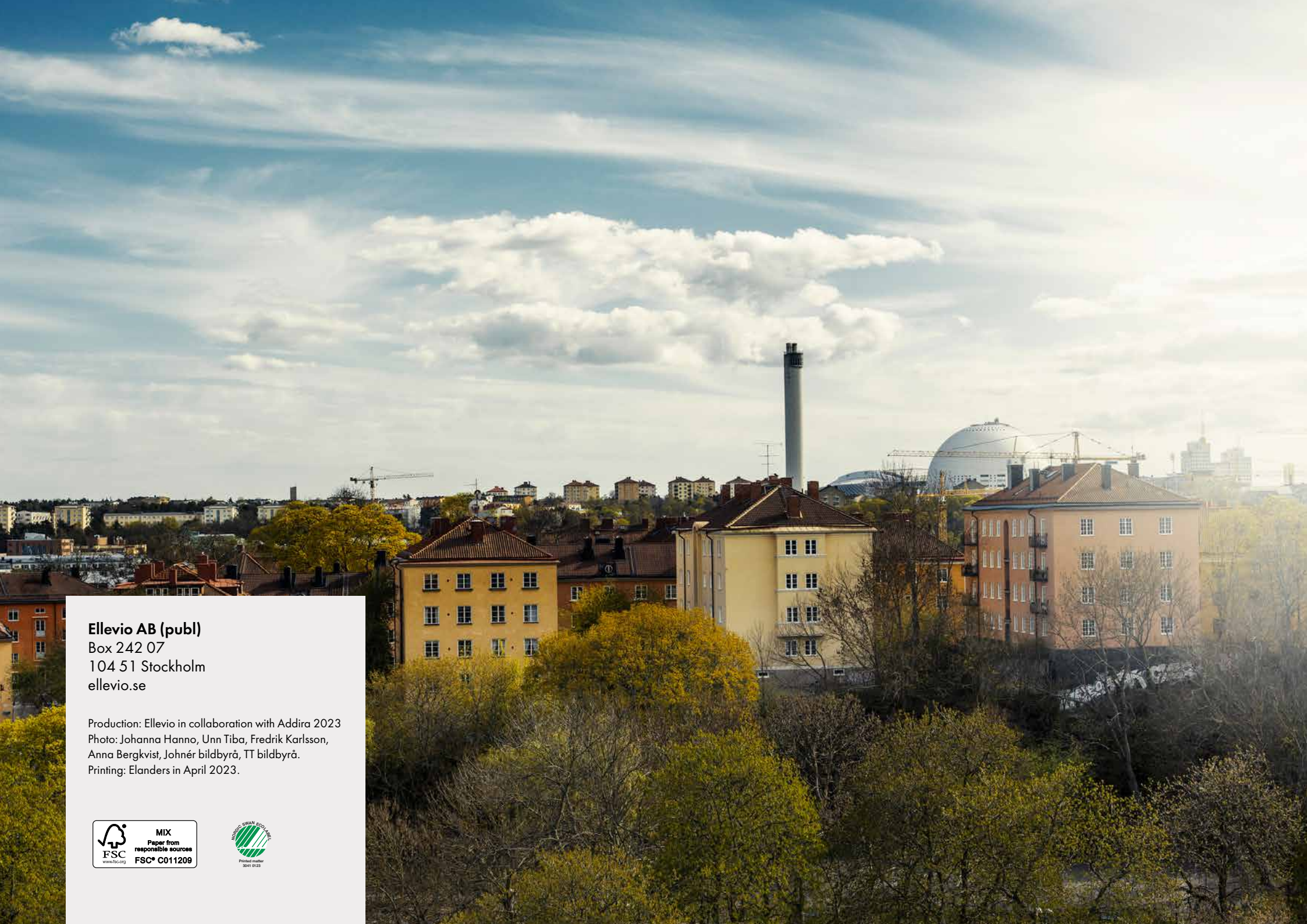
Opinions

A statutory sustainability statement has been prepared.

Stockholm 25 April 2023

Ernst & Young AB

Henrik Jonzén
Authorised Public Accountant



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