Statnett

Annual report 2021

The green change of pace


A secure power supply and sustainable value creation

A word from the CEO

Norway is in the middle of the green change of pace – Statnett is ready

The power system is on its way to becoming the new energy system. More and more of our energy consumption is based on emission-free electricity. In addition, there is currently uncertainty due to the geopolitical situation giving large fluctuations in energy prices. This will require a clear direction and a major collective effort to put in place renewable energy production and a grid that facilitates the transition. Statnett makes our contribution to this transition clear through an ambitious operational strategy and by adapting our organization.

2021 was in many ways a special year. It started with low power prices and full reservoirs and ended with less water than normal and a price level few could have imagined. Europe was hit by a "perfect storm" in the energy markets when activities resumed after the pandemic and extensive shutdowns. Combined with record-high prices for CO2 emissions, an increase in demand for gas and geopolitical conditions that have affected the supply side, this has resulted in unusually high energy prices.

Auke Lont was congratulated after stepping down after 12 years as CEO in March 2021. He left a company delivering impressive results from a highly competent staff.

Statnett has a very important social mandate and is central to the development of society in the time ahead. We have an organisation with incredibly competent people who contribute to deliver on our mission every single day. We must ensure secure power supply at all times, while developing a power system that facilitates sustainable value creation for the country.

The past year started with a new high in power consumption, and the old record from 2016 was broken three times during January and February with a consumption of 25,230 MWh during a single hour. Norway also set a new production record, generating 27,698 MWh in a single hour in January. There has never been a year that we have produced more power than we did in 2021, with a total of 157 TWh.

The Vestre Korridor (Western Corridor) was completed after 8 years of construction, building 300 km power lines and 8 new substations. The project is important for the security of supply in southern and western Norway and enables integration of the newest interconnectors in the Norwegian power system.

In May, Prime Minister Erna Solberg and German Chancellor Angela Merkel officially opened NordLink. The interconnector has a capacity of 1 400 MW and is the first direct power link between Norway and Germany. In October the North Sea Link, connecting Norway and the UK, went into trial operation. North Sea Link has a capacity of 1 400 MW and is the longest interconnector in the world.

Power prices in Southern Norway have been high, but the price in other countries has been even higher.

The price differences, which are the biggest factor affecting Statnett's congestion revenues, have been even greater than before. In 2021, Statnett set a new high with total congestion revenues of more than NOK 5.6 billion. This trend continued into 2022, and in January, Statnett had an income of more than NOK 1.4 billion. These revenues will be used in their entirety to reduce the grid tariffs for Statnett's customers.

In June, we launched a new operational strategy for the company. This points the way for how to solve ever-increasing and important tasks in a challenging time. We have taken several important steps in the past year. We spent the autumn reorganising the company and worked intensively on how we collaborate internally and how we should interact with our surroundings, partners and customers.

Statnett's Board of Directors has adopted six overarching goals for the company. An important goal to highlight is sustainability and safety in everything we do. We have a long-term perspective in our business, both in terms of our employees and in terms of the climate and environment. While restructuring the company, we have established a separate staff area for People & Sustainability and have hired a dedicated executive vice president with responsibility for this key area for Statnett's further development.

Our strategy places great demands on Statnett. We will ensure socio-economically rational operation and development of the transmission grid. At the same time, it is important to acknowledge that the world and the energy system are changing rapidly, which places other demands on the way we work and the tempo of our deliveries.

Statnett have also pointed out that restrictions on access to new power production could put a damper on plans for industrialisation. Statnett emphasised in our Short-Term Market Analysis 2021-2026, released in December, that the current Norwegian power surplus will move towards zero by the mid 2020's and there is need for more power production.

Norwegian offshore areas have some of the world's best wind resources A prerequisite for cuts in Norwegian greenhouse gas emissions, further electrification of domestic energy consumption and green industrialisation, is that energy resources must be developed and utilised in a good way.

We have created a separate business area, Offshore Development, which will be central to our work with the developments taking place off the coast. This will require us to see new offshore production in close connection with power needs on land and necessary grid development both on- and offshore.

We are in an extraordinary period. Statnett's analyses make it clear that current prices are not the new normal. At the same time, we know that we are now building for a future with great uncertainty and major challenges. We will facilitate the sustainable value creation of the future and the transition to an energy system that facilitates a zero-emission society. This will require new power production, major investments and major changes to the systems.

In recent weeks, we have seen acts of war in Europe for the first time in decades with the Russian invasion of Ukraine. Energy is playing a significant role in what is unfolding, and we are seeing increasing uncertainty in the energy markets. This is a situation Statnett is closely in collaboration with the Norwegian authorities, and our Nordic and European colleagues. We are in the midst of a major change in the energy systems, and the war has created a new and increased unease. Europe's answer is to strengthen the green shift and to make the continent more independent of unstable fossil fuels as an energy resource. In this situation the Norwegian energy system plays an important role.

Statnett is ready for the tasks ahead of us. Our investments over the last ten years have taken us a long way, and we are well underway with the next stage. Nevertheless, the company will continuously improve our own processes and our relationship with the world around us, where the company's new organisation and operational strategy are important elements.

As we have said for many years, the future is electric, and the green change of pace is happening now. Statnett is ready.

Hilde Tonne

Statnett's strategy

The green change of pace

The transition to a zero-emissions society is accelerating – we are experiencing a green change of pace. Norway has committed to reducing its emissions by 55 per cent by 2030. This matches the EU's legally binding target of a 55 per cent emissions reduction.

Record-high electricity prices made 2021 extremely challenging for both commercial and private consumers. The year taught us that the green change of pace will present a number of challenges. These include unstable supplies of natural gas, fluctuations in precipitation and carbon pricing. In addition, the fact that countries which are linked together in an integrated power system choose different approaches has also been problematic. Demand for renewable energy is increasing, and a growing number of enterprises want to connect new business operations to the grid or increase their existing consumption.

Statnett's analyses assume that consumption in Norway could grow significantly from today's 140 TWh to around 220 TWh in 2050. The potential increase in consumption cannot be precisely estimated. Nevertheless, the power industry is facing major changes and important tasks in the time ahead. Although new technology and digital solutions make the transition possible, Norway quickly needs to establish more renewable electricity production. Statnett's short-term market analysis indicates that Norway will experience an electricity deficit by the mid-2020s.

To meet this transition, Statnett has developed a new strategy called "the green change of pace." The strategy shows the level of ambition necessary to develop a robust power system that ensures Norway is well positioned to meet the green transition. Its goals are to:

- support national electrification and value creation through integrated development of the power system.
- facilitate the desired pace of the green change by adapting investment levels and adopting and an integrated approach to planning and execution.
- ensure predictability for customers and stakeholders.
- maintain our efficiency in order to keep the power system competitive.

Statnett develops tomorrow's power grid

The power system is the mainstay of the transition and is vital for future sustainable value creation. The power system must support security of supply and effective delivery. The grid is becoming even more important, and the speed of strengthening and refurbishing must increase.

Statnett will ensure secure operations and a cost-efficient power supply by continuing to develop the grid, market and operating solutions of the future in a socio-economically optimal manner. Important deliveries are:

- Secure power supply 24/7
- Electrification and green value creation
- The power system of the future, both on land and offshore

To keep up with the green change of pace, we must plan in a more holistic fashion, automate systems operations, utilize the power system, market and grid even more effectively and employ new technologies and digital processes in our work. Statnett depends on having a good dialogue and collaboration with customers, stakeholders and regional grid operators.

Strategic priorities

Two factors always underlie our activities: systematic work to prevent all accidents and injuries, and systematic sustainability efforts through specific action plans. In addition, we are stepping up the pace and preparing for consumption levels of up to 220 TWh by 2050 by:

- establishing comprehensive area plans and increase the pace of 420 kV voltage upgrades.
- systematizing the grid connection process and facilitating new production and new consumption.
- utilizing grid capacity by intensifying reinvestment, maintenance and emergency preparedness in vulnerable areas.
- preparing Statnett for an active role offshore.
- leveraging innovation and digitalisation opportunities.

Area plans provide holistic solutions

Holistic grid- and system development will be ensured through the adoption of area plans in all regions. The area plans will describe system, market and installation level measures necessary to implement a 420 kV standard voltage target grid. Individual measures are placed in a broader context, which contribute to rational use of national resources, enable the right measures to be prioritised and increase implementation efficiency. The area plans will also facilitate dialogue and joint development with stakeholders.

Facilitating new production and new consumption

Statnett is instrumental in the continued Norwegian industrial development, and in ensuring rational connection of new production and new consumption. Extensive national waters and favorable wind conditions give Norway a substantial potential for offshore wind power generation. As system operator, Statnett must view both on- and offshore grid as a part of an integrated system. An offshore grid should be developed in a holistic and long-term manner. Statnett is prepared to be awarded the roles of system operator and planning authority for a future offshore grid in the North Sea, and we must be prepared for rapid developments.

Utilizing current grid capacity

We must ensure high uptime at our installations and good security of supply for our customers. Flexibility from consumers and producers is important to safeguard reserves for system balancing. Statnett will assess the potential for flexibility. Decisions in system operations and grid planning will be based on solutions to develop and utilize this flexibility.

Digitalisation and innovation

Targeted and business-oriented digitalisation and innovation is pivotal in our new strategy.

We will accelerate utilization of new knowledge and technologies. We will become increasingly data-driven and build a strong digital foundation providing access to shared data, solutions and platforms. We will ensure early value creation from digital initiatives and will further develop partnership driven service models that seek cost-effective solutions. We cooperate actively with other transmission system operators (TSOs) and stakeholders to transform the energy system in Norway, the Nordic region and Europe as a whole. Development and application of new technology are vital to ensure that the significant investments triggered by electrification are both future-oriented, cost-effective and sustainable.

Reports and investigations are available

To satisfy society's needs, Statnett performs a number of analyses and investigations to provide a basis for potential measures. These may include choice-of-concept studies, analyses related to specific projects, or background work. In 2021, Statnett produced the following documents: Updated Long-Term Market Analysis 2020–2050 (LMA), Short-term Market Analysis 2021–2026 (only published in Norwegian), Grid Development Plant 2021 (GDP) and Systems Operation and Market Development Plan 2022–2030 (SOMDP).

Published reports can be viewed at www.statnett.no

Group Management

Hilde Tonne

President and CEO

Appointed in March 2021

Education/qualifications: Master of Science from the Norwegian University of Science and Technology (NTNU) and RWTH Aachen, Germany.

Previous experience: Executive Director and Chief Innovation Officer at Rambøll Group and various group management positions at Telenor Group. Tonne has also held a variety of management positions in the oil and energy sector, including as Head of Technology & Research at Norsk Hydro Oil & Energy.

Directorships: Chair of the Research Council of Norway. She has previously served on the boards of several energy companies, including Statkraft, Vattenfall and Danske Bank. Tonne is one of the founders of Digital Norway.

Elisabeth Vike Vardheim

EVP Grid & Asset Management

Employed in 2007 and a member of Group Management since 2014. Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU), Degree in Business Administration, Master's in Board Governance from the Norwegian Business School (BI).

Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU), Degree in Business Administration, Master's in Board Governance from the Norwegian Business School (BI).

Previous experience: Several management positions at Statnett, public sector, construction projects/client organisation.

Directorships: Chair of NordLink Norge AS and Statnett Transport AS.

Peer Olav Østli

EVP System Operations

Employed and a member of Group Management since 2007.

Education/qualifications: Master's in Computer Science and postgraduate studies in management from Henley Business School in the UK.

Previous experience: Director at Telenor, Schibsted Nett and Scandinavia Online AB, Head of Technology at NRK.

Directorships: Board member at Fifty AS.

Gunnar G. Løvås

EVP Markets and System Development

Employed in Statnett in the period 1994-2014 and a member of Group Management in the period 2007-2014. 2019-2021: EVP System and Markets, 2021- EVP Markets and System Development.

Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU) and a doctorate in mathematical statistics from the University of Oslo.

Previous experience: 2014–2016: Deputy Director General of the Norwegian National Rail Administration. From 2017 to 2018 he was an independent consultant.

Directorships: Chair of Elhub AS. He has previously served on the boards of Fifty AS, NordLink Norge and Glitre Energi.

Håkon Borgen

EVP Offshore Development

Employed in 1995 and a member of Group management since 2004.

Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU) and Technische Hochschule Darmstadt (THD) in Germany, postgraduate studies in management from the International Institute for Management Development (IMD).

Previous experience: Several management positions at Statnett and BKK in the areas of power supply, planning and construction, as well as responsibility for planning and development.

Directorships: Chair of ENTSO-E Research Development and Innovation Committee (RDIC), member of the boards of Fred. Olsen Windcarrier (FOWIC). Former Chair of NordLink Norge and Statnett Transport, in addition member of the boards of Sway and Nordpool spot.

Knut Hundhammer

EVP Finance & Corporate Affairs

Employed and a member of Group Management since 2011.

Education/qualifications: Norwegian Military Academy and MBA from Wharton School of Business in the USA.

Previous experience: Company Commander in the Norwegian Armed Forces, consultant at McKinsey & Co, Director at HUAL AS, CFO of Finansbanken ASA, President of Klavenes Gruppen and President of the Norwegian Defence and Security Industries Association (FSi).

Directorships: Chair of Statnett's pension fund and chair of Ringerike Sparebank's pension fund**.** Former chair of Delphi Forvaltning AS og Morningstar AS, and member of the boards of Cool Carriers AB and Bank of Copenhagen.

Beate Sander Krogstad

EVP Transformation & Digital

Employed in 2009 and a member of Group management since 2019.

Education/qualifications: Master of Science in Physics and Mathematics from the Norwegian University of Science and Technology (NTNU) and post-graduate studies in international leadership from FGV in Rio de Janeiro, Brazil.

Previous experience: Manager at Accenture, several management roles and executive positions at Statnett.

Directorships: Chair of Fifty AS, member of the boards of Helse Vest IKT and Digital Norway – business competence centre.

Bente Monica Haaland

Acting EVP People & Sustainability

Employed in 1993, a member of Group management from 2014 to 2019. SVP Strategy, People & Transformation from 2019 to 2021.

Education/qualifications: Master's in Engineering from the University of Aberdeen and Master's in Management from the Norwegian Business School (BI).

Previous experience: Executive and management positions at Statnett and Statkraft. Partner at Eclipse Energy Group.

Directorships: Member of the boards of Statnett Forsikring and of RGI (Renewables Grid Initiative). Member of the board of Polyteknisk forening.

Report from the Board of Directors

The power market in 2021 was characterised by large contrasts with the highest consumption ever, unusually high electricity prices and major price differences. At the same time, the green transition is increasingly impacting the energy supply business. Despite the fact that 2021 was also somewhat affected by the coronavirus pandemic, we have succeeded in our main goal of maintaining a secure power supply.

Results for the year

The Statnett Group posted an underlying profit in 2021 of NOK 1,474 million (NOK 2,079 million in 2020). The recognised net profit for the year came to NOK 3,307 million (NOK 2,697 million). The reduction in the underlying profit is mainly due to increased system operating expenses as a result of higher power prices. But overall, the underlying profit has helped maintain the necessary equity.

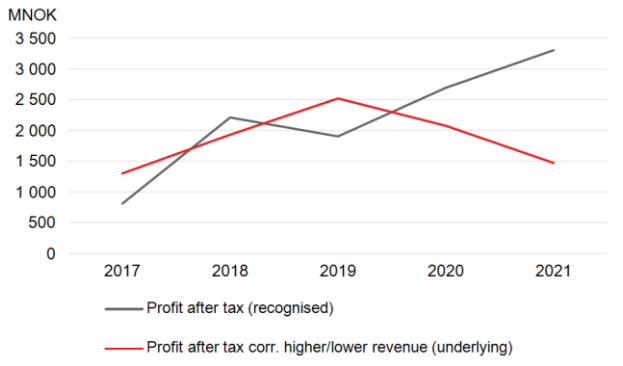
The large price differences have resulted in record-high congestion revenues in 2021 and into 2022. As a result, Statnett will be setting the consumption tariff to zero from 1 April 2022 until the end of the year.

A dividend of NOK 737 million has been proposed for the 2021 financial year. This corresponds to 50 per cent of the dividend basis. In order to secure access to financing on competitive terms, Statnett attaches importance to maintaining a robust A-rating.

Satisfactory operating performance

Delivery reliability and security of supply in the transmission grid were satisfactory in 2021. There was significantly less non-delivered energy as a result of operational interruptions compared with the last ten years, with the exception of 2018. Despite the fact that less precipitation led to lower reservoir levels in Norway, the power situation is now considered to be normal.

Profit after tax, Group



The year as a whole was characterised by high power prices. Both at the beginning and the end of the year, we saw cold weather and high power prices. The high power prices on the continent also affected Norwegian power prices, especially in southern Norway. High power prices have to a large extent also affected Statnett's costs associated with the purchase of various regulatory reserves to handle system operations. Such costs are compensated for in the company's revenue regulation with a two-year lag.

Solid progress in projects

Despite the coronavirus pandemic, Statnett's construction projects have seen good progress.

The Western Corridor is an umbrella term for the transmission grid in south-western Norway and extends from Kristiansand in the south to Sauda in the north. Work has been underway to upgrade to 420 kV voltage and the last section of power lines was put into operation in October 2021. This marks the end of an eight-year construction period in which 300 kilometres of new power lines and eight new substations have been completed.

The Western Corridor provides a significant and important boost to capacity in Southern Norway and facilitates secure operations, in addition to providing sufficient grid capacity to accommodate the expected new renewable electricity production in South Norway and enabling high utilisation of interconnectors.

The NordLink subsea interconnector between Norway and Germany went into normal operation in March and was officially opened in May. The 623-kilometre cable has a capacity of 1,400 MW. Work on laying the North Sea Link (NSL) subsea interconnector between Norway and the UK was completed in June and testing was conducted throughout the summer. In October, the connection went into trial operation with a capacity of 700 MW. At 720 kilometres, the interconnector is the world's longest subsea power cable.

The new exchange capacity with the UK and Germany will contribute to increased value creation and security of supply and is part of the transition to a more climate-friendly European energy system.

Statnett works safely and sustainably

Through our social mandate, Statnett is a key player in the green transition and a facilitator for a sustainable society. This means facilitating the electrification of society and performing its tasks in a sustainable fashion. We have prioritised six key areas:

- Ensuring all employees enjoy a safe working environment
- Taking broad responsibility for the environment and preserving biodiversity
- Reducing greenhouse gas emissions and managing climate risk
- Fighting corruption, human rights abuses and unethical behaviour in all areas of our business
- Increasing workforce diversity with respect to competence, background and gender
- Ensuring decent employment and working conditions throughout the supply chain

The measures implemented and results achieved in these areas are described in Statnett's Sustainability Report.

Ensuring all employees enjoy a safe working environment

Statnett's goal is for everyone who works in and for the company to have a safe working day. Statnett's work with personal safety is founded on a "zero vision" and is based on compliance with the comprehensive regulations that have been developed to prevent injuries in the workplace.

Taking broad responsibility for the environment and preserving biodiversity

Statnett's ambition is to reduce its environmental impact beyond statutory requirements. Statnett places particular emphasis on the preservation of biodiversity and landscapes, which includes trying to avoid construction in bog areas. This requires active efforts to preserve biodiversity in and around our facilities and including this aspect as an integral part of the way we plan and operate them.

Reducing greenhouse gas emissions and managing climate risk

Statnett's goal is to reduce greenhouse gas emissions by 50 per cent by 2030 and with a goal of zero emissions in the power system by 2050. This includes emissions from the company's own operations and from those of its contractual counterparties. The company aims to have cut its own greenhouse gas emissions by 25 per cent by 2025 compared to 2019.

Greenhouse gas emissions have decreased in recent years. This is due to the fact that emissions related to grid transmission losses have been sharply reduced, as a result of a larger share of renewable electricity imported into the Norwegian power grid. We have also paid close attention to reducing SF6 gas leaks from our facilities, in addition to implementing other measures in 2021.

Fighting corruption, human rights abuses and unethical behaviour in all areas of our business

To create value in a sustainable way, we must maintain a high ethical standard and make clear demands on our own employees and our suppliers. This will become more and more important due to increasing globalisation and less transparency in the supplier market.

Increasing workforce diversity with respect to competence, background and gender

Statnett is a knowledge-intensive company and aims to be an attractive employer for people at all stages of their lives, irrespective of gender, age, sexual orientation and cultural or religious background. Different backgrounds and expertise provide a broader perspective, which in turn has a positive effect on the company's ability to develop and manage risk.

Statnett aims to raise the proportion of women in the workforce and increase diversity in terms of background and expertise. This is important for making use of all talents in different fields. Renewal, transformation and diversity have been the key words for the organisational changes that Statnett implemented in the autumn of 2021. This has resulted in a marked increase in the proportion of women in management positions at all levels – from 25 to 30 per cent.

For Statnett, it is important to be an attractive employer, irrespective of employees' background or gender. We must safeguard employee diversity in terms of gender, age and background. Women and men with approximately the same education/training, work and experience must receive equal pay. Our work with gender equality, diversity and inclusion of all backgrounds is further described in our sustainability report under the main section related to our social contributions.

Ensuring decent employment and working conditions throughout the supply chain

Statnett safeguards human rights and acts in a socially responsible manner. We expect contracting parties in all countries to comply with our requirements for pay and working conditions and our partners and suppliers to respect the right to organise and human rights.

Risk management and internal control

Statnett's risk management reflects the fact that we operate critical infrastructure on behalf of society. Sound risk management and a high level of emergency preparedness are critical at a time when the company is investing heavily, while striving to keep an ageing power grid, with little spare capacity, operating reliably. Statnett's risk management and internal control framework is based on the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES), and on the guidelines set out in ISO 31000 Risk Management. Risk management also complies with guidelines given in ISO 55001, Asset management, and ISO 14001, Environmental management systems. For further details, please see the chapter on risk management and internal control in the Annual Report.

Corporate governance

Sound corporate governance is a prerequisite for stable long-term value-creation and helps ensure that Statnett delivers products and services that satisfy all relevant requirements and expectations. Statnett complies with the government's principles for corporate governance and relevant portions of the Norwegian Code of Conduct for Corporate Governance. For further details about corporate governance at Statnett and the Board's roles and responsibilities, please see the chapter on corporate governance in the Annual Report.

Health, safety and the environment (HSE)

The company has a "zero vision" as a basis for continuous improvement and works systematically to prevent all accidents and injuries. Safety requirements must form the basis of Statnett's activities, and time, cost or quality shall never be prioritised at the expense of personal safety.

In the 2021 strategy process, the company placed emphasis on incorporating safeguarding of personal safety and the working environment into Statnett's prioritised sustainable development goals.

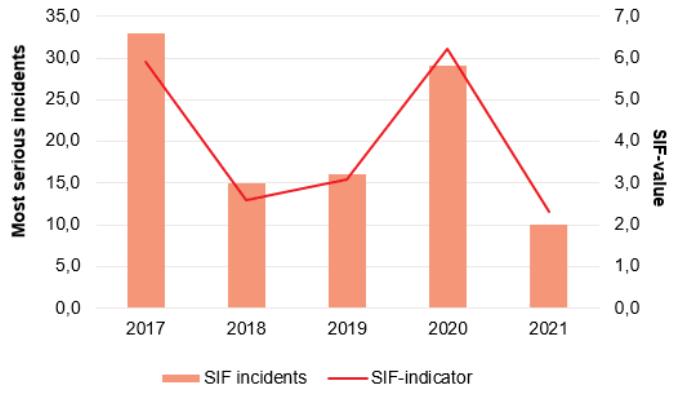
To enable the organisation to implement the strategy, major organisational changes have been made to ensure increased resource utilisation, improved collaboration and increased efficiency. At the same time, Statnett has worked specifically to strengthen both management capacity and operational capacity. A survey of the safety climate at Statnett in the summer of 2021 showed good results, but it also lays a good foundation for targeted measures where necessary.

Emphasis has been placed on maintaining close follow-up of unwanted incidents and hazardous conditions, in order to be able to convey learning points across the organisation. Following the reorganisation this autumn, several arenas have been established that provide for ongoing contact between the professional environments within HSE, OHS, electrical safety and the external environment.

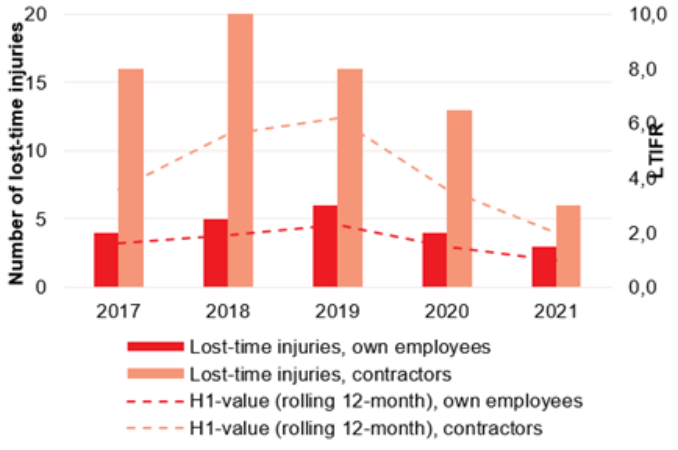
Reduction in lost-time injuries and serious incidents

In 2021, there was a significant reduction in the number of incidents with a serious potential for harm, compared with 2020. The result of this is that the SIF indicator (serious injury frequency) has dropped from 6.2 to 2.3 in the last 12 months. This positive development is probably the result of improved quality of follow-up of implemented initiatives through goal management, clearer expectations related to HSE management practice, as well as strengthening of processes related to learning and interaction between specialist and line environments.

SIF-indicator (rolling 12 month) Group [3)]



H-indicator (rolling 12-month) for the Group
1) and 2)



[1)] Lost-time injury frequency, number of lost-time injuries per million hours worked
[2)] Injury frequency, number of lost-time and non-lost-time injuries per million hours worked.
[3)] Number of serious (red) incidents involving injuries, near misses, environmental impact and hazardous conditions relating to electrical safety and working at height per million hours worked.

Our internal lost-time injury statistics continue to show a positive trend, and at the end of 2021, we registered the lowest value in five years. In 2021, we noted the longest interval without internal lost-time injuries since 2013.

There has also been a steady improvement in the H1 indicator (long-term injury frequency rate) in our projects.

Stable low sickness absence rate

The total sickness absence rate in Statnett remains at a stable, low level and was 3.0 per cent at the end of 2021 (rolling 12 months). This is an increase of 0.2 percentage points compared to 2020. We note that there has been an increase in sick leave from the summer of last year and to the end of the year. Over the past year, the majority of employees have worked from home to varying degrees. We have no evidence to say whether this has affected sick leave figures or not. Through 2021, we continued, adapted and introduced new Covid-19 measures. We have had cases of infection both among our own employees and in our projects, without major negative consequences.

For further information on Statnett's HSE activities, please see the Sustainability Report.

Operating and market information

Hydrological conditions and reservoir situation

The average temperature in Norway was normal in 2021, while there was approximately 10 per cent less precipitation than normal during the year. In total, there was precipitation corresponding to 118.5 TWh in the catchment areas of our Norwegian power plants, which corresponds to 17.5 TWh less than normal (source: the Norwegian Water Resources and Energy Directorate (NVE)).

The lack of precipitation, which in turn led to low inflow, contributed to Norwegian reservoir levels being well below the median for the last half of the year. In particular, Vestland and Rogaland experienced a lack of inflow. Based on this, Statnett reported a strained power situation in parts of NO2 and NO5 on 27 September. The situation improved until mid-November, and Statnett chose to announce a normal power situation throughout the country on 18 November. At the start of 2021, the water level in Norway's reservoirs was 82.2 per cent of capacity, 15.1 percentage points above the median. At the end of the year, reservoir levels were at 56.0 per cent, 12.0 percentage points below the median. Norwegian power production and consumption totalled 156 TWh and 139 TWh, respectively, in 2021. This resulted in a net export of about 17 TWh.

Delivery reliability and security of supply

Delivery reliability and security of supply in the transmission grid were satisfactory in 2021. There was significantly less non-delivered energy (NDE) as a result of operational interruptions than in the last ten years, with the exception of 2018 which also had a very low NDE. The frequency quality was poorer than last year, but better than in preceding years. Total time with frequency variances closed a little outside the Nordic target.

The year was relatively calm in terms of weather, and there was only one named extreme weather event during the winter, Frank. Another storm with strong winds at the end of November led to many power line outages and island mode operations. During both storms, several of Statnett's power lines experienced outages, but no incidents led to black-outs in large areas. The biggest consequences of these two storms for end customers came as a result of faults in the regional and distribution grids.

During testing of the NSL cable, the system failed on 2 September, leading to an import loss of 1,300 MW. This outage resulted in a Nordic frequency drop to 49.44 Hz, the start-up of 400 MW of gas turbines in Sweden and 300 MW of emergency power on the Konti-Skan, Estlink and Baltic connections.

Trading capacity and market conditions

Unusually high power prices characterised 2021, especially in the last quarter. Exponentially rising gas prices, high CO2 prices and low reservoir levels in southern and western Norway pushed prices to unusually high levels. Exchange with neighbouring countries played a certain role, and Statnett's analyses indicate that the two newest cables alone accounted for around one tenth of the high prices we saw in 2021.

At the same time, the year was also characterised by major fluctuations in several areas. Records were set for both production and consumption of power, and individual hours saw very high power exchange, even though net exports for the year were at a relatively normal level compared with previous years.

There have been abnormally large price differences between the north and the south in Norway and the Nordic countries. The northern areas have a large power surplus and limitations in the transmission capacity between areas at the same time as the unusual situation in the power market is contributing to high prices in the south. Statnett is working to prioritise solutions that can remedy this situation.

The high prices have also affected Statnett's costs to cover the transmission loss and the purchase of various regulatory reserves for system operation.

For large parts of the year, there was limited capacity from Sweden to southern Norway. Since the autumn of 2021, Svenska kraftnät and Statnett have had a close collaboration with a view to improving transmission capacity. This has resulted in increased capacity and measures that will further increase capacity during 2022. The companies have also established a closer collaboration on long-term plans for grid development.

Capacity limitations for connections with other countries:

- The NorNed connection was disconnected due to cable faults in the Netherlands from 18 January to 30 March and from 23 August to 13 September due to reconstruction work at the Feda substation.
- The capacity of the Skagerrak connection was reduced throughout 2021 due to faults on the Danish side.
- After the NordLink connection between Norway and Germany was put into commercial operation in 2020, Statnett has mainly provided full trading capacity, while TenneT often reduces capacity to/from Germany based on internal conditions in the German grid. During the year, the NordLink connection experienced multiple short-term outages, mainly related to faults in the converter substations on the Norwegian and German side.
- The 1,400 MW cable connection to the UK was completed, with the first power flow in June. Trial operations started on 1 October with 700 MW, and the capacity was increased to 1,050 MW in November. Due to a fault in the converter system on the UK side in November 2021, capacity was reduced to 700 MW while repairs were carried out. The entire facility was put back into operation on 7 February 2022 with a capacity set at 1,050MW. Additional increases to capacity are being considered on an ongoing basis.

Important project-related events

Completed

- NordLink (cable to Germany): The subsea power cable between Norway and Germany, as well as the converter stations on the Norwegian and German sides, were completed and went into normal operation.
- The Western Corridor: In October, the last 420 kV section was put into operation in the Western Corridor and the project is thus completed.
- Other projects completed in 2021 are: Kristiansand Reinvestment 300 kV, Skien Port Terminal new transformer bearing, Kobbvatnet new transformer substation and Samnanger substation.

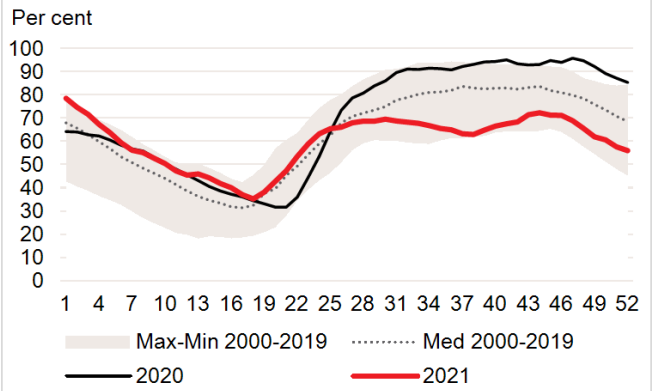
Under construction

- North Sea Link (cable to UK): Work on laying the subsea power cable between Norway and the UK was completed in June. The project went into trial operation in October as planned.
- Decision taken to start execution phase: Sogn – Ulven new cable connection, Klæbu new facilities centre, Moskog increased transformation, Liåsen substation and refurbishment of the Tokke substation.
- Hadselfjorden – refurbishment of cable installation: Licence received from NVE in January.

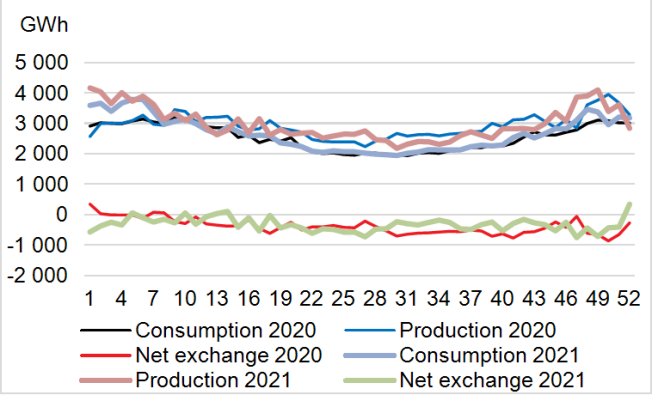
Digital development

- The programme for the development and introduction of a new Nordic balancing model (NBM) is progressing well, the work is extensive and complex, and co-operation in the Nordic region is working well.

Reservoir water levels Norway, per week



Production and Consumption in Norway, per week



- Digital management and trading solutions for the North Sea Link and NordLink interconnectors were successfully put into operation in 2021.
- A new ERP system was put into operation as an important measure for streamlining construction projects and facilities management.
- An investment decision has been made for the roll-out project for a new operations-critical communication network.

An overview of projects with a total cost greater than MNOK 500 is shown in the appendix to the Annual Report.

Development of the power system and power market

Statnett is responsible for the socio-economically rational operation and development of the power system and power market in Norway. The ongoing restructuring of the power system is necessary to handle a greater volume of renewable energy production and increased integration through additional international interconnectors, as well as the introduction of a uniform, Europe-wide regulatory environment. This is being done through the expansion and refurbishment of power transmission grids, as well as the development of system operation and market solutions at the national, Nordic and European levels. Statnett is collaborating directly with other TSOs and through forums, such as the European Network of Transmission System Operators (ENTSO-E).

The Grid Development Plan 2021 describes which measures will be prioritised in the coming period. The transmission grid will be enhanced and refurbished internally and between regions. In 2022, we will draw up area plans that specify initiatives in various parts of the country. These will describe system, market and construction measures towards a target grid.

The System Operation and Market Development Plan (SMUP) describes key issues relating to current system operation, the consequences of changes and prioritised measures going forward. The measures are described in a separate action plan, which was published together with the SMUP in the autumn of 2021.

A major increase in power consumption will eventually require increased production of renewable power. The authorities have opened two areas in Norwegian territorial waters for the development of offshore wind. This new power must be connected to land, which will require a reinforcement of the onshore grid and the construction of offshore grids. Offshore developments must be viewed in the context of developments on land.

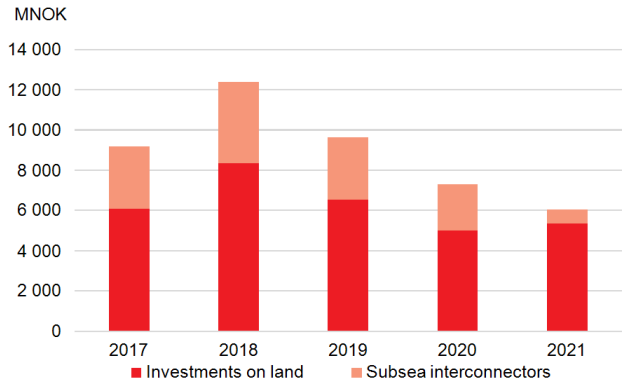
Statnett's total investments and commissioned grid facilities

Statnett invested a total of NOK 6,121 million during the reporting period (NOK 7,299 million). The investments included both completed and ongoing grid infrastructure projects, cables, the purchase of grid installations and digital development.

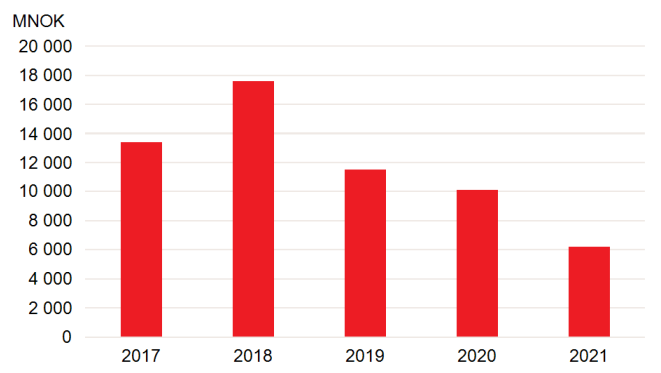
Investments in new grid capacity have been reduced from NOK 6,754 million to NOK 4,355 million as a result of the planned completion of major grid investments such as Balsfjord–Skaidi, the Western Corridor and NSL.

Investments related to digital development, especially within the systems and market area but also facilities management, show an increase of approximately NOK 250 million to NOK 960 million compared with 2020. Commissioned facilities amounted to NOK 9,534 million in 2021 (NOK 8,670 million), of which the largest is NSL, which was put into trial operation in October. At the end of 2021, the value of facilities under construction was NOK 6,197 million (NOK 10,103 million).

Investments by Statnett, Group



Facilities under construction, Group



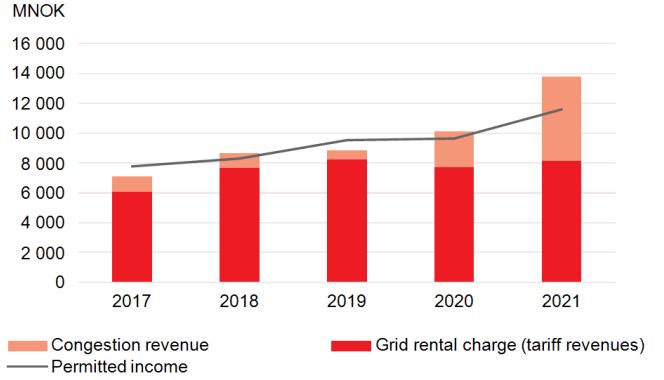
Financial results

The Group's underlying profit for the year, including higher/lower revenues, totalled NOK 1,474 million in 2021, compared with NOK 2,079 million in 2020. Operating revenues from regulated activities increased sharply as a result of high congestion revenues. The increased congestion revenues will be used to reduce the tariff both in 2022 and future tariffs. At the close of the year, the Group had an equity ratio of 25.4 per cent. A dividend of NOK 737 million has been proposed (50 per cent of the year's underlying profit).

Operating revenues

- In 2021, the Group posted record operating revenues of NOK 14,412 million (NOK 10,761 million). Operating revenues from regulated activities amounted to NOK 13,944 million (NOK 10,522 million), while other operating revenues totalled NOK 468 million (NOK 240 million). The adopted reduction in tariff revenues from the fixed component for 2020 as a result of the Covid-19 situation had the opposite effect. High power prices compared with the same period last year, which was characterised by very low power prices, increased tariff revenues from the energy component.
- Permitted income from grid operations amounted to NOK 11,275 million in 2021 (NOK 9,285 million). The increase is due to higher interest rates, increased power prices, increased activity in the company and increased grid capital as a result of several completed projects.
- Overall congestion revenues rose to NOK 5,658 million (NOK 2,408 million). The increase is due to large price differences with Sweden and with Europe, as well as within Norway. The trial operation of the North Sea Link from the third quarter of 2021 has also contributed to increased congestion revenues.
- The increase in other operating revenues is mainly attributable to increased insurance claims compared with last year, including payments related to the Oslofjord connection, as well as SK1 and SK2, which were damaged in accidents in previous years.
- Statnett achieved a higher revenue of NOK 2,350 million in 2021, including interest, (lower revenue of NOK 792 million). At the close of 2021, the accumulated higher revenue, including interest, amounted to NOK 2,410 million (NOK 60 million). Higher/lower revenues are not recognised in the balance sheet. The increase is mainly attributable to the sharp increase in congestion revenues. For further details, see Note 4 and the chapter on financial framework conditions.

Revenue development, Group



Operating expenses

The Group's operating expenses in 2021 amounted to NOK 9,566 million, up from NOK 6,893 million in 2020.

- System services are costs relating to Statnett's maintenance of an instantaneous balance in the power system and satisfactory security of supply. Costs for system services increased by NOK 905 million compared with last year. Occasionally extremely high prices in the capacity market resulted in higher costs compared with the previous year, which was characterised by a mild winter, low power prices and good access to reserve power. In addition, the costs for special regulation increased, mainly related to the upgrade of the Western Corridor.
- Transmission losses increased by NOK 1,493 million compared with the year before, due to substantially higher electricity prices.
- Salary and payroll costs increased by NOK 128 million. The increase is mainly due to full-year effects of having a larger workforce through 2020 and somewhat higher employers' National Insurance contributions in 2021 as a result of the reduced rate in 2020.
- Depreciation, amortisation and impairments increased by NOK 246 million compared to last year. This is due to major capitalisations towards the end of 2020 and further into 2021 related to NSL, Balsfjord–Skaidi, the Western Corridor as well as the purchase of facilities as a result of a Third Electricity Market Package. Capitalisations related to the Nordic Balancing Model (NBM) and other IT projects also contributed to the increase.
- Other operating expenses were reduced to NOK 1,995 million in 2021 (NOK 2,030 million). This is mainly due to fewer and smaller scale breakdowns in 2021, which resulted in lower operating expenses. Costs related to digitalisation, system management and agreements for operations, maintenance as well as emergency preparedness increased. Insurance premiums increased as a result of the commissioning of NordLink

and several accidents at offshore cable installations in 2020. In addition, property tax increased by NOK 47 million as a result of several completed projects, and new valuations in several municipalities have led to an increased property tax base and thereby increased tax

Financial performance

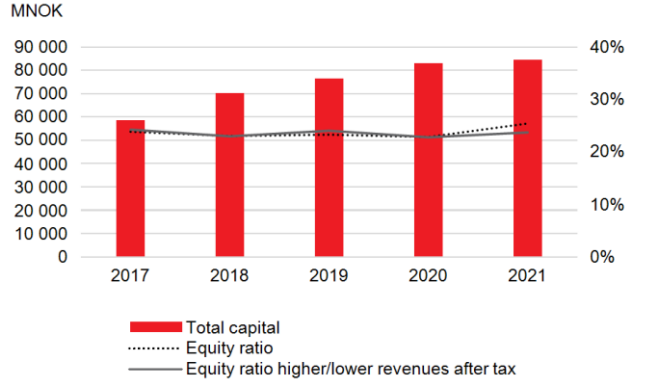
Statnett posted a consolidated operating profit of NOK 4,846 million in 2021 (NOK 3,869 million). The underlying operating profit (adjusted for the change in the year's uncapitalised higher/lower revenues) came to NOK 2,496 million (NOK 3,077 million). The decrease in the underlying operating profit is mainly explained by increased system operating expenses as a result of higher power prices and some increases in other operating expenses.

Consolidated net financial items closed on NOK -607 million (NOK -449 million).

- Interest costs were reduced as a result of lower interest rates.
- Changed ownership in the Nordpool Group resulted in recognised dividends and a high financial income of NOK 135 million in 2020.
- The remaining increase in net financial expenses is mainly attributable to a net loss (disagio) of NOK 14 million.

In 2021, Statnett posted a consolidated net profit of NOK 3,307 million (NOK 2,697 million). The increase in profit is attributable largely to higher operating revenues. The underlying net profit, adjusted for the change in uncapitalised higher/lower revenues, closed at NOK 1,474 million (NOK 2,079 million).

Development total assets and equity ratio, Group



Cash flow and balance sheet

Net cash flow for the period totalled NOK 1,329 million (NOK -269 million).

- The cumulative cash flow from operating activities closed the year at NOK 8,211 (NOK 5,899 million). The increase is due to improved operating profit.
- Net cash flow from the Group's investment activities came to NOK -6,335 million (NOK - 8,600million).
- Investments in new grid capacity were reduced compared with last year as a result of the completion of several large projects.
- Interest-bearing liabilities amounting to NOK 13,716 million were repaid (NOK 8,484 million).
- Receipts of new interest-bearing liabilities totalled NOK 16,782 million (NOK 10,254 million)
- At the reporting date, consolidated cash and cash equivalents and market-based securities totalled NOK 3,794 million (NOK 2,693 million).
- Total unused drawdown facilities amounted to NOK 8,000 million at the close of 2021.

At the reporting date, the Group had total assets of NOK 84,446 million (NOK 82,885 million).

- Interest-bearing liabilities amounted to NOK 53,920 million (NOK 56,169 million), including collateral under Credit Support Annex (CSA) of NOK 4,032 million (NOK 6,608 million). The market value of capitalised interest and currency swaps (fair value hedges) relating to interest-bearing liabilities amounted to NOK 4,322 million. Interest-bearing liabilities excluding these hedges totalled NOK 49,598 million.
- Equity closed the year at NOK 21,467 million (NOK 18,938 million). The equity ratio in the Group was 25.4 (22.8). The equity ratio adjusted for higher/lower revenues was 23.7 (22.8).

Cost efficiency

Statnett's developments and investments have reached a historically high level in the last decade, and the green change of pace will contribute to a continued high level of investment in the years ahead. This challenges the Group's efficiency, including its regulatory efficiency. This situation will continue through the 2020s. Statnett's business is a natural monopoly and costs are distributed between producers and consumers through the grid rental charge (tariff setting). The regulation of Statnett is intended to help ensure that the company performs its duties efficiently, and an efficiency factor is therefore included in the calculation of its permitted income.

The Norwegian Energy Regulatory Authority (NVE-RME) has adopted a new model for calculating the company's efficiency and revenue ceiling with effect from 2021. This replaces the previous objectives of Statnett's efficiency programme. The model is described in the chapter on financial framework conditions.

Statnett's efficiency goal

Statnett has established a goal of 100 per cent efficiency over time, based on a new regulatory model from NVE-RME..This replaces previous goals developed as part of an internal efficiency programme.

Specific targets for efficiency improvements and reductions in operating expenses and investments have been established and are followed up on an ongoing basis. At year-end, Statnett achieved an efficiency of 100 per cent, adjusted for increased transmission losses. Overall efficiency in 2021 was 99.3 per cent.

Throughout 2021, Statnett developed and began implementing a new strategy and internal management processes have been adjusted. In the latter part of 2021, the company was reorganised to secure an organisational structure that supports Statnett's core business and facilitates the delivery of the ambitions in the new strategy. Central aspects of the reorganisation included strengthening management capacity, reducing the number of hierarchical levels, enhancing cooperation across business areas and staff units and achieving uniform deliveries. With a clearer organisation of the company, the organisation's efficiency and delivery capacity will increase. The new organisational structure will also speed up the pace of the transformation of the company and will put the company in a better position to deliver on the green pace of change at the same time as realising efficiency targets.

In recent years, project activity at Statnett has been at a record level. Simplifications of the project process for development projects and better resource management have made it possible to increase project activity without a higher headcount. In 2021, we also worked on increasing the level of outsourcing in order to further increase execution capacity. The company delivered secure and stable digital services in 2021. Office support services and collaboration platform have worked well through the pandemic and made it possible to continue to haveefficient working days even during the period with fully or partially imposed remote working.

Digitalisation contributes to increased efficiency and high grid utilisation

The pace of electrification, the transition to a renewable power system as well as increased demands for efficiency and security of supply create a need for new ways of working, more data-driven processes, as well as increased automation and innovation within Statnett's core areas. A large part of the restructuring involves digitalisation in the form of implementation of new digital solutions and new technology together with significant changes in work processes. This work is underway at Statnett, and we are investing significant resources in the automation of system operations and in key digital solutions for building and construction management.

System operation is becoming increasingly challenging to handle without a significant element of automation. This is due to increased complexity in the power system, partly due to the significant amount of wind power in the Nordic power system, and increased exchange capacity for electricity between Norway, the Nordic countries and other synchronous areas. The work emphasises efficient development of necessary solutions in a way that meets strict requirements for resilience and safety.

The company has continued to work with Statnett's digital transformation agenda. A new strategy and the development of a comprehensive roadmap for digitalisation and innovation has helped to clarify plans and prioritise focus areas moving forward. Important focus areas include the establishment of a Nordic balancing model, the establishment of better operational coordination and digitalisation for efficiency in building and construction management, as well as investment in more data-driven decision-making processes.

The focus within innovation and technology development is to promote knowledge and solutions that facilitate an electrified and emission-free society.

Growing importance of new knowledge and new technology

Through the reorganisation of Statnett in 2021, we have strengthened our ability to identify opportunities and drive transformation through digitalisation. Business developers, innovation capacity and digital talents are gathered under one management team to help Statnett as a whole be at the forefront of automation of work processes, and support business activities with data-driven decisions, develop and take into use more environmentally friendly materials in the construction process and keep pace with developments in offshore grid technology.

Outlook

The war in Ukraine has put Europe in a new and challenging security situation. This is causing uncertainty about the energy supply to Europe, which is affecting gas and electricity prices. This in turn affects the power market and the energy situation in Norway. We assume that Europe's need to transition to renewable energy will be affected by this, but the pace of this transition is uncertain. Statnett is closely monitoring the situation.

The zero-emission society will result in radical changes in the European and Norwegian power systems

Europe is transitioning to a zero-emission society, at a constantly accelerating pace.

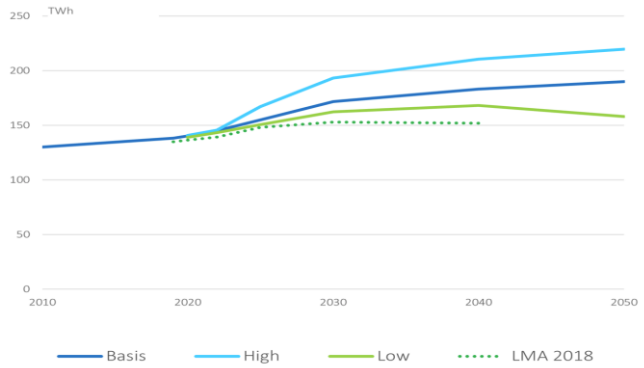
- The EU has adopted a significantly more ambitious emissions target for 2030 (55 per cent).
- The finance sector has become an important driver of the transition.
- Technological and industrial developments in wind and solar power, batteries, electrolysis and other energy storage solutions are steadily reducing costs.
- The Norwegian authorities have opened up for the development of offshore wind in two areas in the North Sea.

These three factors are all accelerating the pace of change, and the overall effect is considerable.

Wind and solar power will both replace current coal and gas power production and contribute large volumes of zero-emission energy in other sectors. A doubling of European power consumption is expected by 2040–50. In the years to come, power prices will fluctuate significantly more in the short term than we are used to. Increased variation in trading volume, power production and consumption will reinforce the need for automated and digitalisationoperations.

There are two important drivers for growth in Norwegian power consumption and production:

- Electrification will drive significant growth in consumption. This growth will be much larger than savings through energy efficiency improvements and will contribute to a significant net growth in consumption.
- We also expect a lot of new industrial consumption such as from more data centres, battery factories, onshore aquaculture and growth in traditional power-intensive industries.



Scenarios for development in Norwegian consumption. Source: Long-term market analysis – updated July 2021

Today's power surplus and wind power under construction will cover a significant portion of the power required for electrification, but increased consumption will reduce the Norwegian power surplus and trigger a need for increased power production. Statnett's short-term market analysis from late 2021 assumes that the power surplus could drop to zero as early as 2026. This situation should lead to Norway increasing the pace of development of new renewable energy. Including offshore wind where Statnett has been given responsibility for ensuring comprehensive planning of the network at sea.

Closer integration between countries and sectors

The power system is already closely interconnected across countries and regions. Following the commissioning of NSL, Norway is directly connected to seven other countries. This contributes significantly to Norwegian security of supply and value creation. Norway is therefore dependent on close international cooperation. The green transition further reinforces this need in terms of physical infrastructure, market solutions and the legal and political framework.

The green transition will result in a Nordic power system with different physical, technical and economic characteristics. This means that the stabilising characteristics of the system will be reduced, while the fluctuations in production, consumption and power flow will increase. There will therefore be a need for closer interaction with the distribution system operators (DSOs) in grid planning and operational coordination.

New technology and digital solutions make the transition possible

Automated system operations will be essential for maintaining security of supply in a power system characterised by higher fluctuations and finer time resolution. Digital solutions and increased data exchange will also facilitate quicker processing of connection

requests and open the way for new markets and new business models.

New CEO

Hilde Tonne took over as CEO in March 2021 from Auke Lont. The Board thanks Auke Lont for his efforts during 12 years as the company's top executive.

Liability insurance for directors and officers

The Board and senior executives are covered by the company's current liability insurance for directors and officers. This insurance also covers subsidiaries where Statnett has more than 50 per cent ownership. The liability insurance is placed with insurers with a solid rating.

Equity and dividends

In line with the government's proposed national budget for 2022, it is proposed that the dividend for 2021 equal 50 per cent of the dividend basis. The dividend basis is defined as the Group's profit for the year after tax, adjusted for the change in the year's post-tax higher/lower revenue. The proposed dividend is consistent with the adopted dividend policy for the company, and is deemed to be reasonable based on Statnett's equity and liquidity. At the close of 2021, the company's equity totalled NOK 21,467 million (an equity ratio of NOK 25.4 per cent).

Going concern

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board confirms that the annual financial statements have been prepared in accordance with the going concern assumption.

Appropriation of profit for the year

The Group posted a net profit of NOK 3,307 million in 2021. The parent company posted a net profit of NOK 3,201 million.

Accordingly, the Board proposes the following appropriation of Statnett SF's net profit for the year:

Proposed dividend	737
Transferred to other equity	2 464
Total appropriations	3 201

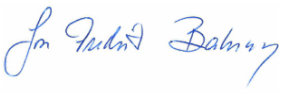
Declaration from the Board of Directors and CEO

We declare that, to the best of our knowledge,

- The financial statements for 2021 have been prepared in accordance with IFRSs, including such supplementary disclosures required by the Norwegian Accounting Act.
- The disclosures in the financial statements provide a true and fair view of the assets, liabilities, financial position and results of the parent company and the Group as a whole.
- the disclosures in the Annual Report and Sustainability Report, including the presentation of Statnett's sustainability performance figures, provide a true and fair view of the parent company and the Group's development, results and position, as well as a description of the most important risk factors and uncertainties facing the Group.

Oslo, 24th March 2022

Statnett's Board of Directors



Jan Fredrik Baksaas

Chairman

Tove Pettersen

Board member

Maria Sandsmark

Board member

Egil Gjesteland

Board member

Wenche Teigland

Board member

Christian Reusch

Board member

Ingeborg Ligaarden

Board member

Ole Bjørn Kirstihagen

Board member

Steinar Jøråndstad

Board member

Hilde Tonne

President and CEO

Attachements: list of investment projects with a total cost of more than NOK 500 million*)

See **www.statnett.no** for further details about the projects.

Project	Region	Expected investment (NOK mill)
Under construction		
Balsfjord–Skaidi, 420 kV power line	North	4,090–4,230
Sogn–Ulven, new 420 kV power line	East	2,020–2,520
Lyse–Fagrafjell, new power line and substation [2)]	South	2,050–2,110
Smestad–Sogn substation and cable installation	East	1,530–1,570
Hamang, new transformer substation	East	900–960
Rød, refurbishment of control gear and switchgear equipment and increased transformation capacity	East	750–780
Sogn, transformer substation reinvestment	East	640–670
Kvandal–Kanstadbotn Refurbishment	North	620–650
Salten, new substation solution	North	595–620
Sylling, reinvestment	East	585–605
Cable to UK (North Sea Link) [1)]		EUR mill. 750–850
Final licences granted		
Åfjord–Snilldal, new 420 kV power line and cable installation	Central	1,900–2,700
Aurland–Sogndal, voltage upgrade	West	1,345–1,490
Aura/Viklandet–Surna, voltage upgrade	Central	500–700
Digital development		
Roll-out of operations-critical grid		473–507
New Nordic Balancing Model (NBM)		520–620

[1)] Statnett's share Exposure mainly in Euro.

[2)] Cost range does not include clearance of the Stokkeland substation.

*) The total value of ongoing projects over NOK 500 million amounts to around NOK 30–35 billion, in addition to which NSL is stated in EUR in the table above. The amounts in the table show the expected intervals for project costs.
All costs for "Projects under construction" are shown at the current exchange rate, other projects are shown at 2021 rates, excl. interest on construction loans and currency hedging

Statnett's Board of Directors

Jon Fredrik Baksaas

Board member since 2018, Chair since 2018.
Chair of the Compensation Committee.
Directorships: Chair of DNV, member of the boards of LM Ericsson AB and Handelsbanken AB.
Previous experience: Adviser for technology start-ups in Norway, CEO of Telenor 2002–2015, various key positions at Telenor since 1989, other work experience from Aker, Stolt-Nielsen Seaway and Det norske Veritas.

Tove Elisabeth Pettersen

Board member since 2018, Deputy Chair since 2019.
Chair of the Audit Committee.
Previous experience: CEO and CFO of the Norwegian Red Cross, CEO of Bane NOR SF and Executive Vice President of Hafslund ASA.
Directorships: NRC Group ASA

Wenche Teigland

Board member since 2020
Member of the Audit Committee.
Previous experience: Investor and advisor for start-up companies, Executive Vice President at BKK 2006–2020, CEO of Naturgass Vest and various management positions at Shell/Gasnor, Aibel and Aker Engineering.
Directorships: VY-gruppen AS, Quantafuel ASA, Powerzeek AS, Mocean Invest AS.

Egil Gjesteland

Board member since 2012
Head of the Project Committee.
Previous experience: Owner of Gjesteland Consulting, IT Director and Project Director for a number of Equinor's oil and gas projects.

Christian Reusch

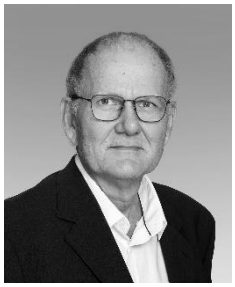
Board member since 2020
Member of the Compensation Committee.
Previous experience: Lawyer with the Attorney General's Office, Specialist Director at the Office of the Prime Minister, Lawyer/Partner at the law firm Advokatfirmaet Simonsen Vogt Wiig.

Maria Sandsmark

Board member since 2013
Member of the Project Committee.
Previous experience: Researcher at Møreforskning Molde AS, associate professor at Molde University College and consultant at ECON Analyse.

Steinar Jøråndstad

Employee-elected board member since 2004, employee since 1980.
Member of the Compensation Committee.
Previous experience: Team coordinator in Statnett's division for Systems Operations, Asset Management and Markets, leader of the nationwide Electrician and IT Workers Union and member of Statnett's Working Environment Committee.



Ole Bjørn Kirstihagen

Employee-elected board member since 2018, employee since 1986.
Member of the Audit Committee.
Previous experience: Procurement and operations for Statnett's operating centres, Operator at Norsk Hydro's operating centre, Chief Employee Representative and leader of NITO Statnett.

Ingeborg Ligaarden

Employee-elected board member since 2020, employee since 2015.
Member of the Project Committee.
Previous experience: Senior Analyst in security of supply and risk consulting, Senior Consultant at Lloyd's Register and researcher at SINTEF. Previous experience from key positions in Tekna.

This is Statnett

Statnett is responsible for the national transmission grid, which binds together regional electricity producers, consumers and underlying distribution networks into a nationwide system. Statnett aims to operate and develop an efficient power system that provides high security of supply, while also facilitating increased renewable power production, new power intensive business activities and electrification to cut CO2 gas emissions. In this way, we contribute to value creation and the establishment of new green industries, as well as to the fulfilment of national and international climate commitments.

Statnett is Norway's Transmission System Operator (TSO)

Statnett owns and operates Norway's transmission grid and is the country's Transmission System Operator (TSO). In this capacity Statnett also manages the import and export of electricity through transnational interconnectors. Statnett is also responsible for ensuring that the production and consumption of electricity is always in balance. Statnett is responsible for developing, operating and maintaining the transmission grid in a socio-economically rational manner. Statnett is a regulated monopoly. Its revenues are determined by The Norwegian Energy Regulatory Authority (RME). Statnett's long-term profitability is not affected by the price of electricity, nor does Statnett have any financial incentives relating to the price of electricity.

Statnett's mandate is operationalised through three integrated primary roles:

- **Norway's Transmission System Operator (TSO)**
  Our task is to balance consumption and production in the power system and ensure the quality of supply is always satisfactory. Furthermore, Statnett must develop and operate system and market solutions that safeguard the supply of electricity over time and that ensure the socio-economically effective utilisation of the power system.

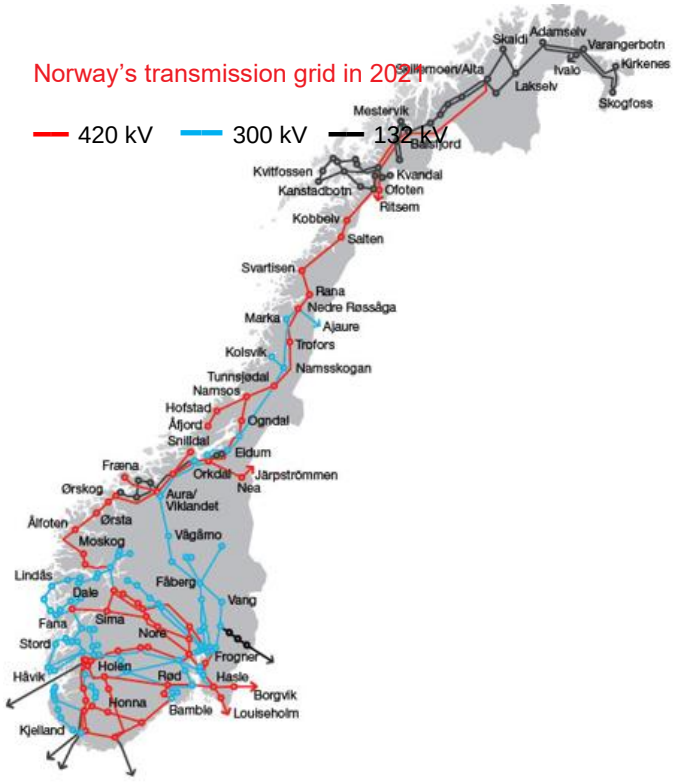
- **Owner of the entire transmission grid and transnational interconnectors**
  We plan, design, build, operate and maintain the entire Norwegian transmission grid and connections to other countries' power systems so that we achieve our goals for security of supply in a cost-effective way.

Being Norway's TSO presumes neutrality, transparency and public trust. This affects all players in the power market. The role of owner of the transmission grid also requires Statnett to work closely with the authorities and other stakeholders in planning the power system to ensure that the right capacity is available at the right time. Any major intervention in the grid requires a permit granted by the authorities.

Socio-economically rational development of the power grid

The development of the power grid, in accordance with the Norwegian Energy Act and Statnett's Articles of Association, must be in the best interests of society. This applies both to decisions made by Statnett and decisions made by the authorities when issuing permits for projects. Socio-economic analyses ensure that decision-makers receive expertly prepared documentation and comparable decision-making support.

Norway's transmission grid in 2021



Statnett's customers

Everyone who is connected to the transmission grid is a customer of Statnett. This means power producers, power consumers and the owners of regional grids. In most cases, customers are connected to the distribution grid and enter into a connection agreement with grid operators other than Statnett. However, in such cases local grid operators must clarify with Statnett whether there is sufficient capacity in the transmission grid.

Operations and development

Statnett operates around 11,395 km of high-voltage power lines, 190 transformer substations and 2,550 km of subsea and underground cables the length and breadth of Norway. The power system is developed and managed by Statnett's nationwide organisation, which is also responsible for emergency preparedness. The grid is monitored by Statnetts landssentral (a national control centre) and two regional centres. Statnett is also responsible for interconnectors with Sweden, Denmark, Finland, the Netherlands, Germany, the UK and Russia.

Substantial developments in the transmission grid

Over the past ten years, Statnett has been engaged in a great deal of construction activity, with many ongoing projects throughout Norway. Since 2009, Statnett has constructed and upgraded more than 2,000 km of power lines and more than 80 new and converted substations. In addition, the company has opened a new interconnector to Germany and has completed construction of a new interconnector to the UK, which has now gone into trial operation. A total of 1.346 km of interconnectors.

Balance between production and consumption of electricity

In Norway, Statnett has the task of coordinating power production and consumption so that the power system is always in balance. This is called instantaneous balance. The power trading market determines how much power will be produced and at what price. This market brings together power producers and power suppliers (who purchase power on behalf of electricity customers). However, buyers and sellers never produce and use the exact volumes agreed upon in advance. Statnett is responsible for ensuring that the load on the grid is kept within acceptable limits.

Statnett works safely and sustainably

See separate Sustainability Report.

Everyone who works at or for Statnett should arrive home from work safely each day. Statnett adopts a zero-tolerance approach to accidents and has set itself a target of becoming a leader in HSE among European TSOs and a leader in cybersecurity.

Statnett contributes to the UN's Sustainable Development Goals by facilitating electrification and performing necessary tasks in a safe and sustainable manner. In 2021, Statnett implemented a number of measures to ensure that the company takes its share of responsibility for counteracting global challenges such as climate change, social dumping, corruption and the loss of biodiversity.

Renewal, transformation and diversity were at the heart of the organisational changes Statnett implemented in the autumn of 2021. Sustainability-related activities have also been addressed in our strategy. Statnett is now gearing up to perform a wide range of activities in an effective manner and meet society's high expectations. The power system will play a key role in the transition to a zero-emissions society and tomorrow's sustainable value creation.

Grid levels in the power system

In Norway, the transmission grid and the distribution grid are administered separately.

The transmission grid links major producers and consumers in a nationwide system, which also includes interconnectors abroad. The transmission grid is high voltage, normally 300 kV or 420 kV, though in some areas of Norway it can be 132 kV. In Norway, Statnett owns and operates the transmission grid.

The regional grid lies between the transmission grid and the distribution grid. The regional grid generally has a voltage of 66 kV or 132 kV.

The distribution grid is owned by the local grid companies, which supply power to the end-users. The distribution grid typically has voltages up to 22 kV.

Statnett is owned by the Norwegian state

Statnett is a state-owned enterprise established in accordance with the State-Owned Enterprises Act and is owned by the state through the Ministry of Petroleum and Energy (OED). The Norwegian Water Resources and Energy Directorate (NVE) is responsible for supervision in accordance with watercourse and energy legislation. The Norwegian Energy Regulatory Authority (RME) is a regulatory authority, which performs its tasks as an independent authority. The RME's mandate is to ensure that operators comply with the regulations intended to ensure competitive conditions in the power market and an efficiently run power grid.

In Norway, power transmission is operated as a monopoly. State-ownership of Statnett is intended to contribute to socio-economically rational operation and development of the transmission grid. Statnett is responsible for critical infrastructure and performs assignments of major importance for civil security. State ownership helps ensure neutrality. Our revenues are regulated by RME, which sets an upper limit for how much we can charge for our services. This regulation is based on the premise that over time, Statnett's income will cover its costs and provide a reasonable return on invested capital assuming efficient operation, utilisation and development of the grid.

Operational key figures

Power lines divided into voltage level[1)]

Voltage level	Unit	2021	2019	2018	2017	2017
132 kV	km	2 332	2 380	2 409	2 411	2 411
300 kV	km	4 092	4 136	4 043	4 180	4 387
420 kV	km	4 706	4 629	4 492	4 132	3 803

[1)] Statnett also operated power lines at following voltage level: 22 kV, 152 kV, 220 kV, 250 kV, 350 kV.

Transmission lines and cables in operation[2)]	Unit	2021	2019	2018	2017	2017
Power lines in operation	km	11 395	11 412	11 076	10 947	10 855
Underground cables and subsea cables in operation[1)]	km	2 550	1 798	1 616	1 423	1 287
Power lines comissioned	km	76	105	156	225	232
Upgraded exisisting power lines	km	0	0	106	119	155
Demolished facilities	km	96	12	61	50	54
Number of comissioned field circuit breaker	Number	40	59	94	67	50

Security of supply	Unit	2021	2020	2019	2018	2017
Frequency variances	Minutes	10 670	9 693	9 971	11 471	12 018
Non-Delivered Energy (NDE)	MWh	701	1 381	783	49	772
Reliability of supply	Prosent	99,9986	99,9939	100	100	-

Distribution of value creation	Unit	2021	2020	2019	2018	2017
Employees – Salary and social benefits [1)]	MNOK	1 840	1 740	1 674	1 598	1 521
State and municipal taxes and fees [2)]	MNOK	1 551	1 267	1 041	959	620
Interest expenses	MNOK	696	902	973	772	615
Owner – dividends [3)]	MNOK	737	1 039	1 261	484	326
The company – Retained equity	MNOK	2 464	1 678	1 422	1 683	402

[1)] Payroll costs (excl. employer's national insurance contributions).

[2)] Tax expense, property tax and employer's national insurance contributions.

[3)] Proposed dividends for 2020.

[4)] Profit for the year less proposed dividends

Financial framework conditions

Revenues and results

Changes in revenues and results over the last five years are primarily attributable to higher grid capital due to an increase in the number of installations that have gone into operation, offset by a slightly lower reference rate during the period. In recent years, Statnett has had considerable higher/lower revenues, which are due largely to substantial variations in congestion revenues. This has resulted in major fluctuations in recognised operating revenues and operating profits. Revenues and profits adjusted for higher/lower revenues show that underlying activities are more stable than is reflected in the reported financial statements.

Statnett emphasises the need for even and predictable tariffs over time, and this affects higher/lower revenues. In 2021 Statnett reduced transmission charges, to help grid customers during the Covid-19 pandemic. Extraordinarily high revenues from congestion charges in 2021, proceeding in 2022, results into regulated revenue exceeding allowed revenue. As a result, Statnett sets the consumption tariff to zero from April 1st 2022 to the end of the year. At the end of 2021 Statnett has a higher revenue balance of NOK 2,410 million.

The investment level affects revenues and the balance sheet

Only completed investments are included in the basis for Statnett's regulated revenues. In accordance with IFRS, Statnett's equity is not adjusted for higher/lower revenues. Statnett's actual equity is established after adjusting for accumulated higher/lower revenues after tax.

Net interest-bearing liabilities have risen in line with investment levels. At the close of 2021, Statnett had an equity ratio of 25.4 per cent. Adjusted for higher/lower revenues, the equity ratio for 2021 equalled 23.7 per cent.

Operating revenues, regulated activities

The reported revenues in Statnett's financial statements are made up of the transmission charges paid by customers of the transmission network, balancing fees received and congestion revenues. Congestion revenues arise when power is transmitted from areas with a low power price to areas with a high power price in Norway and via transnational interconnectors to other countries. The transmission charge (tariff) is established ahead of each calendar year. In addition, Statnett also receives revenues from fees it charges as the balancing and settlement coordinator within the Norwegian power system and as operator of the data hub Elhub.

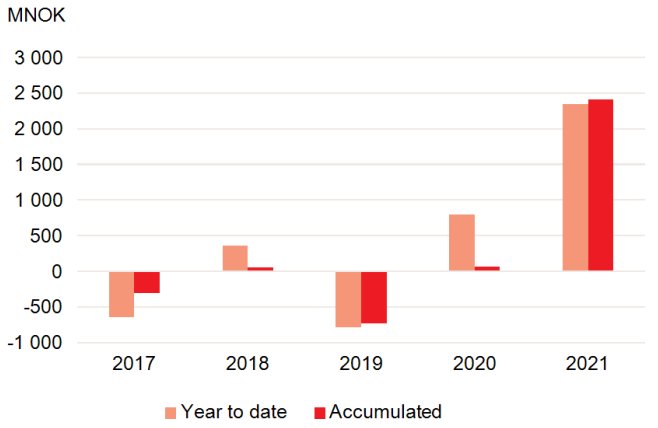
Allowed revenue, regulated activities

Since grid activities are a natural monopoly, Statnett's revenues are regulated and controlled by the Norwegian Energy Regulatory Authority (RME), which establishes an annual revenue cap (allowed revenue). Allowed revenue is intended to cover system and grid operating costs, and provide a reasonable return on investment, provided that the grid is built, operated and utilised in a cost-efficient manner. To give Statnett incentives to be cost-efficient, the company's revenue cap is adjusted with the results of an efficiency analysis. In this analysis, Statnett's costs, adjusted for development in the size of the grid are compared with a historic cost level. In addition, the revenue cap is adjusted by a general productivity requirement, of 2 per cent in relation to the historic cost level, which comes to 0.3 per cent per year. Activities within the system operation area are regulated by an annual 0.3 per cent productivity requirement. RME has signalled that it will consider new ways of regulating incentives in the area. The fees determined for the entity responsible for settlement should cover annual operating costs and provide a reasonable return on invested capital, provided efficiency is maintained.

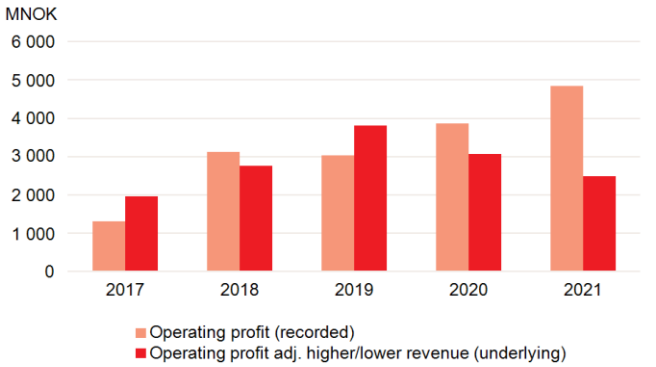
Higher-/lower revenue

During a year, the actual revenues received from regulated operations will differ from the allowed revenue that RME sets after the year's close. These differences are known as higher or lower revenue, and are equalised over time through adjustment of future transmission charges. Consequently, higher/lower revenues represent temporary amounts in Statnett's financial statements, which in accordance with IFRSs are not recognised in the balance sheet.

Changes in higher/lower revenues, Group



Group EBIT adjusted for higher/lower revenues



Key figures *(MNOK)*	**2021**	**2020**	**2019**	**2018**	**2017**
Accounting result					
Operating revenues	14 412	10 761	9 641	9 138	7 401
Depreciation and amortization [1)]	-3 080	-2 820	-2 339	-1 941	-2 273
EBITDA	7 926	6 688	5 366	5 062	3 585
EBIT	4 846	3 868	3 027	3 120	1 312
Profit before tax	4 239	3 420	2 440	2 701	976
Profit for period	3 307	2 697	1 906	2 213	813
Adjustments					
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
Change in accumulated higher/lower revenue (+/-) after tax	1 833	618	-617	279	-491
Accumulated higher/lower revenue (+/-) before tax	2 410	60	-732	59	-303
Underlying result (adjusted for change in higher/lower revenue) [2)]					
Operating revenues	12 062	9 969	10 432	8 776	8 047
EBITDA	5 576	5 896	6 157	4 699	4 231
Underlying operating profit (EBIT)	2 496	3 076	3 818	2 758	1 958
Profit before tax	1 889	2 628	3 231	2 339	1 622
Underlying profit for the year	1 474	2 079	2 523	1 934	1 304
Key figures balance sheet					
Investments (additions, facilities under construction including interest on construction loans)	6 121	7 299	9 618	12 377	9 235
Property, plant and equipment	66 767	60 296	54 637	40 948	35 653
Long term and current interest bearing liabilities including hedging effect	53 920	56 129	50 199	45 737	39 189
Market value interest and currency swaps relating to loans	4 322	6 551	4 569	3 451	2 701
Interest bearing liabilities adjusted for effect of interest and currency hedging	49 598	49 578	45 630	42 286	36 488
Equity	21 467	18 938	17 783	16 194	14 011
Equity adjusted for higher/lower revenue after tax	19 587	18 891	18 354	16 149	14 241
Total assets	84 446	82 885	76 323	70 281	58 721
Capital employed [3)]	69 891	68 382	62 705	55 507	49 299
Key financial ratios					
Return on capital employed before tax, adjusted for higher/lower revenue [4)]	3,6 %	4,7 %	6,5 %	5,3 %	4,3 %
Return on equity after tax [5)]	16,4 %	14,7 %	11,2 %	14,7 %	5,8 %
Equity ratio	25,4 %	22,8 %	23,3 %	23,0 %	23,9 %
Equity ratio after tax, adjusted for higher/lower revenue	23,7 %	22,8 %	24,0 %	23,0 %	24,3 %

[1)] Depreciation, amortization and impairments per statement of total comprehensive income less impairments disclosed in Note 9 plants under construction.

[2)] The underlying result is based on regulated permitted revenue, while the accounting result will vary depending on established tariffs and congestion revenues. The difference is known as higher/lower revenue (see Note 2).

[3)] Capital employed = Property, plant and equipment + Facilities under construction + Trade and other current receivables + Trade and other current payables.

[4)] Return on capital employed before tax, adjusted for higher/lower revenue = EBIT, adjusted for higher/lower revenue / Average capital employed last two years.

[5)] Return on equity after tax =Net result for the year / Average equity last two years.

* To provide a better understanding of Statnett's underlying result we also present a number of alternative performance measures. Alternative performance measures are defined in ESMA's guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Statnett's alternative performance measures are adjusted for higher/lower revenue and supplement the figures in the IFRS financial statements. In addition to annual higher/lower revenue, reported accumulated rhigher/lower revenue also include applied interest and any prior-year adjustments.
Changes in selected key financial and operational ratios used by management to monitor alternative performance measures over time are also shown.

Organisational structure

Organisational structure

Statnett is headquartered in Oslo and has administrative offices in Alta, Trondheim, Sandnes and Sunndalsøra. The Group's activities are organised in five business segments and two group-wide support functions.

Please visit www.statnett.no for further information about Statnett's organisation.

Subsidiaries, joint ventures and associates

The majority of the Group's activity takes place in the parent company Statnett SF. The activities of subsidiaries, joint ventures and associates are described below.

Elhub AS (100 per cent)
The company went into operation in February 2019 and operates the central data hub for meter readings and market processes in the Norwegian power market. Elhub's main functions are automated metering, meter data processing and distribution, as well as the performance of market processes such as supplier changes, relocations and reporting.

NordLink Norge AS (100 per cent)
This subsidiary has been responsible for the construction and is now responsible for operating Statnett's share of NordLink, an interconnector between Norway and Germany. The company was established to provide an ownership structure that is symmetrical on both the Norwegian and the German sides. On the German side, the cable is owned by DC Nordseekabel GmbH & Co. KG, which is in turn owned by the German TSO TenneT GmbH and the bank KfW. The operational activities of NordLink Norge take place as part of the Statnett Group.

Statnett Forsikring AS (100 per cent)
The company is the Group's own insurance company. It was established in 1998, and is a wholly owned subsidiary of Statnett SF.

Statnett Transport AS (100 per cent)
Statnett Transport AS ("Statnett Transport") has essentially become an empty company, after the business that handles Statnett's emergency preparedness obligations with respect to heavy transport were transferred to Statnett SF with effect from 1 July 2020. The plan is to wind up the company during 2022.

Nydalshøyden Bygg C AS (100 per cent)
Nydalshøyden Bygg C AS owns Statnett's building (head office) at Nydalen Allé 33, Oslo.

Fifty AS (50 per cent)
Fifty AS is a 50/50 joint venture between Statnett SF and Svenska kraftnät. Fifty AS develops and administers IT systems that balance the Nordic power system. Fifty AS sells both licences and maintenance and administration services to Statnett SF. Fifty AS has no employees. Statnett SF provides the company with project services relating to the development and administration of IT systems, in addition to administrative support services.

TSO Holding (32.2 per cent)
Statnett owns 32.2 per cent of TSO Holding AS ("TSO Holding"). The other owners are the Nordic and Baltic TSOs. TSO Holding owns 34 per cent of Nord Pool Holding AS. The remaining 66 per cent is owned by Euronext N.V. The Nord Pool companies aim to organise and operate a marketplace for trading in electrical power in the Nordic countries and Europe.

eSett OY (25 per cent)
Statnett SF owns a 25 per cent stake in eSett OY. The company delivers balance settlement services to market players in Finland, Sweden, Denmark and Norway.

KraftCERT AS (33.3 per cent)
KraftCERT AS has been authorized by The Norwegian Water Resources and Energy Directorate (NVE) to delegate tasks within notification, information sharing and analysis of ICT-related incidents, vulnerabilities and threats to one or more KBO entities (Power Supply Preparedness Organisation). KraftCERT has been designated as a KBO entity with a response function for ICT Security Incidents in the power industry. KraftCERT will assist the industry in detecting and counteracting digital attacks.

See notes 20 and 22 for further information on subsidiaries.

Operational key figures Group	2021	2020	2019	2018	2017
Number of full-time equivalents	1 647	1 576	1 493	1 461	1 415
Absence due to illness %	3,0	2,8	2,9	3,2	3,4
LTIFR, own employees	1,0	1,5	2,3	1,9	1,6
LTIFR, including contractors	2,0	3,6	4,2	5,6	3,6

Statnett's values

Long-term perspective

Respect

Community

Corporate governance

Statnett's corporate governance is based on the company's external frameworks, including applicable legislation, statutory regulations and government directives, along with documents adopted by the company's governing bodies. Corporate governance at Statnett complies with the government's corporate governance principles and the company declares its compliance in accordance with the Norwegian Code of Conduct for Corporate Governance (www.nues.no). The requirements in Section 3-3b items 4, 7 and 8 of the Norwegian Accounting Act on corporate governance are satisfied by the descriptions in the following text.

1. Corporate governance

Statnett SF is a state-owned enterprise; its formal owner is the Norwegian Ministry of Petroleum and Energy. Statnett SF is organised as a business group. The Statnett Group is an independent legal entity that is liable for its own obligations.

Sound corporate governance is a prerequisite for stable long-term value creation and helps to ensure that Statnett delivers products and services in accordance with the requirements and expectations of internal stakeholders and external organisations.

Through the exercise of corporate governance, the board ensures that Statnett is well managed and has adequate internal control. The Board adopts guidelines for Group Management. These guidelines include codes of conduct for the Group and its suppliers, values and principles for corporate governance, sustainability, finance, power system development and responsibility as grid owner and Transmission System Operator (TSO). Together with Statnett's policies, process map and other internal governing documents this forms the management system's framework, whose object is to drive efficiency improvements, continuous improvement and risk reduction.

2. Operational performance

Statnett has a sectoral policy objective, and the company's activities are clarified in its Articles of Association.

Article 2 of Statnett's Articles of Association states that "Statnett SF is the operator of the transmission grid and the system operator of the Norwegian power system". As the transmission system operator (TSO), Statnett is responsible for at all times ensuring instantaneous balance between production and consumption of electrical power in Norway. The role of transmission system operator is mainly regulated through TSO regulations and Statnett's TSO licence.

Article 2 further establishes that "the enterprise is responsible for operating and developing the transmission grid in a socio-economically efficient way. Statnett SF shall on its own or in conjunction with others, plan, design, build, own and operate transmission infrastructure. Statnett SF shall undertake the tasks incumbent upon it under the terms of legislation and licences. In other respects, Statnett SF shall operate on commercial principles." Statnett's Articles of Association may be found on the Group's website.

3. Equity and dividends

The owner's dividend policy is established in the Norwegian national budget. Dividends are decided at the Annual General Meeting following each financial year. The owner's dividend policy, pursuant to the national budgets for the financial years 2019–2022, is for a dividend payment corresponding to 50 per cent of the Group's underlying profit. The dividend basis is defined as the Group's profit for the year after tax, adjusted for the change in the year's post-tax higher/lower revenues. In other respects, the capital structure is managed through the raising and repayment of short-term and long-term debt, as well as changes in liquidity reserves. There have been no significant changes in the targets and guidelines for capital management throughout the year.

4. Equal treatment of owners and related-party transactions

Statnett SF is wholly owned by the Norwegian state through Ministry of Petroleum and Energy. As a result, the company does not have dedicated guidelines governing equal treatment of different owners. As required by statute, Statnett uses valuations prepared by independent third parties for material transactions between the company and related parties.

Statnett's Code of Conduct obliges employees, consultants and trustees who represent Statnett to disclose any issues concerning their legal competence.

5. Tradeable shareholdings

Statnett is a state-owned enterprise with no tradable shareholdings. The sale of shares in the enterprise would involve a change in its form of incorporation, which would require a legislative amendment adopted by the Norwegian Parliament (the Storting).

6. General Meeting

As sole owner, the Ministry of Petroleum and Energy exercises ultimate authority in the enterprise through the General Meeting. The following topics are reviewed and voted on at the Annual General Meeting. Adoption of Statnett SF's income statement and balance sheet, including appropriation of the surplus for the year or coverage of the deficit for the year, adoption of the consolidated income statement and consolidated balance sheet. Other matters that fall to the General Meeting in accordance with legislation or the company's Articles of Association are also reviewed, including the election of the Board of Directors and remuneration of board members and board committees. The Board and the auditor participate in the General Meeting.

The Ministry of Petroleum and Energy's authority in the enterprise is exercised through the General Meeting. The General Meeting adopts Statnett's Articles of Association, including Statnett's objects, which establish frameworks for Statnett's activities. The Annual General Meeting is held each year by the end of June.

7. Election of board members

The Ministry of Petroleum and Energy elects the owner-elected board members at the General Meeting. Employee-elected and any deputy members are elected by and from among the company's employees in accordance with the applicable regulations in the State-Owned Enterprises Act.

8. Corporate Assembly and Board of Directors, composition and independence

Statnett does not have a Corporate Assembly. In accordance with the Articles of Association, the company's Board of Directors should comprise seven to nine members plus any deputy members. Two, potentially three, members and any deputy members are elected by and from among the company's employees in accordance with the applicable rules and associated regulations of Section 20 of the State-Owned Enterprises Act. In accordance with Section 21 of the State-Owned Enterprises Act, board members are elected for a term of up to two years, but remain in office until a new board member has been elected even if their term of office has expired.

In accordance with the State-Owned Enterprises Act, the CEO cannot serve on the Board of Directors. With the exception of employee representatives, the board members are independent of the enterprise and its owner.

9. The work of the Board of Directors

The Board is responsible for ensuring appropriate management, governance and control of Statnett. The Board's work follows an annual plan and is managed in accordance with adopted rules of procedure for the Board. These rules clarify the allocation of roles and responsibility between the Board and the CEO and help to ensure the Board remains independent in its work. The Board adopts Statnett's strategy, determines rules of procedure for the CEO and ensures that Statnett is appropriately organised. The Board adopts financial frameworks, ensures that Statnett satisfies formal requirements, legislation and regulations, performs satisfactory asset management and has a sound working environment.

The Board helps to ensure that it is appropriately composed, and that the Board's work is based on transparency, trust, expertise and legal competence, and that the board members' collective expertise effectively contributes to good long-term value creation at Statnett. Statnett's Code of Conduct instructs the board members, on their own initiative, to disclose any matters that could affect their legal competence. Statnett satisfies statutory requirements for representation of both genders on the Board. For an account of the Board's work, please refer to the report of the Board of Directors in the annual report.

Audit Committee

The Board has established an Audit Committee to prepare matters for consideration by the Board. The Board has adopted rules of procedure for the Audit Committee. The Audit Committee's remit is to prepare the Board's review of the financial reporting process and monitor the systems for risk management and internal control, including the company's internal audit function. The Audit Committee must further maintain ongoing contact with the company's elected auditor regarding the audit of the company, as well as assess and monitor the auditor's independence in accordance with the Norwegian Auditors Act.

Remuneration Committee

The Board has established a Remuneration Committee to assist the Board in establishing the CEO's terms of employment, together with the main principles and frameworks for remuneration of Statnett's Group Management. The Board has adopted rules of procedure for the Remuneration Committee.

Project Committee

The Board has established a Project Committee to prepare matters for consideration by the Board relating to the follow-up of Statnett's investment projects. The Board has adopted rules of procedure for the Project Committee. The Project Committee must, in particular, ensure sound governance of board-approved projects and must follow up projects from the time investment decisions are made in Statnett's project model. The Project Committee must present the results of its deliberations to the Board, but must not make decisions on behalf of the Board.

Owner meeting

In addition to management meetings, the Ministry of Petroleum and Energy holds owner meetings with the Board of Directors, which are intended to serve as an informal forum in which the Board and owner can exchange opinions and discuss matters of major economic or strategic importance for Statnett. Statnett's Board and administration duly consider the views expressed by the owner at these meetings. Items that require the owner's approval must be discussed at the General Meeting.

10. Risk management and internal control

Statnett systematically reviews all risks affecting the business and the Board receives an updated risk profile each quarter. For a more detailed description of Statnett's frameworks and risk management procedures, see the chapter on risk management and internal control in the annual report.

Cumulatively, Statnett's Code of Conduct and core values, together with the company's organisation, corporate governance and reporting lines provide a basis for a sound internal control environment. Internal control is an integral part of corporate governance and is based on the principle of three lines of defence (manager, policy manager/staff and internal auditor). The Board is responsible for ensuring that the company has satisfactory controls and determines the ambition level for internal control maturity, based on Statnett's role, social mandate and risk picture, as well as a cost-benefit analysis.

Corporate governance report

Statnett complies with the government's own Code of Conduct on Corporate Governance and the recommendations of the Norwegian Corporate Governance Board (NUES) to the extent appropriate. The Board's corporate governance report is presented as part of the company's annual internal control report and non-conformances with the recommendations are explained.

Code of Conduct

Statnett's Code of Conduct establishes conditions governing how employees shall relate to each other and their surroundings. All policies and procedures are based on these principles. Statnett has appointed an Ethics Representative who ensures compliance with the Norwegian Working Environment Act's provisions with respect to facilitating reporting of any censurable conditions and serves as a whistleblowing channel for both employees and non-Statnett employees. Violation of the Code of Conduct can have varying consequences, depending on the nature and scope of the breach. Ethical guidelines apply to board members, managers, employees, temporary personnel and other parties who act on behalf of Statnett.

Code of Conduct for Suppliers

The Code of Conduct for Suppliers express Statnett's expectations and lays out requirements for all partners, business associates and suppliers, including the supplier's employees, board members, contracted personnel, as well as third-party consultants performing an assignment for a Statnett supplier. The Code's guidelines have been drawn up to clearly communicate our standards in this area. Statnett's requirements and standards must also be complied with by any subcontractor to a supplier throughout the contract chain. Breach of these guidelines is deemed to be a serious matter and may result in sanctions. Compliance with the Code's guidelines is followed up by means of checks on and audits of the suppliers.

11. Remuneration of the Board of Directors

Remuneration of the Board of Directors is determined by Statnett's owner (the Ministry of Petroleum and Energy). A detailed overview of the remuneration paid to the Board of Directors is disclosed in the annual financial statements.

12. Remuneration paid to executive employees

Statnett complies with the guidelines on management pay in state-owned enterprises. In accordance with Article 8 of the company's Articles of Association, the Board issues a declaration on management pay pursuant to the rules of the Public Limited Liability Companies Act and the Accounting Act, and the guidelines for state-owned enterprises. A detailed overview of remuneration paid to executive employees is disclosed in the annual financial statements.

13. Information and communication

Statnett is subject to the Norwegian Freedom of Information Act (with certain restrictions) and complies strictly with the rules on the provision of information to the power market and legislation on safety and emergency preparedness. Statnett distributes financial and operational information in accordance with legislation and practises both open governance and transparency. Financial and operational information, as well as the company's financial calendar, may be found on Statnett's website.

14. Acquisition of the company

The external auditor is elected by the General Meeting and is independent of Statnett. The auditor presents an annual work plan to the Audit Committee. The auditor meets the Audit Committee when relevant items are due for review. The auditor participates in board meetings to review the annual financial statements. The auditor holds an annual meeting with the Board without management being present. The Audit Committee evaluates and issues recommendations concerning the election of the external auditor and is responsible for monitoring the auditor's independence. As an important element of work to ensure the auditor's independence, the Board has established guidelines concerning employment of the auditor for services other than auditing. The auditor reviews the company's internal control each year with the Audit Committee. Details of the auditor's remuneration split between audit and other services are disclosed in the annual financial statements.

Risk management and internal control

Statnett is a transmission system operator (TSO) that owns and operates critical infrastructure. The company's risk management and internal control reflect our social mandate and contribute to the company achieving its goals.

Statnett's risk management and internal control cover the entire business, including strategic, market, operational and financial matters. Enterprise risk management ensures that risks relating to HSE, the supply of electrical power, facilitation of value creation, our financial position and reputation are maintained at an acceptable level.

Responsibility

Statnett's Board has overall responsibility for ensuring that the company has good internal controls and appropriate risk management systems. The Board determines the company's risk profile, supervises relevant processes and monitors the company's key risk areas.

The Audit Committee prepares matters for deliberation by the Board. In this capacity, the Audit Committee is responsible for the Group's internal audit function and for monitoring its systems for risk management and internal control.

The Group Management is responsible for the operationalisation of the company's risk management and internal controls, including ensuring the correct treatment of key risks in line with Statnett's goals and corporate social responsibility. It is an established principle that risk is owned and managed at the lowest possible organisational level.

The finance and corporate governance function is responsible for facilitating risk management and internal control, including ensuring that the company has an appropriate framework and suitable tools.

Framework and implementation

The framework for corporate governance is based on recommendations given by the Norwegian Corporate Governance Board (NUES). In terms of risk management and internal control, the framework builds frameworks given by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) and on guidelines for risk management given in ISO 31000. Risk management also complies with guidelines given in ISO 55001, Asset Management, and ISO 14001, Environmental Management Systems.

The state of goals and risk is reviewed at least quarterly throughout the organisation. The process ensures that the state of goal attainment is assessed and that significant risks are identified, managed and communicated across organisational boundaries. As part of this process, the Board is provided with a balanced presentation of all significant risks, in addition to risk mitigation plans.

In 2021, Statnett further developed its framework for risk management and internal control. This is to verify compliance with internal and external requirements and guidelines, ensure safe and efficient operations, and cause risk management and internal control to become an integral part of the company's activities and functions across organisational boundaries. This work has included the further development of a standardised and risk-based internal controls system. The latter has a particular focus on risk in processes and the function of key controlls. As part of this endeavour, importance has been attached to coordination with quality and improvement processes to secure coordinated support and follow-up in the Group. Further development and implementation are part of the company's continuous improvementand will be continued in 2022.

Financial risk framework

The Board has drawn up principles for financial risk management through the company's finance policy. The finance policy establishes specific frameworks for financial management, including credit risk, settlement risk and counterparty risk. Internal control routines are established and performed by an independent party.

Risk factors

We will ensure secure operations and an efficient power supply by continuing to develop the grid, market and operating solutions of the future in the best interests of society. Our most important tasks are to provide a reliable supply of electricity 24/7 to contributing to electrification and green value creation, and to deliver the power system of the future. There will always be risks associated with goal attainment, be they strategic, operational or financial in nature. The most important risk areas are discussed below.

Strategic risk

In 2021, Statnett will complete its work on a new Group Strategy for the period 2021–2025. Part of this work includes identifying and managing strategic risk. Three strategic risk areas stand out. These will be integrated into our strategy implementation.

Strategic risk	Risk description	Treatment
Security of supply	Statnett aims to ensure a secure supply of electric power and high availability of grid capacity to the market today, as well as in the future. The capacity requirement is growing in response to the electrification of society. The power system will undergo substantial changes in the coming years, in part due to changes in its operation. Statnett has taken over a number of installations, pursuant to the EU's third energy package, which has led to an increased reinvestment requirement. Climate change, involving more extreme weather events, is expected to challenge facility operations in the years to come. Despite the ongoing focus on maintaining high security of supply to all parts of the country, certain geographical areas could prove to be challenging in a slightly longer perspective (3–10 years).	Statnett strives continuously to identify and manage risks related to security of supply in short term and in a more long-term perspective. This is reflected in Statnett's plans for operation and development of the transmission grid and in the development of market solutions. Statnett will ensure secure operation and efficient electricity supplies regardless of the weather. Planning and scenario analyses are important tools for the prevention of damage and for adapting our operations to climate change.
Regulatory affairs	The climate targets set by the EU and Norway requires a rapid restructuring of the energy and power system. Regulations and institutional frameworks, the physical power system and technological opportunities are all changing fast. There is a risk that Norwegian requirements may not be adequately met at the European level.	Through the TSO partnership in the Nordic region and Europe, Statnett participates in market and system development and the execution of joint IT projects to manage future operations. Statnett also works with other TSOs and Norwegian actors to influence European regulations, so that they are appropriate for Norwegian and Nordic conditions. The effective development of the power system and grid at the national level requires a

Strategic risk	Risk description	Treatment
	To create a forward-looking and effective power system, Statnett is dependent on good national, Nordic and European cooperation. Statnett's opportunity to exercise its influence in European arenas is important both for Norwegian value creation and security of supply.	rational distribution of tasks between Statnett and the regional grid operators. In consultation with the Norwegian authorities, Statnett is working with the regional grid operators with respect to system and grid development in Norway.
Growth in electricity consumption and tighter supply	Demand for renewable energy is increasing rapidly, and a growing number of enterprises want to connect new business operations to the grid or increase their existing grid consumption. There is also a considerable need to upgrade and modernise the transmission grid. Long lead times for major projects mean that grid capacity could become a rare commodity in certain areas until measures have been completed. Growth in consumption presumes increased production, including offshore wind power. At the same time, acceptance of new power generation facilities on land is open to doubt, as is when and where new production will come. A tighter balance between supply and demand will affect security of supply, developments in consumption and the transmission requirement.	Statnett is working strategically and systematically to ensure that the development of projects keeps pace with development in demand. We are preparing for an electricity consumption of nearly 220 TWh in 2050. This is reflected in Statnett's strategy, which emphasises a more holistic approach to planning and a faster rate of implementation. This also includes facilitating the introduction of new production. In 2022, we will draw up area plans that specify initiatives in various parts of the country.

Operational risk

Operational risk is associated with people, machines and processes. Statnett works continuously to minimise operational risk, for example through further development of management systems and internal control, including strengthening operational planning and risk assessments.

Operational risk	Risk description	Treatment
Health and safety	Every day, Statnett's employees perform many high-risk operations. It must nevertheless be safe to work at Statnett. One of Statnett's strategic principles is "safety in everything we do". We have a duty to provide all our employees with a safe workday, in keeping with the company's zero-accident vision. As a construction client, the company sets high HSE standards for its building contractors and subcontractors.	Statnett has identified the following HSE focus areas: • Internal control and systematic endeavours to maintain external compliance • Analysis and training • Leadership and HSE culture Throughout 2021, Statnett has worked systematically to improve a wide range of internal requirements and guidelines. Among other things, we have strengthened our governing documents related to the planning and risk assessment of work on electrical installations. Furthermore, all reported HSE incidents have been followed up. All operational personnel received weekly learning reports and, throughout the year, the focus was on managers being engaged in the work and the importance this has for the company's HSE culture.
Environment and climate	Statnett must take a holistic environmental responsibility. The need for new transmission capacity must be met, but with limited impact on nature and low greenhouse gas emissions from our own operations. We shall be at the forefront of our sector with respect to sustainability. This means that we must minimise the impact our facilities have on biodiversity and landscape values, and reduce our own greenhouse gas emissions. More extreme weather and a greater focus on climate policy, with ensuing stricter legal requirements in Europe and Norway, entails risk and uncertainty for the company's operational activities. Non-compliance with requirements related to the external environment, as well as expectations related to corporate social responsibility, can have consequences for the company.	The Group's principles with respect to the environment and climate are included in internal policies. Our work is based on the precautionary principle, focusing on a holistic approach to environmental and climate responsibility in planning, developing and operating the company's installations. Our strategy lays down principles for our internal climate and environment activities. It describes measures that are currently being implemented in planning, construction and operation of our installations. Systems for internal control have been established in accordance with the Energy Act Regulations, and these are followed up through internal routines and systems. For example, the company performs regular risk assessments of physical damage to installations that could affect security of supply. Climate change means that we must prepare for more frequent extreme weather events and changes in rain patterns. More extreme rainfall is likely, and we must also prepare ourselves

Operational risk	Risk description	Treatment
		for landslides and floods in the vicinity of our installations.
Security of supply	Statnett safeguards the supply of electrical power to customers, and ensures the transmission grid has the available capacity required to meet the market's needs. This requires a good understanding of risk factors, continuous monitoring and good risk assessments in both system and facility operations. The grid normally operates at an N-1 level of security. This means that failure of one individual component will not result in a power outage. In situations with a normal level of operational security, multiple simultaneous faults could cause outages. Some regions are still deemed to be particularly vulnerable. Where the grid is periodically operated with N-0 security, a single fault event could interrupt the supply. Weather-related incidents and extreme weather events, equipment failures, attacks on, or hacking of, operational control systems and acts of terrorism against physical installations are events that constitute a risk to the security of supply. New transnational interconnectors will boost value creation and security of supply, but are also expected to make operation of the transmission grid more challenging. The security policy situation has changed in connection to the war in Ukraine. This has also affected Statnett's risk picture, and several measures have been implemented to meet these threats.	The most important risk-reducing measures in the short term are good operational planning, correct maintenance of physical installations and effective cybersecurity measures. A well organised and prioritised emergency response reduces the impact of faults. Important measures that will boost security of supply in the longer term include Statnett's ongoing and planned investment projects for the renewal of its physical infrastructure and necessary increases in capacity. To accommodate future operations, Statnett also has a number of ongoing initiatives related to the Nordic region and the rest of Europe. Implementation of significant IT projects within market and system development is part of this effort.
Cybersecurity	The threats to the digital infrastructure are becoming increasingly complex. In 2021, the Norwegian National Security Authority (NSM), the Norwegian Armed Forces and the Norwegian Police Security Service (PST) published a joint National Threat Assessment; the first of its kind. Critical infrastructure continued to be highlighted as particularly vulnerable to state-backed operations that use cyberspace for intelligence purposes. We must expect to be a target for hostile agents, who are highly motivated, have a considerable capacity and excellent methods and tools, in particular if	The power grid constitutes a critical infrastructure. Robust cybersecurity measures are a high priority and a precondition for our operations, data assets, personnel and reputation. Statnett's efforts in the area of cybersecurity focuses on increasing our ability to predict, prevent, uncover and handle any incident in the best possible way. Successful cybersecurity requires a holistic and systematic approach, across the entire organisation. It requires good cooperation within the organisation as well as cooperation with other TSOs, suppliers and partners.

Operational risk	Risk description	Treatment
	anyone should wish to paralyse Norwegian society. We consider ransomware as one of the most probable threats at this time. Several of our partners and other actors in the electricity sector have already fallen victim to such attacks. In addition, end-users continue to be targeted, particularly via e-mail.	A prioritised area in 2021 was to strengthen the organisation's awareness of cybersecurity, particularly the threat from ransomware. Group-wide training exercises were carried out on this issue in 2021, as well as regular phishing simulations. Statnett takes digital risk extremely seriously, and has implemented several measures to protect critical infrastructures.
Stakeholder dialogue	Statnett's operations are critical for society and have a wide-ranging impact on it. Our critical role in society applies both to the company's day-to-day operation of the power system and its construction activities A regular, close and fruitful dialogue with a wide range of actors, stakeholders and customers is therefore necessary. The various risks associated with the company's operations also require a good dialogue with various parties. Such issues include the grid's capacity, now and in the future, to ensure security of supply, as well as facilitating sustainable value creation and the electrification of society, which is a precondition for a zero-emissions society. The complexity of the power system and how it works, as well as the tight energy market in Europe, affects discussion of electricity prices and the supply situation.	It is important that Statnett, through a variety of communications initiatives and in a variety of arenas, engages in a good dialogue and builds a general understanding of its mission in society. This is particularly important at a time when we are receiving many enquiries regarding the connection of new consumption and the need for new production to support sustainable business development and the electrification of society, and in connection with the construction of new physical installations. It is important that we plan in a holistic manner, in consultation with regional grid operators. The plans must be socio-economically efficient, such that we obtain adequate grid capacity, while keeping costs low. It is also important that our procurement processes are legally compliant and sustainable. A good and fact-based dialogue with stakeholders about electricity prices and the supply situation is important.

Operational risk	Risk description	Treatment
The Covid-19 pandemic	Our main goal throughout the pandemic has, as ever, been to maintain a secure power supply.	The cross-functional Covid contingency group was active throughout 2021. The winter/spring 2021 started with strict public health regulations and national restrictions on travel to Norway. This made bringing the necessary staff and competence into the country a challenge, particularly with regard to construction projects. However, Statnett has been able to bring in staff with society-critical skills or on application to the Norwegian Maritime Authority. Towards the spring/summer of 2021, the vaccination rate in society rose and some public health regulations were lifted. Statnett performed a controlled reopening of its offices and lifted measures for office staff and those working on projects and in operationally critical areas. All Covid-related measures were lifted after the summer. Statnett, and society in general, were opened with increased emergency preparedness; the only measures remaining were a focus on handwashing and staying at home if staff felt unwell Hospital admissions rose sharply in the late autumn and winter of 2021, and a new and variant of the virus was identified in Norway. This was more contagious but less serious in its effects. As a result, public health measures were reintroduced, including extensive use of working from home and the shielding of operationally vital personnel at Statnett. These measures were continued into the new year.

Financial risk

Statnett is exposed to several types of financial risk, and we work continuously to develop and strengthen our policies, processes and procedures for dealing with these risks.

Financial risk	Risk description	Treatment
Cost effectiveness	Statnett's revenues are exposed to risk through the Norwegian Energy Regulatory Authority's (RME) determination of its revenue cap. This cap is adjusted by the outcome of an efficiency analysis, where Statnett's costs are compared with a historic cost level for the company. If Statnett is more (or less) efficient than at the point of comparison for the analysis, the company's revenue cap will be increased (or decreased).	Statnett has decided that its use of resources shall be tailored such that the company measures 100 per cent efficient in the mentioned analysis over time. The company has nonetheless adopted an expansive strategy, which requires prioritisation and increased efficiency if it is to be realised. Measures have therefore been implemented to support the realisation of the company's strategic goals.
Interest and liquidity risk	The company is exposed to interest rate risk in its borrowing and liquidity portfolios, and financial hedges, which can affect Statnett's costs over time. Statnett is exposed to liquidity risk related to the maturity of operational and financial payment obligations.	Statnett reduces interest rate risk and fluctuations in results by entering into interest swaps for associated liabilities. The residual interest rate risk in the borrowing portfolio is reduced in that the income side is affected by market rates through the reference rate used to regulate the company's revenue. Statnett has access to multiple lending markets and has a diversified loan maturity structure. Access to loans is supported by a credit rating for long-term borrowings of A+ from Standard & Poor's and A2 from Moody's Investor Service. Statnett's available liquidity is intended to secure financing for operations and investments on a 12-month rolling basis, even without new borrowings. This reduces the risk of Statnett being unable to refinance its borrowings in periods when fresh capital is scarce.
Currency risk	Statnett's revenues are mainly denominated in NOK, though some of the Group's costs are incurred in foreign currency.	Foreign exchange risk is minimised by hedging exposure to major procurements in investment projects using forward foreign exchange contracts or similar, and through the company's revenue regulation. All Statnett's foreign-currency borrowings are converted to NOK using currency swaps.
Credit risk	Statnett is exposed to credit risk through its investment of surplus liquidity in banks and interest funds.	The Group has frameworks establishing requirements for creditworthiness and maximum exposure for each individual placement of surplus liquidity.

Financial risk	Risk description	Treatment
	Statnett also assumes credit risk through its role as Settlement Officer in the flexible power market.	This risk is managed by means of established monitoring routines and the pledging of security for participants in this market.
Counterparty risk	Statnett is exposed to counterparty risk through its derivatives counterparties.	Statnett enters into Credit Support Annex (CSA) agreements to reduce this risk.

Sustainability report 2021

Responsible business

Statnett is the transmission system operator (TSO) for the Norwegian power system, and operates and develops the nationwide electricity transmission grid. Through our social mission, we help set the premise for the green transition, facilitating a sustainable society.

Statnett has a key role to play in achieving zero emissions in 2050 and will pave the way for electrification and new green value creation. Sustainability and safety must be the basis for everything we do. This includes, among other things, broad environmental responsibility, preserving biodiversity, safeguarding personal safety, diversity in the workplace and decent working conditions throughout the value chain. It also includes what we can do to minimise our resource use and environmental impact, and how we can reduce our own greenhouse gas emissions.

We use results from ESG metrics (Environmental, Social, Governance) as an indicator of our sustainability work and aim to be among the very best in our sector on relevant ESG metrics.

Global challenges and sustainable solutions

Business enterprises are affected by globalisation, technological advances, climate change, loss of biodiversity and a shortage of natural resources. There is a growing expectation that value must be created in a sustainable way. This means that companies' products and services, and the way they are made and used, must be compatible with the UN Sustainable Development Goals (SDGs). For Statnett, this means facilitating electrification and making sustainable choices in our day-to-day working lives. Climate change is one of the biggest challenges of our time. Electrification is an important factor in reaching global and national climate goals. A robust power grid and good security of supply are prerequisites for the zero-emission energy system of the future. Our activities enable Norway and our neighbouring countries to increase the proportion of renewable energy and reduce greenhouse gas emissions. Although Norway is one of the world's most highly electrified countries, around half of the energy our society uses comes from fossil sources. The potential for further electrification is particularly large in the areas of transport and industrial production. More and more people want to connect new businesses to the grid or increase existing consumption. Statnett is therefore planning for a significant growth in consumption – up to 220 TWh in 2050, compared to 140 TWh in 2021.

Statnett maintains a high level of activity, has a great many work processes with a high level of inherent risk, relatively space-intensive facilities, in addition to working with international contract partners. Loss of biodiversity, personal safety, social dumping and unethical business practices are therefore all relevant challenges for us. In our strategy, we take the position that targeted and systematic efforts in the field of sustainability are a key part of our business operations.

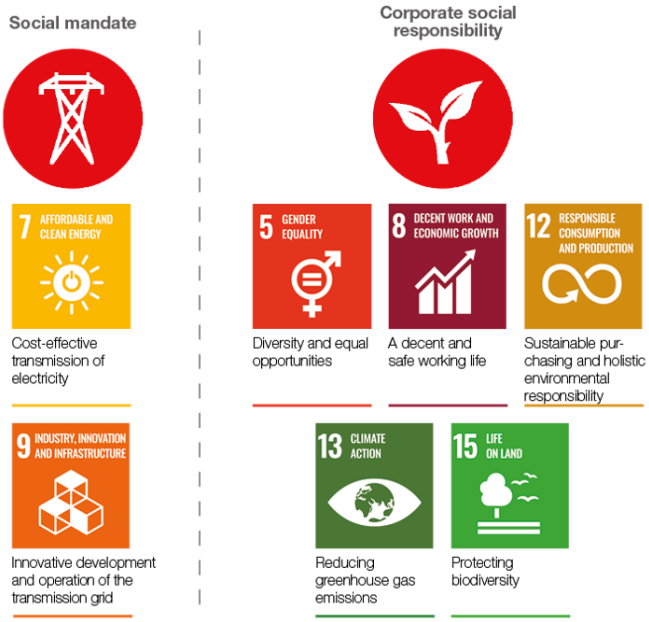
Statnett's contribution to the UN Sustainable Development Goals

Statnett supports the UN Sustainable Development Goals (SDGs) that were adopted by world leaders in September 2015. The 17 goals are designed to contribute to a more sustainable planet and a good life for future generations. In order to achieve these goals, both public authorities and business must take responsibility.

The SDGs provide a framework for our efforts. We have formalised our commitment to achieving these goals by joining the UN's sustainable business initiative: the UN Global Compact (UNGC). UNGC member companies undertake to prepare an annual report called a "Communication on Progress" (CoP). Statnett's most recent CoP is available on the UNGC website. This sustainability report (part of our 2021 annual report) has been prepared in accordance with the requirements for the UNGC's CoP, and will thus constitute Statnett's next CoP.

Sustainability is an integral part of our business, when deciding on solutions, land use, power line routes, technical solutions and materials. Conflicts may arise where the same activity that contributes positively to the achievement of one SDG has a negative impact on others. The goal is to ensure the best possible comprehensive and sustainable solutions.

Seven of the UN's Sustainable Development Goals are particularly relevant to us. We contribute to these through our ***social mission*** and the way we address our ***social responsibility***. The seven goals are presented on the next page.



Prioritising sustainability areas

Statnett laid out a new Group strategy in 2021. Sustainability is an important part of our strategic agenda and is defined as one of Statnett's six main goals in the Group's scorecard: ***Sustainability and safety in everything we do***.

The following areas are prioritised:

- Ensuring all employees enjoy a safe working environment
- Ensuring decent employment and working conditions throughout the supply chain
- Taking broad responsibility for the environment and preserving biodiversity
- Reducing greenhouse gas emissions and managing climate risk
- Increasing workforce diversity with respect to competence, background and gender
- Combatting corruption, human rights abuses and unethical behaviour in everything we do

These areas and associated ambitions have been considered by Group Management and the Board of Directors in 2021.

Organisation and implementation of sustainability

Goal: Be among the very best in our sector in terms of external ESG metrics

Statnett's social responsibility policy answers the expectations state-owned enterprises are subject to in the areas of human rights, labour rights, climate and the environment, as well as anti-corruption. This policy is part of our management system, and is also based on the principles of the UN Global Compact and national statutory requirements, facilitating a structured and holistic approach across the organisation.

Statnett is certified according to the international standards ISO 14001 for environmental management and ISO 55001 for asset management.

The Board of Directors has the overarching responsibility for ensuring that Statnett lives up to expectations regarding good sustainability work. Group Management is responsible for following up the company's goals, implementing necessary measures and ensuring the achievement of results. Day-to-day implementation of this work is a management responsibility. Management of sustainability work is an integral part of all activities in all management teams, business areas, departments and sections, including wholly owned subsidiaries. Our framework for risk management and internal control ensures that we meet requirements and expectations. This is described in the annual report's chapter on risk management and internal control.

Statnett's sustainability work has been strengthened following a major reorganisation in 2021. *People & Sustainability* has been established as a new corporate staff function with group-wide responsibility for sustainability. We have an interdisciplinary sustainability team, with representatives from relevant business areas. The team is coordinated by the new staff function.

Statnett's most important guidelines for sustainability work are statutory rules and requirements, as well as the internal obligations laid down in our governing documents:

- "The green change of pace" – Statnett's strategy 2021
- Governance policy for corporate social responsibility
- Employee Code of Conduct
- Supplier Code of Conduct
- HSE policy (health, safety and environment)
- Pay and working conditions
- Environmental and climate strategy
- Functional policy for procurement
- Procurement instructions
- Personnel Handbook

Compliance with applicable laws and requirements is an essential part of our management, activities and decision-making processes. Within priority areas, we aim to go beyond these requirements. We will actively use the results of ESG metrics and risk assessments to improve our sustainability work, and our goal is to be among the very best in our sector in external ESG metrics. This means that we must increase awareness of sustainability by having an overview of future requirements. In addition, we must boost the organisation's competence and develop the organisation's culture, as well as integrate considerations of sustainability and safety in internal processes.

Statnett's Ethics Ombudsman

Statnett has an Ethics Representative, whose role is to strengthen legal protection for employees, and to help to uncover and deal with matters that are in breach of our ethical guidelines. The ethics representative scheme is described in our codes of conduct for employees and for suppliers. These codes of conduct, which have been approved by the Board of Directors, state that we have zero tolerance for corruption, harassment and workplace crime.

The Ethics Representative receives and processes enquiries from anyone who has observed wrongdoing or errors committed by Statnett. This can apply to our employees, our managers or our suppliers. The Ethics Representative is required to take steps to ensure that the person making contact is guaranteed total confidentiality and anonymity if requested. It is also possible to report to the Ethics Representative completely anonymously through our digital whistleblowing channel called "Mitt varsel". The Ethics Representative reports to the President & CEO and the Board of Directors.

Dialogue with stakeholders and customers

Statnett has a range of stakeholders in Norway and the rest of Europe. Our stakeholders extend from government authorities to local landowners and people living near our facilities. Grid operators, power producers, existing industry, new green industry, investors in offshore wind projects, the transport sector, private individuals and households are stakeholders with whom we have an ongoing dialogue. Internationally, Statnett works with suppliers, contractors, investors, lenders, government agencies, regulatory bodies in the Nordic region and the EU, and transmission system operators in countries with which we exchange power. The figure shows the most important groups of stakeholders with which Statnett engages.

Statnett supplies critical infrastructure and administers public resources. This is why transparency about how we carry out our work is important. Dialogue and collaboration with stakeholders and customers are central in the exercise of Statnett's two roles as transmission system operator and grid owner. These are described in the "This is Statnett" chapter in our annual report and on our website. In recent years, there has been a great demand for new connections to the grid. These processes require intense dialogue with the actors requesting a connection and with affected parties, such as local power distribution companies, local authorities and landowners, Much of the dialogue is regulated through regulations on power system assessments and licensing processes.

In licensing processes, it is important to quickly engage in a dialogue with the stakeholders concerned, both to ensure acceptance for the measures being planned and to elicit suggestions for local adjustments. We therefore arrange meetings with local stakeholders beyond those required by statutory regulations, where we discuss concerns related to construction traffic, noise, electromagnetic radiation, landscape impacts and encroachments on nature, and we receive input on how we can best adapt solutions to reduce these types of effects. Local mitigating measures are also explored in more detail where the licence requires an environment, transport and construction plan (MTA plan). This plan is drawn up in dialogue with those affected and will in some cases also be sent out for consultation. The plan describes how environmental considerations are to be taken into account in the development project and planned measures to mitigate the impact on the local community.

On our website, we provide information about individual projects in the form of messages and news, for example, as well as by publishing various documents such as licence applications and reports.

We engage in an ongoing dialogue with organisations and entities within the industry, with government and regulatory authorities, numerous other stakeholders, customers and actors in civil society. In addition, we participate in different networks, initiatives and forums at the national and international level. Statnett's customers are represented in the Market and Operations Forum, where we discuss and share knowledge about strategic issues and matters of principle, and have meetings with Statnett's Board of Directors. The minutes from the forum's meetings are published on Statnett's website. We also participate actively in Nordic and European collaborations, for example the European Network of Transmission System Operators (ENTSO-E).

About the report

The sustainability report is structured in three main parts:

- Our environmental and climate contributions
- Our contributions to sustainable economic growth
- Our social contributions

The chapters refer to which of the UN's Sustainable Development Goals we contribute to and how we contribute. Accounts for the sustainability report can be found on page 49.

Our reporting is in accordance with the Global Reporting Initiative (GRI) Standards, Core level. This covers indicators for different themes and requirements for the reporting process. We also report on relevant indicators for the energy sector (GRI G4 Electric Utilities Sector Disclosures). The GRI table links the GRI indicators to the UN Sustainable Development Goals.

We have engaged Deloitte AS to review the report. Their statement is attached. Although this report forms part of Statnett's 2021 annual report, we have elected to publish it as a separate document. Some elements in the GRI table refer to other chapters in the annual report than that relating to sustainability.

Our environmental and climate contributions

Climate change and loss of biodiversity are two major global challenges that we aim to counteract through our day-to-day activities. The following environmental and climate areas are part of our strengthened commitment:

- Taking broad responsibility for the environment and preserving biodiversity
- Reducing greenhouse gas emissions and managing climate risk

These priorities contribute to three of the UN's Sustainable Development Goals:

HIGH STANDARDS WITH RESPECT TO THE ENVIRONMENT, WORKING CONDITIONS AND ETHICS THROUGHOUT THE VALUE CHAIN

REDUCE GREENHOUSE GAS EMISSIONS AND MANAGE CLIMATE CHANGE

TAKE COMPREHENSIVE ENVIRONMENTAL RESPONSIBILITY AND PRESERVE BIODIVERSITY

Holistic responsibility for environment and preservation of biodiversity

The UN has designated 2021–2030 as the world's decade for the restoration of ecosystems. The UN's SDG 15 is about protecting, restoring and promoting sustainable use of terrestrial ecosystems and halting biodiversity loss. Statnett aims to reduce the environmental impact of our facilities and our activities to an even greater extent than that required by law. We place particular emphasis on reducing greenhouse gas emissions and preserving biodiversity and landscapes. This is where our activities have the most impact. To achieve environmental and climate improvements, the environment and climate must be an integral part of all our planning and operations.

Compliance with requirements

We comply with environment-related statutory provisions and political directives. In line with Proposition to the Odelsting No. 62 (2008–2009), we always try to meet the need for additional transmission capacity through limited use of the natural environment. Report to the Storting No. 14 (2011–2012) "We build Norway – concerning the development of the power grid" states that an in-house or third-party impact assessment must be performed with respect to any measures we implement, and that affected parties must be involved. This is implemented through legislation and is monitored through processes involving choice-of-concept studies and licence processing.

In our planning work, we assess whether it is possible to restructure or remove older power lines when developing the power system. Voltage upgrades of existing power lines are an example of a measure with a limited need for new interventions in the natural environment, in addition to reducing energy losses per transported MWh. As part of the licensing terms for major development projects, the authorities require us to draw up an environmental, transport and construction plan (MTA plan), which describes environmental considerations and mitigating measures in the construction and operation phases. This plan underpins the construction work to be carried out and is taken forward into subsequent operation of the facilities. Where licensing terms do not include the preparation of an MTA plan, we safeguard environmental considerations and mitigating measures during the construction and operation phases through internal control systems, in accordance with the requirements of the Energy Act Regulations.

Biodiversity

Changes to the natural environment are the biggest threat to biodiversity, and Statnett works actively to reduce the negative impact of our encroachments on nature. We must limit total land use and preserve valuable nature. In the years to 2030, we will actively facilitate biodiversity in and around our facilities, and ensure that this is an integral part of the planning and operation of our facilities. In order to preserve biodiversity, we work continuously to improve our knowledge and implement best practices. We consider habitat types and species distribution when planning and selecting solutions, and during construction and operation of facilities.

Where we do not have the opportunity to avoid affecting biodiversity, we put in place measures to limit or mitigate effects from our construction activities. This may include restrictions on where and when construction activity is permitted during vulnerable periods, such as during breeding seasons for endangered and vulnerable bird species, and during reindeer calving periods. We also implement measures such as limited tree felling and limited ground transport. The same measures may also apply to the operational phase.

We restore construction sites, temporary roads and on-site accommodation areas, as well as any damage to the terrain, in line with Statnett's terrain management

Greener Natural Intervention and Reduction in Greenhouse Gas Emissions linked to Construction Work – GRAN

The GRAN research project, which was completed in 2021, aimed to improve and further develop the planning and implementation of mitigating measures in construction projects. We have done this by looking at how different methods for landscape management in the construction phase affect regrowth and species diversity. In addition, we have developed a calculator to calculate greenhouse gas emissions from the carbon stored in the soil, and we test how we can facilitate good cooperation between professional groups in practice.

In 2021, GRAN, in collaboration with the NTNU University Museum, has carried out experiments on how to restore peat moss to its natural state as quickly as possible. Peat moss is a key species in bogs that, among other things, helps to slow down emissions of the greenhouse gas methane. Experience shows that it is difficult for peat moss to re-establish itself after restoration of previously excavated bog areas.

In 2020 and 2021, we established several experimental fields, including under a pylon on the 420 kV line between Namsos and Hofstad. Cut pieces of peat moss were strewn over the fields, and then covered with straw to prevent the peat moss from drying out or blowing away. After two growing seasons, the peat moss has managed to establish itself, especially where the water level is high.

This simple method appears to be very suitable and useful for facilitating the regrowth of peat moss, both in Statnett projects and for others who excavate in bog areas.

Photos from Magni Olsen Kyrkjeeide (The Norwegian Institute for Nature Research) and Marte Fandrem (NTNU Science Museum). Read the full story (in Norwegian) How can we restore bogs? on nina.no.

handbook. The handbook was revised in 2020 on the basis of experience derived from its practical application.

In 2019, we started working on surveying non-native species at our substation facilities in South Norway. The survey showed that measures to prevent the spread of non-native species in vulnerable areas were recommended at around 20 per cent of our substation facilities. In addition, we are considering measures for a further 30 per cent of our facilities. Based on the results, we prepared a guide in 2021 for managing non-native species.

Bogs and wetlands

Bogs and wetlands cover about 10 per cent of Norway and have an important ecological function as habitats for many species. At the same time, wetland areas regulate flooding and store large amounts of carbon. In recent years, Statnett has been working actively to avoid new interventions in bog areas, as well as to prevent bogs from being drained after interventions, in order to maintain the water level. In addition, through the GRAN research project (see text box), we have gained increased knowledge about how we can reduce the environmental impacts if an intervention is necessary in this type of area.

Life below water – marine environment

In 2021, Statnett carried out an early survey of a new route for a new cable connection across the Ofotfjord. Existing cables run through a rich coral area, consisting of both coral reefs and soft corals. Early surveys will enable us to plan a new route so that vulnerable natural habitats are damaged as little as possible. The photos below were taken in connection with this survey and show soft corals (*Alcyonacea*) and the deep water corals (*Desmophyllum pertusum)*.

In 2021, Statnett completed the construction of interconnectors to Germany and the UK. The cable to the UK, from Kvilldal in Suldal Municipality in Rogaland to Blyth in England, passes a well-known coral area in Midsundet, at the entrance to Sandsfjord. There is a ban on bottom trawling in the area to protect vulnerable marine habitats. The coral deposit was taken into account when the routes were being planned, so that the cables could be installed without major damage to the coral structures.

Our new business area, Offshore Development, focuses on how we can develop a sustainable offshore grid that facilitates new renewable energy while also taking into account the impact on nature and the environment. Read more about this in the chapter on interconnectors and the offshore grid.

Landscape

When we plan new facilities, we must always use best practices and find solutions that blend in with the surroundings. Among other things, we use laser scanning and three-dimensional modelling of the terrain to make it possible to select options that take into consideration the form and features of the landscape. We have prepared a standard for forest clearance for power line routes to reduce the visual impact of power lines in forests. In addition, we camouflage power lines, pylons and insulators where this has an effect, remove old equipment and use new types of pylons to reduce their visibility. In 2021, we built 4 km of camouflaged pylons and removed 96 km of power lines.

Camouflaged pylon. Photo: Line Sunniva Østhagen

Pollution and waste

Transformers contain large amounts of oil. As a safety measure against the oil leaking into the ground in the event of any defects or accidents, we have installed catch basins under all our transformers. As an additional barrier against the risk of negative impact on nature and the environment, Statnett has also chosen to use oil separators as standard. The oil separators meet the same operation and maintenance routines as those at the facilities where this is a requirement. For facilities that we have taken over due to the Third Energy Package, we plan to install oil separators where they have not already been installed. In 2021, we planned the installation of oil separators at four substations, and work has already begun at two of them.

Waste statistics can be found on page 155.

Environmental incidents

Goal: Zero major emissions or environmental damage

Incidents that have a serious or irreversible environmental impact are reported to the project owner and to Group Management. Two such environmental incidents were reported in 2021, as well as a major leak of SF_6 gas (sulphur hexafluoride) from a facility under construction.

One environmental incident was an oil leak from capacitor banks in connection with a demolition. It was discovered that oil leaked from a container where the discarded capacitor banks were stored during the demolition process. Necessary measures were implemented, and the incident was reviewed locally in relation to waste management.

The other environmental incident was an oil spill in connection with the draining of a transformer catch basin via an oil separator. Due to the high water flow in the oil separator, oil leaked into a nearby water source. As soon as the oil leak was discovered, damage mitigation measures were implemented using the substation's own oil spill containment equipment. The local fire service was contacted, and it was concluded that no further measures were necessary.

While the new Sogn substation was still under construction and before it was taken over by Statnett, a total of 271 kg of SF_6 gas leaked out as it was being refilled. A total of 271 kg of SF_6 gas was released. The leak was reported to the authorities by the contractor who carried out the refilling and entered it in their SF_6 accounts. The contractor conducted an investigation into the incident. Statnett takes the leak seriously and has implemented measures to prevent similar incidents.

Reduction in greenhouse gas emissions

Goal: 25 per cent reduction in 2025, 50 per cent reduction in 2030, 0.15 per cent emission rate of total SF_6 installation in 2025.

Statnett will reduce its own emissions in accordance with the Paris Agreement and the Norwegian Climate Act, and will in 2022 start the process of setting emission targets in line with the Science Based Targets initiative (SBTi). We are affected by climate risk, in the form of both climate change, which could impact our facilities, and due to more stringent climate policies. We systematise our work with climate risk and provide a TCFD index in this report according to the Task Force on Climate-Related Financial Disclosures (TCFD).

Statnett has set a goal of reducing greenhouse gas emissions by 50 per cent by 2030, compared with 2019. This includes emissions from our own operations, encroachments on nature and our contract partners. We have set a goal of reducing our own emissions by 25 per cent by 2025, compared with 2019. We have assessed our emission sources on the basis of size, climate risk and realistic measures. Based on these assessments, we have identified climate-related measures that will enable us to reach our goals in the short and long term.

The figures for 2021 show that Statnett's greenhouse gas emissions have been reduced by 12 per cent from 2019. Total greenhouse gas emissions were sharply reduced in 2021 compared with 2020. This is largely because emissions relating to network losses were reduced due to a higher proportion of renewables in the electricity imported into the Norwegian power system compared to 2019[1].

As a consequence of the pandemic, travel activity was low in 2021, which led to lower emissions from air and business travel, as well as lower emissions related to the heating of office premises and buildings.

A major climate challenge in the power industry is the use of the potent greenhouse gas SF_6, which is used as an insulating and extinguishing agent in encapsulated systems (GIS systems) and in other components such as circuit breakers. We are striving to reduce SF_6 gas leaks from our facilities and have implemented several measures in 2021. These included improved maintenance routines and the technical qualification of alternative gases. The goal is to reduce emissions from our total inventory of SF_6 gas to 0.15 per cent by 2025. In 2021, the emission rate was 0.17 per cent, a decrease from 2020.

Alternatives to SF_6 gas with a greatly reduced climate impact are available for facilities up to 132 kV and on passive components at the highest voltage level (420 kV). The alternative to SF_6 gas on active components is still not commercially available.

Statnett has technology-qualified use of those alternatives available in the supplier market and several new facilities have already been designed with this technology. The new

[1] For Norway's National Electricity Disclosure, see: Where does the electricity come from? – NVE (in Norwegian). The National Electricity Disclosure gives a picture of the average CO_2 emissions related to the consumption of electricity in Norway in a given year. The CO_2 factor will vary from year to year, depending on how much electricity we produce in Norway, how much we import from abroad and which energy sources are used in the countries from which Norway imports electricity.

Hamang substation in Viken will be the first substation in Scandinavia where alternative technology will be used on passive components at 420 kV voltage level when the substation is put into operation in 2023.

In the supplier market, work is now underway to develop and make solutions available for SF_6-free systems also for active components at the 420 kV voltage level. Technology development is fast, and we will use new technology when it is available, both for new and existing facilities. It was decided in 2021 that both Ulven substation in Oslo and Skaidi substation in Finnmark take a preassumption that SF_6 alternative technology is qualified and available for both passive and active components until development begins.

In order to achieve the goal of a 25 per cent reduction in greenhouse gas emissions by 2025 and 50 per cent by 2030, there is a need to implement more powerful measures. We follow up our endeavours in this area through goal management and action plans in relevant departments in the company.

Relevant measures to reduce Statnett's emissions include working systematically to reduce SF_6 leaks from our facilities, increasing the number of electric cars in our vehicle fleet, increasing the use of drones instead of helicopters and reducing business travel. The greenhouse gas emissions target for 2030 has a greater scope and requires a major shift, which will require us to evaluate new project design methods and how to engage in the circular economy, as well as the use of new materials and solutions with lower climate footprints during production, construction and operation.

The estimated greenhouse gas emissions linked to purchasing of materials indicate that this is one of our largest sources of emissions. We are therefore working to introduce climate-related requirements in our contracts. Construction work at new sites is another major source of greenhouse gas emissions. This is why we require fossil-free and emission-free construction sites in all projects where there is a mature supplier market. In 2021, we started fossil-free construction at our new Hamang substation in Bærum. Construction of the new Fagrafjell substation in Rogaland will also be carried out fossil-free. Our greenhouse gas accounts can be found on page 156-157.

Climate, weather and physical climate risk

Climate change means that we must prepare for more frequent occurrences of extreme weather and changes in precipitation patterns. Some places will experience less precipitation, while it will rain and snow more in others. More extreme precipitation is likely, and we must also prepare ourselves for landslides and floods in the vicinity of our facilities. The weather influences electricity consumption and renewable power production, and therefore also transmission requirements. It also impacts the load on the grid. For power lines, variations in both weather and vegetation play an important role.

We experience operational disruptions in years that gives us a lot of extreme weather and lightning activity. The number of faults on power lines has remained relatively stable at 60–90 per year over the past five years. This is lower than in the previous five-year period, when we suffered several extreme weather occurences. Less than 10 per cent of the faults on power lines are of lasting duration and require repair.

Icebox

Through the R&D project Icebox, Statnett seeks to significantly reduce accidents and outages related to icing. By developing a national icing map, which will be publicly available, we can both make smarter choices for power line routes, while also gaining an overview of the vulnerability of existing power lines. The icing map will also include assessments of future climate change. The development and use of ice load sensors in combination with icing forecasts will also make it possible to monitor and predict icing on vulnerable power lines so that preventive measures can be taken.

This photo was taken at Ålvikfjellet in 2014. Here, there was an estimated 60–70 kg of ice per metre, which is a good illustration of the icing problems we experience in some parts of the country. Photo: Ole Gustav Berg

Climate adaptation of critical infrastructure

Statnett must ensure safe operations and an efficient power supply, regardless of the weather. Planning and scenario analysis are important tools for preventing damage and adapting to climate change. The vulnerability of the grid is of great importance for how society is affected by change. There are better and better methods for calculating how wind, snow and ice create extra strain on our power lines. This provides guidelines for where pylons are placed in the terrain, and for the technical solutions for pylons and power lines. We work purposefully to increase our knowledge of climate impacts and climate change, as well as to develop methods and technologies, and to build reliable power transmission facilities.

Political change and adaptation risk

Climate change and the measures needed to combat it affect society. We expect to see further requirements for more climate-friendly solutions included in legislation and standards. This affects us, and we aim to ensure that technology, choice of materials and solutions in the future has a low environmental and climate impact. We are monitoring political developments and assess which decisions affect us directly and indirectly.

Norway has set ambitious climate goals, and it is probable that the legislation will be stricter in other sustainability-related areas in the years to come. We include this in current decision-making processes to reduce risk. Statnett has activities in and around several of Norway's major cities, and many Norwegian municipalities have ambitious climate targets. In Oslo and Bergen, for instance, there have been demands and new regulations for fossil-free and emission-free construction sites in recent years. At Statnett, we work to ensure that fossil-free and emission-free construction sites become the standard in the long run.

The 2020 national budget states that it may be appropriate to levy a specific tax on SF_6. At the end of 2018, storage and consumption of SF_6 became subject to a reporting requirement in Norway. Report to the Storting No. 13 (2020-2021) Climate Plan for 2021–2030 states that the government will evaluate measures to reduce both the use of and emissions from SF_6.

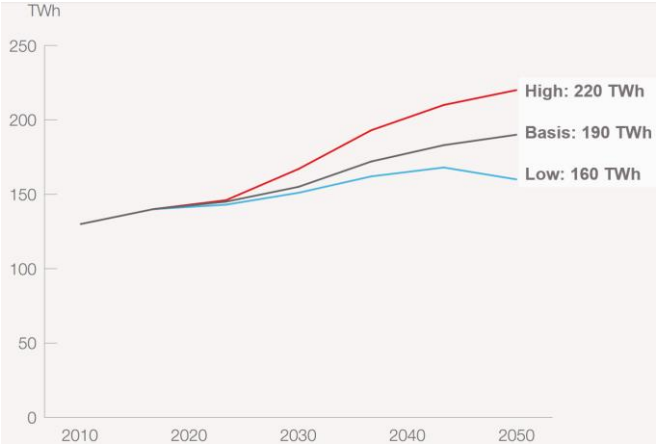
In June 2021, Report to the Storting No. 36 (2020–2021) "Energy for work – long-term value creation from Norwegian energy resources" was published. The report states that Norway's position as an energy nation will be further developed through investments in new industries such as hydrogen and offshore wind, by strengthening the power grid and by having a progressive oil and gas industry with low emissions. The report builds on Norway's climate plan and shows how renewable energy and the power grid will lay the foundation for electrification and phasing out of fossil energy.

The green transition is here now, and we are seeing an increasing number of requests to connect to the power grid across the country. Since 2018, we have processed applications representing approximately 26,000 MW of volume, where most of it is consumption. Data centres, electrification of the oil and gas industry and new green industries make up most of the plans. Activity is distributed throughout the country, but we see the greatest activity along the west coast and in the south, as well as the inner parts of Nordland and Vestfold and Telemark counties.

Climate risk reporting

The recommendations from the Task Force on Climate Related Financial Disclosures (TCFD) have become established as a central framework for how to analyse and report climate risk[2].

The scenarios on which we base our analyses were most recently presented in our Grid Development Plan 2021, see pages 37–47, where we show that Europe, the Nordic countries and Norway are in the midst of a radical change in the power system, with increased power consumption, increased renewable production and the phasing out of fossil-fuelled and nuclear power plants. Offshore wind farms are a key element of Europe's green transition, and a large proportion of the new generating capacity is expected to be built in the North Sea. The development towards a zero-emission society is moving fast, and we are adapting to the increased pace. We are preparing for a major increase in power consumption, up to 220 TWh of annual consumption in 2050 compared to 140 TWh today



Statnett's risk management and internal control processes cover the entire business, including strategic, market, operational and financial matters. Holistic risk management ensures that risks relating to sustainability, safety and the supply of electrical power, facilitation of value creation, financial position and reputation are maintained at an acceptable level. Statnett's most important tasks are to deliver a secure power supply 24/7, electrification and green value creation, as well as the power system of the future, both onshore and offshore. There will always be strategic, operational and financial risks associated with goal attainment. In the risk management process, we identify and manage all probable risks across the company. You can read more about this on page 41 of our annual report. We have included reporting on climate-related risks throughout our annual report and sustainability report. Below, is a table showing where in the annual report we report according to the TCFD framework.

[2] You can find the TCFD framework here: https://www.fsb-tcfd.org/.
Finance Norway has also drawn up a guide (in Norwegian): https://www.finansnorge.no/tema/baerekraft/klimarisikorapportering/

TCFD index

Management – Description of Statnett's management of climate-related threats and opportunities.

TCFD recommendation	Page
Description of the Board's monitoring of threats and opportunities, including those relating to the climate.	37-41
Description of management's role in assessing and managing threats and opportunities, including those relating to the climate.	37-41

Strategy – Description of current and potential consequences of climate-related threats and opportunities related to Statnett's business, strategy and financial planning.

TCFD recommendation	Page
Describe threats and opportunities the company has identified in the short, medium and long term, including those relating to the climate.	41-49
B. The significance of threats and opportunities for the company's business, strategy and financial planning, including those relating to the climate.	41-49
C. Describe the potential significance of various scenarios, including a 2C scenario, for the company's business, strategy and financial planning.	6-7, 21, 60-61

Risk management – Description of how Statnett identifies, assesses and manages climate-related risk.

TCFD recommendation	Page
A. Describe the processes the company uses to identify and assess risk, including climate-related risk.	41
B. Describe the company's processes for managing risk, including climate-related risk.	41
C. Describe how processes for identifying, assessing and managing risk are integrated into the company's overall risk management, including climate-related risk.	41

Goals and methods – Reports on methods, goals and parameters ("metrics and targets") used to assess and manage relevant climate-related threats and opportunities.

TCFD recommendation	Page
A. Describe the methods the company uses to assess threats and opportunities in light of its risk management strategy and processes, including those relating to the climate.	41
B. Businesses should report on Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and related risk factors.	56-57, 157-158
C. Describe the goals the company has adopted to deal with threats, opportunities and results in relation to the goals, including those relating to the climate.	6-7, 21, 55-61

Our social contributions

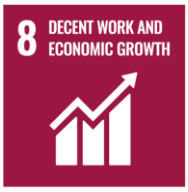
Statnett ensures that everyone working at and for the company enjoys safe working conditions as well as a decent salary and employment terms, and respect for freedom of association. We also aim to be an attractive employer, who provides equal opportunities to our employees, irrespective of gender or background.

Statnett's workplace priorities:

- Ensuring all employees enjoy a safe working environment
- Ensuring decent employment and working conditions throughout the supply chain
- Increasing workforce diversity with respect to competence, background and gender

These are linked to several of the UN's Sustainable Development Goals:

INCREASED DIVERSITY AS REGARDS BACKGROUND, COMPETENCE AND GENDER



ENSURE SAFE AND DECENT WORKING CONDITIONS

HIGH STANDARDS WITH RESPECT TO THE ENVIRONMENT, WORKING CONDITIONS AND ETHICS THROUGHOUT THE VALUE CHAIN

Ensuring all employees enjoy a safe working environment

Goal: Zero injuries and unwanted environmental impact

Many Statnett employees perform tasks involving an inherently high level of risk. The safety of our employees is our main priority.

Statnett's work with health and safety is founded on a "zero vision" and is based on compliance with the comprehensive regulations that have been developed to prevent injuries in the workplace. Having a "zero vision" presumes that every accident can be prevented and that the safety of the individual must come first. This is carried out through conscious and focused management, training and inspections through the safety representative scheme, through employee representatives and through our statutory internal control system, as well as through the Working Environment Committee (AMU).

Statnett will further develop itself as a professional construction client, and we set high standards for those we contract to work on our behalf. We are constantly improving our work processes based on knowledge about safe working methods, ongoing risk assessments and systematic training. We expect that the "zero tolerance" also is applied to the activities of our contractors and subcontractors. Contractors are responsible for developing procedures and providing proper training for their own employees. They also have a duty to ensure that their subcontractors comply with the requirements set by Statnett and laid down in applicable regulations.

During 2021, there has been a steady improvement in lost-time injuries (H1 indicator) in our projects, from 6,6 to 4.0. This corresponds to six lost-time injuries, which is a reduction from 13 lost-time injuries in 2020. There has also been a reduction in electrical safety incidents in recent years as a result of closer monitoring of contractors. New requirements in the Construction Client Regulations came into force in 2021. Statnett has addressed the changes in part by implementing measures to incorporate the new requirements in governing documents and processes.

The year 2021 was characterised by strict infection control measures and higher rates of infection for building and construction workers compared with 2020. Among other things, this led to fewer construction site inspections, which means that safety officers had a limited opportunity to closely monitor construction site conditions.

The table on health and safety on page 151 in our sustainability accounts provides further details in this area.

The safety climate under the microscope

In 2021, a survey of the safety climate in the operating organisation was carried out. The results show a strong safety commitment among employees and good safety communication. However, there is a need to implement measures to enhance risk management in the company.

Weekly reviews are carried out of all cases registered in our non-conformance system. This forms the basis for initiatives based on Lessons Learned and learning reports that are widely distributed in the operating organisation.

Management of accidents and injuries

Systematic follow-up of unwanted incidents and hazardous conditions means that we prevent accidents and incidents, and identify and utilise learning potential. In 2021, there was a significant reduction in the number of incidents with a serious potential for harm, compared with 2020. Our SIF indicator (serious incident frequency) has fallen by 63 per cent in the last 12 months. This

positive development is probably the result of improved quality of follow-up of implemented initiatives through performance management, clearer expectations related to HSE management practice, as well as strengthening of processes related to learning and interaction between specialists and management. Our internal lost-time injury statistics continue to show a positive trend, and at the end of 2021, we registered the lowest value in five years.

Compliance procedures

In 2021, we used our internal HSE control system to ensure compliance with statutory regulations, as well as internal and external requirements and standards. We have established a mandatory course for all operational managers in the company. The course programme encompasses basic training in the relevant regulations, as well as practical training in systematic HSE work, including the establishment of local risk registers linked to the operation of construction sites and real property. We conduct systematic competence development through training courses for managers and employees in relevant regulations and procedures, in areas such as labour law, contract law, pay and working conditions, and work with live electrical equipment.

Working environment

Due to the pandemic, many employees had to continue working from home in 2021, when it was mandated or recommended by the authorities. With the majority of our employees working from home, we have been able to protect our operations-critical functions.

At the outset of the pandemic, we quickly implemented a number of measures to ensure a good working environment and reduce the risk of infection. Through 2021, we continued, adapted and introduced new measures. We have had cases of infection both among our own employees and in our projects, without major negative consequences. We closely monitor cases of infection and assess each case on an individual basis with regard to risk and potential measures.

The interdisciplinary emergency response group that was established in early 2020 has been active throughout 2021 and will function as long as it is needed. The Group adjusts its activity level based on the infection situation and the internal need for response measures. The Group reports regularly to Group Management.

During the pandemic, three working environment surveys were conducted among the employees. The surveys' questions focused on work tasks, social relations with co-workers, ergonomics, collaborative working, digital tools and management. Based on the results of the surveys, measures have been implemented to improve social and ergonomic conditions. Employees who have needed additional measures to facilitate working from home have received individually tailored solutions based on dialogue with their line manager, the HR department, the business unit management and the Covid-19 emergency response team.

The occupational health service takes part in inspections and is represented on the Working Environment Committee (AMU). In 2021, a total of 31 occupational health and safety districts were established nation wide in Norway, primarily in the operating areas and at the administrative buildings. Every such district has a local HSE group where the local safety representative and a representative of the employer hold regular meetings and report to the Working Environment Committee each year.

Whistleblowing

Statnett's Ethics Ombudsman received a total of 58 reports in 2021. The vast majority of these were of such a nature that a solution was found relatively quickly. A few cases involving internal working conditions and our suppliers were more demanding.

In the first half of 2021, the Covid-19 pandemic made it difficult to follow up on certain issues, particularly reports relating to terms of employment at our suppliers. These cases are followed up by our department for employer liability, working closely with the Ethics Ombudsman, who is responsible for dialogue with any whistleblowers.

Information and training with respect to our Ethics Ombudsman arrangement and codes of conduct is part of our onboarding process for new employees. Project-specific courses have also been held, with the focus on tackling work-related crime.

Decent employment and working conditions throughout the supply chain

Statnett safeguards human rights and acts in a socially responsible manner. Our approach is based on the International Labor Organization's eight core conventions. This also applies to our suppliers and other contractual partners. We expect contracting parties in all countries to comply with our requirements for pay and working conditions and our partners and suppliers to respect the right to organise and human rights.

The Transparency Act is designed to encourage companies to respect basic human rights and decent working conditions, and ensure public access to

information. It will enter into force on 1 July 2022. Statnett is currently working to build up competence on the Transparency Act. Statnett's guidelines and internal systems must comply with the requirements of the Transparency Act, and we will establish good procedures for how to handle requests for information.

Sustainable purchasing

Sustainable purchasing is about doing more with fewer resources and promoting the circular economy. As a major buyer, Statnett is in a position to influence the supplier market and stimulate innovation.

In 2021, Statnett paid NOK 7,280 million to 4,597 different suppliers. The largest payments were made to building contractors and for the purchase of materials for the construction and operation of our facilities. We will use our purchasing practices to promote decent working and environmental conditions for all contracting parties and ensure freedom of association and respect for human rights. This is in accordance with Section 5 of the Public Procurement Act and is embedded in our purchasing guidelines. For all purchases, we require suppliers to accept and comply with our Supplier Code of Conduct and meet requirements regarding pay and working conditions. In addition, they must not be on the sanctions list of the US Department of Treasury's Office of Foreign Assets Control.

In our Supplier Code of Conduct, we draw special attention to the fact that we may reject suppliers who are excluded from investment by the Norwegian Government Pension Fund Global at the recommendation of the Council on Ethics, or who are registered on the joint list of ineligible firms and individuals drawn up by the World Bank and other development banks.

Supplier selection

Suppliers must undergo a qualification procedure to ensure they can deliver according to our contracts and comply with requirements. This process involves documenting that they have well-functioning systems for HSE, environmental management and quality.

For services or products assessed to be high risk, the qualification procedure includes audits and site visits. High-risk suppliers are audited regularly by means of the Achilles Utilities NCE qualification system and Statnett's own audits. Statnett's audits increasingly look at the risk of human rights abuses, serious environmental damage, violation of labour rights, including employees' freedom of association, as well as unethical behaviour.

Statnett has conducted an ongoing dialogue over several years with the Norwegian Tax Administration and the Labour Inspection Authority in the regions where our biggest projects are based. We have an agreement on information exchange with the Norwegian Tax Administration, which means that we can check suppliers against the Norwegian Tax Administration's registers before entering into contracts and in subsequent contract monitoring. The agreement is used for contracts within identified risk areas and is thus a tool for excluding disreputable suppliers in contracts within building and construction, and the provision of trades services, cleaning services, transport and canteen operations.

Follow-up of wages and working conditions

For Statnett, it is important to carry out systematic checks to ensure compliance with the provisions on pay and working conditions in our contracts. Breaches of provisions related to pay and working conditions may be so serious as to verge on the abuse of fundamental human rights. We carry out inspections based on an internally developed approach, where we systematically collect and check written information from the supplier and in parallel conduct interviews with the workers in their native language. This provides us with a basis for comparing the written information obtained from the employer with oral feedback from the employees. Workers from low-cost countries are prioritised during inspections of suppliers at construction sites. We assess the risk of non-conformances based on the individual countries' history in this field and our own experience with suppliers.

In 2021, we carried out inspections of all major suppliers that use foreign labour at our construction sites. No significant non-conformances were discovered.

Trade unions

Statnett recognises and appreciates the value of the Norwegian working-life model. This includes the tripartite cooperation between the government, the trade unions and employer organisations, and the local two-party cooperation. Good relations between management and employee representatives at individual firms are vital to companies' development and to their ability to adapt and rationalise. We aim to have a high level of trade union coverage, and take steps to enable the various trade unions to operate effectively and constructively. Employee representatives must have a genuine opportunity to exert an influence. This is achieved through an ongoing, open dialogue with the trade unions in order to ensure an exchange of information and views on matters important to employees.

The employees elect three members to Statnett's Board of Directors, with several of the trade unions drawing up lists of candidates. The employees are also represented on the board of the pension fund, the pensions steering group and the Working Environment Committee

Young Sustainable Development Goals Innovators Programme (YSIP)

Statnett's participants in the YSIP programme, Silje Christine Bugge, Kim Allgot and Hanne Lovise Jore

In 2021, three representatives – innovators – from Statnett participated in the UN Global Compact's Young Sustainable Development Goals Innovators Programme (YSIP). The programme lasts for ten months, and is aimed at young professionals aged 18–35 who work in a company that is a member of the UN Global Compact. The goal of the programme is to enable future leaders to develop and push forward innovative solutions, through new technology, initiatives and business models.

During the programme, the innovators identified a problem in the company and came up with proposals for a solution. The chosen issue for this year's innovators was *"How can Statnett use its procurements to contribute to the UN's Sustainable Development Goals?"*

The report from the YSIP innovators analysed more than a hundred completed procurements, and assessed whether they utilised the potential of the instruments available in the purchasing process. The report identifies several areas and associated measures to ensure that Statnett's procurements contribute to the UN's Sustainable Development Goals. The measures identified during this work will be included in our ongoing work to improve our purchasing framework.

The YSIP innovators have presented their report to Group Management and written several internal communications to shed light on the issue and sustainability in general. This has generated engagement among both management and employees. Statnett plans to nominate new innovators for the YSIP programme the next time it is implemented.

Gender equality, inclusion and diversity

For Statnett, it is important to be an attractive employer, irrespective of employees' background or gender. We must safeguard employee diversity with regards to gender, age, ethnicity, geographical residence and education. Women and men with approximately the same education/training and experience must receive equal pay. This is described in governing documents, where we use the ILO's core conventions as a basis.

We aim to raise the proportion of women in the workforce, and increase diversity. This is an important factor if we are to cultivate a larger number of talented people in various professional fields. We therefore actively focused on increasing diversity during our 2021 reorganisation process. During the reorganization, we were conscious to have a range of gender, age and geography for new leaders.

This has resulted in a marked increase in the proportion of women in management positions at all levels, from 25 to 30 per cent, and a lower average age among Statnett's managers, from 50.8 years in 2020 to 49,3 years.

"The future is diverse" – project initiated by this year's trainees in the autumn of 2021

The trainees joined Statnett on 1 September and their first project was to propose measures for how Statnett can increase diversity. They looked at the status of diversity in Statnett today, what kind of diversity is relevant to the company, and how Statnett can proceed to increase and improve diversity. The project points out that diversity can be divided into two main categories: outer and inner. In this context, "outer" is everything you can see with the naked eye, such as gender and ethnicity, and has received the greatest public focus. Inner diversity is everything you cannot see, such as

ality, expertise, attitudes and experiences. Both types of diversity create a more inclusive workplace, but it also produces clear improvements in a company's level of innovation and performance.

The project group concluded that Statnett has shown little improvement in recent years in terms of the number of women and people with a foreign background in its workforce. This is despite the fact that diversity has been specified as a goal for the company for a long time. The new strategy emphasises that increased diversity is a priority area, and it is therefore even more important to show that this is an issue Statnett actually wants to do something about. In addition, inner diversity should have a greater focus among managers, both in the recruitment phase and when putting together teams. The project report highlights several measures to increase and improve diversity within Statnett.

This year's trainees: Krishna Øyvard Bjørlin Solberg, Kjeld Fjeldberg, Oda Goa Berge, Christine Brinchmann, Sander Grønli Nordeide, Tuva Eikås Hagen.

In the recruitment of apprentices and summer students, we pay close attention to gender balance. When we recruit new apprentices, representatives from Statnett travel to selected upper secondary schools to talk about the power industry and promote Statnett as an attractive apprenticeship for both women and men. The proportion of women in the classes we recruit from is low, but we have nevertheless succeeded in recruiting female apprentices in recent years. As of 31.12.2021, Statnett had 30 apprentices, of which three were women. One of these started in 2021. In Statnett's annual summer project "Kube", half were women in 2021.

We want to increase our managers' competence with regard to diversity, encourage women to apply for positions and be aware of how we present ourselves and how we word our job advertisements. To a greater extent, arrangements will be made for English to be adopted as the working language in relevant departments. Employer branding, brand-building and knowledge of Statnett further contribute to meeting our performance management goal of increasing diversity in the company.

At Statnett, we want to have satisfied employees with high motivation and managers who show clear direction, develop their employees and deliver results. Through quarterly organizational surveys, we gain insight into commitment and employee satisfaction, and based on the results, we can work actively with measures in departments, sections and teams.

We will continue to work to increase the systematics around our work with gender equality, inclusion and diversity.

Statnett's life phase policy aims to accommodate employees of all ages. We offer a company kindergarten and social committees, and we have an active sports team. Initiatives under our seniors policy, such as an additional week's holiday and training opportunities, help to keep the average retirement age high.

In 2021, 93.8 per cent of fathers at Statnett took paternity leave.

Of Statnett's 1,594 permanent employees, 98.4 per cent are employed in 100 per cent positions. Nine cleaners (all women) work part-time at different locations around the country where the scope of work does not allow for a higher percentage position. There are 16 employees who work reduced hours due to partial disability or at their own request. Women make up 44 per cent of all part-time employees.

For younger employees, we have a dedicated group called "Young at Statnett", which arranges both professional and social events. Much of 2020 and 2021 has been spent online, and several of Statnett's young employees clearly expressed the importance of their network and the social aspects of the workplace when pandemic-related lockdowns made social contact difficult.

In 2021, we staged our trainee programme and hired summer interns as normal, despite the pandemic.

Competence and employee development

Statnett is a competence-based company. It is important to further develop the organisation's business-critical core competences.

All employees complete compulsory courses and can participate in relevant courses through our competence portal. Development of the individual employee's competence is monitored through compulsory follow-up meetings with their manager.

Statnett has an ambition to work more systematically with strategic competence management, which provides a framework for how we will develop competence to meet tomorrow's needs. We want to promote temporary job internships and controlled job rotation within the organisation. This helps managers and employees to broaden their competence, putting us in a better position to meet the demand for new skills. Talent development programmes and succession planning are also part of the action plan. All new managers and project managers at Statnett attend compulsory management training courses, covering corporate governance, HSE, employment law and our pay policy.

Our contributions to sustainable economic growth

In 2021, we saw records in both consumption and production, unusually high electricity prices, and major regional price differences within Norway. The year was characterised by great contrasts, at the same time as we see that the green transition is well under way in the energy supply sector. Sustainable economic growth is linked to several of the UN's Sustainable Development Goals, and the following SDGs are important for Statnett:

COST-EFFECTIVE TRANSMISSION OF ELECTRICITY

INNOVATIVE DEVELOPMENT AND OPERATION OF THE POWER GRID

HIGH STANDARDS WITH RESPECT TO THE ENVIRONMENT, WORKING CONDITIONS AND ETHICS THROUGHOUT THE VALUE CHAIN

To create value in a sustainable way, we must maintain a high ethical standard and make clear demands on our own employees and our suppliers. This will become more and more important due to increasing globalisation and less transparency in the supplier market. Therefore, we have defined the fight against corruption, human rights violations and unethical conduct in all activities as one of our priority areas.

We are clear that our responsibility to contribute to the UN SDGs extends beyond our own company to our contract partners as well. Long lead times in our project development and the long-term nature of our social mission mean that we must remain one step ahead of the societal changes that produce new requirements, new needs and new technology. This presumes that we maintain a good dialogue with our partners and other key actors, and work systematically to develop and adopt new technologies and competences.

Through clear requirements in our supplier code of conduct and dialogue with individual companies, we strive to ensure zero tolerance for corruption and all forms of bribery, fraud and unlawful business activity throughout the supply chain. We have drawn up codes of conduct for our own employees and our suppliers. We actively use our Supplier Code of Conduct when assessing contract partners.

Local value creation

Our main contribution to value creation is the secure supply of electricity and the connection of new production and new consumption to the power grid. In addition, we contribute to local value creation by utilising Norwegian suppliers of all sizes. We divide our construction projects into multiple contracts, so that local and regional suppliers have an opportunity to offer their services. Read more about sustainable purchasing and supplier selection on page 64.

Statnett has a presence nationwide, and our local offices support local projects in sports, culture and work with children and young people. Because these projects are also intended to benefit the local community, applications for financial support are assessed by Statnett employees with local knowledge.

Green financing

In recent years, banks and investors have increasingly been integrating consideration for people, society and the environment into their investment activities. This affects us because rating agencies specialising in sustainability have given us an ESG rating (Environmental, Social and Governance), which is used by our lenders. Good sustainability work can affect our financial framework and provide access to new lending markets.

In 2020, Statnett received its first two green bond loans totalling NOK 3.6 billion, with a further NOK 1.4 billion in 2021. Green bonds are loans intended to finance sustainable initiatives. Our green loans will be used to finance construction projects that will have a positive effect on the climate. The money will go to the Smestad–Sogn project, which will help Oslo achieve its climate ambitions and improve security of supply in the capital, as well as to the North Sea Link interconnector, which facilitates increased production and consumption of renewable energy in Norway and the UK.

Statnett has established a framework that describes which projects can be qualified as green. The framework has been qualified by CICERO (Center for International Climate Research). CICERO awarded Statnett the designation dark-green, which is the highest grade it is possible to achieve. We have established a cross-functional committee to assess projects. It is made up of employees with expertise in sustainability, analysis and finance.

The aim of the EU's action plan for sustainable finance is to facilitate sustainable activities. By creating a framework for sustainable finance, we hope to increase the financing of sustainable solutions and manage financial risk caused

by climate change. Statnett's main activity is expected to be in line with the EU Taxonomy Regulation. The taxonomy includes reporting requirements with which Statnett will comply when they apply to our business.

Innovation to achieve the sustainable development goals

SDG 9 is about building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation. Digitalisation, research and technology development are tools for innovation, which contribute to realising Statnett's goals. The development and application of new technology is vital to ensure that the significant investments triggered by electrification are sustainable, future-oriented, cost-effective and relevant. The development of a sustainable offshore grid is a good example of the need for significant technology development and innovation.

We work to promote innovation and technology development with partners in Norway and Europe. These include both research and teaching environments, as well as industry. Statnett cooperates, for instance, with other TSOs in the European network ENTSOE-RDIC (Research Development and Innovation Committee).

For Statnett, digitalisation is also becoming more and more important to its ability to properly fulfil our social mission. Better exploitation of power system data means that we can work smarter and more efficiently. More data and better analyses mean that more customers can be connected without us having to build new transmission networks.

Nordic Grid Development Perspective 2021

The Nordic TSOs, Energinet, Fingrid, Statnett and Svenska kraftnät, published the report Nordic Grid Development Perspective (NGDP) in autumn 2021. The report presents a common Nordic scenario "Climate Neutral Nordics", which assumes a high growth in electricity consumption in the Nordic region, up from the current 400 TWh to approx. 660 TWh by 2040. At the same time, the scenario assumes that the renewable energy production capacity will increase to more than twice today's level, from 85 GW to approximately 190 GW by 2040.

The report also presents an overall analysis of future power system needs based on this scenario. According to the analysis, the power system of the future will have a higher transmission requirement, and a substantial increase in grid capacity is needed. Furthermore, the existing flow patterns in the Nordic power system may change significantly in the future.

Interconnectors and offshore power grid

Statnett has several subsea cable systems in operation, both nationally and internationally. NordLink to Germany was put into ordinary operation in 2021, and North Sea Link (NSL) to the UK was put into trial operation in June. The total capacity of these interconnectors is 2,800 MW.

The government announced in the White paper Meld. St. 36 (2020-2021) "Energy for work" that it will start work on a more detailed regulation of offshore system responsibility and pointed to Statnett as having the role of system operator, under the Offshore Energy Act, for cables and facilities not regulated by the Petroleum Act. In March 2022, the government decided to give Statnett the responsibility for planning the offshore grid.

In 2021, Offshore Development became a separate business unit in Statnett, and will be responsible for developing Statnett's role in connection with offshore wind and offshore grids. Important sustainability areas for the new business area include fisheries and use of the ocean space, as well as Statnett's emissions and impact on nature and the environment.

Rights of Indigenous people

SDG 15, about life on land, means we must protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. In addition, food security and the rights of Indigenous people are other important reasons for ensuring the sustainable use of our natural resources.

International law stipulates that the rights of Indigenous people must be protected in the planning and construction of grid facilities. In Norway, the provisions of the Nature Diversity Act, the Reindeer Herding Act and the statutory regulations on impact assessments help ensure that these rights are safeguarded. Through the licensing process, Sámi stakeholders will be given a real opportunity to promote their interests and to influence the content of the decision.

For the past 10–12 years, Statnett has had major power line projects in areas licensed for Sámi reindeer husbandry. In order to take the interests of reindeer husbandry into account as much as possible, we establish an early dialogue to gain knowledge about the organisation and land use of reindeer grazing districts. The dialogue continues through planning and construction of the facilities to ensure the mutual exchange of useful information and agree on possible measures to reduce the impact.

The power line Nedre Vinstra – Fåberg – Oslo:

The power line was very important for the capital's power supply in the early post-war period. This is Norway's tallest power line on concrete pylons. When it was put into operation, it was also the country's longest power line

GRI disclosure 2021

GRI-disclosure	Description	Reporting	UN SDGs[1)]	Omissions
		GENERAL DISCLOSURES		
102-1	Name of the organization	Statnett SF		
102-2	Activities, brands, products and services	Annual report, This is Statnett		
102-3	Location of headquarters	Oslo, Nydalen		
102-4	Location of operations	Annual report, This is Statnett and note 20		
102-5	Ownership and legal form	Annual report, This is Statnett and note 20		
102-6	Markets served	Annual report, This is Statnett and note 20		
102-7	Scale of the organization	Annual report, This is Statnett and note 20		
102-8	Information on employees and other workers	Sustainability accounts		
102-9	Supply chain	Sustainability report, Our contributions to sustainable economic growth and Sustainability accounts		
102-10	Significant changes to the organization and supply chain	Sustainability report, Our social contributions. No significant changes in 2020.		
102-11	Precautionary Principle or approach	Sustainability report, Our environmental and climate contributions		
102-12	External initiatives	Sustainability report, Responsible business and Our contributions to sustainable economic growth		
102-13	Membership of associations	Sustainability report, Responsible business and Our contributions to sustainable economic growth		
102-14	Statement from senior decision-maker	Annual report, A word from the CEO		
102-16	Values, principles, standards, and norms of behavior	Sustainability report, Responsible business and Our contributions to sustainable economic growth. Annual report, This is Statnett	16	
102-18	Governance structure	Annual report, auditor's report and Sustainability report, responsible business		
102-22	Composition of the highest governance body	Annual report, Statnetts board, Sustainability accounts	5, 16	
102-40	List of stakeholder groups	Sustainability report, Responsible business		
102-41	Collective bargaining agreements	Sustainability accounts	8	
102-42	Identifying and selecting stakeholders	Sustainability report, Responsible business and Our contributions to sustainable economic growth		
102-43	Approach to stakeholder engagement	Sustainability report, Responsible business and Our contributions to sustainable economic growth		
102-44	Key topics and concerns raised	Sustainability report, Responsible business and Our contributions to sustainable economic growth		
102-45	Entities included in the consolidated financial statements	Annual report, This is Statnett, Organizational structure and note 20		
102-46	Defining report content and topic Boundaries	Sustainability report, Responsible business		
102-47	List of material topics	Sustainability report, Responsible business		
102-48	Restatements of information	Sustainability accounts		
102-49	Changes in reporting	No significant changes		

GRI-disclosure	Description	Reporting	UN SDGs[1)]	Omissions
102-50	Reporting period	2021		
102-51	Date of most recent report	11. march 2021		
102-52	Reporting cycle	Yearly		
102-53	Contact point for questions regarding the report	Knut Hundhammer, e-mail knut.hundhammer@statnett.no		
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards core		
102-55	GRI content index	GRI disclosure 2021		
102-56	External assurance	Independent assurance report		
		MANAGEMENT DISCLOSURES		
103-1	Explanation of the material topic and its boundary	Sustainability report, Responsible business		
103-2	The management approach and its components	Sustainability report, Responsible business		
103-3	Evaluation of the management approach	Sustainability report, Responsible business		
		ECONOMIC DISCLOSURES		
201-1	Direct economic value generated and distributed	Annual report, This is Statnett, Financial framework and Financial reporting	8,9	
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability report, Our contributions to sustainable economic growth	13	Statnett will in 2022 and onwards work to establish systems and methods for calculating economic impacts of climate change
405-2	Ratio of basic salary and remuneration of women to men	Sustainability accounts	5	
205-3	Confirmed incidents of corruption and actions taken	Sustainability accounts	16	
		ENVIRONMENTAL DISCLOSURES		
302-1	Energy consumption	Sustainability accounts	7, 8, 12, 13	
304-1	Operational sites in, or adjacent to, protected areas	Sustainability accounts	15	
305-1	Direct (Scope 1) GHG emissions	Sustainability accounts	13, 15	
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability accounts	13, 15	
305-3	Other indirect (Scope 3) GHG emissions	Sustainability accounts	12, 13, 15	
305-4	GHG emissions intensity	Sustainability accounts	13, 15	
306-3	Waste generated	Sustainability accounts	12, 15	
306-4	Waste diverted from disposal	Sustainability accounts	12, 15	
306-5	Waste directed to disposal	Sustainability accounts	15	
308-1	New suppliers that were screened using environmental criteria	Sustainability report, our social contributions	8, 12	Proportion not calculated

GRI-disclosure	Description	Reporting	UN SDGs[1)]	Omissions
		SOCIAL DISCLOSURES		
403-8	Workers covered by an occupational health and safety management system	All workers at Statnett SF	8	
403-9	Work-related injuries	Sustainability report, Our social contributions and Sustainability accounts	8	
405-1	Diversity of governance bodies and employees	Sustainability accounts	5	
406-1	Incidents of discrimination and corrective actions taken	Sustainability report, Our contributions to sustainable economic growth and Sustainability accounts	8	
409-1	Measures taken to contribute to the elimination of forced or compulsory labor	Sustainability report, Our social contributions	8	
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability report, Our contributions to sustainable economic growth	16	Limited to qualitative information
414-1	New suppliers that were screened using social criteria	Sustainability report, Our social contributions	8, 16	Proportion not calculated
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability accounts	16	
		SECTOR SPECIFIC INDICATORS		
EU3	Number of customers	Statnett has 69 customers in the transmission grid. The customers are divided into three categories; distribution grid companies, power producers and industrial customers (outlets over 15 MW).	7	
EU4	Length of above and underground transmission lines	Annual report, This is Statnett	7, 9	
EU12	Transmission losses as a percentage of total energy	Sustainability accounts	7, 13	
EU25	Number of injuries and fatalities	Sustainability accounts	8	
EU28	Power outage frequence	Annual report, This is Statnett	7, 9	

[1)]Refer to those of the UN SDG's that we consider to be most relevant to Statnett's activities.

Deloitte.

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To the Board of Directors of Statnett SF

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON STATNETT'S SUSTAINABILITY REPORT FOR 2021

We have been engaged by the Board of Directors of Statnett to provide limited assurance in respect of the sustainability information in Statnett Sustainability Report 2021 ("the Report"), included in the Statnett Annual Report 2021. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the GRI Standards, level Core, and other reporting criteria described in the Report. The Board of Directors is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individuals responsible for sustainability management, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Deloitte.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Statnett has established management processes and systems to manage material aspects related to sustainability, as described in the Report.
- Statnett has applied procedures to identify, collect, compile and validate information for 2021 to be included in the Report, as described in the Report. Information presented for 2021 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statnett applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. Statnett's GRI Index 2021 presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Statnett Annual Report 2021.

Oslo, 24 March 2022
Deloitte AS

Guro Magnetun Heimvik
State Authorised Public Accountant

Frank Dahl
Sustainability expert

Note: Translation has been made for information purposes only.

Comprehensive income

Parent company				Group	
2020	**2021**	*(Amounts in NOK million)*	**Note**	**2021**	**2020**
		Operating revenue			
9 649	13 082	Regulated operating revenue	4	13 944	10 522
562	476	Other operating revenue	4	468	240
10 211	**13 557**	**Total operating revenue**		**14 412**	**10 761**
		Operating costs			
600	1 505	System services	5	1 505	600
253	1 746	Transmission losses	5	1 746	253
1 105	1 165	Salaries and personnel costs	6, 7, 23	1 201	1 137
2 583	2 833	Depreciation, amortisation and impairment	8, 9	3 119	2 873
1 989	1 905	Other operating costs	27	1 995	2 030
6 530	**9 154**	**Total operating costs**		**9 566**	**6 893**
3 681	**4 403**	**Operating profit**		**4 846**	**3 869**
428	293	Financial income	10	37	209
662	607	Financial costs	10	644	658
-234	**-314**	**Net financial items**		**-607**	**-449**
3 447	**4 089**	**Profit before tax**		**4 239**	**3 420**
729	888	Tax	19	932	723
2 717	**3 201**	**Profit for the year**		**3 307**	**2 697**
		Other comprehensive income			
-246	298	Changes in fair value of cash flow hedge reserve	15, 28	298	-246
54	-66	Tax effect	19, 28	-66	54
-192	**233**	Other comprehensive income to be reclassified to profit or loss in subsequent periods		**233**	**-192**
-114	36	Changes in estimate deviations of pensions	7, 28	36	-114
25	-8	Tax effect	7, 19, 28	-8	25
-89	**28**	Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**28**	**-89**
-280	**260**	**Total other comprehensive income**		**260**	**-280**
2 437	**3 461**	**Total comprehensive income**		**3 567**	**2 416**

Balance sheet

Parent company				Group	
31.12.2020	31.12.2021	*(Amounts in NOK million)*	Note	31.12.2021	31.12.2020
		Assets			
		Non-curent assets			
586	1 244	Intangible assets	8	1 737	1 133
52 492	59 246	Tangible assets	8	66 767	60 296
9 976	6 108	Plants under construction	9	6 197	10 103
2 447	2 376	Investment in subsidiaries	20	-	-
65	74	Investment in jointly controlled company and associates	20	57	108
27	127	Pension assets	7	127	27
6 220	4 500	Derivatives	15	4 500	6 220
4 792	4 814	Other non-current financial assets	14	128	125
76 605	**78 489**	**Total non-current assets**		**79 513**	**78 011**
		Current assets			
-	3	Inventories		3	-
1 689	1 761	Trade accounts and other short-term receivables	11	1 134	1 362
1 288	994	Market-based securities	12	1 407	1 635
254	-	Assets held for sale	29	-	254
566	1	Derivatives	15	1	566
961	2 308	Cash and cash equivalents	13	2 387	1 058
4 757	**5 067**	**Total current assets**		**4 933**	**4 874**
81 362	**83 556**	**Total assets**		**84 446**	**82 885**
		Equity and liabilities			
		Equity			
5 950	5 950	Contributed capital		5 950	5 950
12 359	14 781	Other equity accrued		15 517	12 988
18 309	**20 731**	**Total equity**		**21 467**	**18 938**
		Long-term liabilities			
2 968	3 950	Deferred tax liability	19	4 055	3 086
273	264	Pension liabilities	7	266	275
500	473	Other liabilities	24	495	500
207	169	Derivatives	15	169	207
47 258	46 900	Long-term interest-bearing debt	16	46 903	47 236
51 205	**51 756**	**Total long-term liabilities**		**51 888**	**51 304**
		Current liabilities			
9 037	6 990	Short-term interest-bearing debt	16	6 831	8 660
2 745	4 063	Trade accounts payable and other short-term debt	17	4 202	3 906
66	17	Derivatives	15	17	66
-	-	Tax payable	19	40	12
11 848	**11 069**	**Total current liabilities**		**11 091**	**12 644**
81 362	**83 556**	**Total equity and liabilities**		**84 446**	**82 885**

Oslo, March 24, 2022, Statnett's Board of Directors

Jan Fredrik Baksaas
Chairman

Tove Pettersen
Board member

Maria Sandsmark
Board member

Egil Gjesteland
Board member

Wenche Teigland
Board member

Christian Reusch
Board member

Ingeborg Ligaarden
Board member

Ole Bjørn Kirstihagen
Board member

Steinar Jørråndstad
Board member

Hilde Tonne
President and CEO

Changes in equity

Parent company					Group			
Contributed capital	Hedge reserve	Other equity accrued	Total equity	*(Amounts in NOK million)*	Total equity	Other equity accrued	Hedge reserve	Contributed capital
5 950	**33**	**11 150**	**17 133**	**01.01.2020**	**17 783**	**11 801**	**33**	**5 950**
-	-	2 717	2 717	Profit/loss for the year	2 697	2 697	-	-
-	-192	-89	-280	Other comprehensive income, note 28	-280	-89	-192	-
-	-	-1 261	-1 261	Dividends declared	-1 261	-1 261	-	-
5 950	**-159**	**12 518**	**18 309**	**31.12.2020**	**18 938**	**13 147**	**-159**	**5 950**
5 950	**-159**	**12 518**	**18 309**	**01.01.2021**	**18 938**	**13 147**	**-159**	**5 950**
-	-	3 201	3 201	Profit/loss for the year	3 307	3 307	-	-
-	233	28	260	Other comprehensive income, note 28	260	28	233	-
-	-	-1 039	-1 039	Dividends declared	-1 039	-1 039	-	-
5 950	**73**	**14 708**	**20 731**	**31.12.2021**	**21 467**	**15 443**	**73**	**5 950**

Cash flow

Parent company				Group	
2020	**2021**	*(Amounts in NOK million)*	**Note**	**2021**	**2020**
		Cash flow from operating activities			
3 446	4 089	Profit before tax		4 239	3 419
-13	-8	Loss/gain(-) on sale of fixed assets	8	-8	-13
2 583	2 833	Depreciation, amortisation and impairment	8	3 119	2 873
-1	-	Reversal of write-down shares	20	-	-1
-	-	Net paid taxes	19	-8	-4
445	456	Interest recognised in the income statement	10	542	602
16	15	Interest received	10	20	22
-707	-528	Interest paid, excl. construction interest	10	-528	-707
950	303	Proceeds from sale of market-based securities	12	426	1 188
-1 530	-	Purchase of market-based securities	12	-113	-1 764
88	-250	Changes in trade accounts receivable	11	-261	-316
1 028	239	Changes in trade accounts payable	11, 17	246	1 656
-851	813	Changes in other accruals	11, 17	536	-1 056
5 454	**7 963**	**Net cash flow from operating activities**		**8 211**	**5 899**
		Cash flow from investing activities			
49	172	Proceeds from sale of tangible assets	8	276	49
-7 495	-5 927	Purchase of tangible and intangible assets and plants under construction	8, 9	-6 533	-8 519
-260	-120	Construction interest paid	9	-120	-260
-9	-10	Cash from changes in investment in associates, jointly controlled and other companies	20	-10	-10
-492	-274	Cash flow from long-term loan receivables	14	-	4
37	42	Cash flow from short-term loan receivables	11	2	-
202	52	Received dividends and group contributions	10, 20	50	135
-7 970	**-6 064**	**Net cash flow from investing activities**		**-6 335**	**-8 600**
		Cash flow from financing activities			
10 254	16 782	Proceeds from new interest-bearing debt	16	16 782	10 254
-8 484	-13 719	Repayment of interest-bearing debt	16	-13 716	-8 484
1 923	-2 576	Changes in collateral under CSA (Credit Support Annex) agreements	18	-2 576	1 923
-1 261	-1 039	Dividends paid		-1 039	-1 261
2 432	**-552**	**Net cash flow from financing activities**		**-549**	**2 432**
-84	**1 347**	**Net cash flow for the period**		**1 327**	**-269**
1 044	961	Cash and cash equivalents at period start	13	1 058	1 327
961	**2 308**	Cash and cash equivalents at period close	13	**2 387**	**1 058**

Note 1 General information and basis for preparation of financial statements

General information

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of Statnett SF is the Norwegian State, represented by the Ministry of Petroleum and Energy (MPE). Statnett has issued bond loans listed on Oslo Stock Exchange and London Stock Exchange. The head office is located at Nydalen allé 33, 0484 Oslo.

The consolidated financial statements for the Statnett Group and the financial statements for the parent company, Statnett SF, have been prepared in compliance with the current International Financial Reporting Standards (IFRS), as adopted by the EU, and the Norwegian Accounting Act.

All subsequent references to “IFRS” imply references to IFRS as adopted by the EU.

The financial statements have been prepared on the basis of the historical cost principle, with the following exceptions:

- Derivatives, financial assets and liabilities are classified as fair value carried through profit or loss, amortized cost or fair value through other comprehensive income.
- The carrying value of hedged assets and liabilities is adjusted in order to register changes in fair value as a result of the hedging.
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the carrying value, the asset is written down to the recoverable amount.

Consolidation policies

The Group financial statements comprise the financial statements of Statnett SF and its subsidiaries, presented as if they were one entity.

The consolidated financial statements have been prepared using uniform accounting principles for equivalent transactions and other events under otherwise equal circumstances. The classification of items in the income statement and balance sheet has taken place in accordance with uniform definitions. The consolidated financial statements are prepared in accordance with the acquisition method of accounting and show the Group as if it was a single entity. Balances and internal transactions between companies within the Group are eliminated in the consolidated financial statements.

Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company. Investments in associates are accounted for using the equity method.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for on the basis of proportional consolidation.

Joint ventures are arrangements where the parties that have joint control, have agreed to share the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Investments in companies in which the Group does not have significant influence (usually when the Group owns less than 20 percent of the voting capital) are carried at fair value in the balance sheet. Value changes are recognised through profit or loss. These investments are not specified in the notes to the financial statements.

Classification of items in the balance sheet

An asset is classified as short-term (current asset) when it is related to the flow of goods, receivables expected to be paid within one year, and “assets that are not intended for permanent ownership or use in the operations”. Other assets are fixed assets. The distinction between short-term and long-term loans is drawn one year before maturity. The first year’s instalments on long-term loans are reclassified as current liabilities.

Dividends

Dividends paid are recorded during the period in which they are approved by the General Meeting. If the approval and payment occur in different periods, the amount will be allocated to current liabilities until payment is made.

Foreign currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the parent company's functional currency.

Transactions in foreign currency are recognised at the current exchange rates prevailing at the date of the transaction. Monetary items in currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Non-monetary items measured at acquisition

Note 1 General information and basis for preparation of financial statements

cost are translated into NOK at the exchange rate in effect on the transaction date. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the reporting period and presented as financial items.

The Group uses hedge accounting for all foreign currency long-term debt.

Provisions

Provisions for liabilities are recognised in the income statement when the Group has an existing liability (legal or assumed) as a result of an event that has taken place and it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate of the liability. If there is a substantial time effect, the liability will be accounted for at the present value of future liabilities.

Government grants

Government grants are not recorded in the accounts until it is reasonably certain that the Group will meet the conditions stipulated for receipt of the grants and that the grants will be received. Grants are recorded as a deduction in the expenses that they are meant to cover.

Statement of cash flows

The cash flow statement has been prepared based on the indirect method. Cash includes bank deposits. Restricted cash consists of employees' tax deductions restricted under Norwegian Law and security deposits related to power sale on the power exchange market.

Segment reporting

Statnett has identified its reporting segment based on the risk and rate of return that affect the operations. The Group’s assessment is that there is only one segment. This due to that Statnett is organized, governed, reported and measured as one segment. Statnett’s revenues are mainly based on tariff model set by guidelines provided by the Norwegian Water Recourses and Energy Directorate (RME). The business is followed up as a single geographical segment. Subsidiaries do not qualify as separate business segments subject to reporting based on IFRS criteria.

The Coronavirus pandemic

The ongoing Coronavirus pandemic has not had any significant impact on the Group’s results or financial position. For more details, see also note 9 Assets under construction, and note 18 Financial risk management.

Note 2 Amended accounting principles and new accounting standards

Standards entering into force this year

The Group has identified the following standards that may have an impact on the accounts:

Changes to IFRS 9, IAS 39 and IFRS 7 as a consequence of the reference rate (IBOR) reform

Phase 2 – changing IFRS 9 Financial Instruments, IAS 39 Financial Instruments – Recognition and Measurement, IFRS 7 Financial Instruments - Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases, finishes IASB's response to the ongoing reform of interbank rates (IBOR) and other interest rate indexes. The standard changes are relevant for Statnett where hedge accounting has been established and where the hedging relationship includes interest rates affected by future changes in reference rates. Statnett has opted to apply the standard changes in the two phases from 2019 and 2020, respectively, and thereby ensuring the continuation of established hedge accounting.

Changes to standards with a future implementation date

The Group has not identified other significant changes to standards or interpretations with a future implementation date.

IFRS 17 Insurance Contracts - changes not approved by the EU

IFRS 17 requires that all insurance contracts be accounted for in a consistent manner. Insurance liabilities shall be assessed on the basis of the conditions on the balance sheet date ("current values") instead of historical cost, and the information shall be updated regularly. Furthermore, the profit element in the insurance contracts must be recognized over the period in which the insurance service is provided. It is uncertain whether the change will apply to the subsidiary Statnett Forsikring AS (captive company) and whether this will have an impact on the Group. IFRS 17 is approved by the IASB and the EU and will take effect from 2023.

Note 3 Accounting estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires that the management prepares assessments and estimates and assumptions that affect the application of accounting principles. This affects recognised amounts for assets and liabilities on the balance sheet date, reporting of contingent assets and liabilities, as well as the reported revenues and costs for the period.

Principle

Accounting estimates are used to determine certain amounts that have an impact on the Group's financial statements. This requires that management prepares assumptions relating to values or uncertain conditions at the time of preparation. Key accounting estimates are estimates that are important to the Group's financial performance and results, requiring management's subjective and complex assessment, often related to factors encumbered by uncertainty. Statnett assesses such estimates continuously based on previous results and experiences, consultations with experts, trends, prognoses and other methods which management deems appropriate in the individual case.

Measurement of financial instruments

The Group uses the following measuring hierarchy to measure and present the fair value of financial instruments:

Level 1: Fair value are measured using listed prices from active markets for identical financial instruments. No adjustments are made regard to these prices.
Level 2: Fair value is measured using other observable input than used at level 1, either directly (prices) or indirectly (derived from prices).
Level 3: Fair value is measured using input that is not based on observable market data.

Information on the measurement hierarchy is provided in the relevant notes for the various financial instruments (note 11 to note 17).

Significant items relating to Statnett's use of estimates:

			Group
Item	**Note**	**Estimate/assumptions**	**Carrying value**
Other intangible assets	8	Estimate of recoverable amount and remaining useful life	1 685
Property, plant and equipment	8	Estimate of recoverable amount and remaining useful life	66 767
Plant under construction	9	Degree of completeness, time when asset is available for use, assessment of cost as maintenance or investment	6 197
Deferred tax liability	19	Outcome of ongoing case with the tax authorities	4 055

Note 4 Operating revenue

Statnett holds a license as transmission grid owner in Norway, and revenues mainly derive from operations regulated by the Norwegian Water Recourses and Energy Directorate (RME). Operating revenue related to the license as grid owner is reported as “Regulated operating revenue”.

Statnett SF also holds a license to settle the regulated power market in Norway, regulated by RME. Statnett has a national responsibility to coordinate measurement and settlement of all power sales as well as correct settlement of input and outtake of power to ensure financial balance in the power market. Operating revenue related to this license is reported as “Reguled operating revenue”.

Statnett SF and NordLink Norge AS have the revenue from grid operations. Statnett SF and Elhub AS have the revenue from the imbalance settlement.

Other operating revenue is revenue related to other activities than regulated operations. Other operating revenue mainly consists of revenue from consultancy assignments, construction on behalf of distribution grid owners (customer projects) and rental income.

Statnett’s revenues are mainly regulated, and Statnett has in 2021 not observed any significant negative impacts on revenues from the ongoing Coronavirus pandemic.

Principle

Regulated operating revenue from grid operations
Operating revenue are calculated based on a tariff model set by guidelines provided by the Norwegian Water Recourses and Energy Directorate (RME).

a) Tariff revenue fixed element generation is recognised evenly throughout the year, based on the tariff set for the year in question.
b) Tariff revenue energy element is recognised according to the customer’s measured input and outtake from the grid
c) Other grid income is mainly recognised based on the customer’s measured use of the grid.
d) Congestion revenue is recognised based on measured input and outtake from the grid between different price areas and on each side of interconnectors.
e) Income to other owners in the grids is recognised evenly throughout the year based on estimates for the other owners’ permitted revenue.

Permitted revenue
Permitted revenue is based on a tariff model in accordance with guidelines from the RME. Statnett’s actual regulated operating revenue is tariff revenue in the transmission and distribution grid and congestion revenue.

Due to deviation between each year's actual revenues and final permitted revenue, which the NVE decides after year-end, a difference arises annually between Statnett's actual regulated operating revenue and Statnett's permitted revenue. This difference is called higher or lower revenue.

Higher/lower revenue grid operation
Higher revenue occurs when actual revenue is higher than permitted revenue for the year. Lower revenue occurs when actual revenue is lower that permitted revenues. Higher revenue, including interest, must be returned to the customers in the form of lower future tariffs, whereas lower revenue, including interest, can be recouped from the customers in the form of higher future tariffs. This follows from the regulation "Forskrift 1999-03-11-302 om økonomisk og teknisk rapportering, inntektsramme for nettvirksomheten og tariffer (kontrollforskriften)". The obligation to reduce future tariffs and the opportunity to collect increased tariffs do not qualify for balance sheet recognition according to IFRS, and represents a contingent liability (in the event of accumulated higher revenue) or a contingent asset (in the event of accumulated lower revenue). Consequently, an annual change in these items will not be included in the IFRS income statement.

Where Statnett mainly acts as a settler for the common grid and power trading, revenues are reported net.

Regulated operating revenue from balance settlement
The settlement operator is responsible for balance settlement in the Norwegian power system, operation and development of the data hub Elhub, and issuance of electricity certificates and guarantees of origin. Elhub AS, a 100 percent owned subsidiary, operates the data hub and performs system support for Ediel. Operating revenue related to the settlement operator is accounted for essentially in line with the actually measured feed and withdrawals from the grid.

Note 4 Operating revenue

Higher/lower revenue balance settlement
In some years, there may be discrepancies between actual fees in these business areas, and the target which the regulator allows for the fees. This affects the level of future fees, and is referred to as higher/lower revenue. Higher/lower revenues are not recognized as income, but is included in the calculation of the underlying results, as with higher/lower revenue from regulated grid operations.

The RME prepared a proposal for a regulatory model of the fee income of Elhub in connection with the settlement operator setting the fees for the first fee period (2019-2022). To provide incentives for cost-effective operation and further development of Elhub, the RME has developed a model for regulation of revenues. This is a so-called "Cap & Floor" model, where Elhub is given incentives to reduce its costs in order to increase returns. This regulation will only come into force from the second fee period, starting on 1 January 2023. Higher/lower revenue from balance settlement operations in Elhub is calculated according to the proposal, and includes both start-up costs from 2015 - 2018, which can be collected in 2019-2022, and returns under the floor in 2019 and 2020, which can be collected in the next fee period.

Other operating revenue
Revenue from customer projects is recognised in accordance with transfer of control to the customer. When Statnett performs consulting assignments, control is considered to be transferred to the customer simultaneously as the service is performed. When Statnett constructs facilities on behalf of distribution grid owners, the contractual terms dictates whether control is transferred on an on-going basis during the construction period, or when the construction is complete. Both invoiced and recognised customer project revenues are included in trade accounts and other short-term receivables. When customer projects are expected to incur a loss, the total expected loss is recognised.

Permitted revenue – monopoly-regulated operations
Statnett owns transmission facilities and is the transmission system operator. These are monopoly-regulated operations, implying that the RME sets an annual limit for Statnett's revenues - a permitted revenue. The basis for Statnett's permitted revenue is the revenue cap. The revenue cap is based on expenditures, including capital expenditures, for a retrospective period of two years. Costs related to transmission losses and this year's system services are also included. The transmission losses included in the permitted revenue are based on measured actual loss (MWh) for a retrospective period two years and this year's regulated reference price based on the elspot for the current permitted revenue year. Statnett's revenue cap is regulated to ensure that the enterprise has incentives for efficient operations. In addition to the revenue cap, Statnett's permitted revenue consists of the following: This year's property tax, transit costs and a supplement for investments. The supplement for investments shall ensure that capital expenditure is reflected in the permitted revenue for the year in which the investment is ready to be used. Furthermore, Statnett's permitted revenue is adjusted for interruptions through KILE (quality-adjusted revenue cap for energy not supplied).

Tariff revenue
Statnett is the operator of the transmission grid and common regional grids. As operator, Statnett is responsible for setting the annual tariffs for each common grid.

As the operator of the transmission grid and two common regional grids, Statnett is responsible for invoicing the users for received services. The invoicing takes place based on a tariff model prepared in accordance with guidelines provided by the RME. The price system consists of fixed elements and variable elements; energy elements. Fixed elements are invoiced evenly throughout the year, while the energy element is invoiced concurrently with the customers' measured input or outtake of power from the grid.

Congestion revenue
Congestion revenue occurs due to price differences between Norway and trading partners abroad, both when power is imported and exported. The price differences occur when the market wants to transfer more power than the existing capacity. The congestion revenue is a result from multiplying the price difference with the transferred power volume, hour by hour. The owners of the interconnector share the congestion revenue, usually 50/50. For Norway, Statnett SF owns all interconnectors, and receives all of the revenues. Domestic congestion revenue occurs when the market wants to transfer more power between domestic price areas than the capacity allows. This congestion revenue is calculated in the same way as for interconnectors, and Statnett receives this revenue.

Congestion revenue increased to NOK 5 658 million in 2021, compared to NOK 2 408 million in 2020. The increase is due to substantial price differences with Sweden and Europe, and also domestically. In addition, North Sea Link reached trial operation from the third quarter of 2021, and has contributed to an increase in congestion revenue.

Note 4 Operating revenue

Operating revenue

(Amounts in NOK million)

Parent Company			Group	
2020	**2021**	**Operating revenue from regulated grid operations**	**2021**	**2020**
7 578	6 452	Tariff revenue fixed element generation	6 452	7 578
132	534	Other grid revenue	533	132
247	1 193	Tariff revenue energy element	1 193	246
2 408	5 658	Congestion revenue	5 658	2 408
-865	-656	Income from other owners in the grids	-23	-221
9 500	**13 181**	**Total operating revenue from regulated grid operations**	**13 813**	**10 144**
149	299	Fee revenue from imbalance settlement	529	378
-	-398	Fee revenue covered by imbalance settlement	-398	-
149	**-99**	**Total fee revenue**	**131**	**378**
9 649	**13 082**	**Total operating revenue from regulated activities**	**13 944**	**10 521**
562	476	Other operating revenue	468	240
10 211	**13 557**	**Total operating revenue**	**14 412**	**10 761**

* From 2020, "Fee revenue covered by imbalance settlement" was part of regulated operating revenue. For the settlement operator, this was classified as other operating costs. For 2020, this amounted to NOK 35 million, see note 27. The comparable figures are not adjusted.

Permitted revenue regulated operations

(Amounts in NOK million)

Parent Company			Group	
2020	**2021**	**Permitted revenue grid operations**	**2021**	**2020**
6 824	8 679	Revenue cap	9 188	7 464
1 821	1 963	Supplement to revenue cap	2 087	1 821
8 645	**10 642**	**Total permitted revenue grid operations**	**11 275**	**9 285**
		Permitted revenue imbalance settlement		
99	74	Permitted fee revenue imbalance settlement	327	363
8 744	**10 716**	**Total permitted revenue grid operations and imbalace settlement**	**11 602**	**9 648**

Higher/lower revenue -This year's changed and total balance

(Amounts in NOK million)

Parent Company			Group	
2020	**2021**	**Regulated grid operations**	**2021**	**2020**
-854	-2 538	This year's higher/lower revenue (-/+), not recognized	-2 538	-859
3	-10	This year's provision for interest higher/lower revenue (-/+), not recognised	-11	3
75	-	Higher/lower revenue adjustment (-/+), not recognised	-	79
-777	**-2 549**	**This year's changed balance for higher/lower revenue (-/+)**	**-2 549**	**-777**
667	-110	Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	-110	667
-777	-2 549	Changed balance for higher/lower revenue (-/+), incl. Interest	-2 549	-777
-110	**-2 659**	**Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.**	**-2 659**	**-110**

Note 4 Operating revenue

Parent Company			Group	
2020	**2021**	**Imbalance settlement**	**2021**	**2020**
-50	173	This year's higher/lower revenue (-/+), not recognized	194	-15
-	-	This year's provision for interest higher/lower revenue (-/+), not recognised	5	-
-50	**173**	**This year's changed balance for higher/lower revenue (-/+)**	**199**	**-15**
-79	-129	Balance higher/lower revenue (-/+) incl. interest 1 Jan.	50	65
-50	173	Changed balance for higher/lower revenue (-/+) incl. interest	199	-15
-129	**44**	**Balance higher/lower revenue (-/+) incl. interest 31 Dec.**	**249**	**50**

Parent Company			Group	
2020	**2021**	**Total balance higher/lower revenue**	**2021**	**2020**
588	-239	Balance higher/lower revenue (-/+) 1 Jan.	-60	732
-854	-2 538	Change in balance for Grid operations, excl. interest	-2 538	-859
-50	173	Change in balance for Imbalance settlement, excl. interest	194	-15
3	-10	Interest on change in balances	-6	3
75	-	Prior years' adjustments	-	79
-239	**-2 615**	**Total balance higher/lower revenue (-/+) 31 Dec.**	**-2 410**	**-60**

Note 4 Operating revenue

Operating profit within and outside grid operations and return on invested grid capital

(Amounts in NOK million)

Operating profit within and outside grid operations

Parent company			Group	
2020	**2021**		**2021**	**2020**
3 574	4 512	Operating profit within grid operations	4 878	3 972
107	-109	Operating profit outside grid operations	-32	-105
3 681	**4 403**	**Total operating profit**	**4 846**	**3 868**
-777	-2 549	This year's higher/lower revenue (-/+) from grid operations, incl. interest, not recognised	-2 549	-777
2 904	**1 854**	**Underlying operating profit from grid operations**	**2 297**	**3 091**

Basis for return on invested grid capital

The regulatory asset base is defined as the average of the incoming and outgoing balance for invested grid capital, plus one percent of net working capital. The invested grid capital is defined as the initial historical acquisition cost. The share of common fixed assets is included.

Parent company		Group	
2020	**2021**	**2021**	**2020**
50 109	56 987	64 697	58 114

Return on invested grid capital

Return is defined as the operating profit/loss compared to the regulatory asset base. The reported operating profit/loss is given as the annual permitted revenue from own grid less costs of own grid. The difference is explained by the current year's change in higher/lower revenue not recognised under IFRS.

Parent company			Group	
2020	**2021**	*(Return in percentage)*	**2021**	**2020**
6%	3%		4%	5%

Note 5 System services and transmission losses

System services are costs relating to the exercise of Statnett's system responsibility as defined in the Regulations relating to the system responsibility in the power system (FoS). The frequency in the power grid must be 50Hz. Statnett, as Transmission System Operator (TSO), is responsible for ensuring that this frequency remains stable. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. The reserve capacity is distinguished between primary-, secondary- and tertiary reserves. Statnett acquires reserves in agreed capacity markets for electricity spot and regulating power markets. Prices are affected by available power, regulatory options and prices in the regulatory markets.

Statnett buys transmission losses (volume) from Nord Pool Spot AS at spot price (market price) for the hour the transmission loss applies. In case of all the transformation or transfer of energy, part of the energy will be lost in the process. The size of the transfer loss will vary, among other things, depending on the temperature, load in the grid and the electricity price. The main grid transmission loss result is distributed between the grid owners in accordance with their proportionate shareholding in the main grid. More than 99 percent of the facilities are owned by Statnett SF.

Principle
Costs for system services and transmission losses are recognised when acquired.

System services can be divided into the following categories:

Primary reserves
The primary regulation is automatic and is activated immediately if any changes occur in the power grid frequency. This takes place by using a pre-agreed reserve capacity. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. Primary reserves are costs Statnett incurs by buying reserve capacity from the producers. The extent of primary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Secondary reserves
Automatic secondary reserves are activated to release the primary reserves so that they in turn can quickly handle any new faults or imbalances. Automatic secondary reserves function by the TSO sending a signal to a market player/power plant, which will then change the plant's generation. Secondary reserves are also referred to as Automatic frequency regulating reserve (aFRR), and in the Nordic countries they are mainly used to handle frequency deviations. The extent of secondary reserves is determined by agreements at Nordic level, and the reserves are acquired through market solutions.

Tertiary reserves
In Norway, there is an options market for regulating power. This is used to ensure that we have sufficient regulating resources available in the Norwegian section of the regulating power market, also during periods of demand for increased output, such as in the winter months. In the winter, the TSO sets up a market where they purchase a guarantee ensuring that market members submit bids for the regulating power lists for the subsequent week. The guarantees can apply for both consumption and production.

Transit costs
Transit costs are compensation for the use of grids abroad. The power system in Europe is connected through transmission lines/cables crossing international borders.

Special adjustments
In some cases, there are restrictions in the transmission capacity (congestion revenues) which may entail that the bids in the regulating power market cannot be utilised in the "correct" price order. Activated regulations that are not in price order are categorised as special adjustments and are compensated for by the associated price of the bid without this affecting the stipulation of the regulating power price. Thus, Statnett will incur a cost equal to the difference between the price of activated bids used for special adjustments and the current hourly price mainly aimed at the regulating power market multiplied by the especially adjusted volume.

Note 5 System services and transmission losses

Spesification of system services

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
97	71	Net regulating and peak power	71	97
98	273	Primary reserves	273	98
44	229	Secondary reserves	229	44
38	429	Tertiary reserves	429	38
191	205	Transit costs	205	191
104	214	Special adjustments	214	104
28	84	Other system services	84	28
600	**1 505**	**Total system services**	**1 505**	**600**

Spesification of transmission losses

Parent company			Group	
2020	**2021**		**2021**	**2020**
2 538	2 567	Volume (GWh)	2 567	2 538
106	680	Price (NOK/MWh)	680	106
251	1 745	Transmission losses	1 745	251
2	1	Transmission losses other grid owners	1	2
253	**1 746**	**Total transmission losses**	**1 746**	**253**

Note 6 Salaries and personnel costs

Salaries and personnel cost are the total cost relating to remuneration of personnel by the Group and Group officers. These expenses concern only the Group's own employees, not contract manpower. Ordinary salaries can be both fixes pay and hourly wages and are paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday month the following year. The employer's national insurance contribution is normally paid in arrears every other month.

Principle

Salaries are expensed when they are earned. Ordinary salaries are earned on a regular basis. Holiday pay is earned on the basis of the ordinary pay. The employer's national insurance contribution is calculated and expensed for all pay-related cost. Pensions are earned in accordance with a separate set of rules (see note 7). Compensation to the Board of Directors is earned on an ongoing basis in accordance with special agreements approved by the General Meeting. The salaries and personnel cost are reduced with direct wage cost and a percentage of directly attributable overhedad expenses.

Specification of salaries and personnel costs

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
1 341	1 432	Salaries	1 473	1 382
198	225	Employer's national insurance contributions (NICs)	232	204
219	229	Pension costs (Note 7)	235	225
131	128	Other benefits	132	133
1 888	**2 013**	**Total salaries and personnel costs**	**2 072**	**1 944**
-783	-848	Of which own investment projects	-871	-807
1 105	**1 165**	**Net salaries and personnel costs**	**1 201**	**1 137**
1 527	1 548	Number of full-time equivalents	1 601	1 573

Loan to employees

Employees had loans in the company totalling NOK 1 million as at 31 December 2021. The loans are repaid by salary deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount of the national insurance is taxed in relation to the current standard interest rate set by the authorities.

Note 7 Pensions

The parent company and subsidiaries have pension schemes that gives the employees future pension benefits in the form of defined benefit and defined contribution plans. All defined benefit plans are closed, and the defined contribution plans are the Group's main pension schemes for all new employees. The Group's pension plans meet the requirements in the Norwegian Mandatory Occupational Pension Act. For the defined contribution plans, the Group pays an agreed annual contribution to the employee's pension plan, but any risk for the future pension is borne by the employee. The future pension will be determined by the amount of the regular contributions and the return on the pension savings. In a defined benefit plan, the Group is responsible for paying an agreed pension to the employee based on his or her final Pay. The cost for the accounting period equals the employee's increase of entitlement of the agreed future pension in the financial year.

Principle

Contribution pension plan
In the defined contribution pension plan the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, and there is no liability to record in the statement of the balance sheet. The pension costs related to the defined contribution plans will be equal to the contributions to the employees' pension savings for the reporting period.

The AFP plan is a defined-benefit multi-employer plan and the pension costs will be equal as for contribution pension plan, since the there are no allocation between the participating companies.

Defined benefit pension plans
The defined benefit pension plans are based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit, and the financial value of this obligation must be reported in the income statement and the balance sheet statement.

The accrued liability is calculated on a straight-line basis, and is measured as the present value of the estimated future pension payments that are vested on the statement of financial position date. The capitalised net liability is the sum of the accrued pension liability minus the fair value of associated pension fund assets.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give a rise to an immediate paid-up policy entitlement. Other variances from estimates are recognised in equity through other comprehensive income in the period in which they arise. The discount effect of the pension liability and expected return on assets are presented net under "Salaries and personnel cost" as this is assumed to give the best information regarding the Group's pension cost.

More information about the pension plans

Contribution pension plan
Employees in the Group are mainly covered by pension plans classified as defined contribution plans. The defined contribution plan has a contribution level based on the maximum level in accordance with the "Defined pension contribution Act (Lov om innskuddspensjon)". Defined contribution plans also comprise pension plans that are common to several companies and where the pension premium is independent of the demographic profile in the individual companies (multi-employer plans).

The Group is a member of the private contractual early retirement scheme (AFP plan) The AFP plan entails that employees will receive a life-long supplement to the national insurance retirement pension. The pension can be drawn from age 62, also if an employee decides to stay employed. The AFP plan is a defined-benefit multi-employer plan, organised through a general office and financed through premiums stipulated as a percentage of the salaries. The premium level has increased every year since the plan was established, and thus the premiums are expected to increase in the years to come.

Defined benefit pension plans
The Group has one closed defined benefit plan that is classified as a funded contribution plan in addition to two closed defined benefit plans that are unfunded. For employees at a certain age at the time of transition to a contribution plan, a compensation plan was

Note 7 Pensions

established. This plan is an unfunded defined benefit plan, with a yearly increase in compensation until 67 years of age or earlier if the employee resigns.

The net pension liabilities in the balance sheet statement consist of defined benefit pension plan in Statnett SF Pensjonskasse eligble for older employees when the Contribution pension plan was established.

A part of the Group management has supplemental pension agreements. For more information on pension arrangements for each member of Group management, see Note 23 Remuneration/benefits to the Group management.

The net pension liabilities in the balance sheet statement are determined after adjustment for deferred recognition in other comprehensive income of the effect of changes in estimates. The net pension liabilities are reported as provisions for liabilities. When a plan has funds exceeding pension liabilities, net pension assets are reported as fixed assets.

Accrued pension rights are mainly secured through pension schemes in Statnett SF's Pensjonskasse. In addition, the parent company has early retirement pension obligations that are funded through operations.

Employees who leave the Group before retirement age, receive a paid-up policy. These paid-up policies are managed by Statnett SFs Pensjonskasse and Storebrand Livsforsikring AS. From the date the paid-up policy is issued, Statnett is exempt from any obligation to employees to which the paid-up policies apply. Assets and liabilities are measured at the date of issue of the paid-up policies, and are separated from pension assets and liabilities.

An external actuary calculates the pension liabilities. When calculating the pension liabilities, the National Insurance contributions that the company is required to pay as part of the payment of direct pensions or the payment of premiums for fund-based schemes are taken into account.

Assumptions defined benefit pension plans
The Group uses Norsk Regnskapsstiftelse’s assumptions as a basis for making the assessment as to whether these are applicable for the Group.

The discount rate is based on the corporate covered bonds (OMF). Statnett considers the OMF market to represent a sufficiently deep market to be used in the calculation of the discount rate.

The value of the Premiefond in Statnett SF' Pensjonskasse is included in actuary calculates of the pension liability as per 01.01.2021 for The Group. This including result in crease Gross pension asset. When the pension assets are higher than de pension liabilities there is a cap "Assets Ceiling" for the balance value. The Group reports balance sheet values based on financial and actuarial assumption and "asset ceiling" and the financial assumptions for this actuary calculation. The effect is a part of the "total changes in estimate variances for the year" as "Effect of asset ceiling"

Pension costs

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
84	78	Defined benefit plan	79	86
3	3	Interest cost -(income)	3	3
112	127	Defined contribution plan	130	115
20	22	Defined multi-employer plan	23	21
219	229	**Pension costs**	235	225
23	26	Employer's contributions	26	24
242	**255**	**Total pension costs, incl. employer's contribution**	**261**	**249**
114	**-36**	**Changes in estimate variances in other comprehensive income**	**-36**	**114**

Note 7 Pensions

Net estimated pension liabilities

Parent company			Group	
31.12.2020	**31.12.2021**	*(Amounts in NOK million)*	**31.12.2021**	**31.12.2020**
2 595	2 751	Estimated pension liabilities	2 757	2 600
-2 349	-2 614	Pension assets	-2 618	-2 352
246	**137**	**Net pension liabilities**	**139**	**248**
-27	-127	Net pension assets - funded plan	-127	-27
273	264	Unfunded pension	266	275
246	**137**	**Net pension liabilities**	**139**	**248**

Funded and unfunded pension liabilities

Parent company			Group	
31.12.2020	**31.12.2021**	*(Amounts in NOK million)*	**31.12.2021**	**31.12.2020**
		Change in gross pension liability		
2 313	2 595	Gross pension liability at 1 Jan.	2 600	2 332
94	88	Present value of the year's pension contributions	89	94
-	-	Effect of business transfer	-	-14
52	49	Interest costs of pension liability	49	52
215	-230	Actuarial gains and losses	-231	215
-	330	Effect of asset ceilling **	330	-
-18	-19	Employer's contribution on premium paid	-19	-18
-61	-64	Disbursed pension/paid-up policies	-64	-61
2 595	**2 751**	**Gross pension liabilities as at 31 Dec.**	**2 757**	**2 600**

Funded and unfunded pension liabilities

Parent company			Group	
31.12.2020	**31.12.2021**	*(Amounts in NOK million)*	**31.12.2021**	**31.12.2020**
		Change in gross pension assets		
2 124	2 349	Fair value of pension assets at 1 Jan.	2 352	2 139
50	53	Interest income on pension assets	53	50
-	-	Effect of business combinations	-	-13
101	134	Actuarial gains and losses	134	101
135	155	Premium paid	156	136
-61	-77	Pension/paid-up policies disbursed	-77	-61
2 349	**2 614**	**Fair value of pension assets as at 31 Dec.**	**2 618**	**2 352**
246	**137**	**Net pension liabilities as at 31 Dec.**	**139**	**248**

Note 7 Pensions

Changes in estimate variances for the year

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
322	-230	Change in discount rate	-230	322
-101	-134	Interest income on pension assets	-134	-101
-22	-	Salaries growth	-	-22
-88	-	Pension adjustments	-	-88
-	329	Effect of asset ceiliing**	329	-
4	-	Effect of experience adjustment	-	4
114	**-36**	**Total changes in estimate variances for the year**	**-36**	**114**

** No changes in the estimate during the year*

***The value of the Premiefond in Statnett SF' Pensjonskasse is included in actuary calculates of the pension liability as per 01.01.2021.*

Financial/actuarial assumptions, parent company and Group	**2021**	**2020**
Discount rate corporate covered bonds (OMF)	2,10%	1,50%
Interest income on pension assets	2,10%	1,50%
Expected wage adjustments*	2,00%	2,00%
Expected pension adjustments*	1,00%	1,00%
Expected adjustment of basic amount (G) under NIS	1,75%	1,75%
Mortality table *	K2013FT	K2013FT

** No changes in the estimate during the year*

Sensitivity analysis

The figures below give an estimate of the potential effect of a change in certain assumptions for defined-benefit pension schemes. The following estimates and estimated pension costs for 2021 are based on the facts and circumstances at 31 December 2021. Actual results may differ significantly from these estimates.

Sensitivities decrease (increase) benefit obligation as of year-end:

(Amounts in NOK million, except percent)

Parent company			Group	
192	7,4 %	Discount rate increase 0.5 percent *	192	7,4 %
-50	-2,0 %	Expected salary increase 0.5 percent	-50	-2,0 %
-184	-7,1 %	Expected pension increase 0.5 percent	-184	-7,1 %

Note 7 Pensions

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December	2021	2020
Property	8%	9%
Held-to-maturity bonds	6%	6%
Nordic bonds	12%	12%
Alternative bonds	5%	5%
Foreign bonds	27%	25%
Bank deposits	3%	3%
Nordic money market	2%	2%
Emerging markets shares	5%	6%
Foreign shares	21%	22%
Norwegian shares	11%	10%
Total	**100%**	**100%**

Members of the defined-benefit plan

Parent company			Group	
2020	**2021**		**2021**	**2020**
817	806	Members of the pension fund	809	819
505	517	Of which pensioners	518	505
312	**289**	**No. of active pension scheme members**	**291**	**314**

Pension disbursement flow Statnett SF

The average weighted maturity for pension liabilities, related to the main scheme in Statnett SF, is estimated at 14 years based on the pension assumptions at 31 Dec. 2021. Statnett SF' Pensjonskasse does not compare the pension assets against the date of payments for the pension liabilities at 31 Dec. 2021.

Note 8 Tangible and intangible assets

Tangible assets comprise power lines, stationary equipment, buildings, land, ICT equipment etc. that are necessary for the Group's operations. Intangible assets are mainly related to proprietary software and are classified as "ICT equipment" in the table below. Goodwill totals a small amount and is classified as «Other».

Principle

Tangible assets
Tangible assets are carried at cost less accumulated depreciation and write-downs. The initial cost of an asset comprises its purchase price, including non-refundable taxes related on purchases, costs directly attributable to bringing the asset into intended use with deductions for any discounts. Cost directly attributable comprises for example salary, assembly and installation costs, delivery costs, building loan interest, document fees and transaction costs. The depreciation reduces the carrying value of tangible assets, excluding building lots, to the estimated residual value at the end of the expected useful life. Tangible assets are depreciated in a straight line from the time when the assets were ready to be used. This applies correspondingly to tangible assets acquired from other grid owners. Significant components of tangible asset are assessed separately for depreciation purposes. The significance is assessed based on the acquisition cost of the components in relation to the acquisition cost of the whole asset.

The value of work carried out and facilities is transferred from plants under construction to tangible or intangible assets when the asset is ready for use. In projects where there are significant components that are ready for use at different times, the finished components are transferred to tangible or intangible assets, as they are ready. The timing for when a component is considered ready for use, is described in note 9 Plants under construction.

Cost estimates for removal of tangible assets are recognised as part of the acquisition cost at the time when the Group is considered to have a legal or actual removal obligation. The estimate is assessed as the present value of the expenditure expected to incur at a future point in time. The annual interest cost that incurs as a result of the liability being one year closer to settlement, is recognised as a cost. The estimate may be amended later as a result of a change in the estimate of the size of the expense, change in the expected schedule and/or change in the discount rate. The amendments are recognised in the balance sheet as an increase or reduction of the carrying value of the asset. If a potential reduction is higher than the carrying value of the asset, the excess amount is recorded in the income statement. If there is an increase in the carrying value, the Group will assess whether this is a depreciation indicator for the portfolio of assets.

Gains or losses on the divestment or scrapping of tangible assets are calculated as the difference between the sales proceeds and the assets' carrying value. Gains/losses on divestment are recorded in the income statement as other operating revenues/expenses. Losses on scrapping are recognised in the income statement as depreciation, amortisation and write-downs.

Lump sum payments in connection with the acquisition of land etc. are included in the acquisition cost of the asset. Current payments are minor amounts and are recognised in the income statement in the year in which the payment is disbursed.

Maintenance expenses are recognised in the income statement when they incur. No provisions are made for the periodic maintenance of the grid (transformer stations or power lines/cables). Even though maintenance is periodic for the individual transformer station or power line, it is not considered periodic for the entire grid as the grid as a whole is regarded as a single cash-generating unit.

If the tangible asset is replaced, any residual financial value will be recorded in the income statement as a loss on scrapping. Expenses that significantly extend the life of the fixed asset and/or increase its capacity are capitalised.

Intangible assets
Intangible assets are measured at acquisition cost on initial recognition. In later periods, intangible assets are recognised at acquisition cost less accumulated amortisations and write-downs. Intangible assets with a fixed useful life are amortised over the asset's useful life which is assessed at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Right-of-use assets
Right-of-use assets are presented within tangible asset; that is the same line item as that within which the corresponding underlying assets would be presented if they were owned.

At initial recognition of leases, right-of-use assets are measured at cost comprising the amount of initial measurement of the lease liability, initial direct costs incurred by Statnett and an estimate of costs to be incurred by Statnett in restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are reduced by any lease incentives received.

Note 8 Tangible and intangible assets

After the commencement date, right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciations are linear during the lease term. The cost of right-of-use assets is adjusted to reflect any changes resulting from reassessments of the lease liabilities.

Statnett has elected to apply the recognition exemptions in IFRS 16 for short-term leases and for leases for which the underlying asset is of low value. Statnett only recognizes right-of-use assets and lease liabilities for intangible assets when required by the standard. For leases containing non-lease components, Statnett accounts for any such non-lease components separately.

Research and development
Research expenses are recognised on a current basis. Research is an internal process that does not give rise to independent intangible assets that generate future economic benefits. Capitalized development expenses are depreciated in a straight line over the estimated useful life of the asset.

Expenses related to development activities are capitalised in the balance sheet if the product or process is technically and commercially feasible and the Group has adequate resources to complete the development. Expenses capitalised in the balance sheet include material expenses, direct wage costs and a percentage of directly attributable overhead expenses. Capitalised development expenses are recorded at acquisition cost, less any accumulated depreciation and write-downs.

Goodwill
Goodwill is not amortised, but is tested for impairment annually. Write-downs are conducted if the carrying value is lower than the recoverable amount. The recoverable amount is the higher of the net sales value and the value in use. When assessing impairment, goodwill is allocated to fixed assets at the lowest identifiable level of cash-generating units. Write-downs of goodwill cannot be reversed in subsequent periods.

Depreciation
Depreciation is based on the management's assessment of the useful life of property, plant and equipment. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and the management's view of how quickly changes will come, may change over time. If expectations change significantly, the depreciation will be adjusted with effect for future periods. The estimated useful life, depreciation method and residual value are assessed at least once a year. For most assets, the residual value is estimated at zero at the end of the useful life.

Write-downs
On each reporting date, the Group considers whether there are any indications of impairment in value for tangible and intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down. Estimates of recoverable amounts are in part based on management assumptions, including estimation of the asset's income-generating capacity and probability of gaining licenses for construction projects. Changes in circumstances and in the management's assumptions can lead to write-downs. Tangible assets in the parent company and the subsidiary NordLink Norge are considered as one cash-generating unit for each company and are assessed combined. For the Group's other companies, each part of tangible and intangible assets are assessed individually.

Climate risk
Statnett is affected by climate risk, both due to climate change, which can have consequences for the plants, and stricter climate policies. In order to prepare against extreme weather, Statnett has implemented measures at its plants. New plants are designed for extreme weather scenarios. When it comes to plants with SF6 gas, Statnett is continuously working to switch to alternative solutions without SF6 gas. Statnett has not detected any indications that climate risk has affected the valuation of existing tangible or intangible assets, including estimates of the remaining useful life and residual value in both depreciation and write-down assessments.

Note 8 Tangible and intangible assets

Parent company *(Amounts in NOK million)*	Power lines	Land and subsea cables	Main circuit equip-ment	Control and auxiliary equip-ment	ICT equip-ment	Buildings and land	Other	Total
Acquisition cost at 1 Jan. 20	**21 222**	**6 909**	**14 021**	**4 459**	**4 322**	**13 011**	**2 107**	**66 051**
Additions, acquisition cost	2 816	84	2 572	472	677	2 109	342	9 071
Disposals, acquisition cost	-38	-6	-130	-83	-203	-5	-24	-489
Reclassification to Assets held for sale	-	-40	-21	-	-	-44	-989	-1 094
Acquisition cost at 1 Jan. 21	**24 000**	**6 948**	**16 442**	**4 848**	**4 796**	**15 071**	**1 436**	**73 540**
Additions, acquisition cost	563	5 006	1 750	424	1 142	1 105	99	10 088
Disposals, acquisition cost	-121	-6	-210	-80	-20	-115	-38	-589
Reclassification to Assets held for sale	-	40	21	-	-	44	989	1 094
Acquisition cost at 31 Dec. 21	**24 441**	**11 987**	**18 003**	**5 193**	**5 918**	**16 105**	**2 486**	**84 133**
Accumulated depreciation and amortisation at 1 Jan. 20	**5 860**	**1 530**	**4 047**	**1 743**	**2 390**	**2 126**	**1 530**	**19 226**
Depreciation and amortisation	460	168	435	260	630	439	139	2 530
Disposals, depreciation and amortisation	-31	-	-95	-81	-203	-26	-18	-454
Reclassification to Assets held for sale	-	-40	-14	-	-	-44	-742	-840
Accumulated depreciation and amortisation at 1 Jan. 21	**6 289**	**1 658**	**4 373**	**1 922**	**2 817**	**2 495**	**909**	**20 462**
Depreciation and amortisation	513	234	538	280	658	472	99	2 793
Disposals, depreciation and amortisation	-38	-1	-179	-63	-20	-34	-118	-452
Reclassification to Assets held for sale	-	40	14	-	-	44	742	840
Accumulated depreciation and amortisation at 31 Dec. 21	**6 764**	**1 931**	**4 746**	**2 139**	**3 455**	**2 976**	**1 632**	**23 643**
Carrying value at 31 Dec. 20	**17 710**	**5 290**	**12 069**	**2 927**	**1 979**	**12 577**	**527**	**53 078**
Carrying value at 31 Dec. 21	**17 677**	**10 056**	**13 257**	**3 054**	**2 463**	**13 129**	**854**	**60 490**
Of which intangible fixed assets								
Carrying value at 31 Dec. 20	-	-	-	-	582	-	4	**586**
Carrying value at 31 Dec. 21	-	-	-	-	1 240	-	3	**1 244**
Of which right-of-use assets								
Carrying value at 31 Dec. 20	-	-	-	-	188	180	-	**368**
Carrying value at 31 Dec. 21	-	-	-	-	195	244	-	**439**
Of which asset retirement obligations								
Carrying value at 31 Dec. 20	108	12	111	-	-	-	-	**231**
Carrying value at 31 Dec. 21	57	4	92	-	-	-	-	**153**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	355	200	786	634	1 961	434	769	**5 138**
Depreciation rate (straight-line)	2%	2-7%	2-5%	3-13%	5-33%	0-7%	0-33%	

Purchase of grid facilities

Additions in 2021 include the purchase of grid facilities due to the third energy package for an amount of NOK 440 million.

Note 8 Tangible and intangible assets

Group

(Amounts in NOK million)

	Power lines	Land and subsea cables	Main circuit equip-ment	Control and auxiliary equip-ment	ICT equip-ment	Buildings and land	Other	Total
Acquisition cost at 1 Jan. 20	**21 468**	**12 399**	**15 517**	**4 579**	**4 933**	**13 786**	**2 457**	**75 139**
Additions, acquisition cost	2 816	87	2 429	460	735	2 266	128	8 921
Disposals, acquisition cost	-38	-6	-130	-83	-203	-51	-71	-582
Reclassification to Assets held for sale	-	-40	-21	-	-	-44	-989	-1 094
Acquisition cost at 1 Jan. 21	**24 246**	**12 440**	**17 795**	**4 956**	**5 466**	**15 957**	**1 524**	**82 385**
Additions, acquisition cost	561	4 964	1 740	423	1 152	1 098	101	10 041
Disposals, acquisition cost	-121	-7	-210	-80	-20	-115	-44	-595
Reclassification to Assets held for sale	-	40	21	-	-	44	989	1 094
Acquisition cost at 31 Dec. 21	**24 685**	**17 438**	**19 346**	**5 300**	**6 599**	**16 986**	**2 570**	**92 924**
Accumulated depreciation and amortisation at 1 Jan. 20	**5 861**	**1 576**	**4 071**	**1 749**	**2 462**	**2 148**	**1 613**	**19 480**
Depreciation and amortisation	465	304	481	272	694	453	150	2 820
Disposals, depreciation and amortisation	-31	-	-95	-81	-203	-26	-65	-501
Reclassification to Assets held for sale	-	-40	-14	-	-	-44	-742	-840
Accumulated depreciation and amortisation at 1 Jan. 21	**6 295**	**1 840**	**4 443**	**1 940**	**2 953**	**2 528**	**956**	**20 955**
Depreciation and amortisation	517	370	583	292	732	489	96	3 080
Disposals, depreciation and amortisation	-38	1	-179	-63	-21	-36	-122	-458
Reclassification to Assets held for sale	-	40	14	-	-	44	742	840
Accumulated depreciation and amortisation at 31 Dec. 21	**6 774**	**2 250**	**4 861**	**2 169**	**3 665**	**3 025**	**1 673**	**24 418**
Carrying value at 31 Dec. 20	**17 951**	**10 600**	**13 352**	**3 016**	**2 514**	**13 429**	**568**	**61 430**
Carrying value at 31 Dec. 21	**17 911**	**15 188**	**14 484**	**3 131**	**2 934**	**13 958**	**898**	**68 504**
Of which intangible fixed assets								
Carrying value at 31 Dec. 20	-	-	-	-	1 077	-	56	**1 133**
Carrying value at 31 Dec. 21	-	-	-	-	1 681	-	56	**1 737**
Of which right-of-use assets								
Carrying value at 31 Dec. 20	-	-	-	-	188	181	-	**369**
Carrying value at 31 Dec. 21	-	-	-	-	195	244	-	**439**
Of which asset retirement obligations								
Carrying value at 31 Dec. 20	108	12	111	-	-	-	-	**231**
Carrying value at 31 Dec. 21	57	4	92	-	-	-	-	**153**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	355	200	786	634	1 962	434	646	**5 017**
Depreciation rate (straight-line)	2%	2-7%	2-5%	3-13%	5-33%	0-7%	0-33%	

Expenditure on research and development

Research and development activities that have been carried out and do not meet the criteria for being capitalized in 2021 and 2020 have been expensed with NOK 55 million and NOK 79 million respectively.

Note 9 Plants under construction

Statnett is currently undertaking substantial investments. For the most part, this is done through projects that are recorded in the balance sheet as plants under construction until the assets are ready for use.

Principle

Plants under construction are recognised in the balance sheet at acquisition cost less any accumulated losses from impairments. Plants under construction are not depreciated.

Development projects starts with a feasibility and alternative study. Project costs are recognized through profit or loss until the conclusion from the study is available, and the main development concept has been selected. After this, project costs are capitalized. At this point, a licence has not been granted and no final investment decision has been made. Statnett's experience is that once a main concept has been selected for development, it is highly probable that the project will be fulfilled. Should Statnett no longer deem project completion as probable, the capitalized project costs are impaired.

Accrued costs in development projects are measured according to the progress in the project. Deliveries from suppliers where Statnett has gained control are included in the accrued costs.

Ongoing assessments are made of whether licensing conditions or other causes necessitate a full or partial write-down of project expenses incurred. Write-downs are reversed when there is no longer any basis for the write-down.

Construction loan costs related to the company's own plants under construction are capitalised in the balance sheet. The interest is calculated based on the average borrowing interest rate and scope of the investment, as the funding is not identified specifically for individual projects.

When plants under construction are available for use, plants under construction are reclassified as tangible or intangible assets. The term "available for use" means that the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. For grid infrastructure, available for use means the grid infrastructure is ready to operate in the power grid.

Spesification this year's change of plants under construction

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
11 425	9 955	Aquisition cost at 1 January	10 081	11 505
6 963	5 669	Additions	5 570	7 039
260	120	Capitalised construction interest	120	260
-8 642	-9 596	Transferred to tangible and other intangible fixed assets	-9 534	-8 670
-53	-40	Write-offs	-40	-53
9 955	**6 108**	**Acquisition cost at 31 December**	**6 197**	**10 081**
22	-	Hedge accounting effects	-	22
9 976	**6 108**	**Plants under construction at 31 December**	**6 197**	**10 103**

Average capitalisation rate used to determine the loan expense that can be capitalised:	**2021**	**2020**
	1,41%	2,13%

Contractual obligations

Contractual obligations as at 31 December 2021 amounts to NOK 2.1 billion. The reported obligation includes investment projects where future contractual obligations exceed NOK 50 million.

Effects of the corona pandemic on construction projects

For transmission line projects, the corona pandemic has resulted in tighter plans of progress and increased costs. At the end of 2021, project reporting shows no particular changes from the last quarter, but the risk of increased costs and delays because of the corona situation is still present. During 2021, there have not been any write-downs related to the corona pandemic.

Note 10 Financial income and costs

Financial income and financial costs mainly comprise interest income and interest expenses relating to the Group's financing. Other financial items not attributable to operating conditions are also included.

Principle

Interest income and interest expenses on loans and receivables are calculated using the effective interest method and are recognised when they are earned/accrued.

Interest income, unrealised and realised changes in value of market-based securities are presented net as Net gain/loss from market-based securities.

Interest expenses relating to asset retirements obligations are presented under Other interest costs. The interest element in the asset retirements obligations is discussed in more detail in note 24 Other liabilities.

Interest expenses relating to plants under construction are recognised in the balance sheet together with the plants under construction, see note 9 Plants under construction.

Currency gains or losses deriving from operating assets and liabilities, and hedging of these items, are classified as Other operating costs, see note 27 Other operating costs. Unrealised currency gains or losses relating to hedging of loans are presented net as a change in value derivatives. Other currency effects are presented net as Net currency exchange gain/loss.

The interest element in pension costs is recognised in pensions, see note 7 Pensions.

For the Group:
Investments in associates are recognised in accordance with the equity method for the Group. Shares of profits/losses and impairment of shares for associates are recognised net under Net financial income from associates or Net financial costs from associates, see note 20 Investments in subsidiaries, jointly controlled company and associates.

For the parent company:
Investments in subsidiaries and associates are recognised in accordance with the cost method in the parent company accounts. Group contribution and dividends received are recorded in the income statement as financial income, as long as the Group contribution and dividends are within the earnings accrued during the period of ownership. Group contributions and dividends are recorded in the year they are adopted. Impairments and impairment reversals of shares in subsidiaries and gains/losses on the sale of shares in subsidiaries are presented as Net financial income from subsidiaries or as Net financial costs from subsidiaries.

Note 10 Financial income and costs

Specification of financial income and financial costs

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
		Financial income		
65	148	Group contribution and dividend from subsidiaries	-	-
1	-	Net financial income from subsidiaries	-	-
135	52	Net financial income from associates	-9	125
166	95	Interest income from subsidiaries	-	-
15	14	Other interest income	15	17
25	6	Net gain/loss from market-based securities	5	30
20	-22	Change in value of derivatives	13	20
-	-	Net currency exchange gain	-	1
1	-	Other financial income	14	15
428	**293**	**Total financial income**	**37**	**209**
		Financial costs		
-	-	Net financial costs from associates	-	1
1	1	Interest costs from subsidiaries	-	-
901	696	Other interest costs	696	902
-260	-120	Capitalised construction interest	-120	-260
6	11	Net currency exchange loss	13	-
15	19	Other financial costs	54	15
662	**607**	**Total financial costs**	**644**	**658**

Note 11 Trade accounts and other short-term receivables

This note presents trade and other receivables relating to the Group's operating activities. Other current receivables can be either interest-bearing or non-interest-bearing.

Principle

Trade receivables are recognised and presented at the original invoice amount (the transaction rate) at the invoicing date. Subsequently, trade and other current receivables are measured at amortised cost using the effective interest method. The interest element is ignored since it is deemed to be immaterial for the Group's receivables.

Impairment losses

Trade and other current receivables are assessed for potential impairment on an ongoing basis. Impairments for losses on trade receivables follow the simplified method and are measured in an amount corresponding to the expected loss over the asset's lifetime. Loss provision is recognised on a separate provision account if the loss potential is material and it is deemed highly probable that the receivable will not be redeemed. An impairment is immediately recognised for the receivable if attempts to recover the receivable do not succeed and there are objective criteria that a loss-inducing event has occurred that can be reliably measured and will affect repayment of the receivable. For other current receivables, credit risk relating to individual assets is assessed on an ongoing basis. If there is deemed to be a significant increase in expected credit risk for the asset, a loss provision is recognised in an amount corresponding to the expected loss over the asset's lifetime.

Spesification of trade accounts and other short-term receivables

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
199	450	Trade account receivables	453	192
37	325	Short-term receivables group companies	-	-
1 452	986	Other short-term receivables *	681	1 169
1 689	**1 761**	**Total trade accounts and other short-term receivables**	**1 134**	**1 362**

Age distribution trade account receivables

(Amounts in NOK million)	**Not due**	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total trade acc. rec.**
Parent company	359	85	-	5	1	450
Group	353	94	-	5	1	453

Impairment assessment

Trade and other current receivables account for a relatively small share of the Group's balance sheet, and errors in the valuation of customers'/debt owners' ability to pay will normally not result in material errors in the financial statements. A material share of the Group's income (around 85 percent) derives from the Group's grid agreements with grid customers for connection to and use of the central grid. Stringent sanctions and requirements for pledging of collateral mean that the risk of losses on these trade receivables is deemed extremely low. A specific assessment is made on material overdue other trade receivables.

As of 31 December 2021, NOK 2 million were recognised as loss for trade receivables and other current receivables.

Note 12 Market-based securities

This note presents the size of the Group's liquidity surplus invested in market-based securities.

Principle
Market-based securities are part of a trading portfolio or have cash flows consisting of payments of more than principal amounts and interest and are classified at fair value with changes in value through profit or loss.

Market-based securities

Parent company			Group	
Acquisition cost	**Carrying value**	*(Amounts in NOK million)*	**Acquisition cost**	**Carrying value**
		Bonds and interest rate funds		
-	-	Government	-	-
-	-	Municipality/municipal operations	36	35
-	-	Financial institutions, including banks	249	249
-	-	Covered bonds	60	59
-	-	Private/industry	60	59
993	994	Norw. interest rate and money market fund	993	994
993	**994**	**Total bonds**	**1 338**	**1 337**
		Equity funds		
-	-	Norwegian equity funds	16	35
-	-	Foreign equity funds	16	35
-	**-**	**Total equity funds**	**32**	**70**
993	**994**	**Total market-based securities**	**1 370**	**1 407**

Market-based securities are recognised at fair value at valuation level 1, since the securities are listed on a stock exchange and freely tradable, and are measured at the most recent quoted price. Please see description of the measurement hierarchy in note 3 Accounting estimates and assumptions.

Note 13 Liquid Assets

This note presents the Group's liquid assets.

Principle

Cash and cash equivalents comprise cash and bank deposits. Bank deposits include deposits under Credit Support Annexes (CSAs) that freely can be used by the Group. Restricted funds are funds that the Group may only use to a limited degree. Restricted funds comprise tax withholdings, deposits from power trading and subordinated capital in relation to the settlement of the regulated power market.

Specification of liquid assets

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
690	1 605	Bank deposits	1 681	786
271	703	Restricted bank deposits	706	273
961	**2 308**	**Total liquid assets**	**2 387**	**1 058**

Unused credit facilities of NOK 8 billion are not included in liquid assets.

Note 14 Other non-current financial assets

This note presents financial items of a non-current nature and includes both interest-bearing and non-interest-bearing items.

Principle

Financial assets are classified as non-current when they include amounts expected to be recovered more than 12 months after the reporting period. Non-current receivables and non-current loans to Group companies are recognised at fair value at the agreement date with the addition of transaction costs and subsequently measured at amortised cost using the simplified effective interest rate method. Shares that are not part of a trading portfolio are recognised at fair value through profit or loss.

Impairment losses

Impairments of non-current receivables and non-current loans to Group companies are assessed on an ongoing basis. If the expected credit risk is deemed to have materially increased, a loss provision is recognised in an amount corresponding to the expected loss over the asset's lifetime.

Specification of other non-current financial assets

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
49	53	Long-term receivables	51	47
4 665	4 683	Long-term loans Group companies	-	-
75	75	Subord. capital in Statnett SF's pension fund	75	75
3	3	Shares and funds	3	3
4 792	**4 814**	**Total Other non-current financial assets**	**128**	**125**

Subordinated capital in Statnett SF's Pension Fund and Shares and funds are recognised at fair value at valuation level 3. Please see description of the measurement hierarchy in note 3 Accounting estimates and assumptions. There were no transfers between the respective levels in 2020 and 2021. There were no changes in level 3 in 2021.

Long-term loans to Group companies account for a material share of non-current financial assets. The risk of default for these loans is deemed to be extremely low both in the short and long term due to the company's non-distributable equity, its various regulated activities, including deliveries to the parent company, and financing agreements and guarantees with the parent company. The credit risk for the loans is deemed to be low.

Long-term receivables account for an immaterial share of the company's balance sheet. Impairments are assessed on an ongoing basis and loss provision is recognised for material changes in the items' credit risk.

Based on the assessment at the end of the year, no loss provisions were recognised for non-current receivables or loans to subsidiaries at the reporting date.

There is an insignificant difference between carrying value and fair value for other non-current financial assets.

Note 15 Derivatives and hedge accounting

This note describes which of the Group's risk exposures are hedged using derivatives in accordance with hedge accounting principles. The description includes how the risk exposures arise, which derivatives are used as hedging instruments and the Group's hedging policy when using derivatives. Information and tables will be the same for the parent company and the Group due to the fact that only the parent company uses financial derivatives and hedge accounting.

Principle

Derivatives are initially recognised at fair value at the date the contract is entered into, and subsequently on an ongoing basis at fair value. Derivatives with a positive value are classified as assets, while derivatives with a negative value are classified as liabilities in the financial statements. Changes in fair value and gains/losses on realisation are immediately recognised in profit or loss if the derivative is not part of a hedging relationship that satisfies the criteria for hedge accounting. Embedded currency derivatives in major procurement contracts are separated from the host contract and measured individually. Derivatives that hedge the Group's borrowings are classified as interest-bearing, and derivatives that hedge currency risk for procurements are classified as non-interest-bearing. Derivatives are accounted for and presented on an individual bases. Derivatives that expire within 12 months are classified as current, while derivatives that are settled after more than 12 months are classified as non-current.

Spesification of derivatives

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
6 220	4 500	Derivatives, interest-bearing	4 500	6 220
-	-	Derivatives, non-interest-bearing	-	-
6 220	**4 500**	**Total derivatives, non-current assets**	**4 500**	**6 220**
565	-	Derivatives, interest-bearing	-	565
1	1	Derivatives, non-interest-bearing	1	1
566	**1**	**Total derivatives, current assets**	**1**	**566**
6 785	**4 501**	**Total derivatives, assets**	**4 501**	**6 785**
206	169	Derivatives, interest-bearing	169	206
1	-	Derivatives, non-interest-bearing	-	1
207	**169**	**Total derivatives, non-current liabilities**	**169**	**207**
28	10	Derivatives, interest-bearing	10	28
38	7	Derivatives, non-interest-bearing	7	38
66	**17**	**Total derivatives, current liabilities**	**17**	**66**
273	**186**	**Total derivatives, liabilities**	**186**	**273**
6 512	**4 316**	**Total derivatives, net asset (+) / liability (-)**	**4 316**	**6 512**

Derivatives are measured at fair value at valuation level 2, see description of the measurement hierarchy in note 3.

Description of risk exposure hedged in accordance with the rules for hedge accounting

Currency risk

Currency risk is the risk of fluctuations in exchange rates affecting Statnett's income statement and balance sheet. Currency risk arises when the Group has income or expenses, raises loans, has bank accounts or makes investments in securities in foreign currency. Some of this currency risk is inherently hedged, but the Group is exposed to currency risk in some major investment projects through material procurements and through new loans in foreign currency. The Group's finance policy defines frames within which the currency risk of loans and major procurement contracts, should be hedged.

Note 15 Derivatives and hedge accounting

Interest rate risk
The Group is exposed to interest rate risk through its loan portfolio, liquidity holdings, placements in interest and money market funds and derivative contracts. Interest rate risk relating to the loan portfolio is hedged using interest swaps. Interest on loans can be hedged both from fixed to floating and from floating to fixed interest rates. Limits have been established providing guidelines on how much of Statnett's loans should be at floating interest rates as well as criteria for hedging interest on loans.

Description of derivatives used in hedging relationships
The Group uses different types of derivatives to manage currency risk and interest rate risk deriving from procurement contracts and new loans. Forward exchange contracts are used to manage currency risk in procurement contracts. Interest swaps or combined currency and interest swaps are used to manage currency and/or interest rate risk in loan contracts.

Hedge accounting
The Group applies the rules for hedge accounting when derivatives are used to hedge interest and currency risk.
A hedging relationship satisfies the requirements for hedge accounting only if the following criteria are satisfied:

1. *The hedging relationship consists solely of hedging instruments and hedged items that satisfy the criteria*
2. *Satisfactory documentation has been established on the entering into of the hedge that describes the hedging relationship, the nature of the risk being hedged and how the Group will assess whether the hedging relationship satisfies the requirements for hedge effectiveness*
3. *The requirements for hedge effectiveness are as follows:*
    a. *There is an economic relationship between the hedged item and the hedging instrument*
    b. *The effect of credit risk does not dominate changes in value deriving from the economic relationship*
    c. *Ineffectiveness in the hedge does not affect the hedge ratio*

The Group uses the following types of hedging relationships
Fair value hedge
A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset, liability or binding agreement that can be attributed to a particular risk and can affect profit or loss. Changes in the fair value of the derivative designated as a hedging instrument are recognised in profit or loss on an ongoing basis. Changes in the fair value of the hedged item are similarly recognised in profit or loss within the same line item. For fair value hedges of hedged items recognised at amortised cost, the change in value is amortised in the income statement over the residual term to maturity.

For loans that are hedged using interest swaps or combined currency and interest swaps, critical terms match, incurring cash flows from both the hedged object and the hedging instrument to coincide. The unrealized change to fair value during the hedging relationship from the hedged object and the hedging instrument results in an immaterial inefficiency in the hedging relationship. Consequently, no hedging ineffectiveness has been recognized in the hedging relationship.

In fair value hedging of major procurement contracts in foreign currency, fair value is calculated for both the hedging instrument and the hedged item. Different maturity dates for the hedging instrument and hedged item and rolling of the hedging instrument will result in ineffectiveness that is recognised in profit or loss under Other operating expenses. Realised effects of the hedge for the hedging instrument and the hedged item affect profit or loss in the same period.

The Group discontinues fair value hedging if:
1. The hedging instrument expires, or is sold, terminated or exercised,
2. The hedge does not satisfy the terms for hedge accounting, or
3. The Group cancels the hedge for other reasons

Should a hedging relationship expire, the change in value of the hedged item that has been recognised in the balance sheet, is amortised over the residual term using the effective interest rate method.

Cash flow hedge
A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all or a component of a recognised asset or liability or a highly probable forecast transaction, which could also affect profit or loss. All derivatives defined as hedging instruments in cash flow hedges are recognised at fair value in the balance sheet. The effect is recognised as cash flow hedge reserve as part of equity. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income, and reclassified through profit or loss on implementation of the transaction that the derivative is hedging, and is presented on the same line as the hedged transaction. If changes to fair value for the hedging instrument is greater than that for the hedging object, the ineffective portion is recognised in profit or loss on an ongoing basis. If the forecast future transaction is no longer

Note 15 Derivatives and hedge accounting

expected to be implemented, the amount previously recognised in other comprehensive income is recognised under financial income or financial costs. If the hedging instrument expires or is sold, terminated or exercised, or Statnett elects to cancel the hedging relationship, despite the fact the hedged transaction is expected to take place, accumulated gains or losses remain in other comprehensive income and are recognised in profit or loss when the transaction is implemented. If the hedged transaction is no longer expected to take place, the accumulated unrealised gains or losses are immediately recognised in profit or loss.

Economic hedge - derivatives not included in hedge accounting
Statnett also holds derivatives that does not qualify for hedge accounting under IFRS. These derivatives are measured at fair value and all changes in value are recognized in profit or loss as Financial income or costs. This type of derivatives are referred to as "Free standing derivatives".

Embedded currency derivatives
For major procurements contracts, Statnett will separate embedded derivatives if agreed payment is in a currency different from the contract parties own functional currency, and that the contract is not considered to be commonly used for the relevant economic environment defined as the countries involved in the transaction. Embedded derivatives are recorded at fair value in the income statement under Other operating costs.

Note 15 Derivatives and hedge accounting

The Group's hedging strategy

The table describes how the Group hedges different categories of risk exposure:

Risk exposure category	***Hedged item***	***Hedging instrument***	***Hedging strategy***	***Type of hedge***
Currency risk in major contracts with uncertain payment milestones	Major procurement contracts with foreign suppliers in foreign currency. The contract has multiple milestones that are invoiced in accordance with the degree of project completion. The exact payment date for each individual milestone is unknown at the time the contract is entered into, but final completion and the total contract amount is defined as a "firm commitment".	Forward exchange contract in an amount corresponding to the total hedged contract amount. The forward exchange contracts mature after more than one year. A new forward exchange contract is established to hedge residual contract payments.	All or part of the contract is hedged. Ineffectiveness is recognised through profit or loss and classified as Other operating expenses. To achieve an adequate economic relationship, the hedged item is hedged at the forward exchange contract's spot rate. The forward points (forward premiums) are recognised through profit or loss under Other operating expenses.	Fair value hedge
Currency risk in major contracts with fixed payment milestones	Major procurement contracts with foreign suppliers in foreign currency with fixed payment dates.	Forward exchange contract with the same amount and payment date as the hedged cash flow.	All or part of the contract is currency hedged. In essence, no changes are expected in the payment plan. For minor changes in the payment plan, the forward contract is rolled over to the bank account. For major changes in the payment plan, the forward contract is rolled over to a new forward contract. Hedging rate: The forward exchange rate (spot rate plus forward points).	Fair value hedge
Currency and interest rate risk in loan contracts	Loans with fixed or floating interest in foreign currency.	Interest and currency swaps that hedge the loan in NOK at a floating NOK interest rate.	Currency and interest rate risk is hedged in accordance with frameworks for financial management.	Fixed-interest loans: Fair value hedge Floating-interest loans: Fair value hedge
Interest rate risk on Norwegian loans	Floating-rate loans in NOK.	Interest swap with floating interest switched to fixed interest.	Interest rate risk is hedged in accordance with frameworks for financial management.	Cash flow hedge
Interest rate risk on Norw. loans	Fixed-rate loans in NOK.	Interest swap with fixed interest switched to floating interest.	Interest rate risk is hedged in accordance with frameworks for financial management.	Fair value hedge

Note 15 Derivatives and hedge accounting

Description of hedge effectiveness and how this is measured for various risk categories:

Risk category	***Assessment of effectiveness***	***Measurement of effectiveness***
Currency risk in major contracts with multiple uncertain payment milestones	Different settlement dates for milestones in the hedged item and hedging instrument create ineffectiveness that must be measured.	Dollar offset method
Currency risk in major contracts with fixed payment milestones	Qualitative assessment based on the Principal Terms Match method provided that critical factors in the hedged item and hedging instrument are matched. Critical factors: • currency • amount • payment date Provided that critical factors are matched, the hedge is considered to be approximately 100 per cent effective. Ineffectiveness arises when the payment date is changed and the hedging instrument must be rolled over.	When critical factors are not matched: Dollar offset method
Interest rate and currency risk on loans	Qualitative assessment based on the Principal Terms Match method provided that critical factors in the hedged item and hedging instrument are matched. Critical factors: • principal amount (amount and currency) • maturity date • interest dates Provided that receipts from the interest and currency swap match payments on the loan, the hedge will be 100 per cent effective.	When critical factors are not matched: Dollar offset method

Fair value measurement

Foreign exchange forward contracts are measured at fair value based on observable forward rates on contracts with similar terms on the balance sheet date. Fair value for interest and currency swap contracts is the present value of future cash flows based on observable market rates and foreign currency rates at the balance sheet date. Fair value of interest swap contracts is the present value of future cash flows based on observable market rates on balance sheet day. During 2020, the Group started using market data from Bloomberg to calculate fair value of interest and currency swap contracts and interest swap contracts. By using marked data from only one source, the Group ensures that the fair value can be calculated on the same point of time during the balance sheet day for all contracts.

Note 15 Derivatives and hedge accounting

Repayment profile for derivatives related to debt

Parent Company and Group

Amounts in NOK million	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	> 15 years	Total market value	Type of hedge accounting
Assets							
Interes swap fixed to floating	-	94	133	13	-	240	Fair value hedge
Interest and currency swap	-	966	1 300	1 555	306	4 127	Fair value hedge
Interest and currency swap	-	-	133	-	-	133	Cash flow hedge
Interest and currency swap	-	-	-	-	-	-	Free standing derivatives
Total assets 31.12.2021	**-**	**1 060**	**1 566**	**1 568**	**306**	**4 500**	
Total assets 31.12.2020	**565**	**1 413**	**2 347**	**2 095**	**365**	**6 785**	
Liabilities							
Interes swap fixed to floating	-	-	-10	-	-	-10	Fair value hedge
Interest rate floating to fixed	-10	-29	-	-	-	-39	Cash flow hedge
Interest and currency swap	-	-129	-	-	-	-129	Fair value hedge
Total liabilities 31.12.2021	**-10**	**-158**	**-10**	**-**	**-**	**-178**	
Total liabilities 31.12.2020	**-28**	**-206**	**-**	**-**	**-**	**-234**	

The table below presents the effect of cash flow hedges that are presented as a hedging reserve in equity (negative figures reduce the Group's equity). During 2020 and 2021, no effects relating to hedge ineffectiveness or hedging instruments that no longer qualify for hedge accounting were recognised in the income statement.

Development in cash flow hedge reserve

Amounts in NOK million	31.12.2021	31.12.2020
Cash flow hedge reserve before tax at 1 January	-204	41
Change in market value	298	-246
Cash flow hedge reserve before tax at 31 December	**94**	**-204**
Deferred tax on cash flow hedge reserve	-21	-45
Cash flow hedge reserve after tax at 31 December	**73**	**-159**

Note 15 Derivatives and hedge accounting

Derivatives related to investments in foreign currency

Forward exchange options

Statnett uses forward exchange contracts in order to hedge the currency risk on major acquisitions in currencies other than NOK.

Overview of derivatives related to investments in foreign currency
Parent Company and Group

Amounts in NOK million	Currancy	Nominal amount currency	Hedging rate	Market rate	Under 1 year	1 to 5 years	Total market value
Assets							
Fair value hedge	EUR	-7	10,30	10,10	1	-	**1**
Total assets		**-**			**1**	**-**	**1**
Liabilities							
Fair value hedge	EUR	-11	10,57	10,08	-5	-	**-5**
Embedded derivatives	EUR	-2	-	-	-	-	**-**
Embedded derivatives	SEK	-	-	-	-	-	**-**
Total liabilities		**-**			**-5**	**-**	**-5**
Net value of foreign currency derivatives					**-4**	**-**	**-4**

Changes in market value and income statment effects of currency hedging derivatives related to procurement contracts

Parent Company and Group	**Hedging instrument**			**Hedged item**			**Income statement effects**		
Amounts in NOK million	**31.12.2021**	**31.12.2020**	**Change in market value**	**31.12.2021**	**31.12.2020**	**Change in market value**	**Unrealised ineffectivenes**	**Realised ineffectiveness**	**Realised forward premium**
Currency hedging derivatives	-4	-8	4	1	7	-6	2	-4	1

Embedded derivatives in procurement contracts in foreign currency
As of year-end 2021, the Group has embedded derivatives with a carrying value of NOK -1 million. NOK 4 million was recognized as a gain related to *unrealised* changes in value in 2021. NOK 2 million was recognized as a loss in 2021 related to *realised* changes in value.

Effects from the IBOR reform (changes of interest reference rates)
During two phases, certain amendments have been made to IFRS 9, IAS 39 and IFRS 7 in terms of reliefs that can ensure continued hedge accounting under the transition to new interest reference rates under the IBOR reform. Statnett has chosen to early adopt the amendments from phase 1 as from 2019 and from phase 2 as from 2020.

In 2021, Statnett adhered to the ISDA «Fallback Protocol» that provides replacement rates for IBOR rates that will go out of use. All of Statnett's derivative counterparties in 2021, have either adhered to the ISDA «Fallback Protocol», or have entered an equivalent bilateral agreement with Statnett. No active financial instrument are so far been affected by the changes, only interest on collateral (CSA). The transition to new reference rates has not caused changes to accounting of or cash flows related to financial instruments. Nor, have the amendments impacted Statnett's hedge accounting, and none of the hedge accounting relationships have been cancelled following the amendments. The IBOR reform has not changed Statnett's approach to financial risk management. Please see note 16 Interest-bearing liabilities for a specification of interest-bearing debt and derivatives pr. currency.

Statnett has issued bond loans and entered derivative agreements with NIBOR as reference rate. On the date of reporting, Statnett has not identified reliable indicators suggesting that NIBOR will be replaced by a new reference rate, all though alternatives have been discussed, including a transition to a rate based on NOWA (Norwegian Overnight Weighted Average). Consequently, Statnett has no ongoing process for replacing NIBOR with a new reference rate in affected agreements.

Note 16 Interest-bearing liabilities

This note presents current and non-current interest-bearing liabilities for the Group. The composition and level of interest-bearing liabilities are managed through the company's financing activities and are described in more detail in note 15 Derivatives and hedge accounting.

Principle

Interest-bearing liabilities are recognised at fair value of received funds, net after transaction costs. Loans are subsequently recognised at amortised cost using the effective interest method, where the difference between net funds and the redemption value is recognised in profit or loss over the loan term.

At initial recognition lease liabilities are recognized at the present value of the lease payments that are not paid at that date. Such payments include fixed payments and qualifying variable lease payments. The recorded lease liability is subsequently measured at amortised cost over the lease period. Payments related to expected termination penalties, exercise of payment options and residual value guarantees are included if considered applicable. Under leases that include options to extend or terminate the lease, the lease term is determined on the basis of reasonably certain exercises of such options. Payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. Otherwise are payments discounted using Statnett's incremental borrowing rate. The lease liabilities are adjusted by changes in expected lease payments resulting from changes in indices determining variable lease payments, changes in lease terms or changes in the assessment or exercise of options. The first year's instalments are reclassified as current liabilities.

Specification of interest-bearing debt

Parent company *(Amounts in NOK million)*	2021		2020	
Debt	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Long-term interest-bearing debt	46 859	45 664	47 067	47 560
Long-term interest-bearing debt Group companies	19	18	21	21
Long-term lease liabilities	191	191	169	169
Total long-term interest-bearing debt	**47 069**	**45 874**	**47 258**	**47 750**
Short-term interest-bearing debt	6 799	6 798	8 627	8 649
Short-term interest-baring debt Group companies	158	21	378	378
Short-term lease liabilities	33	33	32	32
Total short-term interest-bearing debt	**6 990**	**6 852**	**9 037**	**9 059**

Group *(Amount in NOK million)*				
Debt				
Long-term interest-bearing debt	46 880	45 664	47 067	47 560
Long-term lease liabilities	191	191	169	169
Total long-term interest-bearing debt	**47 072**	**45 855**	**47 236**	**47 729**
Short-term interest-bearing debt	6 799	6 798	8 627	8 649
Short-term lease liabilities	33	33	32	32
Total short-term interest-bearing debt	**6 831**	**6 831**	**8 660**	**8 681**

Interest-bearing debt measured at fair value due to hedge accounting, is measured at fair value at valuation level 2. A description of the measurement hierarchy can be found in note 3 Accounting estimates and assumptions.

Note 16 Interest-bearing liabilities

Changes in liabilities arising from financing activities

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
50 150	56 529	Liabilities in debt portfolio 01.01. - previously reported	56 130	50 199
10 254	16 782	Borrowing of new debt (cash flow, received)	16 782	10 254
-8 484	-13 719	Repayment of debt (cash flow, paid)	-13 719	-8 484
1 923	-2 576	Changes in CSA liabilities (cash flow, received)	-2 576	1 923
2 301	-2 561	Changes in fair value (non-cash flow)	-2 561	2 301
9	-180	Amortizations (non-cash flow)	-180	9
-5	-	Changes in intercompany liabilities (cash flow, paid)	-	-
66	-3	Changes in intercompany liabilities (cash flow, received)	-	-
311	-219	Changes in intercompany liabilities (non-cash flow)	-	-
3	16	Other (non-cash flow)	27	-72
56 529	**54 068**	**Liabilities in debt portfolio 31.12.**	**53 903**	**56 130**

Repayment profile for interest-bearing debt

Parent company

The loans are measured at amortised cost adjusted for the effect of fair value hedging.

Maturity date *(Amounts in NOK million)*	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 years +**	**Total**
Fixed rate loans						
Certificate issues	1 500	-	-	-	-	1 500
Bond issues	-	13 162	16 625	4 348	680	34 815
Lease liabilities	33	82	61	18	30	224
Total fixed rate loans 31.12.2021	**1 533**	**13 244**	**16 686**	**4 366**	**710**	**36 539**
Total fixed rate loans 31.12.2020	**1 491**	**13 192**	**12 093**	**8 595**	**765**	**36 136**
Floating rate loans						
Collateral under CSA agreements*	4 032	-	-	-	-	4 032
Other interest-bearing debt	168	177	10	-	-	355
Bond issues	-	3 799	-	-	-	3 799
Loans from financial institutions	1 266	1 909	3 120	2 621	427	9 343
Total floating rate loans 31.12.2021	**5 466**	**5 885**	**3 130**	**2 621**	**427**	**17 529**
Total floating rate loans 31.12.2020	**7 573**	**6 416**	**2 253**	**3 620**	**531**	**20 393**
Total interest-bearing debt 31.12.2021	**6 999**	**19 129**	**19 816**	**6 987**	**1 137**	**54 068**
Total interest-bearing debt 31.12.2020	**9 064**	**19 608**	**14 346**	**12 215**	**1 296**	**56 529**

* Debt related to collateral under CSA agreements (Credit Support Annex) reflecting unrealised gains/losses on derivatives. The loans are settled weekly.

Group

The repayment profile for interest-bearing debt of the Group differs from the parent company's repayment profile with intra-group loans. Within "Other interest-bearing debt" Statnett SF has two intra-group long-term loans, totalling NOK 40 million, payable on demand. In addition, Statnett SF has intra-group debt of NOK 91 million, concerning the Group cash pool arrangement. The loans are eliminated in the Group statement. Please refer to the analysis of liqudity risk in note 18 Financial risk management.

Note 16 Interest-bearing liabilities

Maturity of fixed interest of the loan portifolio *(Amounts in NOK million)*	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 years +**	**Total**
Interest-bearing debt 31.12.2021	43 995	5 660	4 365	18	30	54 068
Interest-bearing debt 31.12.2020	48 342	6 103	2 039	18	27	56 529

Specification of interest-bearing debt and derivatives	**Principal debt Currency**	**Principal debt NOK**	**Principal swap NOK**	**Interest rate loan**	**Interest rate swap**	**Fair value swap**
Secured liabilities - fair value hedging	*(Amounts in million)*	*(Amounts in NOK million)*	*(Amounts in NOK million)*			*(Amounts in NOK million)*
NOK	4 000	4 000	4 000	4,10%	1,51%	230
SEK	3 750	3 690	3 690	0,75%	1,50%	-29
USD	1 080	7 208	7 208	3,17%	1,52%	2 875
EUR	1 070	10 025	10 025	1,15%	1,29%	1 152
Secures liabilities - cash flow hedging						
NOK	2 193	2 193	1 393	1,24%	2,96%	-10
USD	360	3 039	3 039	2,79%	1,63%	133
EUR	312	4 813	3 000	0,88%	2,49%	-29
Unsecured liabilities						
NOK - floating interest rate	9 000	9 000	-	2,02%	0,00%	-
NOK - fixed interest rate	8 552	8 552	-	1,28%	0,00%	-
CSA						
NOK	1 888	1 888	-	*	-	-
EUR	215	2 144	-	**	-	-
Total						**4 322**

* *NOWA (Norwegian Overnight Weighted Average rate) - daily interest for deposits in NOK*
** *EONIA overnight - daily interest rates announced by the European Banking Federation (EBF)*

Note 17 Trade accounts payable and other short-term debt

This note presents trade payables and other current non-interest-bearing liabilities. Trade payables are directly related to operational activities, while other current liabilities relate to other payables such as public taxes and charges, salaries and holiday pay, accrued interest, etc.

Principle

Non-interest-bearing liabilities are classified as current when they are part of ordinary operations, are used for trading purposes and due by 12 months. Other liabilities are non-current. Trade and other current liabilities are measured at amortised cost using the effective interest method. The interest element is ignored since it is deemed to be immaterial for the overwhelming majority of the Group's current non-interest-bearing liabilities.

Specification of trade accounts payable and other short-term liabilities

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
1 312	1 551	Trade accounts payable	1 564	1 318
3	9	Short-term liabilities Group companies	-	-
374	691	Public fees	701	383
280	300	Payroll	308	286
244	262	Accrued interest	262	244
247	188	Asset retirement obligations	188	247
285	1 063	Other short-term debt	1 180	1 427
2 745	**4 063**	**Total Trade accounts payable and other short-term debt**	**4 202**	**3 906**

Provisions related to progress measurement of investment projects are classified as other current liabilities. Such progress measurement is further described in note 9 Plants under construction.

Note 18 Financial risk management

Financial risk
The objective of Statnett SF's financial policy is to ensure that the enterprise achieves the necessary financing of planned operational and investment programmes in accordance with external legal requirements and internal risk tolerance. A detailed framework is developed for the execution of the finance function in order to minimize the enterprise's credit, interest rate and foreign exchange risks. Statnett SF uses financial derivatives to manage the financial risks.

Capital management
The loan agreements do not impose any capital requirements on the enterprise which are expected to restrict the capital structure in the Group. Nor are there any explicit equity requirements other than those stipulated in applicable laws and regulations. The main objective of Statnett's capital management structure is to ensure that the enterprise has a sound financial position, which enables the enterprise to operate and develop the main grid in a socio-economically profitable manner in line with plans and the owner's expectations. It is a priority with the Statnett Board of Directors to maintain a robust A rating or better. The dividends are decided upon by the company meeting on a yearly basis. The owner's dividend policy for the period 2019-2022, such as expressed in the State Budget 2020-2021, is to distribute 50 percent of the Group's underlying result. The underlying result is the Group's net result for the year after tax adjusted for changes in the net higher/lower revenue after tax. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no material changes to capital management guidelines or objectives through the year.

Overview of capital included in capital structure management

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
47 258	46 900	Long-term interest-bearing liabilities	46 903	47 236
9 037	6 990	Short-term interest-bearing liabilities	6 831	8 660
2 249	3 302	Liquid assets and investment in market-based securities	3 794	2 693
54 046	**50 588**	**Net liabilities**	**49 940**	**53 203**

Liquidity risk
Statnett SF aims to be able to carry out 12 months of operations, investments and refinancing without raising any new debt. This will make Statnett less vulnerable during periods of low access to capital in the financial markets and periods with unfavourable borrowing conditions. Liquidity is followed up continuously through weekly reporting.

Statnett reduces liquidity risk related to maturity of financial liabilities by having an evenly distributed maturity structure, limits on the proportion of the loan portfolio that can fall due within a 12-month period, access to several sources of funding in Norway and abroad, and sufficient liquidity to cover scheduled operations, investment and financing needs without incurring any new debt within a time horizon of 12 months.

31 December the liquidity consists of bank/time deposits, investments in market-based securities and a credit facility of NOK 8 billion, running until January 2024. The credit facility has not yet been utilised. Up to NOK 4 billion of the credit facility can be drawn at very short notice. Statnett has an unused loan from the European Investment Bank (EIB) of EUR 130 million. Together with other sources of liquid assets, Statnett has a good ability to handle large liquidity needs that may occur at short notice, e.g. related to collateral for derivatives under CSA agreements with weekly settlement.

Statnett SF has a high credit rating. Standard & Poor's and Moody's Investor Service have given Statnett SF credit ratings for non-current borrowings of A+ and A2 respectively. The high credit ratings provide Statnett SF good borrowing opportunities.

Note 18 Financial risk management

The table below presents all gross cash flows related to financial liabilities. The cash flows have not been discounted and are based on interest rates and exchange rates at the end of the reporting period.

(Amounts in NOK million)

Parent company

	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Interest-bearing debt and interest payments	7 810	18 007	20 574	6 716	1 213	54 320
Trade acc.payable and other short-term debt	4 063	-	-	-	-	4 063
Derivatives	683	11 107	9 648	2 281	425	24 144
Financial liabilities 31.12.2021	**12 556**	**29 114**	**30 222**	**8 997**	**1 638**	**82 527**
Financial liabilities 31.12.2020	**14 341**	**32 092**	**23 546**	**16 266**	**1 731**	**87 976**

Derivatives	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Received	860	12 492	11 467	3 616	717	29 152
Disbursed	-683	-11 107	-9 648	-2 281	-425	-24 144
Net derivatives 31.12.2021	**177**	**1 385**	**1 819**	**1 335**	**292**	**5 008**
Net derivatives 31.12.2020	**804**	**1 957**	**2 386**	**1 427**	**296**	**6 870**

(Amounts in NOK million)

Group

	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Interest-bearing debt and interest payments	7 652	17 989	20 574	6 716	1 213	54 144
Trade acc.payable and other short-term debt	4 202	-	-	-	-	4 202
Derivatives	683	11 107	9 648	2 281	425	24 144
Financial liabilities 31.12.2021	**12 537**	**29 355**	**30 280**	**8 997**	**1 638**	**82 807**
Financial liabilities 31.12.2020	**15 124**	**32 071**	**23 546**	**16 266**	**1 731**	**88 738**

Derivatives	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Received	860	12 492	11 467	3 616	717	29 152
Disbursed	-683	-11 107	-9 648	-2 281	-425	-24 144
Net derivatives 31.12.2021	**177**	**1 385**	**1 819**	**1 335**	**292**	**5 008**
Net derivatives 31.12.2020	**804**	**1 957**	**2 386**	**1 427**	**296**	**6 870**

Note 18 Financial risk management

Credit risk

Credit risk refers to the risk that the counterparty will default on its contract obligations, resulting in a financial loss for the Group.

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
961	2 308	Liquid assets	2 387	1 058
1 288	994	Investment in market-based securities	1 407	1 635
6 785	4 501	Derivatives	4 501	6 785
4 792	4 814	Long-term receivables, excl. derivatives	128	125
1 689	1 761	Trade accounts and other short-term receivables	1 134	1 362
15 515	**14 378**	**Total maximum credit exposure**	**9 557**	**10 965**

Statnett SF is exposed to credit risk through investment of surplus liquidity with issuers of securities and through the use of different interest rate and currency derivatives. To limit this risk, Statnett has frameworks establishing requirements for creditworthiness and maximum exposure for each individual counterparty. Furthermore, the enterprise ensures that credit risk in hedging relationships is extremely low by entering into collateral agreements based on Credit Support Annexes (CSA) for its most important derivative counterparties.

All placements of liquid assets are made within sector limits and maximum limits for individual counterparties with a high credit rating, where higher credit ratings result in higher limits. Market-based securities consist of multiple, well-diversified investment grade fixed interest funds.

A CSA is a legal document that regulates credit support (collateral) for derivative transactions with weekly settlement of unrealised gains/losses. Unrealised gains on derivatives result in Statnett receiving settlements that increase the company's bank balances and current liabilities. Conversely, unrealised losses on derivatives result in Statnett paying settlements to its counterparties that reduce the company's bank balances and increase current receivables.

The table below shows the relationship between collateral pledged under the CSAs, unrealised values of derivatives in scope of the CSA agreements and unrealised values of all derivative transactions with external counterparties. Deposits are recognised in separate accounts, but are not classified as restricted funds. This means that bank balances may not always fully reflect the amounts actually received from counterparties.

Specification of the relationship between collateral and derivatives

(Amounts in NOK million)	**Totaly paid**	**Market value derivatives under CSA agreements**	**Market value all derivatives**
Received collateral under CSA agreements	4 032	4 366	4 316
Collateral under CSA posed to counterparty	-	-	-

Internal limits define minimum ratings that counterparties in CSAs should have received with leading rating agencies. Higher rating requirements are defined for counterparties without a CSA arrangement.

The Group's customer base primarily consists of municipal energy companies, Norwegian industrial customers and other Nordic TSOs. Historically losses on trade receivables have been low and as a starting point this situation is not expected to change. Please however refer to note 29 for a description of possible effects in relation to Events subsequent to the balance sheet date. In the event of default, the Group has efficient routines for rapid and close follow-up of customers, stringent sanction options and the opportunity to demand collateral as part of the network agreement. Consequently, the Group deems credit risk for trade receivables to be very low.

Statnett SF provides loans to subsidiaries and associates. The parent company has established cash pool into which the subsidiaries Elhub AS and NordLink Norge AS have pooled their cash with the cash of their parent. The two subsidiaries are granted a NOK 100 million credit limit each within the cash pool. The creditworthiness of the relevant subsidiaries is closely linked to Statnett SF's own credit rating due to ownership, the pledging of guarantees and/or receipt of services. Statnett SF also provides loans if needed to the eSett Oy

Note 18 Financial risk management

(associated) and Fifty AS (jointly controlled). Credit assessments are carried out when loan terms are established. All companies are monitored through board representation. Some of the loan agreements impose requirements on the equity ratios. No conditions have been registered that indicate potential impairments of loans.

Recognition and measurement of expected credit losses
The Group recognises provisions for expected credit losses on financial assets measured at amortised cost or at fair value through Profit for the year (Other operating costs) or Other comprehensive income in accordance with IFRS 9. The loss provision is based on the Group's assessment of the financial assets' credit risk.

For banks, derivative counterparties and other credit institutions, creditworthiness is regularly assessed during the year through monitoring of official ratings. Counterparty risk is monitored and reported on an ongoing basis to ensure that the enterprise's exposure does not exceed established credit limits and complies with internal rules. Credit risk for trade payables, other current receivables and non-current receivables is assessed monthly in the event of default or should other information become available that indicates that the borrower may not be able to redeem all or parts of its liabilities. A financial instrument is deemed to be in default if it has not been settled at the agreed date. Impairments are recognised using the following methods:

1. Expected credit loss over the asset's lifetime

The expected credit loss resulting from all potential default events during a financial instrument's lifetime.

If the credit risk for a financial instrument has materially increased since initial recognition, the loss provision for that financial instrument is recognised in an amount corresponding to the expected credit loss over the lifetime.

2. Expected credit loss over 12 months

The portion of the expected credit loss during the lifetime relating to the expected credit loss attributable to potential default events for a financial instrument within 12 months after the reporting date.

If the credit risk for a financial instrument has not materially increased since initial recognition, the loss provision for that financial instrument is recognised in an amount corresponding to the expected credit loss over 12 months.

The Group has defined the following categories for credit scoring to assess credit risk.

Category	Description	Method of impairment recognition
Performing	No overdue liabilities and no increase in credit risk since initial recognition.	Expected credit loss over 12 months.
Doubtful	Liabilities more than 30 days overdue, or there has been a significant increase in credit risk since initial recognition.	Expected credit loss over the asset's lifetime; effective interest is calculated on the gross amount.
In default	Liabilities more than 90 days overdue, but there are indications that the asset is creditworthy.	Expected credit loss over the asset's lifetime; effective interest is calculated at amortised cost.
Write-off	There are indications that the creditor's financial problems are so great that the receivables must be deemed lost.	The receivable is written off in full.

See also note 11 Trade and other current receivables and note 14 Non-current financial assets, for loss assessments.

Foreign exchange risk
Foreign exchange risk is the risk of fluctuations in foreign exchange rates that will result in changes in Statnett's income statement and balance sheet. Currency risk relating to major procurement contracts and loans in foreign currency is hedged within the framework defined for the execution of the finance function. Please refer to note 15 for further information. At the reporting date, there were no currency reserves that were not swapped or reserved for future liabilities. The Group has foreign equity funds and shares of NOK 35 million.

Interest rate risk
The Group is exposed to interest rate risk through its loan portfolio and liquid assets. Statnett SF is also exposed to interest rate levels on which the revenue cap for the grid operations is based (the NVE interest rate).

Note 18 Financial risk management

In order to reduce the interest rate risk and minimise fluctuations in the result, the interest expense of Statnett's debt should correlate to the extent possible with the interest on the revenue side following from the NVE interest rate. The NVE interest rate is calculated based on daily averages of the five-year swap interest rate. In addition, the NVE interest rate comprises a fixed interest rate portion with the addition of inflation and a surcharge for credit risk. To achieve the desired fixed-interest period on the enterprise's debt, interest rate swap agreements linked to the underlying debt are used.

Average effective interest rate
The table below presents the average effective interest rate for the various types of financial instruments.

Parent company			Group	
2020	**2021**		**2021**	**2020**
2,56%	0,59%	Investment in market-based securities	0,35%	2,85%
-0,42%	0,10%	Bank deposits	0,10%	0,22%
-	-	Shares and equity funds	23,31%	9,28%
2,04%	1,39%	Loans	1,39%	2,04%

Negative interest rates on the parent company's bank deposits have their cause in CSA related bank deposits in EUR carrying negative interest rates in combination with negative bank deposits in NOK.

Sensitivity analysis

Interest rate sensitivity

(Amounts in NOK million)

Parent company		Change in interest rate level	Group	
2020	**2021**	*Percentage points*	**2021**	**2020**
-8	-15	+ 1	-22	-15
8	15	- 1	22	15

The table presents the sensitivity for parent company and Group due to potential changes in the interest rate for asset placements. It shows the assumed effect on the result of a change in the interest rate level with 1 percentage point as at 31 December. The Group utilizes interest rate swap agreements to minimize variations for profit and loss due to changes in interest rates.

Exchange rate sensitivity

(Amounts in NOK million)

Parent company		Change in NOK exchange rate	Group	
2020	**2021**	*Percent*	**2021**	**2020**
-3	1	+ 5	-2	-5
3	-1	- 5	2	5

The table presents the company's sensitivity to potential changes in the exchange rate of the Norwegian Krone, if all other factors remain unchanged. The calculation is based on an identical change in relation to all relevant currencies. The effect on profit (before tax) is due to a change in the value of monetary items that are not fully hedged. Other monetary items and all foreign currency debt are hedged, and the change in value is matched by a change in the value of the derivative.

The effects of the Covid-19 pandemic on Statnett's financial area in 2021
Overall, the volatility in the financial markets in 2021 following the Covid-19 outbreaks has not affected Statnett's financial position or income statement negatively. For a period of time, a weakened Norwegian krone led to substantial payments from Statnett's derivative counterparties as a result of established agreements concerning collateral support (CSA). Measures taken by the central banks, including cuts in interest rates, resulted in lower short and long interest rates. Because of this, Statnett's interest costs were substantially lowered. For the Group, however, lowered interest costs have been counteracted by a lowered NVE interest rate resulting in a lower income (as a result of a lower 5 year swap rate).

Note 19 Taxes

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/tax assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of tax losses and interest expenses carried forward.

Principle

The tax expense in the income statement comprise both the annual taxes payable and changes in deferred tax liabilities/tax assets. Taxes payable are calculated on the basis of the taxable income of the year. Deferred tax assets/liabilities are calculated on the basis of temporary differences between the accounting and tax values, and the tax losses and interest expenses carried forward.

Deferred tax liabilities and deferred tax assets are recognised net provided that these are expected to reverse in the same period. Deferred tax assets are recognized to the extent that it is probable that they will be utilised. Deferred tax liabilities/tax assets are recognized using the nominal tax rate.

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

Note 19 Taxes

The tax expense comprises the following

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
-	-	Income tax	40	57
-	-	Income tax previous years	-	-
729	888	Change in deferred tax/tax benefit	892	665
729	**888**	**Tax**	**932**	**722**

Tax payable in the balance sheet

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
-	-	Tax payable for the year	40	57
-	-	Tax payable on group contribution	-	-44
-	**-**	**Tax payable**	**40**	**12**

Reconciliation of nominal tax rate and effective tax rate

The following table provides a reconciliation of reported tax expense and tax expense based on nominal tax rate of 22 percent for 2021 and 2020.

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
3 446	4 089	Profit before tax	4 239	3 419
758	900	Expected tax expense at nominal rate	933	752
		Effect on taxes of:		
-30	-12	Permanent differences	-2	-32
1	-	Share of profit/loss in associates	1	3
-	-	Changes in previous years taxes	-	-
729	**888**	**Tax**	**932**	**723**
21%	**21%**	**Effective tax rate**	**21%**	**21%**

Note 19 Taxes

Breakdown deferred tax

The following table provides a breakdown of the net deferred tax. Deferred tax assets are recognised in the balance sheet to the extent it is probable that these will be utilised. The tax rate used when assessing deferred tax is 22 percent as of 31 December 2021 and 2020.

Parent company

(Amounts in NOK million)	31.12.20	Recognised	Other compre-hensive income	Group contribution	31.12.21
Current assets/current liabilities	1	-4	-	-	-3
Fixed assets	4 062	410	-	-	4 472
Pension liabilities	-54	16	8	-	-30
Other long term items	575	-103	66	-	538
Tax loss carried forward	-1 617	570	-	20	-1 027
Total	**2 968**	**888**	**74**	**20**	**3 950**

Group

(Amounts in NOK million)	31.12.20	Recognised	Other compre-hensive income	Group contribution	31.12.21
Current assets/current liabilities	85	28	-	-	113
Fixed assets	4 162	433	-	-	4 595
Pension liabilities	-55	16	8	-	-31
Other long term items	604	-95	66	-	538
Tax loss/interest expenses carried forward *)	-1 710	550	-0	-	-1 159
Total	**3 086**	**932**	**73**	**-**	**4 055**

On December 17, 2021 Statnett received a notice of an adjustment to the tax assessment for the income year 2018 from the Central Tax Office for Large Enterprises. The notice is related to tax deduction of maintenance costs incurred in specific voltage upgrading projects in which it argues that all costs related to these projects must be capitalized for tax purposes. The notice is of a preliminary nature and a potential tax exposure cannot be calculated at this time. However, the exposure could be substantial. A dialog has been initiated with the Central Tax Office for Large Enterprises with respect to the factual circumstances. Statnett disagrees with the arguments that were put forward and has therefore not made a provision for any a potential tax claim in the financial statements.

Deferred tax recognised in other comprehensive income

Parent company			Group	
31.12.20	**31.12.21**	*(Amounts in NOK million)*	**31.12.21**	**31.12.20**
-25	8	Change in estimate deviations of pension liabilities	8	-25
-54	66	Changes in fair value for cash flow hedges	66	-54
-79	**74**	**Total deferred tax recognised in other comprehensive income**	**74**	**-79**

Note 20 Investments in subsidiaries, jointly controlled company and associates

The activities of Group companies are mainly concentrated in the parent company. The Group also includes seven subsidiaries, one jointly owned company and ownership interests in certain associated companies. Reference is made to note 22, related parties, for a description of the activities of the subsidiaries.

Principle

Consolidated companies
The consolidated financial statements comprise Statnett SF and subsidiaries in which Statnett SF alone has a controlling influence. Normally, Statnett SF is assumed to have controlling influence when direct or indirect ownership interests make up more than 50 percent of the voting shares. If Statnett owns less than 100 percent of the voting shares, or, through an agreement, has less than 100 percent of the votes, the Group assesses whether the Group has actual control.

The consolidated financial statements are prepared using the acquisition method and show the Group as if it was one unit. The cost price of shares in the subsidiaries is eliminated against the equity at the time of acquisition. Any excess value beyond the equity of the subsidiaries is allocated to assets to which the excess value can be attributed. The part of the cost of purchasing a business that cannot be attributed to specific assets, is presented as goodwill.

Statnett SF's Pension Fund is not part of the Statnett Group. Contributed equity to the pension fund is valued at fair value and classified as financial fixed assets.

Jointly controlled company
Currently, one jointly controlled company in the Group, Fifty AS, is considered to be a joint operation. Firstly, the company is considered to be a joint arrangement since Statnett, together with another party, is bound by contract, and the contract gives the parties joint control over Fifty AS. Secondly, the company is considered a joint operation since the parties have rights to the assets and responsibility for the obligations in Fifty AS. The investment in the jointly controlled company is recognized on the basis of proportional consolidation, implying that Statnett accounts for its share of revenues, expenses, assets and liabilities.

Investment in associated companies
Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company. Normally, these will be companies where the Group owns between 20 and 50 percent of the voting shares. Associates are recognized using the equity method. This means that the Group's share of profit/loss and amortisation of any excess value is recognised in the income statement. The financial statements of associates are restated in accordance with IFRS. In the consolidated balance sheet, ownership in associates are recognised as financial fixed assets at historic cost plus accumulated profit/loss, less dividends and impairment if applicable.

Purchase/sale of subsidiaries, jointly controlled companies and associates
In the case of acquisition or sale of subsidiaries, jointly controlled companies or associates, the companies are included in the consolidated financial statements for the part of the year which they have been part of or associated with the Group.

Investments in subsidiaries, jointly controlled companies and associates in Statnett SF (parent company accounts)
Investments in subsidiaries, jointly controlled companies and associates are recognised in accordance with the cost method in the parent company accounts. Group contribution paid (net after tax) is added to the cost price of investments in subsidiaries. Group contribution and dividends received are recorded in the income statement as financial income, as long as the Group contribution and dividends are within the earnings accrued during the period of ownership. Dividends in excess of earnings during the ownership period are accounted for as a reduction in the share investment. Group contributions and dividends are recorded in the year they are adopted.

Impairment
At each reporting date, the Group assesses whether there are objective indications of impairment. If such indications exist, the investment is tested for impairment. The investment is impaired if the recoverable amount (higher of fair value less sales costs or value in use) is lower than the carrying value.

Note 20 Investments in subsidiaries, jointly controlled company and associates

Business combinations

Business combinations are recognised according to the acquisition method. Acquisition costs are the total of the fair value on the acquisition date of assets acquired, liabilities incurred or taken over as compensation for control of the acquired enterprise. Transaction costs attributable to business combinations are recognized in the income statement.

The acquired enterprise's identifiable assets, liabilities and contingent liabilities, which satisfy the conditions for recognition according to IFRS 3, are recognised at fair value on the acquisition date. Goodwill arising from acquisitions, is recognised as an asset measured as the excess of the total consideration transferred and the value of the minority interests in the acquired company, beyond the net value of acquired identifiable assets and assumed liabilities. If the Group's share of the net fair value of the acquired enterprise's identifiable assets, liabilities and contingent liabilities exceeds the total consideration after re-assessment, the surplus amount is immediately recognised in the income statement.

Statnett SF had the following investments at 31 December 2021:

Company	Business nature	Year of acquisition	Registered office	Ownership interest	Voting rights	Carrying value *(Amounts in NOK thousand)*
Subsidiaries						
Statnett Transport AS *	Transport and shipping	1996	Drammen	100%	100%	38 157
Statnett Forsikring AS	Insurance	1998	Oslo	100%	100%	30 200
Nord Link Norge AS	Develop and operate national transmission grid	2010	Oslo	100%	100%	2 090 262
NorGer AS	General Partner	2010/2011	Oslo	100%	100%	1 887
NorGer KS	No activity	2010/2011	Oslo	100%	100%	2 776
Nydalshøyden Bygg C AS	Real estate	2013	Oslo	100%	100%	3 312
Elhub AS	Data hub for electricity meetering data	2014	Oslo	100%	100%	209 719
Total subsidiaries						**2 376 313**
Joint controlled company and associates						
Fifty AS	Develop and operate regulation and market systems	2017	Oslo	50%	50%	5 000
TSO Holding AS **	Marketplace	2002/2008	Bærum	32%	32%	55 143
eSett OY	Nordic imbalance settlement	2013	Finland	25%	25%	12 668
KraftCERT AS	IT security	2014	Oslo	33%	33%	1 663
Total jointly controlled company and associates						**74 474**
Total subsidiaries, jointly controlled company and and associates						**2 450 787**

* In 2020, Statnett Transport's operations were transferred to Statnett SF. Se note 22 for further review.

** Ownership in TSO Holding AS has increased from 30,2 to 32,2 per cent in 2021. See note 22 for further review.

Note 20 Investments in subsidiaries, jointly controlled company and associates

Group value of companies recorded according to the equity method

(Amounts in NOK thousand)

	Group value at 1 Jan.	Increase / Deduction	Result for the year	Dividend	Group value at 31 Dec.
2021					
TSO Holding AS, 32,2% **	87 262	9 411	-8 767	-51 516	36 390
eSett OY, 25,0%	18 910	-	-395	-	18 515
KraftCERT AS, 33.3%	1 408	-	189	-	1 597
Total associates	**107 580**	**9 411**	**-8 973**	**-51 516**	**56 502**

2020					
TSO Holding AS, 30,2% **	90 439	9 411	122 782	-135 370	87 262
eSett OY, 25,0%	16 902	-	2 008	-	18 910
KraftCERT AS, 33.3%	958	-	450	-	1 408
Total associates	**108 299**	**9 411**	**125 240**	**-135 370**	**107 580**

Note 21 Joint operations

The Group has entered into agreements with transmission system operators in the Netherlands, Denmark, Germany and England to construct and operate subsea cables to the continent and the UK. These agreements are regarded as joint operations under IFRS.

Principle

A "joint operation" is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, revenues and operating expenses relating to its involvement in a joint operation.

Subsea cables

TenneT TSO BV and Statnett SF have constructed a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett SF owning the northern part and TenneT the southern part. The NorNed cable became operational in May 2008. Costs and trading revenues from the operation of the NorNed cable are shared equally between TenneT and Statnett.

Statnett SF owns Skagerrak cables 1-3 whereas Energinet.dk holds a long-term lease agreement for half of the cable capacity. Income from the lease is included in "Other operating revenue". At the end of December 2014, the Skagerrak Cable 4 became operational. Statnett SF and Energinet.dk each own a physical half of the cable, with Statnett SF owning the northern part and Energinet.dk owning the southern part. Costs and trading revenues related to the operation of the Skagerrak cables are shared equally between Energinet.dk and Statnett SF.

Statnett SF, the German companies TenneT and KfW have built a HVDC interconnector between Norway (Tonstad) and Germany (Wilster). The project's name is NordLink. NordLink has a transmission capacity of 1400 MW. The interconnector consists of 53 km overhead line on the Norwegian side, a 514 km subsea cable and a 55 km land cable on the German side. The ownership is shared equally, where Statnett SF owns the northern part through the wholly owned subsidiary NordLink Norge AS, and TenneT and KfW own the southern part through a jointly owned German company. Costs and trading revenues are shared equally between Germany and Norway.

Statnett SF’s assets in the cables are included in the asset group Land and subsea cables in the note related to Tangible and intangible assets.

Subsea cable completed in 2021

In the winter of 2015, Statnett SF signed a cooperation agreement with the British company National Grid North Sea Link Ltd (NNL) with the purpose to realize an HVDC interconnector between Kvilldal in Norway and Blyth in North-East England. The North Sea Link project has a transmission capacity of 1400 MW, and the interconnection consists of converter stations in Blyth and Kvildal, 714 km subsea cable, 6 km land cable on the Norwegian side and 2 km land cable on the British side. The ownership is divided equally, with Statnett SF as the owner of the eastern part and NNL of the western part. Costs and trading revenues will be shared equally between the parties. The entire plant was completed in 2021, and trial operation of the plant began on October 1st. Trial operations are expected to be completed in the summer of 2022.

In 2021, the subsea cable in The North Sea Link project with a procurement cost of NOK 4.8 billion was transferred from Plants under construction to Tangible assets.

Note 22 Related parties

Principle
Two parties are related if a party can influence the other party's decisions. Transactions between related parties are conducted at market terms.

Owner
As of 31 December 2021, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Statnett has the following relations with MPE both as owner and regulatory authority.

Regulatory authority
The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are adopted by the King in Council. The MPE administers its areas of responsibilities and delegates the administration of the greater part of the Energy Act to The Norwegian Water Resources and Energy Directorate (NVE). Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE may be appealed to the MPE as the superior authority.

The Norwegian Energy Regulatory Authority (RME), part of the NVE, is appointed as a national independent regulatory authority for the electricity market in Norway. RMEs task is to ensure that the participants comply with the regulations that ensure competitive conditions in the power market and an efficiently operated power grid. Any decision made by the RME may be appealed to the Energy Complaints Commission.

Other related parties
Investments in subsidiaries, joint venture and associates are listed in note 20

Parent company
Statnett SF is the borrower of the Group's external loans. The central treasury function in Statnett SF coordinates and manages financial risks related to currency, interest rates and liquidity within the Group. Loan agreements have been entered into between Statnett SF and its subsidiaries. The Group established a cash pool system in 2020. The parent company is the main account holder and other group companies are sub-account holders, linked to the main account. The total bank deposits in the cash pool system are presented as bank deposits in Statnett SF. Sub-account holders' part of the main account, are included in the intercompany balances.
In addition, there are agreements entered relating to services between companies within the Statnett Group. All agreements are part of normal commercial operations, and the transactions are conducted at market terms. Transactions with subsidiaries relate mainly to the following:

Statnett Forsikring AS
Statnett Forsikring AS is licensed to provide insurance coverage and reinsurance, though limited to companies within the Statnett Group where the ownership exceeds 50 percent. In addition, Statnett Forsikring AS operates both as a direct personal insurance company and a non-life insurance company.

Statnett Transport AS
Until 30 June 2020 Statnett Transport AS provided transportation services, transporting heavy machinery/equipment on land and at sea. The operations in Statnett Transport AS have been transferred to Statnett SF with effect from 1 July 2020. The business transfer was implemented with the arm's length principle and assets and liabilities were valued at fair value. Statnett SF had granted Statnett Transport AS a subordinated loan that ranks behind other creditors. The subordinated loan was paid as part of the purchase price. Statnett Transport AS has granted a loan to Statnett SF of 21 MNOK as of 31 December 2021. Until 30 June 2020, Statnett SF has also provided administrative services within ICT, legal, purchasing and finance. From 1 July 2020, there is no operational activity in Statnett Transport AS.

NordLink Norge AS
NordLink Norge AS is the developer and owner of the northern part of NordLink, an electricity cable connecting the German and the Norwegian high-voltage electricity grids. The German companies TenneT and KfW, through a jointly owned German company, will build and own the southern part of NordLink. NordLink is the first direct interconnector between the Norwegian and German electricity markets, with a capacity of 1400 MW. NordLink is operated by the transmission system operators, Statnett and TenneT respectively. The installation of the subsea power cable between Norway and Germany, as well as the converter station at Ertsmyra and the line between Ertsmyra and Vollesfjord are completed. In December 2020, the power exchange started.

Statnett SF is committed to providing the necessary funding for the project. The funding committed is equal to NordLink Norge AS 50 percent share of the total investments costs related to the project. The drawdown will be made at intervals ensuring that NordLink Norge AS will be in a position to fulfil its own obligations. Statnett SF has issued payment guarantees towards the main suppliers on NordLink

Note 22 Related parties

Norge AS' behalf according to the terms and conditions in the agreements entered into with the respective suppliers. The guarantee fee is at market terms. NordLink Norge AS has no employees. Statnett SF provides project services in the construction phase in addition to certain administrative services to support the operation of the company. NordLink Norge AS is part of the group cash pool system.

Elhub AS
Elhub AS operates and develops the central datahub for metering values and market processes in the Norwegian electricity market. Its main function is automated metering processing and distribution of same, as well as processing of market processes such as change of electricity supplier, transfers and reporting. The datahub became operational in February 2019. Elhub AS has a loan from Statnett SF. Statnett SF also provides certain administrative services within ICT, legal, purchasing and finance. Elhub AS is part of the group cash pool system.

NorGer AS and NorGer KS
Statnett SF owns 100 percent of the shares in NorGer AS and 90 percent of the shares in NorGer KS. In addition, NorGer AS owns 10 percent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, controls 100 percent of the shares in NorGer KS. The companies have limited operation.

Nydalshøyden Bygg C AS
The company is titleholder to the property Nydalen Alle` in Oslo, where Statnett SF has its head office. The company has granted Statnett SF a loan of NOK 18 million.

Fifty AS
Fifty AS is a jointly controlled company between Statnett SF and Affärsverket svenska kraftnät, where each company owns 50 percent of the shares in Fifty AS. Fifty AS maintains and develops ICT solutions to support the balancing of the Nordic power system. Fifty AS delivers licences-, development- and maintenance services to Statnett SF. Fifty AS has no employees. Statnett SF provides project services related to the development of ICT systems in addition to certain administrative services to support the operation of the company. Transactions between Statnett SF and Fifty AS is listed in the table below, as jointly controlled company.

TSO Holding AS (previously Nord Pool Holding AS)
TSO Holding AS is an associated company owned 32.2 % by Statnett SF. The associated company owns 34% of the shares in Nord Pool AS. Statnett SF purchases transmission losses on Nord Pool AS on a daily basis and settle at the power exchange's market prices.

Effective January 15, 2020, TSO Holding AS (previously Nord Pool Holding AS) sold 66 percent of the shares in Nord Pool Holding 2 AS to Euronext Nordics Holding AS. Nord Pool Holding 2 AS is the sole owner of the shares in Nord Pool AS and European Market Coupling Operator AS. The Statnett Group has an accounting gain from the sale of NOK 127 million. In August 2021, the parent company Statnett SF received a dividend of NOK 52 million from TSO Holding AS.

In March 2021, Statnett SF bought 2% of the shares in TSO Holding AS and increased its holdings from 30.2 to 32.2 percent.

eSett OY
eSett OY delivers services related to imbalance settlement of electricity markets in Finland, Sweden and Norway. In May 2019, an agreement was signed between the Danish transmission system operator Energinet and Svenska kraftnät, Fingrid and Statnett, stating that Denmark will join Nordic imbalance settlement and Energinet will become eSett's new shareholder. The transaction makes Energinet a shareholder in eSett Oy and the share capital is divided equally between the four shareholders, with each party holding 25 percent. The agreement means that Energinet become a part of the Nordic cooperation on settlement of imbalances in the power market in early 2021.

Statnett SF and the other owners provided identical loans to the company. As of December 31, 2021 the loan from Statnett SF to eSett OY amounted to NOK 6 million.

Dividend and group contribution
In 2021, Statnett SF has received dividends and group contribution from subsidiaries and associates totalling NOK 200 million.

Note 22 Related parties

Statnett SF inter-company accounts

	Trade accounts		Lending		Borrowing		Trade acc. Payable	
(Amounts in NOK million)	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Subsidiaries	83	25	4 699	5 009	399	176	3	-
Jointly controlled company	173	46	-	-	-	-	6	27

Interest rates

Interest rates on long-term borrowing and lending have been agreed at six months' NIBOR with a mark-up in the interval 0.3 - 1.3 percent. The interest rates in the cash pool systems are agreed at three months Nibor with a mark-up of 0,25 and 0,7 precent for receivables and liabilites respectively.

Statnett SF's intra-group trading

	Regulated operating revenue		Other oper. revenues		Operating costs	
(Amounts in NOK million)	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Subsidiaries	-644	-633	85	141	-66	-75
Jointly controlled company	-	-	54	58	-1	-17

	Financial income		Financial costs	
(Amounts in NOK million)	**2020**	**2021**	**2020**	**2021**
Subsidiaries	167	95	-1	-1

	Group contribution received		Dividend received	
(Amounts in NOK million)	**2020**	**2021**	**2020**	**2021**
Subsidiaries	66	148	135	52

Note 23 Remuneration to Group Management

The Board's statement regarding salaries and other remunerations to Group management 2021
The statement concerning remuneration to the President and CEO and the Group management has been prepared in accordance with the enterprise's articles of association, provisions in the Public Limited Liability Companies Act as well as the Ministry of Trade, Industry and Fisheries' "guidelines for salary and other remuneration for Group management in enterprises and companies with state ownership" as of 13 February 2015.

Management remuneration policy
The Group's guiding principle is to keep remuneration and other benefits for the Group management at a competitive level to ensure that the Group attracts and retains high-quality senior executives, though not taking a leading position when it comes to salary. However, the salary must be competitive for the industry and compared to other companies recruiting in the same market as Statnett. Also, the salary must reflect individual experience, area of responsibility and achieved results. The management remuneration policy is applicable for Statnett SF and subsidiaries.

Guidelines for salary and other remuneration
Based on the Ministry of Trade, Industry and Fisheries' "guidelines for salary and other remuneration for Group management in enterprise and companies with state ownership", the Board of Directors has set a framework for elements to be included in the Group's future salary and remuneration package for new members of Group management. The following guidelines are applicable:

Fixed salary: Fixed salary is determined based on an assessment of the specific position and the market, while considering Statnett's policy of being competitive without taking a leading position. When the fixed salary is determined, the total remuneration should be used as a basis.
Pensions: Membership in Statnett's defined contribution plan.
Personnel insurance: Arrangements applicable for other employees including group life-, accident-, sickness insurance as well as occupational injury- and travel insurance, are also applicable for Group management.
Car arrangement: Car allowance can be offered. In exceptional cases a company car can be offered if needed in the line of duty.
Other remunerations: Coverage of newspapers, mobile phone and broadband communication in accordance with established standards.
Internal board members: Internal board members do not receive remuneration. Board insurance exists for all board members.

This is applicable for Statnett SF and subsidiaries and will also be applicable for 2021.

Existing arrangements for Group management
The remuneration to the Group management is established in accordance with the guidelines described above. From historical reasons, the Group management may have different remuneration in relation to individual agreements entered before the guidelines were determined.

In addition to a fixed salary, Group management is entitled to a company car or car allowance and membership in the Group's collective pension scheme. In accordance with previously entered work agreements, four members of Group management have individual pension arrangements for salary beyond 12 times the Norwegian national insurance scheme basic amount. Three members of Group management have a company car. This is in compliance with agreements entered at an earlier stage. In accordance with entered agreements, the retirement age for four members of Group management is at 65 years of age. Group management employed in 2019 and later do not have such a regulation in their agreement. It is a mutual understanding and acceptance that it is possible to address the need or desire for transition to another position at any time after the age of 60. There is no bonus scheme, share-based pay or other incentive based schemes for Group management.

The Board of Directors has hired a new CEO that started her position at 15 March 2021. In addition to a fixed salary, the CEO's benefits are limited to membership in the Group's collective pension scheme, collective insurance schemes, car allowance, coverage of newspapers and broadband communication. The CEO is granted a 12 months' severance pay in the event of dismissal from the company. No other members of Group management have an agreement granting severance pay. One executive in a subsidiary has an agreement granting 12 months' severance pay including a notice period in the event of dismissal from the company.

Note 23 Remuneration to Group Management

Execution of remuneration principles in 2021
The remuneration approval for Group management in 2021 was conducted in accordance with the above guidelines in Statnett and subsidiaries. The Board of Directors approves the annual salary adjustment for the company's President and CEO, and adopts a framework that the President and CEO uses to adjust the rest of the salaries of the Group management team. The salary of the company's President and CEO was established upon the appointment and was not further increased in 2021.

The declaration for 2019 provided information on an ongoing evaluation of the Group management and the need for possible salary measures as a consequence of this. The result was presented to the board in February 2020, which set a framework for salary measures. The first step was implemented from 1 November 2020, and has been completed as of 1 March 2021.

The Board of Directors' assessment is that the remuneration to Group management, is in compliance with requirements in the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for Group Management in enterprises and companies with state ownership".

Organisation
The Board of Directors has established a remuneration committee, consisting of two owner-appointed board members and one employee representative. The remuneration committee is an advisory and preparatory body for the Board of Directors, and will put forward proposals for salary adjustments in accordance with the guidelines specified above. Separate instructions has been prepared for the remuneration committee. The President and CEO is a regular member of the committee. The Senior Vice President Employer Relations acts as committee secretary.

New guidelines for remuneration effective from 2022
The Board has implemented new guidelines for remuneration for senior executives on the basis of §8 in the Articles of Association, §6-16a and §6-16b in the Public Limited Liability Companies Act, and the Ministry of Trade, Industry and Fisheries' guidelines for salary and other remuneration for group management. The guidelines are to be adopted at the Annual General Meeting for 2022. The guidelines will be taken into account for the Board's statement regarding salaries and other remunerations to Group management for 2022.

Remuneration to the Board *(Amounts in NOK)*		**Board remuneration**	
Board members		**2021**	**2020**
Jon Fredrik Baksaas	Chair	468 000	449 000
Tove Elisabeth Pettersen	Vice Chair	361 000	347 000
Egil R Gjesteland	Board member	303 000	296 000
Maria Sandsmark	Board member	283 000	278 500
Einar Strømsvåg (until June 2020)	Board member	-	148 000
Wenche Teigland (from June 2020)	Board member	283 000	138 000
Christian Henrik Prahl Reusch (from June 2020)	Board member	248 000	120 500
Steinar Jøråndstad	Board member	248 000	258 500
Ole Bjørn Kirstihagen	Board member *)	283 000	258 500
Ingeborg Skjelkvåle Ligaarden (from June 2020)	Board member *)	283 000	138 000
Pernille Dørstad (until June 2020)	Deputy member *)	27 000	138 000
Kåre Eidem	Deputy member *)	18 000	-
Total board remuneration		**2 805 000**	**2 570 000**

All figures are exclusive of employer's NICs.
Board members receive compensation for their participation in the audit committee, remuneration committee or project committee.
Board remunerations may therefore vary.
*) In the case of employee representatives, only board members' fees are stated.

Note 23 Remuneration to Group Management

Remuneration/benefits to the Group management 2021 *(Amounts in NOK)*		**Salary**	**Other remuneration*)**	**Pension cost**	**Total remuneration**
President and CEO					
Hilde Tonne (as of March 15th)		4 058 065	158 176	144 860	4 361 100
Auke Lont (Through March 14th)		648 247	37 056	713 331	1 398 634
Executive Vice Presidents					
Håkon Borgen	Offshore Development	2 379 118	119 278	644 172	3 142 568
Knut Hundhammer	CFO, Finance & Corporate Affairs	2 923 383	143 281	892 547	3 959 211
Peer Olav Østli	System Operations	2 504 695	169 093	1 089 405	3 763 193
Elisabeth Vike Vardheim	Grid & Asset Management	2 574 710	222 213	781 997	3 578 920
Beate Sander Krogstad	Transformation & Digital	2 421 457	159 592	204 156	2 785 205
Gunnar G. Løvås	Markets & System Development	2 720 779	165 014	180 836	3 066 629
Bente Monica Haaland (as of September 1th)	People & Sustainability	637 805	5 775	72 067	715 646
Total remuneration		**20 868 258**	**1 179 476**	**4 723 371**	**26 771 105**

All figures are exclusive of employer's NICs.

*) Included value of company car or fixed car allowance, phone, newspapers and personal insurance.

Remuneration/benefits to the Group management 2020 *(Amounts in NOK)*		**Salary**	**Other remuneration*)**	**Pension cost**	**Total remuneration**
President and CEO					
Auke Lont		3 201 565	182 105	2 412 303	5 795 972
Executive Vice Presidents					
Håkon Borgen	Technology & Development	2 222 691	120 528	633 793	2 977 012
Knut Hundhammer	CFO & Chief of Staff	2 811 101	138 304	856 299	3 805 704
Peer Olav Østli	Operations	2 292 035	152 118	1 080 873	3 525 026
Elisabeth Vike Vardheim	Construction	2 402 269	230 795	739 357	3 372 421
Beate Sander Krogstad	IT	2 261 175	147 903	200 512	2 609 589
Gunnar G. Løvås	System & Market	2 600 766	143 749	174 204	2 918 719
Total remuneration		**17 791 602**	**1 115 501**	**6 097 341**	**25 004 445**

All figures are exclusive of employer's NICs.

*) Included value of company car or fixed car allowance, phone, newspapers and personal insurance.

Note 23 Remuneration to Group Management

Terms and conditions, senior executives

Title/name	Terms and conditions for retirement age, early retirement pension, retirement pension and severance pay
President and CEO: Hilde Tonne	In addition to a fixed salary, the President and CEO's remuneration is limited to membership in Statnett's defined contribution pension scheme, collective insurance schemes, car allowance and coverage of newspapers and broadband communication. The President and CEO has agreed to a 12 month severance pay in the event of dismissal from the company.
Auke Lont (1.1.-14.3.2021)	From the age of 65, the full annual retirement pension is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension of 66 percent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Should the President and CEO become disabled before the age of 65, he will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company, after a notice period of 6 months.
Executive Vice President: Håkon Borgen	The retirement age is 65, but with the right to retire with an early retirement pension after the age of 62. In the event of retirement between 62 and 65 an annual payment of 66 percent of the pension base will be disbursed. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary the early retirement pension will be reduced by 50 percent of the amount that exceeds the final salary. From the age of 65, the full annual retirement pension is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Entitlements to pension benefits beyond what is gained through the collective pension scheme, will lapse if they are no longer employed by Statnett SF on their 62nd birthday. Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability. Håkon Borgen is included in the enterprise's defined contribution scheme and related compensation plan.

Note 23 Remuneration to Group Management

Executive Vice President: Peer Olav Østli	The retirement age is 65, with the right to retire with an early retirement pension at any time after 62. The full contribution period is 30 years. In the event of retirement between ages 62 and 65, an annual payment shall be disbursed of 66 percent of the pension base, less one percentage point for each year between 62 and 65. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Pension disbursement may be reduced if the member receives any salary, pension or remuneration from other companies in the Statnett Group. From the age of 65, the full annual retirement is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension is covered through the National Insurance Scheme and Statnett's Group pension scheme, plus 66 percent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years). Upon death, any children under the age of 21 will receive a children's pension. If the Vice President leaves the company before retirement age, a pension rights certificate will be issued, which will secure retirement pension benefits from age 65. The pension rights certificate will be adjusted by 75 percent of the increase in the basic amount for each year until retirement. Upon disability before reaching the age of 65, the Vice President will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 67, based on the pension base at the time the disability occurred. The disability pension disbursement will be reduced according to disability.
Executive Vice Presidents: Knut Hundhammer Elisabeth Vike Vardheim Bente Monica Haaland (1.9 -31.12)	The retirement age is 65. A pension agreement has been entered into in addition to the ordinary membership in the enterprise's Group pension scheme, where the pension is secured through a bank saving account balance, including interest, disbursed to Vice Presidents. Statnett will, each year until retirement or resignation, pay up to 30 percent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. Upon death, the surviving spouse or spouse equivalent will receive an amount corresponding to the remaining savings balance including interest from Statnett SF. This lump sum will be taxable for the receiver. Knut Hundhammer og Elisabeth Vike Vardheim are in addition entitled to pension from the enterprise's defined benefit scheme from 67 years of age.
Executive Vice Presidents: Beate Sander Krogstad Gunnar G. Løvås	The Executive Vice Presidents have ordinary membership in Statnett’s defined contribution pension scheme. Beate Sander Krogstad is also included in the related compensation plan.

No loans have been made or security provided for members of the Group Management or Board of Directors.

Note 24 Other liabilities

Other liabilities mainly consist of asset retirement obligations related to grid facilities and investment grants received.

Principle

Estimates of costs related to retirement of tangible assets are recorded as liabilities from the time the Group deems that a legal or actual retirement obligation exists. Asset retirement obligations are discounted using estimates of future inflation and NVE interest rate. Changes in estimates due to asset retirement obligations approaching the estimated time of settlement are recorded as interest costs (accretion expenses). See note 8 Tangible and intangible assets for a further description of the recording of asset retirement obligations.

Investment grants are financial contributions from other companies to finance facilities to which Statnett builds and retains ownership. The investment grants are recorded as a liability when received and allocated over the lifetime of the relevant facility.

Specification of changes in other liabilities

Parent company

(Amounts in NOK million)	Asset retirement obligations	Other liabilites	Total
Liabilities at 1 January 2020	**378**	**88**	**465**
New or changed estimates	165	47	212
Amounts charged against liabilites	-44	-	-44
Reduction due to divestments	-9	-	-9
Accretion expenses	21	-	21
Reclassification to short-term liability	-146	-	-146
Liabilities at 31 December 2020	**366**	**135**	**500**
New or changed estimates	47	23	69
Amounts charged against liabilites	-179	-	-179
Reduction due to divestments	-	-	-
Accretion expenses	24	-	24
Reclassification to short-term liability	59	-	59
Liabilities at 31 December 2021	**317**	**157**	**473**

Group	Asset retirement obligations	Other liabilites	Total
Liabilities at 1 January 2020	**378**	**88**	**465**
New or changed estimates	165	47	212
Amounts charged against liabilites	-44	-	-44
Reduction due to divestments	-9	-	-9
Accretion expenses	21	-	21
Reclassification to short-term liability	-146	-	-146
Liabilities at 31 December 2020	**366**	**135**	**500**
New or changed estimates	47	45	91
Amounts charged against liabilites	-179	-	-179
Reduction due to divestments	-	-	-
Accretion expenses	24	-	24
Reclassification to short-term liability	59	-	59
Liabilities at 31 December 2021	**317**	**180**	**495**

For expected timing of cash outflows, see note 18 Financial risk management.

Total asset retirement obligations amount to NOK 505 million at year end, of which NOK 188 million has been classified as short-term debt.

Note 25 Secured debt and guarantees

The parent company may not pledge the enterprise's assets or provide other security, apart from providing security to financial institutions in connection with day-to-day banking transactions, and providing the customary security as part of the day-to-day operations. For guarantees issued on behalf of subsidiaries, see the note on related parties for details.

Note 26 Contingent assets and liabilites

Principle

Contingent assets and liabilities are a potential asset or obligation where the existence is uncertain, and will be confirmed by a future event that may or may not occur, for example the outcome of a legal case or an insurance payment. Contingent liabilities are recorded in the annual financial statements, based on best estimate, if it is likely (more than 50 percent) that an obligation has occurred. When the probability is lower, information is disclosed if the potential obligation is significant and likelihood of payment is very low. A contingent asset will only be recorded in the balance sheet if it is highly probable (more than 90 percent) that the Group will receive the asset. If the probability is less than 90 percent, but there is a certain probability that the asset will benefit the Goup, this will be disclosed in the financial statements.

Higher/lower revenues are contingent liabilities/assets in accordance with IFRS and are not recorded in the balance sheet. Please see note 4 for further details.

There are not recorded contingent assets or liabilities in the financial statements.

Sale of property

In 2014 Statnett sold its former head office at Husebyplatået in Oslo to Husebyplatået AS with a recorded gain of NOK 56 million. In 2016 Statnett sold Noreveien 26 with a recorded loss of NOK 39 million, to the same buyer. The settlement is not final, and is dependent on the utilisation of the property granted to Husebyplatået AS as part of the future construction permit. Statnett estimates that the entity will receive payments of approximately NOK 800 million during the period 2023 – 2028 if the construction plans for Husebyplatået are realised. These expected payments are not recognized, and the estimates are uncertain.

Uncertain tax positions

A dispute, or the tax authorities' subsequent assessment of a special tax treatment, can affect the accounting of both payable and deferred tax. When the group assesses the accounting of uncertain tax benefits or tax liabilities, it is assessed whether the asset or liability is probable. If the final outcome of tax cases deviates from the amount recognized in the balance sheet, the deviation will affect the tax cost in the subsequent period. See note 19 Taxes.

Note 27 Other operating costs

Other operating costs comprise cost types that are not classified on the other lines under operating costs.

Principle
Other operating costs are recognized when incurred.

Property tax is classified as other operating costs and recognized in the financial year when an invoice that applies to the current year is received from the municipalities.

Leases – IFRS 16
Leases recognized in the balance sheet pursuant to IFRS 16 are shown under note 8 Tangible and intangible assets and note 16 Interest-bearing liabilities.

Parent company			Group	
2020	**2021**	*(Amounts in NOK million)*	**2021**	**2020**
68	66	Lease rental payable *	75	68
459	485	Contracted personnel/consultants/purchase of services	720	657
97	166	Insurance	132	83
486	286	Materials and subcontractors	122	380
320	368	Property tax	387	340
186	216	IT costs	237	187
373	318	Miscellaneous	322	315
1 989	**1 905**	**Total other operating costs**	**1 995**	**2 030**

* Includes only rental costs that do not qualify for recognition under IFRS16 Leases. Covid 19 has not effected rental costs.

Auditor's fee

Parent company			Group	
2020	**2021**	*(Amounts in thousand kroner)*	**2021**	**2020**
985	1 003	Statutory audit	1 442	1 471
624	650	Other attestation services	675	693
10	-	Tax-related assistance	-	31
132	-	Other assistance	-	146
1 751	**1 653**	**Total fees (excl. VAT)**	**2 117**	**2 341**

Note 28 Other comprehensive income

Other comprehensive income is part of Total comprehensive income, and is also part of Statement of changes in equity. Other comprehensive income to be reclassified to profit or loss in subsequent periods, is recorded as Other items in the Statement of changes in equity, while Other comprehensive income not to be reclassified to profit or loss in subsequent periods, is recorded as Other equity accrued in the Statement of changes in equity.

Spesification of other comprehensive income

Parent company/Group *(Amounts in NOK million)*	Fair value of financial instruments	Cash flow hedge reserve see note 15	Total Other compre-hensive income recorded in Other items	Estimate deviations of pension liabilities	Total Other compre-hensive income recorded in Other equity accrued	Total Other compre-hensive income
Carrying value 1.1.20	**-**	**33**	**33**	**-99**	**-99**	**-66**
Changes, gross	-	-246	-246	-114	-114	-360
Tax effect	-	54	54	25	25	80
Carrying value 31.12.20	**-**	**-159**	**-159**	**-188**	**-188**	**-346**
Carrying value 1.1.21	**-**	**-159**	**-159**	**-188**	**-188**	**-346**
Changes, gross	-	298	298	36	36	334
Tax effect	-	-66	-66	-8	-8	-74
Carrying value 31.12.21	**-**	**73**	**73**	**-160**	**-160**	**-86**

Note 29 Events subsequent to the balance sheet date

Principle

New information on the company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

The war in Ukraine increases uncertainty. Our initial assessment of the increased risk is that there are no significant changes in the recorded value of assets and liabilities. We have not identified any need for impairments.

Exposure through changes of interest rates and foreign exchange rates

Due to hedging strategies, Statnett has little exposure to changes of interest rates and foreign exchange rates.

Exposure to energy prices

The increases in energy prices have resulted in high congestion revenues, providing a temporary, positive effect on liquidity. However, over time, Statnett's underlying and recognized profit is to a small degree affected by energy prices.

Counter party exposure

We have deposits in solid Nordic banks with high credit rating, which we continuously surveil. The value of the financial instruments in the banks are to a great degree hedged with collateral deposits (CSA). We have no Russian suppliers or customers and have routines for complying with relevant sanctions.

Exposure to loan marked

Statnett expects a low need for loans in 2022. The loan markets are still functioning, and we have a high liquidity reserve through unused loans from the European Investment Bank (EIB) of EUR 130 million and a credit facility of NOK 8 billion. In total, the war in Ukraine has to a small degree affected our financial risk.

Note 30 Assets held for sale

Principle

If the carrying amount of a non-current asset is expected to be recovered principally through a sale transaction rather than through continuing use, the asset is to be classified as held for sale. The asset must be available for immediate sale, and its sale must be highly probable and expected to take place within one year. Upon reclassification, depreciations cease even when the asset is still in use, and the asset is to be measured at the lower of its carrying amount and fair value less costs to sell.

The Group has entered an exclusive negotiaton process with a prospective buyer of gas turbines and other equipment at the back-up power plant at Nyhamna. The carrying value of the assets is NOK 254 million, and the assets were reclassified as Assets held for sale during the fourth quarter of 2020. The sale is planned to take place during the autumn of 2021.

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To the General Meeting of Statnett SF

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Statnett SF, which comprise:

- The financial statements of the parent company Statnett SF (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Statnett SF and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other 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 opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 22 June 2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial

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statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in tangible fixed assets and plants under construction

Key audit matter	How the matter was addressed in the audit
Refer to the notes 8, 9 and 21 in the group financial statement for specification and description of accounting principles for Statnett's investments in tangible fixed assets and plants under construction. Refer also to note 3 for a description of related estimates and assumptions, and description of the impact investments have on the permitted revenue in note 4. At 31 December 2021, the carrying value of tangible fixed assets amounts to NOK 66,767 million and the carrying value of plants under construction amounts to NOK 6,197 million. The Group's investments amount to NOK 6,121 million in 2021. Investments include additions and construction interest capitalized on plants under constructions. For investments management must make assumptions about: • whether costs should be capitalized or expensed, for accounting and tax purposes • estimate accrued costs and stage of completion of the projects at the end of the reporting period For plants under construction, management must make assumptions about when projects are transferred from plants under construction to tangible asset, "the asset is ready to use". For assets that are ready to use and facilities purchased, management must make assumptions about identification of significant components of the asset and remaining useful life for the components. Due to size and complexity of tangible fixed assets and plants under construction, the level of management judgement involved and the impact on the permitted revenue, investments in tangible fixed assets and plants under construction is identified as a key audit matter.	We have assessed Statnett's process for following up investment projects. We have tested the design and implementation of controls established when transferring projects from plants under construction to tangible assets, identification of significant components for projects and purchased facilities, estimating remaining useful life and stage of completion and estimating when the asset is ready to use. We have evaluated and challenged management's assessment about: • whether costs should be capitalized or expensed, for accounting and tax purposes • when projects are transferred from plants under construction to tangible asset • remaining useful life • degree of identification of significant components • method for estimating stage of completion of the projects, and • estimated accrued costs at the end of the reporting period. We have tested a sample of this year's additions and evaluated if they are correctly capitalized or expensed. We have also tested a sample of estimated stage of completion and accrued costs at the end of the reporting period. For assets ready to use in 2021 we have for a sample tested when the project is transferred from plants under construction to tangible asset, identification of significant components and estimated remaining useful life. For facilities purchased in 2021 er have for a sample tested identification of significant components and estimated remaining useful life. We have assessed the adequacy of the related disclosures in the financial statement.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

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In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name *stane-2021-12-31.zip* have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).
In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Oslo, 24 March 2022
Deloitte AS

Guro Magnetun Heimvik
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Sustainability accounts

We have collected detailed information on the three main categories described in the Sustainability report.

Information on social conditions

Safety

Serious Incident Frequency SIF	2021		2020		2019	
	Number	SIF value	Number	SIF value	Number	SIF value
Total	10	2,3	29	6,2	15	2,9

Lost-time injuries (LTIF)	Number of injuries	LTIF value	Number of injuries	LTIF value	Number of injuries	LTIF value
Employees	3	1,0	4	1,5	6	2,3
Subcontractors	6	4,0	13	6,6	16	6,2
Total	9	2,0	17	3,6	22	4,2

Injuries (TRIF)	Number of injuries	TRIF value	Number of injuries	TRIF value	Number of injuries	TRIF value
Employees	7	2,4	12	4,4	15	5,7
Subcontractors	19	12,7	23	11,7	34	13,2
Total	26	5,9	35	7,5	49	9,4

Fatalities	2021	2020	2019
Employees	0	0	0
Subcontractors	0	1	0

Lost day rate (LDR)	Number of lost days	LDR value	Number of lost days	LDR value	Number of lost days	LDR value
Employees	90	31	67	24	62	23
Subcontractors	167	112	258	131	155	60
Total	257	58	325	70	217	42

Total recordable injuries (TRIF) and lost-time injuries (LTIF) are not differentiated by gender or region. The lost-time injuries frequency (LTIF) shows the frequency of work-related lost-time injuries per million working hours. The total recordable injury frequency (TRIF) shows the total number of work-related injuries per million working hours. The serious incident frequency (SIF) indicator captures the most serious incidents/conditions involving injuries, near misses, environmental harm and recorded hazardous conditions per million working hours relating to electrical safety and working at height. Absence days are defined as lost working days in relation to the total number of working days the injured person is away from the first day after the work injury occurred. Lost day rate shows the absence rate or the frequency of absence due to the work injury per million hours worked. A fatal accident is considered as 230 days absence. Differences in results between employees and subcontractors can be explained by the fact that the contractors work operationally, while the employees also includes administrative positions.

Sanctions, health and safety	Unit	2020	2019	2018
Cases where legal or administrative sanctions have been issued for serious breaches of health and safety legislation	Number	0	0	0
Fines or charges for serious breaches of health and safety legislation	MNOK	0	0	0

Supply chain

Payment to suppliers[1)]	2021		2020		2019	
	MNOK	Number of suppliers	MNOK	Number of suppliers	MNOK	Number of suppliers
Development and operation	4 215	948	5638	982	5666	842
IT	1 113	445	1072	428	903	440
Administrativt	470	2390	463	2313	490	2463
Consultants	718	438	982	397	733	332
Other	764	1133	514	1338	2105	1471
Totalt (unique suppliers)	7 280	4597	8669	4382	9898	4403

1) Payments are categorized by procurement categories. IT includes IT-consultans.

Decent working life

Trade unions	Unit	2021	2020	2019
Percentage of employees with collective agreements as at 31.12	%	84	78	80

Penal sanctions, human rights	Unit	2021	2020	2019
Cases where legal or administrative sanctions have been issued for material breaches of human rights legislation[1)]	Number	0	0	0
Fines or charges for material breaches of human rights legislation	MNOK	0	0	0

[1)] Material legal sanctions for discrimination, forced labour, child labour or breaches of freedom of association, indigenous rights or employee rights.

Working environment

Employees	Unit	2021	2020	2019
Employees as at 31 Dec	Number	1594	1530	1445
Employees in subsidiaries as at 31 Dec[1)]	Number	53	46	48
Employees in full-time positions as at 31 Dec	%	98,9	98,6	98,8
Turnover	%	4,0	2,3	4,7
Apprentices as at 31 Dec	Number	30	28	30
Trainees as at 31 Dec	Number	11	9	10

Age distribution	Unit	2021	2020	2019
Employees under 30	%	6,7	8,0	8,3
Employees aged 30–50	%	47,6	47,2	47,2
Employees over 50	%	45,7	44,8	44,5
Average age, all employees	Years	47,4	46,9	46,8
Average age, men	Years	47,9	47,4	47,3
Average age, women	Years	45,8	45,4	45,3

Gender equality	Unit	2021	2020	2019
Female quota, Group	%	26,6	26,8	26,2
Female quota, management positions	%	29,5	24,7	25,9
Female quota, Group Management	%	50,0	28,6	28,6
Female quota, Board of Directors	%	44,4	44,4	37,5
Female quota, new employees	%	34,4	36,7	26,6
Female quota, new managers	%	57,9	28,7	25,3
Female quota, full-time employees	%	26,2	26,1	25,3
Female quota, part-time employees	%	53,8	68,1	75,0

Equal pay[2)]	Unit	2021	2020	2019
Average salary for women as a percentage of average salary for all employees	%	99,6	99,0	99,4
Average salary for men as a percentage of average salary for all employees	%	100,1	100,4	100,2
Average salary for female managers as a percentage of average salary for all managers	%	101,0	100,5	101,8
Average salary for male managers as a percentage of average salary for all managers	%	99,7	99,8	99,4

Employees by group	Number of women	percentage women	average age women	Number of men	Percent age men	Average age men	Total number	Total average age	Average salary for women per cent in relation to average salary for all employees	Average salary for men per cent in relation to average salary for all employees
1	20	29,4	42,9	48	70,6	27,6	68	32,1	113,1	94,5
2	31	9,5	48,1	296	90,5	43,7	327	44,1	96,7	100,3
3	289	29,8	42,8	680	70,2	48,2	969	46,6	93,3	102,8
4	86	31,9	52,0	184	68,1	54,1	270	53,4	96,9	101,4
Total	**426**	**26,1**	**45,1**	**1 208**	**73,9**	**47,2**	**1 634**	**46,6**	**99,5**	**100,2**

Sickness absence	Unit	2021	2020	2019
Short term, 1–16 days	%	1,1	1,1	1,4
Long term (>16 days)	%	1,8	1,7	1,5
Women	%	3,8	3,7	4,5
Men	%	2,7	2,4	2,5
Totalt	%	3,0	2,8	2,9

Statnett as employer	Unit	2021	2020	2019
Employee satisfaction and motivation				
Employee engagement[3)]	Scale of 1-5	-	-	4,2
Response rate	%	-	-	89
Employees who have had an annual appraisal	%	82	82	81

[1)] Elhub

[2)] Reported for the first time in 2019; not all historical figures are available.

[3)] From Statnett's annual internal organisation survey. Replaced with two work environment surveys in 2020.

Environmental and climate information

Environment

	2021			2020		
Form of protection	**Number of protected areas**	**Kilometres of power lines**	**Areal (km2)**	**Number of protected areas**	**Kilometres of power lines**	**Areal (km2)**
Biotope protection under the Norwegian Wildlife Act	4	85	6	4	85	6
Animal protection area	11	44	3	11	44	3
Landscape protection area	14	141	14	14	141	11
National Park	0	0	0	0	0	0
Nature reserve	70	123	2	68	120	8
Protected plant area	0	0	0	0	0	0
Total	**99**	**393**	**25**	**97**	**390**	**28**

Waste type[1)]	**Unit**	**2 021**	**2020**	**2019**
Biological waste and sludge	tonnes	4 229	2 495	2 646
Paper and cardboard	tonnes	20	33	69
Glass	tonnes	7	1	5
Metals	tonnes	6 812	3 151	556
WEEE	tonnes	257	261	551
Soil and inorganic materials	tonnes	33 083	315	1 193
Plastics	tonnes	10	28	46
Chemicals	tonnes	0	0	2
Batteries	tonnes	3	7	13
Hazardous waste	tonnes	375	359	103
Total source-separated waste	tonnes	44 797	6 648	5 183
Mixed waste	tonnes	473	701	674
Source separation rate	per cent	89	89	87
Estimated reported	per cent	85	85	85

[1)] Statnett clasifies waster in accordance to NS9431

Sanctions, environment	**Unit**	**2021**	**2020**	**2019**
Cases where legal or administrative sanctions have been issued for material breaches of environmental legislation	Number	0	1	0
Fines or charges for breaches of environmental legislation	MNOK	0	0,6	0

Environmental incidents	Unit	2021	2020	2019
Statnett				
Serious environmental incidents[1)]	Number	2	1	1
Less serious environmental incidents [2)]	Number	1	2	17
Contractors				
Serious environmental incidents	Number	1	4	0
Less serious environmental incidents	Number	7	7	11
Total	Number	11	14	29

1) Incidents that cause serious or irreversible environmental impacts.

2) Incidents that cause minor or moderate negative environmental impacts.

Climate

Energy consumption	Unit	2021	2020	2019
Electricity				
Own consumption	GWh	24,3	20,4	17,1
Grid losses	GWh	2 609	2 336	2 238
Grid losses as percentage of power transported in the transmission grid	%	2,4	2,3	2,4
Fossil fuels				
Natural gas, gas-powered plants	Ton	82	5	23
Fuel, own cars and machinery	m^3	970	892	934
Fuel, business car travel	m^3	29	37	48
Fuel, Statnett Transport	m^3	1 295	1 395	586
Fuel, own helicopter use	m^3	297	297	308
District heating and cooling				
Own consumption	MWh	2 663	2 545	2 441
Of which renewable	%	99	82	67

Emission intensity	Unit	2021	2020	2019
Total greenhouse gas emissions	tCO_2	37 001	60 929	61 292
Total power transmission in the main grid	TWh	109	101	95
GHG emission intensity	tCO_2/TWh	341	602	644

Greenhouse gas emissions[1)]	Unit	2021	2020	2019
Direct emissions (scope 1)	tCO_2 equivalents	**13 450**	**18 141**	**13 159**
From fuel consumption[2)]	tCO_2 equivalents	2 024	2 215	2 205
From company car travel[3)]	tCO_2 equivalents	64	84	108
From helicopter use (Statnett)[4)]	tCO_2 equivalents	730	754	781
From fugitive emissions (SF6)[5)]	tCO_2 equivalents	6 788	11 203	8 389
Fra Statnett Transport	tCO_2 equivalents	3 618	3 871	1 612
From reserve power facilities (natural gas)	tCO_2 equivalents	226	14	63
Indirect emissions (scope 2)[6)]	tCO_2 equivalents	**21 068**	**40 067**	**42 638**
Electricity	tCO_2 equivalents	195	347	323
Grid losses	tCO_2 equivalents	20 872	39 712	42 298
District heating and cooling[7)]	tCO_2 equivalents	1	8	17
Other indirect emissions (scope 3)	tCO_2 equivalents	**2 484**	**2 721**	**5 495**
From company air travel[8)]	tCO_2 equivalents	569	824	2 685
From helicopter use[4)]	tCO_2 equivalents	1 915	1 897	2 811
Total emissions	tCO_2 equivalents	**37 002**	**60 929**	**61 292**

[1)] Greenhouse gas emissions relate to Statnett, with the exception of helicopters (contractors). Consolidation is based on operational control. The figures in the table have been calculated in accordance with the GHG protocol and show emissions using the location-based method of calculation. In 2020, total scope 2 emissions using the market-based method, which corrects for sales of guarantees of origin, amounted to 933 317 tonnes of CO2 (emission factor per NVE equates to 396 tonnes CO2/GWh).

[2)] Emission factor: SSB Sales of petroleum products and gov.uk Greenhouse gas reporting

[3)] Emission factor: OFV AS

[4)] Emission factor JET A-1 (Kerosene): Asplan Viak report "Notodden airport - GHG emissions". The emissions for helicopter use are based on estimated average hourly usage per kilometer line section, which means there is some uncertainty in the numbers.

[5)] Emission factor: United Nation GWP potential, GWP 23,900

[6)] Emission factor: NVE electricity disclosure 2019

[7)] Source: Avantor. A larger proportion of Statnett's buildings that use district heating and cooling have been included in 2019. Figures for previous years have been restated using the new method.

[8)] Source: Via Egencia. A new method (Defra) was introduced in 2019 for calculating greenhouse gas emissions from flights. Figures for 2018 have been restated using the new method.

Levels and emissions, SF_6	Unit	2021	2020	2019
Levels as of 31 Dec[1)]	kg	175 199	148 343	129 281
SF6 emissions	kg	284	469	353
Substations with gaseous components	Number	178	172	141
Of which gas-insulated substations	Number	35	31	30

[1)] Levels include SF6 in stations and stock.

Sustainable economic information

Business ethics and anti-corruption

Whistle-blowing cases	Unit	2021	2020	2019
Total number of concerns reported	Number	58	55	52
Of which linked to business ethics and anti-corruption[1)]	Number	28	26	22
Of which linked to working environment[2)]	Number	30	29	30

Sanctions, business ethics and anti-corruption		2021	2020	2019
Cases where legal or administrative sanctions have been issued for material breaches of business ethics legislation[3)]	Number	0	0	0
Fines or charges for material breaches of business ethics legislation	MNOK	0	0	0

[1)] Concerns linked to business relationship, for example work-related crime and impartiality

[2)] Concerns linked to employees, for example conflicts of interest and discrimination.

[3)] Material legal sanctions for accounting fraud, corruption.

Alternative performance measures*

(MNOK)	2021	2020	2019	2018	2017
Operating revenues underlying					
Operating revenues accounting	14 412	10 761	9 641	9 138	7 401
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
Operating revenues underlying	**12 062**	**9 969**	**10 432**	**8 776**	**8 047**
EBITDA underlying					
EBITDA accouting	7 926	6 688	5 366	5 062	3 585
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
EBITDA underlying	**5 576**	**5 896**	**6 157**	**4 700**	**4 231**
EBIT underlying					
EBIT accounting	4 846	3 868	3 027	3 120	1 312
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
EBIT underlying	**2 496**	**3 076**	**3 818**	**2 758**	**1 958**
Profit before tax underlying					
Profit before tax accounting	4 239	3 420	2 440	2 701	976
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
Profit before tax underlying	**1 889**	**2 628**	**3 231**	**2 339**	**1 622**
Profit for period underlying					
Profit for period accounting	3 307	2 697	1 906	2 213	813
Change in accumulated higher/lower revenue (+/-) after tax	1 833	618	-617	279	-491
Profit for period underlying	**1 474**	**2 079**	**2 523**	**1 934**	**1 304**
Equity adjusted for higher/lower revenue after tax					
Equity	21 467	18 938	17 783	16 194	14 011
Accumulated higher/lower revenue (+/-) befor tax	1 880	47	-571	45	-230
Equity underlying	**19 587**	**18 891**	**18 354**	**16 149**	**14 241**
Return on capital employed before tax, adjusted for higher/lower revenue [4)]					
Return on capital employed before tax,	7,0 %	5,9 %	5,1 %	6,0 %	5,3 %
Change in accumulated higher/lower revenue (+/-) before tax	2 350	792	-791	362	-646
Return on capital employed before tax underlying	**3,6 %**	**4,7 %**	**6,5 %**	**5,3 %**	**4,3 %**
Equity ratio after tax, adjusted for higher/lower revenue					
Equity ratio after tax	25,4 %	22,8 %	23,3 %	23,0 %	23,9 %
Change in accumulated higher/lower revenue (+/-) after tax	1 880	47	-571	45	-230
Equity ratio after tax, underlying	**23,7 %**	**22,8 %**	**24,0 %**	**23,0 %**	**24,3 %**

* To provide a better understanding of Statnett's underlying result we also present a number of alternative performance measures. Alternative performance measures are defined in ESMA's guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Statnett's alternative performance measures are adjusted for higher/lower revenue and supplement the figures in the IFRS financial statements. In addition to annual higher/lower revenue, reported accumulated rhigher/lower revenue also include applied interest and any prior-year adjustments.
Changes in selected key financial and operational ratios used by management to monitor alternative performance measures over time are also shown.

**The underlying result is based on regulated permitted revenue, while the accounting result will vary depending on established tariffs and congestion revenues. The difference is known as higher/lower revenue (see Note 4).

[4)] Return on capital employed before tax, adjusted for higher/lower revenue = EBIT, adjusted for higher/lower revenue / Average capital employed last two years.g sysselsatt kapital de to siste år.