

Corporate social responsibility

Report 2019



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Responsible business

Corporate social responsibility at Statnett is about adopting a responsible approach with respect to people, society and the environment. Just as important as doing what's right is doing it in the right way. This means that we must fulfil our tasks in a way that is sustainable and socially and ethically responsible.

Global challenges and sustainable solutions

Climate change is one of the biggest challenges of our time. Electrification is vital in order to replace fossil energy with renewable, zero-emissions energy. The power system and the grid therefore have an extremely important role to play in cutting greenhouse gas emissions.

Statnett is contributing to electrification in Norway and our neighbour countries by strengthening and renewing the transmission grid. Although 98 per cent of Norwegian power production is renewable and Norway is one of the world's most electrified countries, around half of the energy used by society still comes from fossil sources. There is enormous potential for further electrification, in particular in transport and industry.

By means of our activity, we enable Norway and our neighbour countries to increase the proportion of renewable energy and reduce greenhouse gas emissions. This activity therefore contributes to several of the UN Sustainable Development Goals. At the same time, we must take responsibility for ensuring that climate, the environment, society and social conditions are taken into consideration in our everyday working life.

One element of this is implementing climate initiatives in our own business and managing climate risk responsibly. At the same time, climate change is not the only global challenge we face on a day-to-day basis. Loss of biodiversity, social dumping and unethical business practices are examples of other challenges that we must counter through our work on corporate social responsibility.

The report from the UN's Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) published on 6 May 2019 shows how biodiversity is rapidly being reduced by human activity. The primary reason for species loss is changes to land use. We go to great lengths to ensure our facilities are built and operated in a way that conserves biodiversity wherever possible.

A lot of the work carried out by Statnett involves an inherently high risk, and we have international contractual partners and a high level of activity. Guaranteeing our employees and everyone who works for us an everyday working life free from social exploitation and hazardous situations is critical. Safety has always been our top priority. In recent years, we have also stepped up efforts to safeguard decent working conditions.

As a transmission system operator we must maintain high ethical standards with a zero-tolerance approach to corruption and work-related crime. Because we have facilities right across Norway, it is important that we engage in dialogue with local communities in order to ensure trustworthiness and acceptance.

The coronavirus outbreak is affecting the society

At the time of writing this report, we are facing a new global challenge. The outbreak of COVID-19, and measures to delay the spread, have so far had major consequences for the society in 2020.

Statnett's main focus is to secure the power supply and contribute to limit the spread. Our emergency preparedness plans for extensive outbreaks of infection facilitate this, among other things, critical workers were protected early.

We also have a strong focus on safeguarding all employees, including occupational health service, flexibility in the working life, digital platforms and good information flow.

Despite the uncertainty of the pandemic, we are firmly committed to the goal of strengthening our work on corporate social responsibility.

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 for the goals to be achieved, both public authorities and business must take responsibility.

Based on this, in 2019 we assessed which of the SDGs are most relevant to us, which ones we already contribute to satisfactorily and which we want to strive to achieve. We have identified eight goals to which we contribute by performing our social mandate and which are relevant to our corporate social responsibility. This is illustrated in the graphic below, where we have included our main focus for each of the goals shown.

Social mandate



Cost-effective transmission of electricity



Innovative development and operation of the transmission grid

Corporate social responsibility



Diversity and equal opportunities



A decent and safe working life



Sustainable purchasing and holistic environmental responsibility



Reducing our own greenhouse gas emissions



Protecting biodiversity



Anti-corruption and dialogue

The eight SDGs provide a framework for our work on corporate social responsibility. They have been an important tool both in assessing our priority areas within corporate social responsibility and in the professional composition of our newly established Sustainability Team. Going forward, this team will support the rest of the organisation in systematising and stepping up the work on corporate social responsibility.

Organisation and responsibility

Statnett is obliged to act in a way that is sustainable, ethical and socially responsible. Our corporate social responsibility policy incorporates the expectations expressed in the 2014 White Paper on state ownership, "Diverse and value-creating ownership". The policy is

also based on the ten principles of the UN Global Compact within the areas of human rights, labour, environment and anti-corruption. The UN Global Compact is the UN's sustainability initiative for business.

On 22 November 2019, the government submitted its White Paper on state ownership – "The State's direct ownership in companies – Sustainable value creation" – to the Storting, the Norwegian parliament. The White Paper contains a number of new, concrete expectations of Statnett and other state companies, for example targets for increased diversity and better gender balance. It also contains expectations that state-owned companies should have an overriding plan for sustainable value creation. We will live up to these expectations.

Implementing corporate social responsibility

Statnett's corporate social responsibility policy is part of the company's governance system. This system sets out ambitions, direction and more detailed requirements in a number of areas, facilitating a structured and holistic approach across the organisation.

The primary responsibility for Statnett discharging its corporate social responsibility rests with the Board of Directors, while Group Management is responsible for following up the company's targets, implementing necessary measures and ensuring good outcomes. Day-to-day implementation of corporate social responsibility is a management responsibility at Statnett. This means that managing corporate social responsibility must be an integrated part of all activities in various management teams, units and departments, including in wholly owned subsidiaries.

We are certified according to the international standards ISO 14001 for environmental management and ISO 55001 for asset management.

The key guidelines for Statnett's corporate social responsibility is decided in our governance system:

- Governance policy for corporate social responsibility
- Ethical guidelines for employees
- Ethical guidelines for suppliers
- HSE policy
- Pay and working conditions
- Environmental and climate strategy
- Policy for procurements
- HR manual

A newly established interdisciplinary Sustainability Team is required to support the rest of the company in operationalising the policy for corporate social responsibility in the governance system as a whole.

Statnett has a system for registering and following up non-conformances and suggestions for improvements. The system facilitates a structured approach to measures, analysis of incidents and improvements, as well as learning across the organisation.

Statnett's Ethics Representative

Statnett has an Ethics Representative, whose role is to strengthen legal protection for employees, and to help to uncover and deal with circumstances that are in breach of our ethical guidelines. The ethical guidelines have been adopted by the Board of Directors and, among other things, they highlight Statnett's zero-tolerance approach to corruption, harassment and work-related crime.

The Ethics Representative receives and reports matters raised by anyone who has observed wrongdoing and/or mistakes committed by Statnett, our employees, our management 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.

The Ethics Representative reports to the President & CEO and the Board of Directors.

Statnett's Sustainability Team



The Sustainability Team was established in November 2019 and its role is to help to systematise and step up Statnett's work on corporate social responsibility and sustainability.

From the left, the team comprises: Silje Vegarud, Legal Counsel and Ethics Representative; Steinar Johnsen, Head of procurement; Thor Johansen, Director of working-life relations; Ingrid Myrtveit, Head of environment and permits; and Marte Bakken, Senior CSR Adviser.

Prioritising areas within corporate social responsibility

We have performed an analysis in order to identify the company's key themes linked to corporate social responsibility and sustainability. The analysis was conducted in line with the principles of the Global Reporting Initiative Standards (GRI Standards). We took an equivalent analysis from 2018 as our starting point and updated the themes based on internal and external mapping.

The following areas have been identified as the most important within corporate social responsibility:

- Health and safety
- Decent working conditions
- Holistic environmental responsibility
- Greenhouse gas reductions and climate change adaptation
- Business ethics and anti-corruption
- Transparency, dialogue and acceptance

Work within these areas is described in the present report.

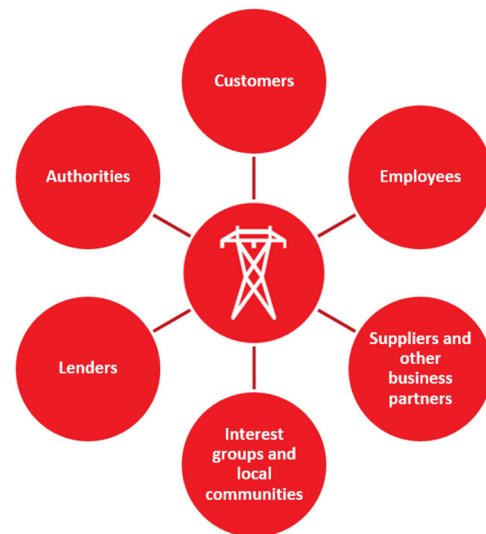
Stakeholder dialogue

Statnett's values are long-term perspective, respect and community. Dialogue with stakeholders impacted by our business is vital in living up to these values. This is why transparency, dialogue and acceptance has been identified as one of our key areas within corporate social responsibility and given a dedicated subchapter in this report.

We have a number of stakeholders in Norway and Europe. At a national level, our stakeholders extend from government authorities to local landowners and people living near our facilities. In addition, we have a lot of customers and end-users who are dependent on security of supply. International stakeholders include suppliers, contractors, investors, lenders, agencies and councils in the Nordic region and the EU, as well as transmission system operators (TSOs) in countries with which we exchange electricity.

The dialogue with different stakeholders is described in more detail in the subchapter "Transparency, dialogue and acceptance" in this report.

The overview below shows the most important groups of stakeholders with which Statnett engages.



About the report

The report is structured in accordance with a widely used categorisation of the UN Sustainable Development Goals: Planet, People and Prosperity. We have called the three chapters:

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

In each of the chapters, we show which of the UN Sustainable Development Goals we contribute to and explain how.

Information on our social mandate was previously included in the corporate social responsibility report. This has now been moved out of this chapter and is discussed in the annual report. We have also included a chapter containing detailed information, which we have called "Corporate social responsibility accounts". We are publishing several new tables this year.

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 sector-specific indicators for the energy sector (GRI G4 Electric Utilities Sector Disclosures).

For 2019, we have included some additional indicators linked to the environment and social conditions. The GRI table links the GRI disclosures to the UN Sustainable Development Goals. Several of the disclosures contribute to the UN Sustainable Development Goals.

We believe the report provides accurate information on the key corporate social responsibility themes for Statnett. We have engaged Deloitte AS to provide

corporate social responsibility assurance. The auditor's assurance statement is appended to the corporate social responsibility report.

This report is published as an integrated part of the annual report, and is also available as a stand alone report.

Our social contributions

Statnett must ensure security of supply to a society where we are all becoming more dependent on electricity and everyday life is becoming more digital. This makes comprehensive demands on the reliability of our facilities and systems. At the same time, we must look after the people who work in and for the Group.

We contribute to several of the UN Sustainable Development Goals through our work on social conditions. The three most relevant are:

- 5: Gender equality
- 8: Decent work and economic growth
- 12: Responsible consumption and production

Safety

Statnett is responsible for infrastructure that is critical to society, and many of our employees carry out work operations with high intrinsic risk. This is why safety is our top priority.

Safe everyday working life

Statnett's corporate strategy is based on the organisation being efficient, smart and *safe*. In order to achieve our overriding goals, we have to make sure that everyone who works with and for us goes home safely every day. We have set ourselves the goal of being a leader in HSE and have a zero vision, based on every HSE incident being preventable.

Statnett's management use three supporting principles to underpin HSE work in the business. We ensure the best possible HSE outcomes by:

- Having a stimulating HSE culture
- Developing and using technical solutions
- Systematic management, learning and continuous improvement work.

The HSE work in 2019 has been characterised by a shift towards further development of the governance system. The aim here is to strengthen the company's internal control, including clarifying conformance with external and internal regulations.

HSE is a management responsibility. Individual managers must therefore be familiar with, communicate and ensure compliance with the regulatory requirements encountered by employees in their daily work. At the same time, a large number of work operations require

documented competence in the form of statutory training and certifications. Measures were initiated in 2019 to ensure that all managers are able to safeguard a high level of personal safety by means of good planning and performance of tasks.

We also go to great lengths to discharge our responsibility to our surroundings and to third parties, particularly with regard to transport and activities in the vicinity of our high-voltage facilities. Measures include fencing off to prevent access and the use of signage on station facilities and power lines.

Reduced injury frequency

Our business involves work operations with a high level of intrinsic risk every day, such as:

- Using helicopters
- Working at height, and
- Working on and close to high-voltage facilities.

A good understanding of risk in planning and executing work operations is crucial to avoiding undesired incidents.

In the wake of two fatalities in 2016 several improvement measures was initiated. These has brought about a clearer interface between Statnett as client and our contractual partners. We have an extensive project portfolio and manage our responsibility as a client by establishing clear HSE requirements in contracts and by checking that the contractors have satisfactory systems and good practice within HSE. These efforts are assumed to be one of the reasons for the marked reduction in the injury frequency among external workers from 2018 to 2019.

The last few years have also seen systematic work on developing and using technical solutions to enhance technical safety. A strong specialist environment has been built up to develop, qualify and implement safe solutions in all parts of Statnett's operations. A dedicated course plan has also been drawn up for technical safety, primarily aimed at technical managers with design responsibility, as well as HSE staff.

One of the premises for avoiding serious or fatal incidents is reporting and learning from non-conformances, hazardous situations and near misses. We are now improving tools to make this even easier for our employees.

Internal safety prize for systematic work on electrical safety



Consistent instructions and procedures for electrical safety are crucial at Statnett. Photo: Terje Borud/Statnett.

Electrical safety is an important area of Statnett's HSE work. In December 2019, Arnfinn Granheim, Statnett's Operations Manager, and Alf Selmer Olaussen, Director of Facilities Operations, were honoured with our internal HSE prize: the Safety Prize. They received the award for their many years of systematic work on electrical safety.

Electrical safety at Statnett comprises a system of instructions and procedures with associated training materials for all those who work in or with Statnett's high-voltage facilities.

Alf Selmer Olaussen and Arnfinn Granheim were awarded the prize for more than 20 years' concerted effort with their colleagues for improvements in instructions and training materials. Their work in this area has great significance for employees' safety at work – both for internal employees and contract workers in various roles.

Emergency preparedness

Statnett must prevent extraordinary incidents leading to failure of the power supply. If this should nevertheless happen, our emergency preparedness must ensure that people have their power restored quickly. This is why we work systematically on improvement, and analyse vulnerabilities, threats and risks. We implement preventive measures and have plans in place for dealing with undesired incidents. We carry out drills and evaluate what has happened in order to learn from it.

Statnett's activities relating to safety and emergency preparedness are regulated by the Norwegian Energy Act's regulations relating to preventive security and emergency preparedness in the power supply. The Norwegian Water Resources and Energy Directorate (NVE) oversees Statnett's compliance. NVE has carried out 34 inspections since 2009. Statnett's systematic approach to safety and emergency preparedness

planning lays the foundations for compliance with NVE's requirements.

Digital security

Digital solutions are key to the performance of our business operations, which is why Statnett gives high priority to work on digital security. We work continuously, systematically and in a structured manner to ensure robust digital security in order to protect operations, digital assets, staff and our reputation. The need and demand for ever closer collaboration between Nordic and European TSOs in operation of the power system require a high level of attention to digital security.

In 2019, we brought in additional resources to strengthen the work within digital security, including enhanced expertise and capacity within operational security, and management systems for information security and security architecture.

The work on digital security is complex and requires a holistic approach: everything from awareness-raising within the organisation to collaborating on security at national, Nordic and European levels.

National collaboration

To strengthen collaboration between different security environments in both the private and public sectors, Statnett has joined the Norwegian National Cyber Security Centre (NCSC). This collaboration helps to improve expertise regarding shared risk and threat profiles and enhance the ability to handle major incidents. Joining makes us part of a national digital security collaboration for improved ICT security, resistivity and emergency preparedness in Norwegian society.

Elhub

The subsidiary Elhub AS receives and stores the readings that form the basis for settlement and invoicing of electricity in Norway. Moreover, Elhub processes personal data for 2.8 million individuals. Information security and privacy protection are therefore central to the company's handling of IT systems and operational procedures. Guidelines and procedures for information security have been established in line with ISO 27001 and in accordance with the new General Data Protection Regulation (GDPR). Elhub has appointed its own Chief Information Security Officer (CISO) as well as a dedicated data protection adviser to collaborate with Statnett's Data Protection Officer.

Responsible supplier monitoring

Statnett is obliged to act in a way that is sustainable, ethical and socially responsible. This also applies to our suppliers and other contractual partners.

Sustainable purchasing

We must use our procurement practice to promote reasonable working and environmental conditions on the part of all contractual parties. This aligns with the Norwegian legislation governing public procurements and is anchored in our Policy for procurements.

Statnett is a major buyer of goods and services. In 2019, we paid NOK 9 897 million to 5 548 suppliers. The biggest amounts relate to use of contractors and purchase of material for the development and operation of our facilities. Statnett's ethical guidelines are attached to all our contracts. We also set minimum pay and working conditions requirements for suppliers. We only allow contractors to engage two levels of subcontractors and have introduced requirements regarding the use of apprentices.

In order to monitor this, Statnett sets clear requirements for all suppliers and follows up risk at all stages of the procurement process.

Environmental and social considerations in the procurement process

Suppliers must undergo a qualification procedure to ensure they can carry out our contracts and comply with requirements. This process involves documenting that they have well-functioning systems for HSE, environmental management and quality. For work or products assessed to be high risk, the qualification procedure includes audits and site visits.

Consideration for health, safety and the environment is included in Statnett's specifications of requirements by being integrated in the planning and design phases of our projects. Contracts must be awarded to the supplier who submits the offer with the best price-quality relationship. HSE is often used as a criterion when awarding contracts. In 2019, the environment was used as a criterion in the framework agreements for steel and power lines. Among other things, the suppliers were required to submit a verified EPD (Environmental Product Declaration).

Supplier monitoring

We work continuously to develop the supplier market in order to ensure good competitive conditions, obtain the appropriate quality and reduce costs. Statnett prioritises HSE, pay and working conditions, and environmental considerations in this work.

Contract follow-up is carried out on an ongoing basis for the duration of the contracts. The level of monitoring is risk based. Based on an analysis, Statnett draws up a follow-up plan that covers the identified processes and ensures regular control.

Statnett operates a supplier audit programme. High-risk suppliers are audited regularly by means of the qualification system Achilles Utilities NCE and Statnett's own audits.

Statnett uses scorecards to measure supplier performance on parameters such as finance; progress; pay and working conditions; health, safety and working environment; and the environment. The results are followed up by the different purchasing categories. In addition, final evaluations are made of contractor assignments in conformance with the guidelines drawn up by the Norwegian Agency for Public Management and eGovernment (Difi).

Increased focus on corporate social responsibility in procurements

Statnett's ambition is for environmental and climate considerations to have higher priority in the company's procurements. For this reason, in 2019 we established routines that are intended to ensure that our purchases contribute to achieving the environmental targets.

To ensure compliance with Statnett's ethical guidelines, a system for evaluating country risk has been introduced. The method is based on indices from reputable international organisations and covers corruption, social risk, and climate and the environment. Together, these form a picture of the inherent country risk.

Decent working conditions

Statnett's operations must be conducted in accordance with fundamental human rights and international conventions, and they must systematically contribute to promoting compliance with human rights both internally within the company and on the part of our business partners. Our approach is based on the ILO's eight core conventions.

Monitoring pay and working conditions in projects in Norway

Breaches of pay and working conditions may in themselves become so serious that they compromise fundamental human rights.

The need to monitor suppliers at all levels in the supply chain has been made plain by checks at construction sites in recent years. In the course of these checks, we have uncovered several serious cases that clearly demonstrate the serious consequences work-related crime can have for workers' human rights, including as part of our Norwegian projects.

For us, it is important to ensure decent pay and working conditions in our projects in line with the Norwegian Public Procurement Act. We conduct regular checks on pay and working conditions based on an in-house methodology that involves systematically obtaining and checking written information from the supplier and, in parallel, holding conversations with workers in their own language. This provides us with a basis for comparing the written information obtained from the employer with oral feedback from the employees. The methodology has proved effective at uncovering non-conformances.

As the regulations require, our checks on suppliers at construction sites focus on workers from low-cost countries. We assess the risk of non-conformances based on the individual countries' track records in this area. In 2019, we checked all major suppliers using foreign labour at our construction sites.

As a result of a number of high-profile cases uncovered in recent years, we have achieved a clear position as a company that takes work-related crime seriously. No such serious cases were uncovered in 2019, but we found some material non-conformances linked to subcontractors. The experience gained in 2019 has resulted in the investigations being expanded. Our ambition is to check all suppliers at our construction sites at least once a year.

In connection with a planned control in 2019, we uncovered big differences in pay and working conditions between permanent employees and contract workers on a project. Several contract workers had illegal zero-hours contracts or lacked valid employment contracts. They were receiving less pay than the permanent employees and also had deductions made from their pay, for example for use of personal protective equipment. The extent of the difference in hourly pay between the contract workers and the permanent employees, as well as several large deductions on the payslip, meant that the non-conformance constituted a serious breach of the statutory principle of equal treatment. Statnett ordered the supplier to document back pay of the difference uncovered, and that new employment contracts were entered into.

A whistle-blowing case concerning suspected breach of the working-hours regulations led to several non-conformances being uncovered in another project. This control concerned a Norwegian subcontractor to a framework supplier to Statnett, where the framework supplier was using a Norwegian employment agency, which proved in turn to be using foreign labour.

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 have been based. Through an exchange of information agreement with the Tax Administration, we have a tool for disqualifying disreputable suppliers from our projects at an early stage. This is discussed in a specific case below.

Monitoring suppliers abroad

Statnett conducts systematic audits of suppliers before entering into contracts. The processes have previously focused on technical standards, but in several of the latest purchasing processes we have concentrated on breaches of human rights, risk of serious environmental damage and fraud. This has been of decisive importance in choosing suppliers.

Unethical purchasing can lead to significant challenges as a result of defects in the products delivered and the fact that entering into unethical contracts is likely to

undermine our reputation. This is particularly the case if contracts are entered into with companies in which unethical behaviour has been documented.

We are strengthening our procurement routines to safeguard ourselves against unethical procurements. One important principle in this work is making active use of other institutions' experiences in our procurement processes. By updating the competitive basis for our tender processes and our ethical guidelines, we are working to formalise a requirement that suppliers cannot have been excluded by the Council on Ethics for the Government Pension Fund Global or be registered on the World Bank's and the development banks' common

exclusion list linked to non-conformances covered by Statnett's ethical guidelines.

Trade unions

Statnett recognises and appreciates the value of the Norwegian working-life model. This includes tripartite cooperation between government authorities, the trade union movement and employer organisations, and bipartite cooperation at local level. Good relations between management and employee representatives at individual firms are vital to companies' development and to their ability to adapt and rationalise.

Collaboration to tackle work-related crime



Thor Johansen, Statnett's Director of working-life relations, and Eve Vangsnes Bergli, Head of Division at the Norwegian Tax Administration, at the contract signing. Photo: Statnett.

In November 2019, the Norwegian Tax Administration and Statnett entered into a nationwide collaboration agreement that gives Statnett another tool in its efforts to tackle work-related crime and disreputable firms.

According to Eva Vangsnes Bergli, Head of Division at the Norwegian Tax Administration, the Norwegian public sector purchases goods and services worth approx. NOK 500 billion a year. Agreements of this kind limit the scope for disreputable firms that do not abide by laws and regulations to operate.

The agreement means that bidders who want to enter into a contract with us must sign an authorisation granting access to information otherwise subject to secrecy that is held by the Norwegian Tax Administration. Statnett then receives real-time information showing whether the companies pay the taxes and duties that they should and whether they are entered in the necessary registers. This information gives Statnett a better decision-making basis when selecting and monitoring suppliers.

Thor Johansen, Statnett's Director of working-life relations, sees the agreement as an important milestone.

"Tackling work-related crime is important, and this is an important tool in Statnett's work. It strengthens our efforts to ensure decent working conditions for people working at our facilities," he says.

We believe a high level of trade union coverage to be positive and take steps to enable the various trade unions to operate effectively and constructively.

On a day-to-day basis, Statnett prioritises open dialogue with the trade unions in order to ensure an exchange of information and views on matters important to employees. This also plays an important part in ensuring the best possible basis for decision-making, and that such decisions have the support of the employee representatives. Employee representatives must be guaranteed a genuine opportunity to exert an influence.

Among other things, this is achieved by means of regular information and contact meetings, as well as more formalised meetings to discuss matters that may be of major importance to the employees' work situation.

Larger-scale joint meetings with the employee representatives are held twice a year. The chief employee representatives are invited to annual management meetings and the annual HSE forum.

Representatives of management are also invited to courses and meetings that the trade unions hold for their members to provide information on and introductions to current themes.

The employees elect three members to Statnett's Board of Directors, with several of the trade unions drawing up lists.

The employees are also represented on the board of the pension fund, the pensions steering group and the Working Environment Committee. The trade unions have contractual representation on the Working Environment Committee and are invited to propose candidates for the pension fund and steering group.

Attractive employer

Statnett is an expertise-based company. This is why it is important to further develop core competence, while there is a simultaneous need for new expertise to keep pace with increasing digitalisation and other social developments. Being an attractive employer for current and future employees in all life stages is important to us. We appoint qualified job applicants irrespective of gender, age, sexual orientation, and cultural or religious background.

Recruitment and employee development

Statnett is in a change phase, which requires rationalisation, new working methods and skills development. A major reorganisation in 2019 has left the company better able to adapt to delivering on its social mandate in the short and long term, including contributing

to the conversion to a fully electric society. At year-end 2019, Statnett had increased its number of permanent employees to 1445, up from 1426 at year-end 2018. A large number of these appointments were made to replace contract workers with permanent employees.

We must facilitate internal mobility and skills development so that we are equipped to meet the challenges of the future. The work on employer branding, including concrete recruitment activities, is intended to safeguard the supply of competent employees. This work includes both a trainee programme and an apprentice scheme for power-supply fitters. The new-look organisation has also ensured greater focus on developing and investing in our own employees by means of skills enhancement initiatives.

In a competitive labour market, Statnett recruited 109 employees in 2019, compared with 103 in 2018. Employee turnover for the year has risen from 3.0 per cent in 2018 to 4.7 per cent in 2019. We devote the most resources to recruiting and retaining candidates with IT skills. At the same time, we have an active internal job market, with 92 employees changing jobs internally in the last year.

Equality and diversity

Statnett's activities are underpinned by the ILO's core conventions. The company must provide clear pay and working conditions that safeguard health and safety, and promote equality and diversity, in line with all the statutory requirements. The same also applies to our suppliers and their subcontractors.

We must safeguard employee diversity in terms of gender, age and background. Women and men with approximately the same education/training and experience must receive equal pay. We are also explicit in our desire for diversity, particularly in recruitment processes. Approximately 5 per cent of Statnett's employees have a non-Norwegian background. In 2019, 4 per cent of new appointments came from a non-Norwegian background, and 26.6 per cent of all new employees were women. Compared with other players in the energy sector, we have a relatively high female quota (26.2 per cent compared with an industry average of around 20 per cent). At the end of 2019, three of Statnett's nine Board members and two of the seven-strong Group Management were women. In total, 25.9 per cent of all managers in the Group were women.

Statnett's life phase policy must facilitate working life for employees of all ages. Measures to retain older employees, such as extra holiday weeks and training, help to keep the average retirement age high (66.6 years in 2019 compared with 67.4 in 2018). Flexible working

time is a useful aid for many age groups in Statnett with busy lives. Social committees and an active company sports association also help to make a positive working environment.

Working environment

The annual organisation survey shows that Statnett is a good place to work. As in 2018, we score highly for engagement (4.2 out of 5). Despite a decline in the area of management compared to the previous year, Statnett's managers score across the industry. In general, the results show a decline from last year, which is probably due to the change processes the company has faced in 2019. The results of the survey are followed up at all levels internally with a focus on improvement, so that Statnett is further developed and achieves good reorganization effect. through. The management development programmes offered to all managers in 2017 and 2018 have now been extended with a more practically orientated programme.

Sickness absence at Statnett is consistently low and was 2.9 per cent in 2019, down 0.3 percentage points compared with 2018. We have put in place a number of initiatives to follow up and limit sickness absence, both on the preventive side and in terms of facilitating a quick return to work. These initiatives include the occupational health service and Safety Representative.

Having an occupational health service is a statutory requirement for Statnett. We also have a large number of employees who carry out high-risk work operations, something which carries an obligation to attend periodic health checks with a doctor. In addition, other employees are invited for periodic check-ups at least once every two years.

The occupational health service takes part in inspections and is represented on the Working Environment Committee. The service primarily takes a preventive approach to sickness absence and work-related stress, follows up sickness absence and offers flu vaccines, as well as vaccination against tick bites in areas where this is relevant. Separate guidelines have also been drawn up for measures and follow-up in the event of accidents involving electric shock.

In 2019, there were a total of 36 protected areas located in operational areas and near administrative buildings across Norway. A safety representative and deputy are elected for each protected area. Every protected area 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. In 2019, a dedicated safety representative handbook was compiled as guidance for safety representatives and managers in their day-to-day work.

“Knowing that Statnett is contributing to a green future gives meaning to everyday working life”



Elisabeth Østreng joined Statnett as a trainee in 2014. The 29-year-old has both taken on and been given a lot of responsibility since joining the company as a newly graduated master's student. After 18 months on the trainee programme, which alongside the apprentice scheme is one of Statnett's key recruitment measures, she worked at the National Centre for two years before being offered the position of adviser to Auke Lont, President & CEO.

Today she works as Transformation Manager in Statnett's Market Operation and System division. This is a newly created position that is key to Statnett's work of transitioning to a more efficient and digital everyday working life. Elisabeth is one of many employees who have changed jobs internally over the last year. She also gained over 100 new colleagues in 2019.

“I think Statnett is good at bringing in skilled employees, whatever their background. We've also had a lot of internal promotions over the last year, which shows the strength of our internal market,” she says.

Despite large-scale reorganisations over the last year, she thinks there is a strong working environment and culture, and is looking forward to contributing in her new role as Transformation Manager.

“People are keen to pull in the same direction. I'm confident that the new organisation will provide new ways in which to work, but also new ways in which to learn. My job as Transformation Manager is to help Statnett on this transformative journey – it's going to be both challenging and exciting,” says Elisabeth.

Elisabeth has lots of good things to say about Statnett as an employer, and she knows what she's talking about. She has contributed to Statnett's organisational life since joining the company: in the company sports association, on events committees for young employees and in the Statnett revue. Statnett's role as a facilitator of the green shift is important to Elisabeth, who thinks a lot of colleagues share her view.

“First and foremost, I chose both my university degree and employer for environmental reasons. Knowing that Statnett is contributing to a green future gives meaning to everyday working life,” Elisabeth says.

Our environmental and climate contributions

In a changing power system, Statnett must take a holistic approach to environmental responsibility. The need for new transmission capacity must be met, but with limited use of natural areas and low greenhouse gas emissions from our own operations. Our ambition is to be a leader in environmental and climate work in our sector. This means that we must minimise the impact our facilities have on biodiversity and landscape values and reduce our own greenhouse gas emissions.

The Group's principles governing environmental and climate work are included in the policies for HSE and corporate social responsibility. Our environmental policy is based on the precautionary principle, focusing on a holistic approach to environmental responsibility in planning, developing and operating the company's facilities.

We contribute to several of the UN Sustainable Development Goals through our environmental and climate work.

- 12: Responsible consumption and production
- 13: Climate action
- 15: Life on land

Holistic environmental responsibility

Climate change and loss of biodiversity are two major global challenges underpinning our environmental and climate work. Our environmental and climate strategy identifies four main targets with associated measures:

- Establishing operational targets and indicators
- Ensuring that environmental and climate impacts are documented and emphasised in decisions
- Ensuring more environmentally friendly purchasing of products and services
- Making visible opportunities for our own employees to make good environmental and climate choices

The Environmental department supports the rest of the organisation in implementing these measures. In 2019, there has been a particular focus on environmental improvements in the operation of our facilities and the procurement process.

Environmental work in development projects is regulated by national and local regulations. These concern, among other things, impact assessments and involvement of affected parties. We always strive to limit the use of new natural areas in meeting the need for new transmission capacity. Among other things, it must be assessed whether it is possible to make better use of existing power facilities.

As well as limiting the need for encroachment on new natural areas, voltage upgrades translate into lower energy losses per transported MWh. In our planning work, we also assess whether it is possible to restructure and redevelop older transmission grids when developing the power system.

As part of the licence terms and conditions for major development projects, the authorities require preparation of an environment, transport and construction plan (MTA plan) describing environmental considerations and remedial measures in the construction and operational phases. This plan underpins the construction work that is to be carried out and is taken forward into operation of the facilities.

Biodiversity

Statnett's objective, in line with best practice, is to sustain its work of conserving biodiversity. We consider habitat types and species distribution when planning and selecting solutions, and during the construction and operation of facilities.

In our development projects, we aim to limit new land take and conserve valuable natural areas. We take account of biodiversity and natural areas, for example by avoiding protected areas and by placing restrictions on construction activities. Example of restrictions employed are during particularly sensitive periods, such as nesting times for endangered and vulnerable bird species and calving periods for reindeer. Requirements can also be imposed in terms of restrictions on felling and ground transportation, which could also apply to the operational phase.

Mapping of foreign species at our transformer substations in Southern Norway was carried out in 2019. Foreign species that can spread to the surrounding areas were found at around 20 per cent of the substations. Measures to restrict the risk of spreading have been identified.

Construction areas, temporary roads, rigging areas and any damage to the terrain this may have caused must be restored in line with the principles laid down in Statnett's manual for terrain management. This is followed up in all development projects.

Nature mapping carried out at 298 of our facilities



Statnett is working with the Norwegian Institute for Nature Research (NINA) and the Norwegian University of Science and Technology (NTNU) to research solutions that better safeguard biodiversity and reduce greenhouse gas emissions at our construction sites.

One of the goals of the GRAN research project (greener interventions in nature and reducing greenhouse gas emissions in construction work) is to develop a framework for effective revegetation measures in different geographical areas in Norway. Successful vegetation development means that the vegetation, after intervention, develops a biodiversity and ecological processes that are as similar as possible to the surroundings.

Knowledge gained from previous development projects should be used to develop this framework. This is why, in 2019, we carried out one of the largest systematic revegetation surveys in Norway linked to construction work. Researchers from NINA, biology students from NTNU, and our own employees and summer students travelled the length of Norway from Lindesnes in the south to Alta in the north to map the effect of measures implemented alongside Statnett's construction projects. All 298 areas were surveyed. The results will be available in 2021.

The project also embraces studies of greenhouse gas emissions in connection with excavation work in marshes and other habitat types, environmental requirements in contracts, and training methodology for both engineers and construction workers. The research work is being conducted by NINA and NTNU, while the project is being financed by the Research Council of Norway and Statnett.

Landscape

Statnett's objective, in line with best practice, is to sustain its work to conserve landscape values. When planning development projects, we take pains to find solutions that are well adapted aesthetically to the surroundings. We use laser scanning and three-dimensional modelling of the terrain to enable us to select options that take into consideration the form and features of the landscape.

Statnett has drawn up a standard for forest clearance for power line routes in order to reduce the visual impact of power lines in the landscape.

In addition, measures may be required on some sections to reduce the visual impact of the facilities. This may involve camouflaging power lines, pylons and insulators, redeveloping old facilities and developing new types of pylons.

Environmental incidents

Statnett's goal is to generate zero major spills or emissions and cause no environmental damage – incidents that cause serious or irreversible environmental impacts. One such environmental incident was reported in 2019 concerning a major, unintentional intervention in terrain that will take several years to restore.

A new method for registering and reporting environmental incidents was established in 2019, with the result, that contractors' environmental incidents are now registered in their own non-conformance systems, and only Statnett's own environmental incidents are registered in our non-conformance system. Environmental incidents are reported both to project owners and to Group Management.

A total of 19 of our own environmental incidents were reported in 2019.

A defect was also discovered in a component in one of our facilities, leading to a leakage of SF₆ gas. An internal investigation has been launched into this incident, together with a leak in 2018. The aim is to improve internal routines in order to prevent any recurrence.

In 2018, Statnett was reported by the Norwegian Coastal Administration for a major oil leak from a cable warehouse in Horten. In 2019, we accepted a submission of NOK 600,000 for this incident. An internal investigation was launched in the wake of the leak and this led to oil-filled cables being moved to a central warehouse with better anti-pollution barriers. The soil polluted by the oil leak has been dealt with.

Measures in our own buildings

Several environmental initiatives have been introduced at Statnett's head office in Oslo in collaboration with Compass Group.

In 2019, measures were introduced in the canteen – which provides food for around 1000 people a day – to reduce food waste, reduce the use of plastic and single-use packaging, and offer more plant-based meals.

A system has been introduced to record how much food of different types is thrown away. In order to reduce food waste, food left over from the lunch buffet is offered to employees at the end of the day twice a week. Leftover food that is still good and safe to eat is used later in other dishes. The results from the food-recording system show that each canteen guest threw away less than 20 grams of leftover food a day and that the waste has been reduced over the year.

In the long term, we want to implement the same environmental initiatives in all our office buildings.

Greenhouse gas emissions from our own operations

Statnett's target is to reduce greenhouse gas emissions from our own operations, purchasing and services by 25 per cent by 2025 from 2020 level. On this basis, we have assessed our sources of emissions on the basis of volume of emissions, climate risk and realistic measures. Based on these assessments, we have identified climate initiatives linked to interventions in natural carbon sinks, construction work, and purchasing of materials and products as most important in the short term.

The target is to include the three named sources of emissions in the greenhouse gas accounts from 2020.

In addition, the company has identified initiatives in other parts of the business, for example switching our own vehicle fleet in line with national targets, systematic use of life cycle assessments and using carbon pricing in our decision-making basis.

Initiatives taken

The estimated greenhouse gas emissions linked to purchasing of materials indicate that this is one of our largest sources of emissions. In 2019, Statnett has therefore worked actively to introduce climate requirements in our contracts; see discussion under Sustainable purchasing.

Construction work linked to our building activity was another major source of greenhouse gas emissions. This is why we now require fossil-free construction sites in all projects where there is a mature supplier market. In 2019, this was achieved for the Fagrafjell station. In addition, fossil-free fuels were used for both the Smestad–Sogn project in Oslo and at Ålfoten in Bremanger.

There was a reduction of around 4 per cent in total greenhouse gas emissions from Statnett's operations in 2019 compared with 2018, despite higher grid losses. A lower level of activity for Statnett Transport's ships, reduced leakage from SF₆ facilities and fewer flights due to an increased cost focus account for the biggest reductions. In addition, the reserve gas-fired power plant at Tjeldbergodden was sold in 2019. The remaining reserve gas-fired power plant is up for sale, having been run for maintenance purposes only in 2019.

Our contributions to sustainable economic growth

In order to develop the power system of the future, Statnett relies on adopting smart solutions and systems that satisfy new requirements and consumption patterns. We are also dependent on societal acceptance and adapting to change. This requires us to work to a high ethical standard that safeguards our neutrality, trustworthiness and integrity. Involving affected parties and contributing to value creation for society is part of this.

Through our work on sustainable economic growth, we contribute to UN Sustainable Development Goal number 16: Peace, justice and strong institutions, thanks to our efforts in the areas of anti-corruption and inclusive processes. We also contribute to goal number 9: Industry, innovation and infrastructure.

Business ethics and anti-corruption

Statnett must achieve good results without this compromising our ethical standards, and we set high requirements for business ethics both internally and externally. Statnett takes a zero-tolerance approach to corruption. Behaviour such as bullying, harassment and discrimination at the workplace is forbidden.

Whistle-blowing cases

Whistle-blowing on censurable conditions can be done in several ways, including to the Ethics Representative. The Ethics Representative received a total of 52 submissions in 2019. The vast majority of these were of such a nature that a solution was found relatively quickly afterwards.

However, a small number of cases required more time, work and follow-up. This concerns, for example, individual cases where whistle-blowing resulted in the uncovering of work-related crime committed by suppliers. These cases are followed up by Statnett's Department for working-life relations, working closely with the Ethics Representative, who is responsible for dialogue with any whistle-blowers.

Training

One of the ways in which information and training is provided on the Ethics Representative scheme and our ethical guidelines is by the Ethics Representative giving a talk on all induction courses. Project-specific courses have also been held, with the focus on tackling work-related crime. As part of these, the Ethics Representative has talked about Statnett's expectations of employees and suppliers, and experiences from and issues associated with her work on this type of case.

In addition, an employee e-learning programme was conducted in 2019 with the focus on anti-corruption, competition law and dilemma training, in order to increase the employees' awareness within these areas.

Climate risk and climate change adaptation

Statnett transmits energy, using input factors that are physically affected by the weather and, over time, by climate change. The climate and energy policy also defines important frameworks for the company's operations. Since we do not fully know the different consequences of climate change, climate policy and climate-related technological development, the company is subject to climate risk.

Climate, weather and physical climate risk

Climate change means that we must prepare ourselves for weather that is different from what we are used to planning for – in particular more extreme bad weather than previously and changes in precipitation patterns. Some places will experience less precipitation, while it will rain and snow more in others. More extreme precipitation in large parts of Norway and Northern Europe is expected in the years ahead. The weather influences electricity consumption and renewable power production, and thus also transmission needs. The weather also affects the level of strain on the grid.

Faults on power lines, in transformers and in control systems affect the operational reliability of the power system and may result in interruptions to the supply. For power lines, variations in both weather and vegetation play a large role. The years when we see the most supply interruptions are the years when there is extreme weather and a lot of thunder. There have been fewer supply interruptions on our power lines in the last three years than in the period 2013–2015, but storms such as Knud and Helene left their mark on the statistics for 2018. We have built more new power lines and transformer substations and implemented measures on power lines to prevent supply interruptions caused by extreme weather. This enhances the security of supply.

Extreme weather also makes high demands of emergency preparedness. When extreme weather is forecast, maintenance work is halted in order to have as many power lines operating as possible to make the power supply as robust as possible. Preparations for the next extreme weather incident start with an evaluation of the previous one. We adapt to climate change on an ongoing basis in operational situations and by means of long-term planning.

A reliable power supply is vital for a low-emissions society. Measures to increase robustness are therefore an important strategy in managing climate risk. We work

continuously to ensure that our facilities withstand the risks we see around us, and our facilities are designed for, among other things, scenarios involving extreme weather situations.

In some cases, electrification increases the need for capacity in the grid, particularly when there are big increases at any point. Electrification also means that more

functions in society are running on electricity, which amplifies the potential consequences of an interruption to the supply.



Photo: Øyvind Haug/Statnett.

Political change and adaptation risk

If Europe is to be able to fulfil its part of the Paris Agreement, the green shift needs to happen more quickly. Political goals and instruments have a key role to play here.

We expect to see further requirements for more climate-friendly solutions in the years ahead, both in terms of legislation and standards. In recent years, the Norwegian government has stated its ambition to make the building and construction sector fossil free by 2025 and submitted action plans covering areas such as green shipping and alternative fuels. At Statnett, we are working towards fossil-free construction sites becoming the standard for us in the long term.

Proposition 1 LS (2019–2020) for the 2020 fiscal year – Taxes, duties and customs 2020 states that SF₆ (sulphur hexafluoride) may be subject to environmental taxes. SF₆ gas has exceptionally good properties in terms of electrical insulation and circuit breaking, but it is also an extremely polluting greenhouse gas. Handling is subject to stringent requirements, and we work continuously to change to facilities and components with lower emissions. At the end

of 2018, storage and consumption of SF₆ became subject to a reporting requirement in Norway.

Transparency, dialogue and acceptance

Statnett supplies critical infrastructure and administers public resources. This is why transparency about how we carry out our work is important.

Statnett performs three roles: transmission system operator, grid owner and power system planner. These three roles require different approaches in terms of transparency and dialogue. How Statnett is to implement processes to ensure transparency and involvement of relevant stakeholder groups is regulated for each of the roles, in some cases in detail.

In its role as transmission system operator (TSO), Statnett sets out key premises for operation and development of the power system and makes decisions that affect other players in the power system and local communities. Transparency and dialogue are prerequisites for effecting

sound processes and legitimate decisions, which in turn ensure trust and acceptance from society.

Statnett exercises authority in the TSO role. We are subject to regulations concerning the provision of information to the power market and information requirements under security and preparedness legislation. There are strict rules governing equal treatment of participants in the market.

Close dialogue with the industry is also important in developing the power market, in order to ensure that the changes being made are precise and, at the same time, satisfy the requirements of EU and Norwegian legislation. Statnett participates actively in Nordic and European collaborations, both bilaterally and through ENTSO-E, the European TSO network.

There is currently high demand for new connections to the main grid. These processes require close dialogue with those seeking connection to the power system. Many of the requests require measures to be taken in the grid. In this situation, dialogue with local grid operators, local authorities, landowners and other affected parties is important. This is regulated by, among other things, administrative regulations setting out how power system assessments and licensing processes are to be conducted.

Dialogue and involvement in connection with new facilities

Pursuant to the Norwegian Energy Act, all facilities for the transmission of electrical energy must have a licence. The licensing process ensures that all relevant stakeholders are heard and given the opportunity to express their views on the plan. This takes the form of public meetings and consultation processes at different stages of the licensing process.

Statnett considers it important to provide information and enter into dialogue with stakeholders at an early stage, both to ensure acceptance for the measures planned and to obtain input for local adaptations. This is why, in many cases, we arrange meetings with local stakeholders beyond the statutory requirements, for example by holding open days. These provide an opportunity to discuss concerns in areas such as construction traffic, noise, electromagnetic radiation, impacts on the landscape and environmental interventions. These topics are 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 environment, transport and construction 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. In built-up areas, we implement measures to reduce noise, for example, and to protect vulnerable road users. In the countryside, the measures are aimed at safeguarding biodiversity, protected areas and cultural heritage sites.

The graphic below shows the various stages in a major licensing process and how the affected stakeholders are involved. The consultation process provides valuable input on measures that can mitigate the impacts for the local community.

On our website, we provide information about individual projects in the form of notifications, news and various documents such as licence applications and reports.

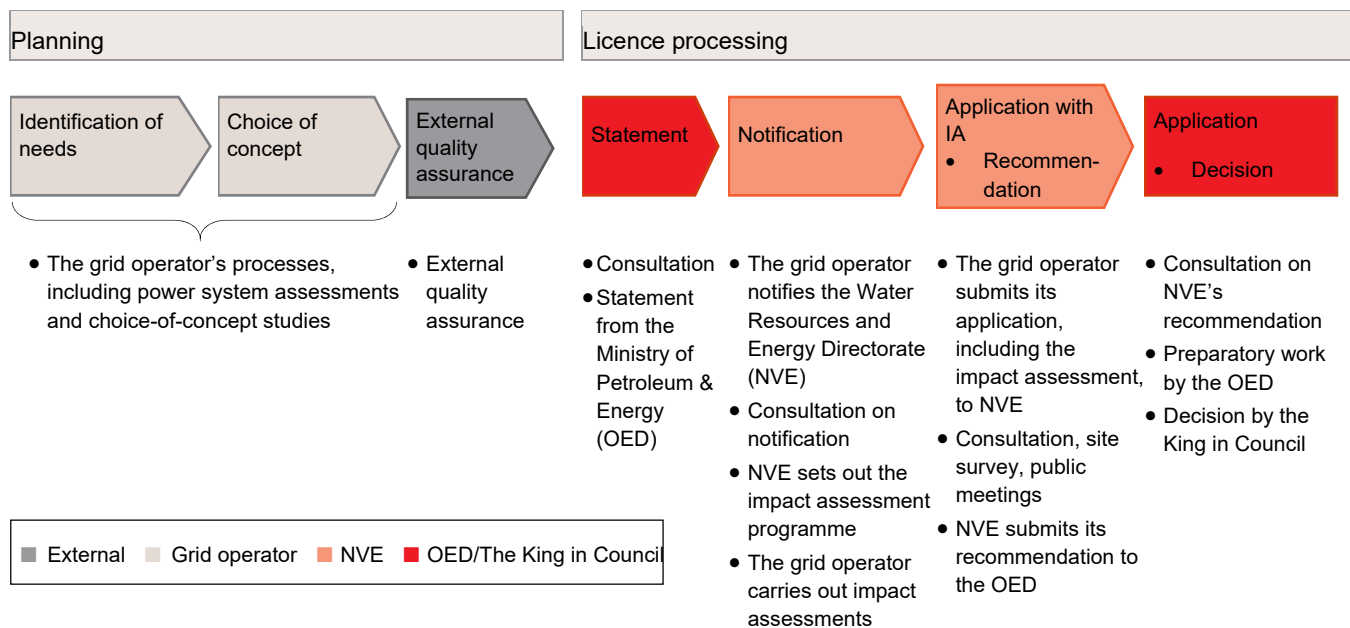
Dialogue and cooperation with the industry

Statnett is required to involve the parties affected in connection with all changes in the practice of the company's role as TSO. Consultation processes must be held both for new solutions and for adaptations to current solutions.

Dialogue with other players in the industry is important if Statnett is to acquire good, comprehensive knowledge of the impacts of planned solutions. Knowledge of this kind is vital in developing effective solutions and in ensuring acceptance for how we discharge our role as TSO.

Statnett uses both a notification service and the company's own website to provide good, relevant information about operational systems operation and development of new solutions. Statnett invites industry participants to events and dialogue meetings on current topics. In connection with key development activities, Statnett has set up several external reference groups and collaboration fora with participants from different parts of the industry.

In addition, Statnett has formalised the dialogue via the Market and Operations forum, which represents Statnett's customers. The forum hosts discussions and shares knowledge about strategic matters and matters of principle concerning the market and operations, and meets with Statnett's Board of Directors. The minutes from the forum are published on Statnett's website.



Smart solutions

Statnett develops and adopts new technology and systems tailored to the changes in the power system. This is important when, among other things, the growing proportion of non-regulatable renewable energy and a more digital everyday experience are challenging the way the power grid is built, maintained and operated.

Research and development

Statnett has stepped up its efforts within R&D in recent years, and in 2019 the Board of Directors decided to boost this further.

Norwegian authorities expect Statnett to conduct activities within R&D, and NVE has facilitated this by granting grid operators 0.3 per cent of their rate-of-return basis in extra compensation for R&D costs.

Statnett concluded three R&D programmes in 2019:

- Smart grids: Developing new methods that can contribute to better grid utilisation, more reliable operations and lower operating costs.
- Innovative technology: Developing methods for installing power lines, cables and substations 20 per cent more safely, quickly and cheaply.
- Sustainable grid development: Planning the power system of the future to be socially optimal in terms of climate, the environment and new opportunities.

A selection of R&D projects within these programmes is shown in the graphic below.

Reduced risk and carbon footprint

In 2019, we completed several projects to reduce safety risks and contribute to a better carbon footprint. One project involved developing a robot to fit aerial marker balls on power lines. This reduces risk because the job can be carried out without staff working at height. Another example is automated drone inspections of our facilities, contributing to more efficient facilities management.

We also completed a project showing how Statnett can reduce its own greenhouse gas emissions: what can already be done today with zero emissions at our construction sites and when the construction work can become 100 per cent emissions free.

Statnett works actively to find both Nordic and European solutions within the power system. In 2019, this manifested itself in Statnett taking over the chair of ENTSO-E's Research and Development Committee (RDIC). This role is occupied by the Divisional Director for Technology and Development.

In order to facilitate implementation of new technology and solutions, it was decided in 2019 to set up a centre for R&D and technology development. The centre has broad responsibility for promoting implementation of new solutions.

New R&D projects

The new R&D programme period runs from 2020 to 2023 inclusive and comprises four programmes:

- Real-time control and efficient markets
- Digital, safe and cost-effective solutions
- Cooperation in the energy system
- Continuous knowledge generation



Icebox

The project aims to develop models and tools that both predict and prevent the build-up of ice on power lines, in addition to effective de-icing methods. Ice on power lines can lead to significant costs and safety risks associated with repair and maintenance.



iFleks

The project aims to map whether variations in the electricity tariff affect how much electricity Norwegian households and commercial buildings use in the course of a day. This will provide better consumption forecasts plus a good decision-making basis for grid investments and future market design.



Impala

The project aims to develop better systems for predicting imbalance in the power system. Impala uses artificial intelligence and machine learning to predict imbalance in the grid based on meteorological data and past experience.



GRAN

A project focusing on greener construction that aims to develop a framework for reduced encroachment on natural areas and lower GHG emissions in development projects. In 2019, vegetation analyses were carried out for completed development projects across Norway.



NEWEPS

Short for Nordic Early Warning Early Prevention System. The project is a collaboration between the Nordic TSOs in which we are to jointly develop and demonstrate a system for early warning and enhanced control of the status of the Nordic power system in real time.



SAMBA

Short for Smarter Asset Management with Big Data. A pilot project researching methods and methodologies necessary to transform facilities management from routine maintenance and replacements to a system based on the actual condition of components in the power system.

Digitalisation

Digitalisation will be an increasingly important factor in discharging Statnett's social mandate. We must work ever smarter and more efficiently – based on better utilisation of power system data. Becoming more efficient means both more automation and better support for our employees and business partners. One condition for this is a solid digital foundation comprising high-quality data and IT solutions that gather and store data and make it accessible. The data are analysed and presented using IT solutions for various purposes for end-users within and outside Statnett.

This three-way split – digital foundation, IT solutions and application – is key to Statnett's digitalisation.

Digital foundation

Throughout 2019, we continued working on a roadmap for the digital foundation, primarily through the FRIDA programme, which is one of the main drivers for digital transformation in Statnett. The objectives include increased insight into which analytical tools and applications will provide the correct decision-making support and how Statnett can utilise this. As well as contributing to a solid and cost-effective digital foundation, solutions are being developed to improve the efficiency of both facilities management and grid planning.

In 2020, we will continue to focus on establishing the core of the planned digital foundation. Based on this, we must build solutions in order to achieve the objective of smarter

facilities management. The digital foundation must also enable solutions that make the handling of grid connection cases more efficient.

IT solutions

After many years' development, Statnett's new operating centre system was implemented at the turn of the year 2018/2019.

In order to support the major changes taking place within energy supply, Statnett and the other TSOs in the Nordic region – Fingrid, Svenska kraftnät and Energinet – are developing a new Nordic balancing model (NBM). This entails sweeping changes to how the power system is operated and, in 2020 and the years ahead, we will focus on implementing the necessary changes in the IT systems that control this.

In 2020, an updated version of the IFS enterprise management platform will be implemented that will give a significant boost to facilities management and financial control. Further priorities include start-up of Statnett's programme for implementing BIM (building information modelling).

Digital application

Beyond pure automation, digitalisation will always entail changes in work processes, organisation and especially human behaviour. In order to support this "digital transformation", we have set up a dedicated unit for people, strategy and transformation.

CSR accounts

We have collected detailed information on the three main categories described in the CSR report.

Information on social conditions

Safety

Serious Incident Frequency ¹⁾ SIF	2019		2018		2017	
	Number	SIF value	Number	SIF value	Number	SIF value
Total	16	3,1	15	2,6	33	5,9

Lost-time injuries (LTIF)	2019		2018		2017	
	Number of injuries	LTIF value	Number of injuries	LTIF value	Number of injuries	LTIF value
Employees	6	2,3	5	1,9	4	1,6
Subcontractors	16	6,2	28	8,6	16	5,3
Total	22	4,2	33	5,6	20	3,6

Injuries (TRIF)	2019		2018		2017	
	Number of injuries	TRIF value	Number of injuries	TRIF value	Number of injuries	TRIF value
Employees	14	5,4	16	6,1	9	3,5
Subcontractors	34	13,2	50	15,4	46	15,0
Total	48	9,2	66	11,3	55	9,6

Fatalities	2019		2018		2017	
	Number	Value	Number	Value	Number	Value
Employees	0		0		0	
Subcontractors	0		0		0	

Lost day rate (LDR)	2019		2018		2017	
	Number of lost days	LDR value	Number of lost days	LDR value	Number of lost days	LDR value
Employees	61	23,0	120	45,0	92	36,0
Subcontractors	155	60,0	366	113,0	426	140,0
Total	216	42,0	486	83,0	518	92,0

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 365 days absence, two fatal accidents from 2016 have been added to the F-value, which gives high values in 2017.

Sanctions, health and safety	Unit	2019	2018	2017
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

¹Values for 2017 and 2018 have been updated since the 2018 reporting.

Supply chain

Payment to suppliers	2019		2018		2017	
	MNOK	Number of suppliers	MNOK	Number of suppliers	MNOK	Number of suppliers
Development and operation	5 666	842	6002	869	6784	980
ICT	903	440	936	462	823	475
Administrativt	490	2463	517	2589	486	2876
Consultants	733	332	983	377	1076	373
Other	2 105	1471	1513	1399	1228	1386
Totalt	9 898	5548	9951	5696	10397	6090

Decent working life

Trade unions	Unit	2019	2018	2017
Percentage of employees with collective agreements as at 31.12	%	80	77	76

Penal sanctions, human rights	Unit	2019	2018	2017
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	2019	2018	2017
Employees as at 31 Dec	Number	1445	1426	1378
Employees in subsidiaries as at 31 Dec ¹⁾	Number	48	38	37
Employees in full-time positions as at 31 Dec	%	98,8	98,3	98,3
Turnover	%	4,7	3,0	2,4
Apprentices as at 31 Dec	Number	30	36	39
Trainees as at 31 Dec	Number	10	10	11

Age distribution	Unit	2019	2018	2017
Employees under 30	%	8,3	9,0	9,0
Employees aged 30–50	%	47,2	48,0	50,0
Employees over 50	%	44,5	43,0	41,0
Average age, all employees	Years	46,8	45,7	45,3
Average age, men	Years	47,3	46,3	45,8
Average age, women	Years	45,3	43,9	43,7

Gender equality	Unit	2019	2018	2017
Female quota, Group	%	26,2	27,0	26,0
Female quota, management positions	%	25,9	29,0	30,0
Female quota, Group Management	%	28,6	28,6	28,6
Female quota, Board of Directors	%	37,5	43,0	43,0
Female quota, new employees	%	26,6	40,0	29,0
Female quota, new managers	%	35,3	29,0	23,0
Female quota, full-time employees	%	25,3	26,0	25,0
Female quota, part-time employees	%	75,0	63,0	74,0

Equal pay ²⁾	Unit	2019	2018	2017
Average salary for women as a percentage of average salary for all employees	%	99,0	99,3	98,2
Average salary for men as a percentage of average salary for all employees	%	100,4	100,2	100,6
Average salary for female managers as a percentage of average salary for all managers	%	99,8	-	-
Average salary for male managers as a percentage of average salary for all managers	%	100,1	-	-

Sickness absence	Unit	2019	2018	2017
Short term, 1–16 days	%	1,4	1,4	2,0
Long term (>16 days)	%	1,5	1,8	1,4
Women	%	4,5	5,2	5,4
Men	%	2,5	2,6	2,8
Totalt	%	2,9	3,2	3,4

Statnett as employer	Unit	2019	2018	2017
Employee satisfaction and motivation				
Employee engagement ³⁾	Scale of 1-5	4,2	4,3	4,3
Response rate	%	89	90	93
Employees who have had an annual appraisal	%	81	81	85

¹⁾ Elhub and Statnett Transport

²⁾ Reported for the first time in 2019; not all historical figures are available.

³⁾ From Statnett's annual internal organisation survey.

Environmental and climate information

Environment

Form of protection	2019			2018		
	Number of protected areas	Kilometres of power lines	Areal (km ²)	Number of protected areas	Kilometres of power lines	Areal (km ²)
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	11	14	132	9
National Park	0	0	0	0	0	0
Nature reserve	65	117	8	64	117	8
Protected plant area	0	0	0	0	0	0
Total	94	387	28	93	378	26

Waste type ¹⁾²⁾	Unit	2 019	2018	2017
Biological waste and sludge	tonnes	2 646	3 778	-
Paper and cardboard	tonnes	69	68	31
Glass	tonnes	5	40	-
Metals	tonnes	556	1 132	1 721
WEEE	tonnes	551	74	181
Soil and inorganic materials	tonnes	1 193	924	-
Plastics	tonnes	46	21	14
Chemicals	tonnes	2	2	-
Batteries	tonnes	13	3	-
Hazardous waste	tonnes	103	474	314
Total source-separated waste	tonnes	5 183	6 516	4 709
Mixed waste	tonnes	674	732	634
Source separation rate	per cent	87	89	87
Estimated reported	per cent	85	85	85

¹⁾ Statnett classifies waster in accordance to NS9431

²⁾ New system for waste reporting introduced in 2018, only comparable historical values included

Sanctions, environment	Unit	2019	2018	2017
Cases where legal or administrative sanctions have been issued for material breaches of environmental legislation	Number	1	0	0
Fines or charges for breaches of environmental legislation	MNOK	0,6	0	0

Environmental incidents ¹⁾	Unit	2019	2018	2017
Statnett				
Serious environmental incidents ²⁾	Number	1	3	5
Less serious environmental incidents ³⁾	Number	18	628	631
Contractors				
Serious environmental incidents	Number	0	-	-
Less serious environmental incidents	Number	869	-	-
Total	Number	888	631	636

1) The method for reporting environmental incidents was changed in 2019. Incidents for which contractor is responsible and incidents for which Statnett is responsible are split.

2) Incidents that cause serious or irreversible environmental impacts.

3) Incidents that cause minor or moderate negative environmental impacts.

Climate

Energy consumption	Unit	2019	2018	2017
Electricity				
Own consumption	GWh	17,1	15,4	13,5
Grid losses	GWh	2 238,0	2 444	2 363
Grid losses as percentage of power transported in the transmission grid	%	2,4	2,4	2,4
Fossil fuels				
Natural gas, gas-powered plants	Ton	23	184	70
Fuel, own cars and machinery	m ³	934	930	913
Fuel, business car travel	m ³	48	59	70
Percentage of electric cars used for business car travel	%	12	8	5
Fuel, Statnett Transport	m ³	586	1 421	
Fuel, own helicopter use	m ³	308	220	315
District heating and cooling				
Own consumption	kWh	2 441	2 460	2 396
Of which renewable	%	67	66	69

Emission intensity	Unit	2019	2018	2017
Total greenhouse gas emissions	tCO ₂	61 292	63 958	55 576
Total power transmission in the main grid	TWh	95	101	98
GHG emission intensity	tCO₂/TWh	644	635	568

Greenhouse gas emissions ¹⁾	Unit	2019	2 018	2 017
Direct emissions (scope 1)	tCO ₂ equivalents	13 159	16 522	11 898
From fuel consumption ²⁾	tCO ₂ equivalents	2 205	2 230	2 302
From company car travel ³⁾	tCO ₂ equivalents	108	134	158
From helicopter use (Statnett) ⁴⁾	tCO ₂ equivalents	781	558	800
From fugitive emissions (SF6) ⁵⁾	tCO ₂ equivalents	8 389	9 173	8 446
Fra Statnett Transport	tCO ₂ equivalents	1 612	3 930	
From reserve power facilities (natural gas)	tCO ₂ equivalents	63	498	192
Indirect emissions (scope 2)⁶⁾	tCO ₂ equivalents	42 638	40 351	38 007
Electricity	tCO ₂ equivalents	323	253	215
Grid losses	tCO ₂ equivalents	42 298	40 082	37 792
District heating and cooling ⁷⁾	tCO ₂ equivalents	17	16	1
Other indirect emissions (scope 3)	tCO ₂ equivalents	5 495	7 086	5 671
From company air travel ⁸⁾	tCO ₂ equivalents	2 685	3 165	2 426
From helicopter use ⁴⁾	tCO ₂ equivalents	2 811	3 921	3 245
Total emissions	tCO ₂ equivalents	61 292	63 959	55 576

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 2019, total scope 2 emissions using the market-based method, which corrects for sales of guarantees of origin, amounted to 1,191,719 tonnes of CO₂ (emission factor per NVE equates to 520 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 2017

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) has been introduced for calculating greenhouse gas emissions from flights. Figures for previous years have been restated using the new method.

Levels and emissions, SF ₆	Unit	2019	2018	2017
Levels as of 31 Dec ¹⁾	kg	146 713	143 599	129 281
SF ₆ emissions	kg	351	384	353
Substations with gaseous components	Number	152	145	141
Of which gas-insulated substations	Number	30	30	30

¹⁾ Levels include SF₆ in stations and stock.

Sustainable economic information

Business ethics and anti-corruption

Whistle-blowing cases		Unit	2019	2018	2017
Total number of concerns reported	Number		52	55	60
Of which linked to business ethics and anti-corruption ¹⁾	Number		22	-	-
Of which linked to working environment ²⁾	Number		30	-	-

Sanctions, business ethics and anti-corruption		2019	2018	2017
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.

GRI disclosure 2019

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, group management and note 20		
102-5	Ownership and legal form	Annual report, this is Statnett, group management and note 20		
102-6	Markets served	Annual report, this is Statnett, group management and note 20		
102-7	Scale of the organization	Annual report, this is Statnett, group management and note 20		
102-8	Information on employees and other workers	CSR accounts		
102-9	Supply chain	CSR, our social contributions and CSR accounts		
102-10	Significant changes to the organization and supply chain	CSR, our social contributions. No significant changes in 2019.		
102-11	Precautionary Principle or approach	CSR, our environmental and climate contributions		
102-12	External initiatives	CSR, responsible business and our contributions to sustainable economic growth		
102-13	Membership of associations	CSR, 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	CSR, 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 CSR, responsible business		
102-22	Composition of the highest governance body	Annual report, Statnetts board, CSR accounts and CSR, responsible business	5, 16	
102-40	List of stakeholder groups	CSR, responsible business		
102-41	Collective bargaining agreements	CSR accounts	8	
102-42	Identifying and selecting stakeholders	CSR, responsible business and our contributions to sustainable economic growth		
102-43	Approach to stakeholder engagement	CSR, responsible business and our contributions to sustainable economic growth		
102-44	Key topics and concerns raised	CSR, responsible business and our contributions to sustainable economic growth		
102-45	Entities included in the consolidated financial statements	Annual report, this is Statnett, group management and note 20		
102-46	Defining report content and topic Boundaries	CSR, responsible business		
102-47	List of material topics	CSR, responsible business		
102-48	Restatements of information	CSR accounts		
102-49	Changes in reporting	No		

GRI-disclosure	Description	Reporting	UN SDGs ¹⁾	Omissions
102-50	Reporting period	2019		
102-51	Date of most recent report	4. april 2019		
102-52	Reporting cycle	Yearly		
102-53	Contact point for questions regarding the report	Knut Hundhammar, e-post knut.hundhammar@statnett.no		
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards core		
102-55	GRI content index	GRI index 2019		
102-56	External assurance	Independent assurance report CSR		

MANAGEMENT DISCLOSURES

103-1	Explanation of the material topic and its boundary	CSR, responsible business		
103-2	The management approach and its components	CSR, responsible business		
103-3	Evaluation of the management approach	CSR, responsible business		

ECONOMIC DISCLOSURES

201-1	Direct economic value generated and distributed	Annual report, this is Statnett	8,9	
201-2	Financial implications and other risks and opportunities due to climate change	CSR, our contributions to sustainable economic growth	13	Statnett will in 2020 and onwards work to establish systems and methods for calculating economic impacts of climate change
205-2	Number of employees that have received training on anti-corruption	CSR, our contributions to sustainable economic growth	16	
205-3	Confirmed incidents of corruption and actions taken	CSR accounts	16	

ENVIRONMENTAL DISCLOSURES

302-1	Energy consumption	CSR accounts	7, 8, 12, 13	
304-1	Operational sites in, or adjacent to, protected areas	CSR accounts	6, 14, 15	
305-1	Direct (Scope 1) GHG emissions	CSR accounts	12, 13, 14, 15	
305-2	Energy indirect (Scope 2) GHG emissions	CSR accounts	12, 13, 14, 15	
305-3	Other indirect (Scope 3) GHG emissions	CSR accounts	3, 12, 13, 14, 15	
305-4	GHG emissions intensity	CSR accounts	13, 14, 15	
306-2	Waste by type and disposal method	CSR accounts	3, 6, 12	
308-1	New suppliers that were screened using environmental criteria	CSR, our social contributions		Proportion not calculated

GRI-disclosure	Description	Reporting	UN SDGs ¹⁾	Omissions
SOCIAL DISCLOSURES				
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	CSR, our social contributions and CRS accounts	3, 8	
405-1	Diversity of governance bodies and employees	CSR accounts	5, 8	
405-2	Ratio of basic salary and remuneration of women to men	CSR accounts	5,8	
406-1	Incidents of discrimination and corrective actions taken	CSR, our contributions to sustainable economic growth and CSR accounts	8	
409-1	Measures taken to contribute to the elimination of forced or compulsory labor	CSR, our social contributions	8	
413-1	Operations with local community engagement, impact assessments, and development programs	CSR, our contributions to sustainable economic growth		Limited to qualitative information
414-1	New suppliers that were screened using social criteria	CSR, our social contributions	5, 8, 16	
419-1	Non-compliance with laws and regulations in the social and economic area	CSR accounts	16	
SECTOR SPECIFIC INDICATORS				
EU3	Number of customers	Statnett har totalt 77 kunder i transmisjonsnett. De deles inn i tre kategorier; distribusjonsnettselskaper (46), kraftprodusenter (20) og industrikunder (11) (enkeltuttak over 15 MW).		
EU4	Length of above and underground transmission lines	Annual report, this is Statnett	7, 9	
EU12	Transmission losses as a percentage of total energy	CSR accounts	7, 8, 12, 13, 14	
EU25	Number of injuries and fatalities	CSR accounts		
EU28	Power outage frequency	Annual report, this is Statnett	1, 7, 9	

¹⁾According to work published by Global Reporting and United Nations Global Compact "Business Reporting on the SDGs - An analysis of the goals and targets" (2017) and "Linking the SDGs and GRI" (2017).



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To the Board of Directors of Statnett SF

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON STATNETT'S SUSTAINABILITY REPORTING 2019

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 2019 ("the Report"). 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 individual resources 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.



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 corporate responsibility, as described in the Report.
- Statnett has applied procedures to identify, collect, compile and validate information for 2019 to be included in the Report, as described in the Report. Information presented for 2019 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statnett applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils in accordance level Core according to the GRI Standards. Statnett's GRI Index 2019 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 2019.

Oslo, 2 April 2020
Deloitte AS

Gry Kjersti Berget
State Authorised Public Accountant

Frank Dahl
Deloitte Sustainability

Note: Translation has been made for information purposes only.

