

# Elia Transmission Belgium SA's Funding Policy within the Elia Group Structure

December 2022



# This funding policy (“Funding Policy”) sets out the cornerstones of Elia Transmission Belgium SA’s (“ETB”) funding activities.

The Funding Policy reflects the specific role of ETB within the Elia Group (‘Elia Group’) as the designated national and regional/local Transmission System Operator (‘TSO’) for the very high- and high-voltage electricity grid in Belgium. This funding policy is based on the premise that Elia Group has a clear interest in establishing a specific Funding Policy and Financial Policy at ETB – owning the Belgian regulated activities – and keeping it separate from Elia Group which also owns the unregulated activities and regulated activities carried outside of Belgium.

This Funding Policy will be applicable as 1<sup>st</sup> of January 2024.

It has been approved by ETB’s and Elia Group’s Board of Directors.

## Cornerstones of the Funding Policy

The Funding Policy is based on the following cornerstones:

- Financing activities of ETB on the one hand and Elia Group on the other hand will remain separated, including all bond and loan documentation.
- ETB’s entire financial indebtedness is and will be located at ETB only.
- ETB does not and will not support funding activities of Elia Group, e.g. by providing guarantees or offering any assets as collateral.
- ETB services its own liabilities through its own resources, and has no reliance on Elia Group to meet these obligations.
- There are no cash pooling arrangements between ETB and Elia Group, nor is there an intention to put any in place in the future.
- ETB maintains its own pension and salary schemes. No joint pension or salary scheme will be established with the other entities of Elia Group.
- ETB defines and applies its funding strategy following its own governance processes.
- Elia Group will not act against the interest of ETB by intervening for its own benefit in ETB’s existing or future debt contracts, e.g. regarding repayment terms of debt

- ETB and Elia Group do not have a joint banking group, but select their banks individually. This is to generate a competitive environment amongst banks, limit the Group's dependency on a single bank and limit risks arising from changes in banks' structures and/or their business policies. However, it is not excluded for process or synergetic reasons to use the same banking institution(s).

These cornerstones are established with the overarching objective of maintaining the debt funding of ETB fully independent and insulated from the debt funding of other activities within the Elia Group. This is further evidenced also by:

- ETB was deliberately set up as a standalone subsidiary of Elia in December 2019;
- ETB's has its own committed banking facilities, own ETB Commercial Paper programme and its own EMTN programme, which is updated on a regular basis;
- ETB will finance its own and its subsidiaries' activities by issuing standalone debt, independently from Elia's funding activities;

Consequently, ETB has and will continue to finance its own and its subsidiaries' activities by issuing stand-alone debt, independently from Elia Group's funding activities.

## Financial Policy

A solid investment grade rating is key for funding the investment activities to ensure favourable conditions and permanent capital market access. Elia Group and its shareholders intend to support ETB's creditworthiness and financial flexibility as these are essential factors for all funding activities. ETB is targeting a rating of 'BBB+' with Standard & Poor's for the current and next regulatory period (2024-2027), provided that both the regulatory framework and the rating methodology applied by the credit rating agency remain stable. Financing activities will be conducted with regard to the relevant requirements of the rating agency methodology to retain these ratings.

Environmental, social, and governance considerations are at the forefront of ETB's decision making, and we are committed to providing the market with full transparency on our ESG progress, in the form of consistent reporting.

## Dividend Policy

As a strong indicator of the prudent management approach towards ETB, Elia Group agrees that the dividend policy shall support the financial strength and targeted rating level of 'BBB+' at ETB.

In view thereof,

- Dividends payable shall not exceed an average pay-out ratio of approximately 60% of the annual results ETB over the next regulatory period (2024-2027);



Such dividend policy will be used alongside other tools to preserve balance sheet strength and maintain the credit-worthiness of ETB.

