



Powering
the decade
of electrification

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This is an interactive report - you can use the navigation panel at the top of each page to jump to different sections of this document.

Powering the decade of electrification

We are in the midst of the golden age of electrification.

Thanks to the rise in alternatives to fossil fuels, a wide range of opportunities lies before us, including the mass adoption of electric vehicles and other e-mobility technologies and the use of electricity to warm and cool our houses.

Many parts of society are being electrified. The consumer market is going to experience an explosion of flexible assets that need to be integrated into the energy system, controlled and optimised. At the very heart of that system will be... consumers.

In my opinion, this is a pivotal moment for the energy sector. The latter has been close to dormant for the last 30 to 40 years, focusing on production and relatively easy grid management. However, consumers now find themselves at the very heart of the energy transition. Used to the 'new normal' in terms of technology, they expect things to be easy, frictionless and relevant.

For me, this electric decade is not just about challenges and threats; first and foremost, it is about capturing the momentum of opportunities.



PETER HINSSEN IS A SERIAL ENTREPRENEUR, ADVISER AND KEYNOTE SPEAKER ON THE TOPICS OF RADICAL INNOVATION, LEADERSHIP AND THE IMPACT OF ALL THINGS DIGITAL ON SOCIETY AND BUSINESS. HE IS THE AUTHOR OF FIVE BEST-SELLING BUSINESS BOOKS.

THIS IS A PIVOTAL MOMENT FOR THE ENERGY SECTOR. THE LATTER HAS BEEN CLOSE TO DORMANT FOR THE LAST 30 TO 40 YEARS, FOCUSING ON PRODUCTION AND RELATIVELY EASY GRID MANAGEMENT.

Peter Hinssen

We embrace the future

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In short

- The grid infrastructure required to accelerate the energy transition needs to be massively expanded. The Elia group's organic growth alone over the next 5 years is going to be unprecedented.
- There are big challenges at the system level to address. In this phase of transition, our advisory role is very important.
- Over the next decade, several areas will reach a tipping point and many elements will coincide. It is important that we get everyone on board.

INTERVIEW WITH CHRIS PEETERS (CEO) AND
BERNARD GUSTIN (CHAIRMAN OF THE BOARD OF DIRECTORS)

The decade of electrification has begun. With large-scale investments in infrastructure, digitalisation and sector convergence being undertaken, we are at a turning point in terms of reaching climate neutrality. The European Green Deal and the 'Fit for 55' package clearly lay out how big and complex the challenge is. 'Business as usual' is no longer feasible. As a company which comprises two system operators, Elia Group is at the centre of these changes.

The energy transition is accelerating and being scaled up. How is the Elia group coping with this?

Chris Peeters: The context in which we are operating is fairly ambiguous, but the direction we need to go in is clear. It requires a different mindset: one which allows us to see the opportunities rather than the barriers. Having a solid strategy in place will ensure that we are prepared. The Elia group has always had a forward-looking mindset which embraces the future. If we take climate change seriously and want to drive the energy transition forward, all areas and levels of society will be impacted - and the changes will happen faster than we thought was possible until now.

Bernard Gustin: The energy transition is a modern-day Copernican revolution. We have been pointing out the urgency of driving it for years in our reports and publications. Everyone is now starting to understand it. Anyone who wants to remain relevant in 10 to 15 years' time will have to undergo a transformation. We have been a visionary player in our sector: today, our strategy seems logical, but three years ago, its relevance was not so obvious. Our biggest challenge, which is a common challenge for all projects related to the energy transition, is that successful implementation depends on a holistic approach, which goes beyond the Elia group's own area of responsibility.

Chris Peeters: As a system operator, our unique position allows us to see and show others what's coming; we have access to information which allows us to provide our various stakeholders with interesting insights. Whilst it is our societal responsibility to share the results of our studies and vision with our stakeholders, we also learn from the knowledge our stakeholders provide us with. The conversations we have and information sharing we undertake with regard to the context of the energy transition is very much a two-way process.

What are the biggest challenges that you are currently facing?

Chris Peeters: The grid infrastructure required to accelerate the energy transition needs to be massively expanded. This expansion also needs to happen quickly; for example, Europe wants to increase its existing offshore wind capacity from 15 GW to 60 GW by 2030. What we have achieved over the past 20 years now needs to be quadrupled in just eight. Without infrastructure development, the energy transition cannot be achieved. The lead time for permits is such that today we need a lot of foresight.

Bernard Gustin: The timing is particularly tight - and then you have the financing needs. Our organic growth alone over the next 5 years is going to be unprecedented. Elia Group's new corporate structure is very important in this regard, since it is



AS A SYSTEM OPERATOR, OUR UNIQUE POSITION ALLOWS US TO SEE AND SHOW OTHERS WHAT'S COMING. WE ARE THE CANARY IN THE COAL MINE.

Chris Peeters



WE HAVE BEEN A VISIONARY PLAYER IN OUR SECTOR. TODAY, OUR STRATEGY SEEMS LOGICAL, BUT THREE YEARS AGO, ITS RELEVANCE WAS NOT SO OBVIOUS.

Bernard Gustin

perfectly set up to support this growth. We are an international organisation with a very important societal mission, but, as a private company, we also have financial objectives. Investors increasingly look to Elia Group as a growth company. The quality of our work and our know-how are unique. That's why the market has confidence in our projects.

Chris Peeters: In addition to building the required infrastructure and financing it, there are also big challenges at the system level to address. The integration of renewable energy into the system and the phase-out of thermal plants means there is less flexibility on the production side. To keep the system in balance, we need to find flexibility on the demand side, which is only possible through rapid electrification and digitalisation. Using this flexibility will, for example, involve us shifting the consumption times of electric vehicles and heat pumps. The fragmentation of supply and demand, combined with the high variability of renewable production, will require a system that is able to manage this complexity.

Bernard Gustin: Furthermore, the European electricity system is one single integrated system. This means that electric mobility, market design and the development of infrastructure do not just require a Belgian or German approach, but a European one. I am not sure if all European system operators are as visionary in their thinking as the Elia group. However, it is important that we move at the same pace together.

What about human capital?

Chris Peeters: We are learning by doing: the knowledge we have built up over the past five years through our offshore projects is immense; indeed, we built the world's first hybrid interconnector and, today, we are developing the world's first energy islands. Because of the problems Belgium is facing with regard to nuclear availability, we have also built up an incredible amount of knowledge about security of supply. We will always be a very technical company that is full of engineers. There is also an increasing need for digital skills, for core skills to manage change, for employees who are specialised in regulation, etc. We are anticipating that change. We are training our existing employees so that we can create change within the group: skills development is therefore also an opportunity that we embrace.

Bernard Gustin: We will not be able to build the skills of the future on our own. This is partly because electrification means there will be more and more overlap between our work and the work being undertaken in other sectors. Partnerships - both in terms of operations and equity - will become more important. Ecosystems might also emerge, as part of which multiple partners will work together in a more loosely connected way, just as we are already doing as part of the Internet of Energy ecosystem (IO. Energy).

Chris Peeters: As a grid operator, we are in an interesting position: we are able to anticipate some changes, but not all of them; given this, we need to work with external parties. We already cooperate closely with our suppliers - we couldn't possibly run our safety programmes without them. They do some of the work on our sites, but we don't outsource safety to them: we do it together. The same goes for new technological developments that are being integrated into our business. Thanks to our interaction with external stakeholders, we can think about specific solutions early on.

There is a need for new infrastructure, preferably as soon as possible. How will this affect local communities?

Chris Peeters: There will always be a certain amount of tension when trying to balance the general societal need for infrastructure with the concerns of local communities. The energy transition is being undertaken in the interests of society as a whole, but it will always entail local impacts. It is important that we continue to engage in an open manner with local communities. Pressure groups and some parts of the media represent the issue as a trade-off between the health of local residents and the energy transition. However, both go hand in hand. As we design every one of our projects, we seek to minimise their impact on the surrounding environment. Where necessary, we undertake mitigation measures.

All over Europe, flexible thermal capacity is disappearing. To what extent does that push the system to its limits?

Chris Peeters: Today, system control is much more complex. In the past, we were used to having a buffer to rely on somewhere in the system. Today, there are times when we need to put in a lot of effort to keep the lights on. Our governments are responsible for security of supply, but as grid operators, we have a legal duty to provide reports regarding adequacy and flexibility. In this phase of transition, our advisory role is very important. We do not take sides about the phase-out of coal or nuclear power, or geopolitics more widely. Those are political issues. Our adequacy studies always look 10 years ahead. The very nature of our business means we are used to taking into account the impact of uncertainties. We provide facts and figures for political debates.

Are grid operators the canary in the coal mine?

Chris Peeters: Yes, that's correct. We point out the impact of certain choices. That's why we published a mobility study back in 2020. It addressed how to integrate millions of electric cars into the electricity system. We pointed out the benefits of sector integration and how the automotive industry and energy sector can strengthen each other, rather than work against each other. In 2022, we will be publishing a study which will focus on the decarbonisation of industry.

Why are the next 10 years so crucial for the energy transition?

Chris Peeters: Over the next decade, several areas will reach a tipping point. Our infrastructure will need to be expanded in a massive way in order for large amounts of renewable energy to be integrated into the system. Moreover, the electrification of mobility and heating is underway, and industry is decarbonising on a much larger scale. To keep the system in balance, we will need to undergo a digital transformation. Many elements will coincide. As a network operator, we are ready. We see a lot of opportunities - but these need to be acted on now. It's important that we get everyone on board. Otherwise, we will run up against multiple barriers.

Bernard Gustin: Our society has to create conditions that encourage investment like a solid regulatory framework. The new reality demands that governments and regulators think about their models. The current regulatory frameworks and legislation are not in line with what is needed to accelerate the transition. If the energy sector doesn't manage to scale up its activities in the next 10 years, we won't succeed in driving the energy transition forward.

The Elia Group's ActNow programme was launched in 2021. Why was it only launched last year?

Chris Peeters: We didn't want to engage in window dressing or greenwash our activities for the financial markets. ActNow is an integrated plan which addresses the environmental, social and governance (ESG) dimensions of sustainability. We want to achieve our goals through projects that are actually feasible. Behind ActNow lies a fundamental transformation of our business - a transformation that every company and every sector has to go through. We are evolving from a model under which we looked purely at shareholder value to a 'stakeholder capitalism' model, under which we stand within a society and take total responsibility for all our activities and their impact. Indeed, moving towards integrated reporting - a journey which this very annual report is a part of - forms part of this process and was therefore an obvious choice for us to make.



IN OCTOBER 2021, ELIA CELEBRATED ITS 20TH ANNIVERSARY. A MAJOR EVENT WAS ORGANISED FOR OUR STAKEHOLDERS, DURING WHICH WE WELCOMED DISTINGUISHED GUESTS SUCH AS THE FEDERAL MINISTER OF ENERGY TINNE VAN DER STRAETEN AND THE GERMAN AMBASSADOR TO BELGIUM MARTIN KOTTHAUS.



SHARE PRICE IS LIKE
BODY TEMPERATURE.
DO YOU WANT TO BE
HEALTHY? YOU SHOULD
THEREFORE FOCUS ON
LIVING A HEALTHY LIFE
AND NOT ON TAKING
YOUR TEMPERATURE
EVERY DAY.

Chris Peeters

Bernard Gustin: Several of our ActNow ambitions are aligned with the EU Taxonomy and the European Commission's 'Fit for 55' package, with the latter making important climate goals legally binding for member states. This shows that acceleration is no longer a 'nice to have', but an absolute must. The ESG regulatory landscape is changing quickly. Our ESG ambitions and our accelerated embedding of them into our day-to-day operations anticipates these changes.

With Elia Grid International¹ and re.alto², the Elia group's portfolio now includes its first non-regulated activities. Will these be expanded?

Chris Peeters: During this phase of the energy transition, boundaries are being redrawn. Only looking at your own activities within your own segment can kill you in the end. For example, re.alto has taught us a great deal about digitalisation. By exposing our staff to non-regulated environments, they have learnt to deal with competitive processes. Interacting with the outside world has broadened their view. We are now open to exploring additional opportunities - ones which might emerge in sectors such as the oil industry or in markets which are further afield, such as the United States.

Bernard Gustin: Our know-how is unique: it allows us to make our core business more resilient and decrease our risk exposure through diversification. We therefore need to build on it - why shouldn't we look beyond our main activities or even outside Europe if there are interesting opportunities there? To that end, we have recently modified our corporate structure. Today, Elia Group comprises two main subsidiaries - Elia Transmission Belgium and 50Hertz - which contribute in an almost equal way to our bottom line. Within the next five years, via our offshore strategy or further developments in terms of our international projects, we hope to add additional subsidiaries to Elia Group.

To what extent does the stock market preoccupy you?

Bernard Gustin: Elia Group's share price remains attractive. On several occasions in the past, our shares have continued to perform strongly when the market has experienced difficult times. Our share profile reflects our ambitions to grow; in addition to our strong existing infrastructure, we are operating in a segment where investment opportunities will continue to present themselves. Our share price reflects this healthy mix of growth and resilience. Compared to other players in our sector, we are also much more diversified. We are not dependent on one system or one regulator. That way, we are able to better spread our risks out.

Chris Peeters: Relevance is ensured because you are doing the right things, not because you are constantly focusing on the stock price. To me, the stock price is like your body temperature. Do you want to be healthy? You should therefore focus on living a healthy life and not on taking your temperature every day. In terms of mental health, that would be rather unhealthy. We want to build a healthy company that responds to the opportunities brought about by the energy transition, by bringing them to our shareholders in a relevant way.

Looking back on 2021, who do you have a special word of thanks for?

Chris Peeters: First and foremost, I would like to thank our staff. Without exception, progress on all our projects was secured. This included the launch of the Capacity Remuneration Mechanism (CRM), which is helping Belgium to cope with the phasing out of nuclear power; it was a particularly complex file, both technically and in terms of stakeholder engagement.

¹ The group's consultancy; see 'Company profile' in the chapter entitled 'The Elia group at a glance'

² The digital marketplace for energy and data services which we launched; see 'Company profile' in the chapter entitled 'The Elia group at a glance'

Bernard Gustin: As Chairman, I can say that we have a strong corporate culture. Our people are very aware of our societal role as a grid operator. Both in Belgium and Germany, there has been good cooperation with the authorities, the regulators and the energy sector in general. Finally, I would like to thank the Board of Directors for their solid input. I would like to thank Luc Hujoel and Jane Murphy in particular, since they will be leaving us in 2022.



THE ESG REGULATORY LANDSCAPE IS CHANGING QUICKLY. OUR ESG AMBITIONS AND OUR ACCELERATED EMBEDDING OF THEM INTO OUR DAY-TO-DAY OPERATIONS ANTICIPATES THESE CHANGES.

Bernard Gustin

Looking back at 2021



Chris Peeters: In 2021, we took huge steps forward. Very positive moves towards internationalisation, digitalisation and the further shaping of our organisation were made. Great projects were realised. However, I cannot deny that the fatal accident involving one of our employees in Zele (Belgium) continues to stay with me. We made a commitment that everyone would go home safe and sound every day. We did not succeed in ensuring that last year.

Bernard Gustin: 2021 was a turning point. We are never going to go back to what we had before. We are still facing COVID-19 and all the difficulties it entails. If you look at the news, items about the effects of global warming are on the rise. Climate change is a major topic. This is a big change compared with a few years ago. With today's high energy prices, everyone now realises how important energy is. Energy is no longer just a commodity – it is a strategic asset and is high on the political agenda. As a group which comprises two transmission system operators (TSOs), the Elia group is a key player in the energy value chain. We are always involved, whether the issue concerns security of supply, infrastructure projects or technological developments.

Chris Peeters: On a final note, I would like to express my gratitude for the resilience that our employees have shown in the face of COVID-19 and the flooding in Wallonia. Our staff volunteered of their own accord to rebuild the damaged high-voltage substations following the floods. Some even returned from their holidays to help. This shows that we have a strong corporate culture which leads our staff to feel very responsible for the Elia group's societal mission.



**VIDEO REPORT
ON THE FLOODS
IN WALLONIA,
BELGIUM**

2

Our path to integrated reporting

This report is one of the primary ways we communicate with our stakeholders. It aims to provide a balanced, transparent and integrated overview of the Elia group's activities and relationships. It is the result of close working between several of the group's departments, including Strategy, Sustainability, Investor Relations, Communication and Finance.

A successful energy transition for a sustainable world

In 2021, the Elia group continued to grow, progressing along its path towards becoming a leading European energy company which provides critical electricity infrastructure and a reliable electricity system for society. Through large-scale investments in infrastructure, digitalisation, and sector coupling, we are contributing to Europe's great and complex ambition of becoming climate-neutral by 2050, as outlined in its Green Deal.

Amidst a fast-changing environment which is driven by the need to decarbonise the economy, our vision remains clear: "a successful energy transition for a sustainable world". As the production of renewables and decentralised generation sources continues to increase and electrification needs rise, our mission is to drive the energy transition forward, helping Europe reach net zero by 2050 by delivering the power infrastructure it needs and appropriately shaping its markets.

This report tells the story of our strategy and how we create value for society. It explores our progress over the past year, providing our investors and other stakeholders with details and de-

icated stories about our activities, projects, performance and governance. We are accelerating the development of both our onshore and offshore grid infrastructure, supporting the implementation of consumer-centric markets and capacity remuneration mechanisms, and publishing pragmatic research for our stakeholders - such as our recent 'Roadmap to net zero' paper, which was published in November 2021 (see the section entitled 'System planning' in the chapter on 'Our value creation model'). Whilst the latter is relevant for Europe as a whole, it focuses on Germany and Belgium in particular to support policymakers as they take decisions about shaping future pathways to decarbonisation. Moreover, 2021 also saw the launch of our group-wide corporate ESG programme - ActNow - which is being embedded across all our business activities. Our strategy, which guides all of these activities, is firmly aligned with the needs of society, allowing us to create both financial and non-financial value for our stakeholders; indeed, in 2021, Elia Group joined the BEL 20 again and its share price increased by 18% over the year, reaching €115.7 per share on 31 December.



Starting on our integrated thinking and reporting journey

2021 marked the start of the Elia group's conscious adoption of an integrated thinking approach. We strongly believe it will allow us to enhance cross-departmental cooperation, allocate capital in an efficient and productive manner and strengthen our appraisal of our business model, strategy, and how we operationalise it - not only from an 'inside-out' perspective but also from an 'outside-in' one, considering the genuine interests and needs of all our stakeholders. We are also convinced that including financial and non-financial information in our decision-making processes supports long-term value creation and connects people, planet and prosperity together.

Delivering on our promise of being a leader in sustainability and transparency, we began exploring the best ways to communicate how our strategy, governance, risk and performance management processes create, preserve, or erode value in the short, medium, and long term for our stakeholders. We therefore began our journey towards fully aligning our reporting with the Integrated Reporting Framework (<IR> Framework³): its core elements and guiding principles were considered as we prepared this report. Consequently, this report constitutes our first step in our adoption of integrated reporting, and we are convinced that the latter will deliver both value and innovation for the stakeholders and communities we work for.



³The <IR> Framework was developed by the International Integrated Reporting Council (IIRC), which merged with the Sustainability Accounting Standards Board to form the Value Reporting Foundation in June 2021. In November, it was announced that the Value Reporting Foundation would be consolidated with the Climate Disclosure Standards Board and the IFRS Foundation to form the International Sustainability Standards Board.

Reporting boundaries and frameworks

This report provides information about Elia Group, including all of its subsidiaries (see the section entitled '**Company profile**' in the chapter entitled 'The Elia group at a glance'), and covers the fiscal year starting on 1 January 2021 and ending on 31 December 2021. It outlines our main achievements that are material to our stakeholders, highlighting how these achievements are creating value for our stakeholders and how they are contributing to tackling climate change, in line with the European Green Deal. It also clearly outlines the challenges that we are facing and how we intend to overcome them.

To ensure consistency and comparability over time, we chose to structure the report around our eight business activities, which together form our value chain. The chapter entitled 'Our value creation model' addresses each of these eight activities in turn, outlining the resources and relationships (known as the six 'capitals' under the <IR> Framework; see 'Glossary') that these activities rely on, and the effect they have on them. Each subsection also outlines how our activities contribute to our strategy and the UN Sustainable Development Goals (SDGs); how they enable us to create value; and what risks and opportunities they are linked to.

A step-by-step approach

In order to make our transition to integrated reporting as smooth as possible for our stakeholders, we decided to adopt the approach for our annual activity report first. Our two other annual reports (the **Sustainability Report** and **Financial Report**) remain unchanged for the moment. As integrated reporting involves concise communication about an organisation's governance, strategy, business model and performance, we include references to our Sustainability and Financial reports throughout this document, in sections where more detailed explanations can be found in these. It is our intention to continue improving and increasing our adoption of the <IR> Framework over time; this will include seeking feedback from stakeholders and applying this in our reporting.

Since this transition to integrated reporting modifies the way we have traditionally disclosed information, we chose to include a chapter entitled 'Our performance' in this report. This chapter mirrors the information we have used in previous annual reports: it focuses on our main key performance indicators and how they relate to our strategic ambitions.

It should be noted that this report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, the first global standards for sustainability reporting. The applicable GRI Standards performance indicators are highlighted throughout the report wherever the Elia group's economic, environmental or social impacts are reported. Please see the **GRI Index** on page 102 of the Sustainability Report for a full overview.

Board Approval

The Elia Group Board of Directors acknowledges its responsibility for ensuring the integrity of this report.


C. PEETERS
CEO


B. GUSTIN
CHAIRMAN

For ease of reading, we have used the following icons throughout this report. Each icon denotes a value chain element, stakeholder or capital; they appear alongside the main text, clearly indicating which areas they hold relevance for.

Value chain elements / societal core tasks	Stakeholders	6 Capitals
 Grid management (System planning, Infrastructure design and construction, Grid operations and maintenance)	 Consumers (from industry to households)	 Financial
 System operations	 Electricity System Operators	 Assets
 Market facilitation	 Energy producers	 Employees & Subcontractors
 Trusteeship	 Shareholders & debt investors	 Intellectual
 Additional services which create value for consumers	 Employees	 Natural
 Corporate functions	 Suppliers	 Social & Relationship
	 Local communities	
	 Government and public authorities (including regulators)	
	 Press & general public	
	 Federations, NGOs & academics	

Please note, the following distinction is made throughout this report:

Elia Group SA/NV and **Elia Group** are used to refer to the holding company.

The Elia group / the group is used to refer to the different subsidiaries which are owned by Elia Group SA/NV.



3 The Elia group at a glance

Company profile

Elia Group acts as a holding company which owns two TSOs: Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH in Germany. The separation and ringfencing of the Elia group's regulated activities in Belgium from its non-regulated activities and its regulated activities outside of Belgium was undertaken to ensure that its future activities in Belgium and Europe would be aligned with its growth strategy. In 2021, this allowed the group to pursue its organic growth and has set the foundations for future inorganic growth.

REGULATED ACTIVITIES



Elia Transmission Belgium (hereafter referred to as Elia) is the Belgian TSO for high-voltage (30 kV to 70 kV) and extra-high-voltage (110 kV to 400 kV) electricity. It has a natural monopoly as Belgium's only TSO. It develops, builds and operates a robust electricity transmission system (both on- and offshore) and is responsible for devising services and mechanisms which support the development of electricity markets at national and European levels.



Elia Transmission Belgium is part of the Nemo Link joint venture with National Grid, the British electricity and gas utility company. Nemo Link is the first sub-sea interconnector to link Belgium to Great Britain, so allowing the trade of electricity between both countries: traders can buy up to 1,012 MW of capacity in auctions over a number of time frames.

The building of Nemo Link marked a crucial step in the integration of the electricity grids of continental Europe and the UK. The interconnector was commissioned on 30 January 2019, and operates in line with its specific regulatory framework.



50Hertz Transmission (hereafter referred to as 50Hertz) is a TSO which holds a natural monopoly in the north and east of Germany and is a crucial player in the realisation of the German 'Energiewende' - or energy transition. Its grid runs across a distance of around 10,325 km, supplying electricity to 18 million people in the states of Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia, and the city states of Berlin and Hamburg. In 2021, around 56.1% of electricity consumption in the 50Hertz grid area came from renewable sources; it aims to make this 100% by 2032. The shareholders of 50Hertz are Elia Group (80%) and the German state-owned investment and development bank KfW Group (20%).



NON-REGULATED ACTIVITIES

Our non-regulated business activities are allowing us to develop the key competencies we need to ensure a successful energy transition. They are helping us to embrace innovation, develop sustainable energy markets and shape growth opportunities that increase our societal relevance.



EGI offers consultancy and engineering services related to energy market development, asset management, system operation, grid development and RES integration. As a wholly owned subsidiary of Elia Group and 50Hertz, EGI is able to harness the expertise of two large European system operators, each with a solid track record in delivering high-quality projects and many decades of experience. Its clients are mainly comprised of TSOs, but EGI also supports regulators, public authorities and private developers.

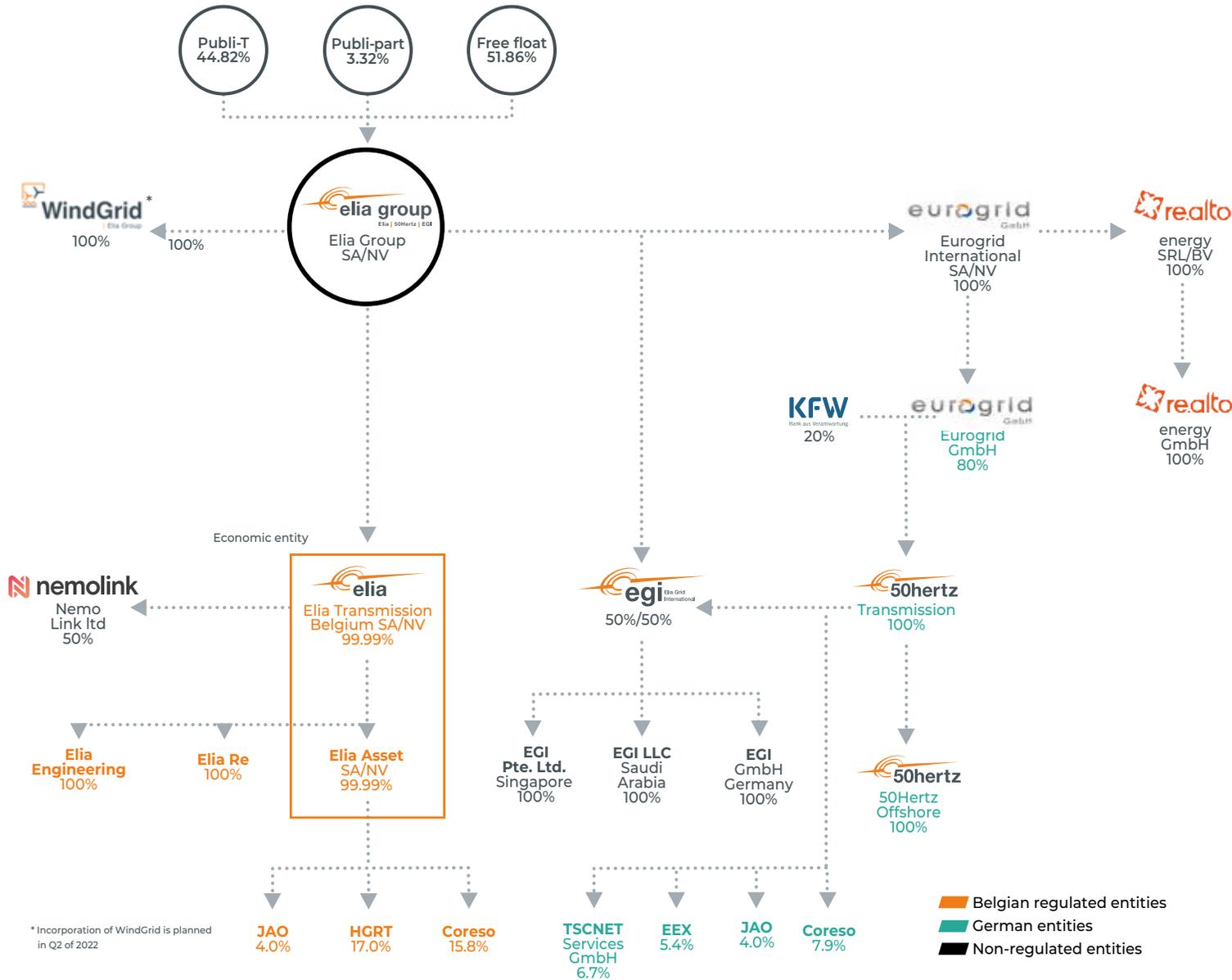


In September 2020, Elia Group announced the official launch of re.alto, its very own corporate start-up and the first European marketplace dedicated to the exchange of energy data and services. The start-up enables the exchange of energy data through its innovative Application Programming Interface (API) platform, so enabling the energy industry to take a huge digital leap forward towards a more widespread adoption of Energy-as-a-Service business models, ultimately hastening the establishment of a low-carbon society.



Elia Group's newest legal entity, WindGrid, will focus on offshore development outside of its current regulated perimeters. In February 2022, the Board of Directors approved the formation of this new subsidiary, solidifying the group's commitment to accelerating the energy transition in the interest of society both in its home countries and abroad. WindGrid will deliver and unlock further revenue streams for the group, whilst enabling it to remain at the forefront of offshore wind development and maintain its relevance in the long term.

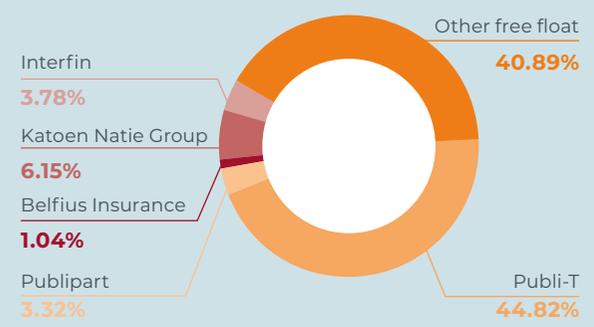
Legal structure



12.9%
of outstanding shares are held by institutional investors

3.2%
of all investors are ESG focused funds

Shareholder structure



Key figures

FINANCIAL KEY PERFORMANCE INDICATORS



€328.3 million

Adjusted
Net Profit



€10.3 billion

Regulatory
Asset Base²



7.56%

ROE (adj.)¹



€1.75

Gross dividend
per share



€376.7 million

Belgium

€850.9 million

Germany

Grid Investments

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Environmental



CLIMATE
ACTION



15,807

Scope 1 emissions
(tCO₂e)



99.99%

Grid reliability
(onshore, 150 kV and above)

1,092,151

Scope 2 emissions
(tCO₂e)



60%

of Scope 3 emissions are accounted
on the basis of mature (primary)
data (see 'Our performance')

363 km

Lines
commissioned



ENVIRONMENT
& CIRCULAR
ECONOMY



60%

HV lines critical to birds
equipped with bird markers



79%

Forest corridors
managed ecologically

¹ Determined as the result attributable to ordinary shareholder/equity attributable to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve)

² Includes 80% of 50Hertz; does not include Nemo Link



Social



HEALTH & SAFETY



3.0%
Absentee
Rate Group³



6.3
Group
TRIR⁴



22.2%
Women in total
workforce



69*
Employee commitment
index



DIVERSITY, EQUITY & INCLUSION



37
Nationalities

³ Corresponds to health rate (I-x)

⁴ Calculated as: (the number of work accidents with and without lost time)*1,000,000 / (The total number of working hours over the year); excludes subcontractors - they will be included from 2022 onwards

⁵ Composition of the indexes available on our website

* The survey is performed once every two years. It aims to collect feedback from employees about their views and general level of satisfaction with regard to Elia and 50Hertz as workplaces; the Index is made up of 7 questions.

Governance



4/12
ESG
Governance Index⁵



68
Public info-dialogue sessions
related to grid projects



GOVERNANCE, ETHICS & COMPLIANCE



5/12
Compliance
Index⁵



Please see the chapter entitled 'Our performance' for an explanation of the indicators outlined above.



Key achievements

ELIA GROUP BACK IN THE BEL 20

On 22 March 2021, Elia Group rejoined the BEL 20 index, the benchmark index of Euronext Brussels. Its return to the index demonstrates the market's confidence in its growth and strategy.

Elia Group has been listed on Euronext Brussels since 2005 and was previously included in the BEL 20 between March 2012 and March 2017. In January 2021, Elia Group received the BelMid Company of the Year 2020 award, in recognition of the fact that it had achieved the greatest relative growth in terms of market capitalisation in 2020 on Euronext Brussels.



BELGIUM'S FIRST CRM AUCTION ORGANISED

In late October 2021, Elia announced the results of the first CRM auction for the 2025-26 delivery year. During the auction, market players bid to provide electricity capacity in 2025-26. The CRM was established by the Belgian Federal Government to secure the supply of electricity following the legally required nuclear phase-out which is due to be completed by 2025. Elia organised the first CRM auction at the request of the Belgian Minister of Energy and with the approval of the European Commission.



ACTNOW: THE ELIA GROUP'S SUSTAINABILITY PROGRAMME

In April 2021, the Elia group's ActNow programme was launched. ActNow defines concrete and measurable objectives which aim to drive the decarbonisation of the power sector and the group's own activities.

The ActNow programme focuses on five key dimensions which are aligned with the United Nations' SDGs.

As of October 2021, Elia Transmission Belgium received an Environmental, Social and Governance (ESG) Risk Rating of 9.9 from Sustainalytics and was assessed to be at negligible risk of experiencing material financial impacts from ESG factors. Elia's ESG Risk Rating places it first in the electric utilities industry assessed by Sustainalytics. It also shows that ActNow has inspired confidence from the financial markets.



[Read more about ActNow in the chapter entitled 'Our purpose and strategy'.](#)



EXPANSION OF THE GERMAN OFFSHORE GRID

Important steps were taken throughout 2021 as part of the realisation of the Ostwind 2 project, which involves two new offshore windfarms in the Baltic Sea being connected to the German electricity grid: Arcadis Ost 1 and Baltic Eagle. The first two of three 220 kV cable sections have now been installed along the seabed. Land cables have also been successfully laid. To limit the environmental impact of the works, underground protective pipes were installed using horizontal drilling.



[More information on this project can be found in the section entitled 'System planning' in the chapter on 'Our value creation model'.](#)



MCCS: 50HERTZ'S NEW DIGITAL GRID CONTROL SYSTEM

50Hertz has been developing a new digital grid control system to ensure that its grid will be able to rely on 100% renewable energy. The Modular Control Center System (MCCS) will maintain the balance between generation and consumption around the clock, despite the increased complexity of an electricity system which includes many decentralised and intermittent renewable energy sources (RES). In 2021, 50Hertz celebrated a significant technical milestone: performance data from ongoing operations was processed for the first time by the MCCS and displayed via its user interface. The development of the digital tool will continue throughout 2022.



More information about this project can be found in the section entitled 'System operations' in the chapter on 'Our value creation model'.



ROADMAP TO NET ZERO



Our vision paper, 'Roadmap to net zero', sets out key insights and describes key areas to focus on for ensuring an efficient energy transition by 2050. Launched during a livestreamed event with a live audience in November 2021, the paper takes an in-depth look at the energy balance, flexibility and security of supply of Belgium, Germany and Europe.

More information about the publication can be found in the section entitled 'System planning' in the chapter on 'Our value creation model'.



CONSUMER-CENTRIC MARKET DESIGN

In June, the group published a white paper outlining a new market model and calling for collaboration amongst players from across the energy sector. The proposed Consumer-Centric Market Design (CCMD) aims to give consumers a more active role in the electricity system and the energy transition.



More information about this report can be found in the section entitled 'Market facilitation' in the chapter on 'Our value creation model'.



IMPROVED INSIDE INFORMATION PLATFORM AND CUSTOMER SERVICES

During the summer, the group launched an improved Inside Information Platform, which includes data visualisations about the unavailability of electricity supply in the high-voltage grids operated by Elia and 50Hertz. In July, the Elia Portal Interface for Customers (EPIC) and Open Data Platform were launched. These offer Elia's customers and stakeholders a suite of innovative services which address gaps in its provision of private and public data relating to its grid. With these upgraded data platforms, the group is bolstering its commitment to digitalisation, consumer centricity and transparency in the interest of society.

More information about EPIC can be found in the section entitled 'Additional services' in the chapter on 'Our value creation model'.



CONTRACT FOR SUEDOSTLINK CONVERTER STATIONS AWARDED



The contract for the building of two converter stations for the SuedOstLink has been awarded to Siemens. The SuedOstlink will be 50Hertz's most important onshore grid expansion project in the coming years. This direct current (DC) connection will run from northern Germany, where there is a great deal of wind power, to major consumption centres in the south of the country. The two converter stations are needed to convert the electricity into alternating current (AC).



More information about this project can be found in the section entitled 'Infrastructure design and construction' in the chapter on 'Our value creation model'.



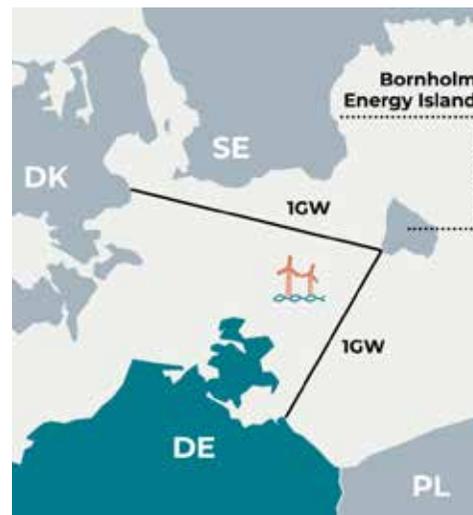
50HERTZ GETS ACCESS TO THE GERMAN NORTH SEA



50Hertz and its German counterpart TenneT signed a cooperation agreement for the realisation of a so-called 'multi-terminal hub' in the area of Heide (Schleswig-Holstein) and an onshore DC cable (which will run over a distance of 200 km). The multi-terminal hub will also be linked to two offshore DC cables and will have a converter connected to it. The project is included in Germany's Grid Development Plan

2035 (2021), which has been approved by the German Federal Network Agency (the Bundesnetzagentur, or BNetzA).

More information about this project can be found in the section entitled 'Infrastructure design and construction' in the chapter on 'Our value creation model'.



ENERGY HUB ON BORNHOLM ISLAND

50Hertz signed a collaboration agreement with Energinet in preparation for the building of a second hybrid interconnector in the Baltic Sea: the Bornholm Energy Island project. During the first phase of the project, a high-voltage direct current (HVDC) interconnection will be built between both countries (running over a distance of 400 km). As part of the second phase of the project, Danish wind farms being built off the coast of Bornholm Island will be connected to the interconnector using hybrid technology.

More information about this project can be found in the section entitled 'Infrastructure design and construction' in the chapter on 'Our value creation model'.



TRITON LINK INTERCONNECTOR TO GO AHEAD

TRITON LINK INTERCONNECTOR TO GO AHEAD

Elia and Energinet (Denmark) signed a new cooperation agreement to continue collaborating on the implementation of what could become a world first: a subsea connection between two artificial energy islands. The Triton Link project will facilitate the exchange of power between the two countries and at the same time transport electricity from offshore wind farms to Belgium and Denmark using hybrid technology.

More information about this project can be found in the section entitled 'Infrastructure design and construction' in the chapter on 'Our value creation model'.



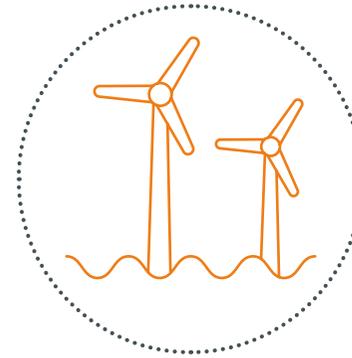
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The Elia group in a rapidly evolving environment



In short

- The four megatrends - decarbonisation, decentralisation, supranational coordination and digitalisation - are both challenges and opportunities.
- Social, economic and political developments like the European Green Deal are the foundation of our ambition to accelerate the energy transition.
- The regulatory environments we operate in are changing; we must ensure we are still able to drive the energy transition under these.



As the Elia group continues to grow into a leading European energy company, our vision remains clear: “a successful energy transition for a sustainable world”. Indeed, given that the European Green Deal aims to make Europe the world’s first climate-neutral continent by 2050, the swift decarbonisation of the energy sector will play a major role in ensuring that the energy transition is a success - as outlined in a joint paper we published with seven other European TSOs last July (entitled ‘Decarbonising the energy system - The role of Transmission System Operators’).

We have the mandate, skills and capabilities to develop and operate the infrastructure of the future, run a safe and reliable power system and design solutions for a renewables-based electricity market. Responding to social and political demands for the decarbonisation of the energy sector, we are harnessing innovation across all our activities to deliver on our mission of integrating renewables into the system and so providing all consumers with reliable, sustainable and affordable energy.

Fulfilling our mission will not be without its challenges, however, since the energy landscape is undergoing a fundamental transformation. Important shifts - social, political, economic and technological - are underway, leading to the identification of four relevant megatrends.



ACCESS THE JOINT PAPER HERE:



The four megatrends

THE DECARBONISATION OF SOCIETY

This trend, triggered by social and political objectives to counter climate change, is being driven forward by the integration of increasing amounts of renewables into the energy system and the spread of electrification across society. Under the European Climate Law, which entered into force in July 2021, all member states are bound to take necessary measures at EU and national levels to meet the target of reaching net zero greenhouse gas emissions by 2050. The key role of sustainable finance in delivering this policy objective has been recognised, leading to the creation of the EU Taxonomy (see the section entitled '[Political developments](#)' below). However, the steep increase in renewable energy generation and additional electricity needs are having important repercussions: the need for (long-distance) electricity transmission is increasing (as areas with substantial RES are often remote) and areas with different and complementary production patterns need to be connected. The mix of renewables and higher levels of electrification offer up flexibility to the system, and so new opportunities to steer and stabilise it.



THE DECENTRALISATION OF ELECTRICITY GENERATION AND NEW PLAYERS

In line with the decarbonisation of society, the move towards more dispersed, smaller and local generation sources - which are mainly connected to lower voltage grids - will likely persist, even though larger renewable installations such as offshore wind farms are also set to play a major role in the future system. Prosumers will continue to emerge, empowered by digital technologies that allow them to adopt a more prominent role in the energy system. New technologies, increasing electrification and sector coupling will also stimulate the emergence of new players, such as service providers targeting end consumers. This means consumers (both industry and households) will be providing the power system with additional flexibility. They will therefore actively participate in the energy sector whilst benefiting from increased value and comfort.



SUPRANATIONAL COORDINATION

This trend is largely a consequence of the previous two. The increasing share occupied by renewables in the energy mix, the move towards more decentralised generation sources with a much higher number of players, and the coupling of the electricity with other sectors such as gas, heating or mobility, are making the behaviour of the power system more variable and complex. In addition, all over Europe, grid development is lagging behind rapid changes in renewable generation. This is causing congestion problems (and their related costs) in some countries. Given the already high degree of interconnectedness and integration of the European power system and markets, responding to these challenges often requires a supranational approach. This approach can occur across European regions, such as through Regional Security Coordination Initiatives, or across the entire continent, as is the case for the Ten-Year Network Development Plan (TYNDP) prepared by the European Network of Transmission System Operators (ENTSO-E). Such an approach allows complementary regions to benefit from each other, ensuring that demand and supply for renewable energy can be matched, and provides European citizens and industry with a more cost-efficient and resilient power system.



THE DIGITAL TRANSFORMATION

The digital transformation, and the digitalisation of the energy sector specifically, is well underway: new technologies (such as electric vehicles, home batteries and heat pumps) are rapidly changing the way we produce, transport and consume electricity. This is accelerating our transition to clean energy, enabling market players to offer consumers services that they want whilst delivering the benefits of the energy transition to them, since (for example) they can better align their consumption patterns with moments when there are high amounts of renewable energy available on the grid. In addition, system operators are better able to manage a low-carbon energy system, thanks to the increasing contribution of distributed consumer flexibility. New digital developments such as big data, cloud computing, artificial intelligence (AI) and blockchain are already commonly used across our sector; the challenge here is keeping pace with these digital developments. An additional challenge presents itself in terms of facilitating appropriate access to data whilst ensuring that effective consent management and data security practices are in place.

Social and economic developments

Climate change has become an increasing area of focus, with social movements such as the 'Fridays for Future' campaign pressuring policymakers into addressing the issue in their decision-making. Their concerns are reinforced by the increasing number and impact of environmental disasters, including the

floods in Belgium and Germany and the forest fires in the Mediterranean region that took place during the summer of 2021. This has led political leaders to call for the decarbonisation and electrification of society, in turn making onshore and offshore grid expansion indispensable.

As we work towards these goals, the needs of two of our stakeholders - industry and smaller end consumers - must be kept in mind.

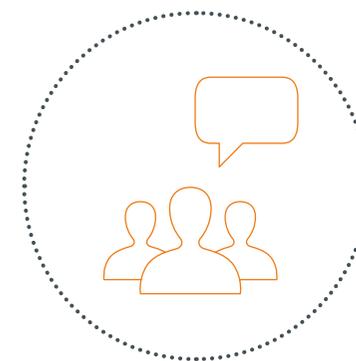
On the one hand, industrial players are striving to quickly decarbonise, in line with the European Green Deal. This includes the chemical, steel, automotive and oil and gas sectors. As these large customers are directly connected to our transmission grid, we play an important role in linking them to RES, enabling innovative processes to be adopted and encouraging sector coupling (and so advancing the production of green steel or gas). In order to support such players and find quick and easy solutions to their decarbonisation needs, we are committed to undertaking real stakeholder dialogue, for example through the organisation of industry roundtables.

On the other hand, households and smaller consumers are slowly transforming into prosumers who want to play an active role in energy markets by producing their own energy (through their home solar panels) and injecting it back into the grid. These, and the owners of flexible appliances such as electric vehicles and heat pumps, will become important providers of flexibility for the grid: they will be able to charge their appliances when there are high amounts of renewable energy available and will be able to inject electricity back into the grid when it needs it. Moreover, consumers are increasingly expecting to interact with the energy system in the same way and with the same level of ease that they are enjoying in other sectors: they are interested in having more control over their household consumption and in tracing the origin of the electricity they use. Digitalisation is making this possible.



A reliable grid infrastructure is essential for strong industry. However, sector coupling is becoming just as important. We see this already happening in the automotive industry, which is one of Germany's biggest industries. Our interactions with the electricity grid will change and will become more intense and complex. Therefore, it is important that we can count on reliable system operators to support industry in their management of energy, delivering green electricity whenever and wherever it is needed, whilst focusing on affordability at the same time.

Holger Lösch, Deputy Director General at the Federation of German Industries (BDI)



Political developments

Recognition of the need to fight climate change has increased over the past few decades and political decision-makers are focusing on action plans at international, regional and national levels. We are actively responding to these changes, not least because they are presenting us with further opportunities for growth. We have placed sustainability at the centre of our business strategy, making associated changes to the way we develop our grid assets and carry out system operation and market facilitation activities. Our corporate activities support European and national political objectives. Given the urgency with which climate change must be tackled, we will need to deliver the necessary infrastructure and integrate renewables even faster into the system than we have been doing until now. Along with all our stakeholders, we are committed to delivering on these decarbonisation goals in the best interests of society.



4 Intergovernmental Panel on Climate Change, 'Climate change widespread, rapid, and intensifying' - IPCC, <https://www.ipcc.ch/2021/08/09/ar6-wg1-20210809-pr/>

International developments

In 2021, the UN's International Panel on Climate Change (IPCC) called for "strong, rapid and sustained reductions"⁴ in GHG emissions. Moreover, the outcomes of COP26 in Glasgow included a wide-ranging set of decisions and resolutions that reflected the interests and aspirations of the 197 Parties in attendance. The Parties agreed to strengthen their emission reduction ambitions in order to align their national climate pledges with the 2015 Paris Agreement and limit the rise in the average global temperature to well below 2°C (preferably 1.5°C) above pre-industrial levels. For the first time in the history of the Conference of the Parties, the role of fossil fuels was explicitly mentioned, alongside a commitment to "phase down" coal power.

European developments

In July 2021, the European Climate Law entered into force, writing into law the goals set out in the European Green Deal. The law set a legally binding target of net zero greenhouse gas emissions by 2050 for member states, with an intermediary target of reducing net emissions by at least 55% by 2030 compared to 1990 levels. To translate these goals into concrete steps, the European Commission introduced an impressive package of legislative proposals during the same month called 'Fit for 55'. Moreover, the European Commission has made it clear that sustainable finance has a key role to play in meeting its policy objectives - indeed, the EU Action Plan on Financing Sustainable Growth (which was published in 2018) led to the creation of the EU Taxonomy. The latter is a classification system for sustainable economic activities that can be used by companies, investors and policymakers to help shift financing towards environmentally sustainable undertakings through the provision of clear metrics. The EU Taxonomy encompasses four conditions that activities must successfully meet in order to be considered as 'aligned' with it. Following this, the link between these activities and related turnover, CAPEX and OPEX must be disclosed.

National developments

Political developments in Germany and Belgium are also supporting decarbonisation. A new coalition government took office in Germany in November 2021, and, under the slogan 'Dare More Progress', it outlined its plans to accelerate the energy transition and modernise Europe's biggest economy. Key points included in its programme are the phasing out of coal by 2030 and the speeding up of renewable energy development, so that it occupies an 80% share of the energy mix by 2030. The Government has also committed itself to reaching 30 GW of offshore capacity by 2030 and 70 GW by 2045; 200 GW of photovoltaic capacity by 2030; and allocating 2% of the country's area to onshore wind. It also wishes to deploy gas capacities to secure the system and speed up permitting procedures for grid projects - particularly those which involve DC lines.

The autumn 2020 coalition treaty of the Belgian Government also focuses on climate and energy issues. It supports the climate ambitions outlined in the 2015 Paris Agreement and the European Green Deal and includes ambitious targets related to RES development, in particular (offshore) wind and solar generation.

EU Taxonomy eligible activities

99.94%

Turnover

99.92%

CAPEX

100%

OPEX

Regulatory frameworks

Most of our business activities are regulated and we have strict corporate governance rules to follow, since we hold a monopoly on the operation of the transmission grid in Belgium and a regional monopoly in the north and east of Germany. Our TSO licences in these two countries mean that Elia, 50Hertz and Nemo Link are subject to the European regulatory system and to different legal and regulatory systems at local levels. As regulatory risks are of high importance to us, operating under different regulatory regimes enables us to diversify our regulatory risk.



At a European level

At the European level, ENTSO-E defines common technical standards like the European Network Codes to facilitate the harmonisation, integration and efficiency of the European electricity market. Additionally, through close consultation with national TSOs and in order to better shape a fully interconnected European grid, ENTSO-E publishes a TYNDP every two years. The organisation also provides a transparency platform, which provides all European market participants with free access to European electricity market data. Moreover, the European Agency for the Cooperation of Energy Regulators (ACER) helps to ensure that the single European gas and electricity markets function properly, taking action at EU level for the benefit of all EU citizens. It assists national regulatory authorities with their functions at the European level and, where necessary, coordinates their work.

At a national level

At a national level, Elia Group's subsidiaries must adhere to different national regulatory frameworks. In Germany, 50Hertz's activities are overseen by the BNetzA; in Belgium, Elia's extra-high-voltage activities (110 kV to 400 kV) are regulated by the Belgian Federal Commission for Electricity and Gas Regulation (the CREG). Additionally, the high-voltage sections of Elia's grid (30 kV to 70 kV) are subject to regulations set by regional regulators: the VREG in the Flemish region; the CWaPE in the Walloon region; and BRUGEL in the Brussels-Capital Region. Nemo Link is subject to a cap and floor regulatory regime, which was developed by the Office of Gas and Electricity Markets (Ofgem) in the UK and the CREG. The regime provides regulated revenue at the floor to limit the downside of the investment. Consumers in Great Britain and Belgium have to compensate for the difference if the revenue falls below the floor. At the same time, consumers are protected through the cap, which ensures that high returns are passed back to them.



Regulatory developments in Germany

The regulatory framework in Germany is based on incentives to increase productivity and reduce costs in order to avoid any negative socioeconomic impacts. This compensates for the lack of competitive pressure on grid fees due to the regional monopoly 50Hertz holds.

- For every regulatory period, a revenue cap is calculated for 50Hertz, which is based on costs during the base year. This serves as an incentive for reducing the actual costs below the cap in order to generate a corresponding additional profit.
- The return on equity (ROE) ensures an adequate return on 50Hertz's investment in and operation of the network; this is currently fixed at 5.64% post-tax (it stands at 6.91% including corporate tax).

Given that the fourth regulatory period will run from 2024 to 2028, the current regulatory framework and relevant regulatory parameters are expected to change. In October 2021, the BNetzA set the ROE for the next regulatory period at 4.13% post-tax (or 5.07% including corporate tax) for most grid assets (those built since 2006), which represents a significant reduction compared

to the current ROE. Further parameters, such as the individual efficiency factor that is subject to a national TSO benchmark and the general sector productivity factor, have yet to be determined. In 2022, the BNetzA will start assessing the cost of the base year (2021), which will serve as the basis for the revenue cap during the fourth regulatory period.

With regard to the regulatory framework as a whole, the German Bundesrat and the Federal Government confirmed an amendment to the Incentive Regulation Ordinance in July 2021. This amendment will introduce a new regime from 2024 to refinance investment cost - the so called "Capital Cost Adjustment". Under this regime, there will be no distinction between investment measures and replacement projects, and total asset values will be updated on an annual basis. During a transition period which will cover the next regulatory period, specific arrangements such as the right to continue ongoing projects under the current regime and a fixed adder (socket) for specific assets will be in place. Moreover, an incentive mechanism for redispatching costs was introduced for the four TSOs.

Belgian tariff methodology: preparations underway for upcoming negotiations with the regulator

Although most regulatory regimes across Europe are based on a revenue cap mechanism, Elia is operating under a cost-plus model. Profit is determined by a fair remuneration mechanism and supplemented by incentives. The incentives include those for cost efficiency, market integration quality of service, innovation and continuity of supply.

The Belgian tariff methodology includes different types of tariffs: connection charges; charges for access to the network; balancing fees; and tariffs for public service obligations or other taxes, levies, additional surcharges and contributions.

Negotiations between Elia and the CREG regarding changes to the regulatory framework and the tariff methodology for the next regulatory period (2024-27) started in early 2022. We expect the new tariff methodology to be set by the end of June 2022.

The new regulations for 2024-27 should reflect the elements which are imperative for Belgium to undergo a successful energy transition, such as: the further development of infrastructure in order to integrate more RES into the system; an increase in the number of interconnectors to protect consumers against price peaks and encourage system resilience; the development of a consumer-centric market design to unlock decentralised flexibility provided by end consumers; innovation along the value chain and the digital transformation of our organisation; and any additional necessary activities to manage this additional complexity.



5 Our purpose and strategy



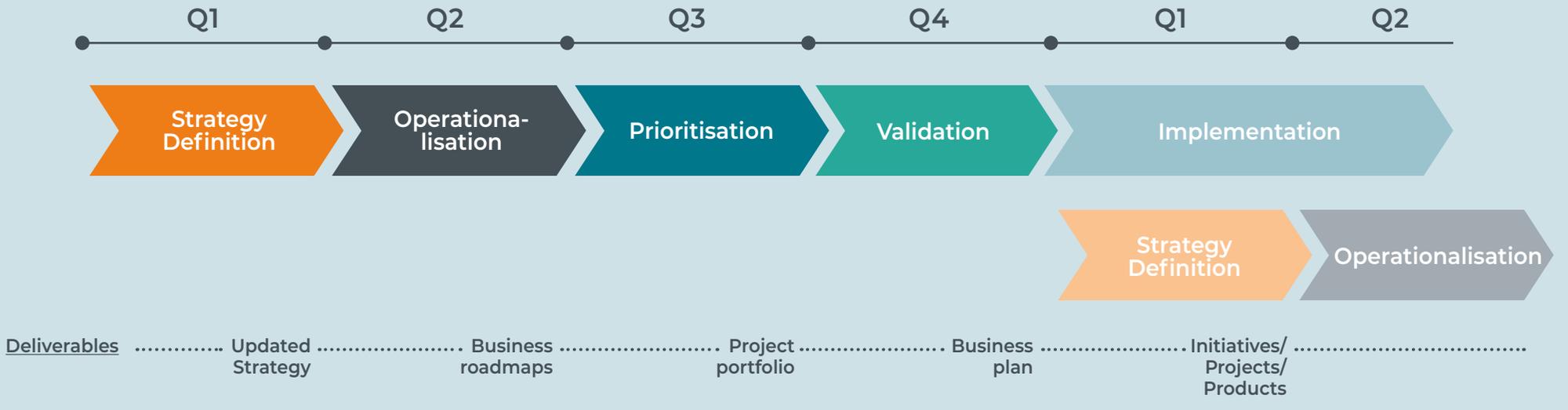
In short

- In the interest of society, we drive the energy transition and fulfil our core societal tasks: grid management; system operations; market facilitation; and trusteeship.
- In order to successfully deliver our strategy, we are embedding 6 key behaviours across the whole of the group to strengthen our core business, grow beyond our current perimeter and develop new (digital) services.
- Sustainability lies at the heart of our strategy and our long-term sustainability objectives are set and operationalised via our ActNow programme.

The Elia group's strategy opens with our purpose, which explains the future we aspire to build and why we exist. Our strategy comprises three pillars of growth - outlining how we intend our activities to remain relevant in the interest of society - which are broken down into four strategic growth ambitions and four strategic enabling ambitions. These provide focus for our business, helping us to prioritise projects and activities and allocate resources accordingly.



FIGURE 1: OUR ANNUAL STRATEGIC CYCLE



Our annual strategic cycle, which involves translating our strategy into roadmaps and business plans, enables us to implement our strategy via our everyday activities: it ensures that our approach to and execution of our activities are aligned with our strategic priorities. Moreover, this cycle, and the processes associated with it, also ensure that our approach to the operationalisation and implementation of our strategy will remain consistent over time - and that our activities will remain aligned with the interests of society.

Figure 1 above outlines the stages that form part of our annual strategic cycle. The first of these, which comprises the definition and updating of our strategy, is based on findings collected from the use of three tools: our strategic radar; disruption analyses; and strategic environmental analyses. Their results feed into the work undertaken by Senior Management and the Executive Management Board as they define our strategic ambitions, before these are validated by the Board of Directors.

- Our strategic radar involves the monitoring and analysis of relevant national and international trends, developments and events and their potential impact on the group. It is shared with staff across the group as an internal newsletter on a monthly basis.
- Our yearly disruption analyses involve exploring the impact of radical but unlikely changes to energy policy or the energy value chain. These exercises allow the group to remain alert to early signs of shifts in the sector and remain ahead of, and resilient to, these.
- Our yearly strategic environmental analyses involve evaluations of the political, legal, social and technological contexts the group operates in.

Once updates to our strategy have been made, it is operationalised by business managers along our value chain through our business roadmaps: these provide a high-level overview of our focus areas for the following five-year period, alongside tangible objectives and milestones which should be reached. Concrete and detailed plans about how we will execute our projects are then outlined in our business plans. We prioritise our projects based on their contribution to our strategy and their impact in terms of finance and sustainability.

Once validated, these plans are then implemented by all departments. Of importance to note is that our ActNow programme ensures that sustainability is embedded throughout our strategy, strategic cycle and across all our business activities - it is not just relegated to being monitored through a specific, narrow set of goals. See the section below entitled '[Our sustainability programme - ActNow](#)' for further information.

Our purpose

Our vision inspires us, guiding us as we develop our strategy and business plans. Our mission is what the Elia group staff want to achieve together. Our mission statement serves as a filter to separate what is important from what is not, and clearly explains who we serve, what we deliver and how.

Our vision

“A successful energy transition for a sustainable world”

Decarbonisation is one of society's most pressing challenges. As a system operator, the group's activities are central to overcoming this challenge: our grid forms the backbone of the energy transition. We are strengthening our on- and offshore transmission grid to facilitate the integration of increasing amounts of renewable energy into the system. We are also furthering digitalisation and sector convergence and shaping energy markets, so supporting new market players to become active participants in the energy sector. As a driver of the energy transition, therefore, we are contributing to the establishment of a sustainable world.



Our reason for being

“In the interest of society, we make the energy transition happen to decarbonise Europe by delivering the needed power infrastructure and shaping the European markets. We keep the lights on by operating a reliable and sustainable system and innovate to meet evolving consumers' needs in an efficient way and to protect people's safety. We create further value for society in the changing energy landscape.”

Building and operating the grid is, and will remain, our core business - just as sustainability and innovation will continue to be part of our DNA, so we can keep driving the energy transition forward.

However, with the world around us changing, we also need to adapt our way of working and thinking. The goal of net zero is already presenting society with a great number of opportunities. In order to harness these, we are therefore looking beyond our current activities to find areas through which we can deliver additional value to society. See the section entitled **‘Company profile’** in the chapter on ‘The Elia group at a glance’ for an overview of our non-regulated activities.



The cornerstones of our strategy

Our strategy consists of three pillars of growth, which are translated into eight strategic ambitions that mutually reinforce each other. These are the cornerstones that ensure our long-term success and help us to prioritise our business activities and projects.

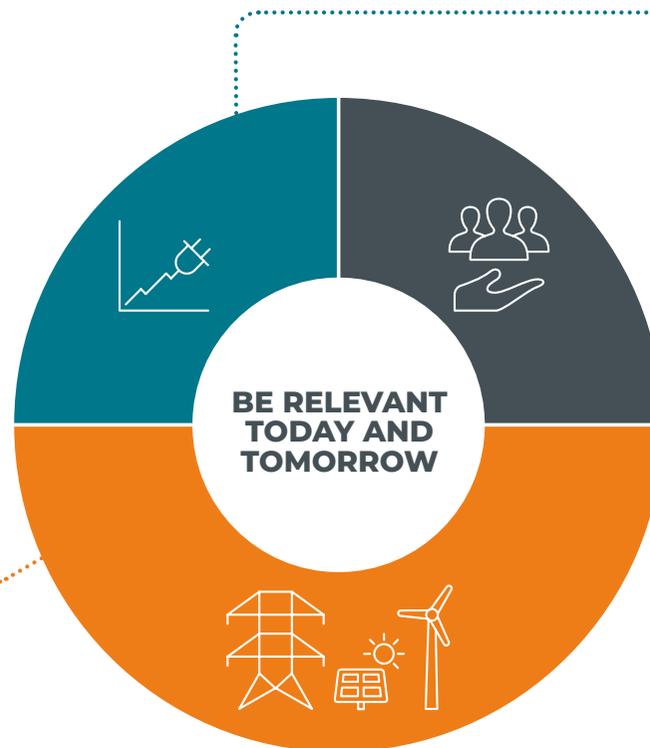
Our pillars of growth

Our three pillars of growth outline how, by continuously improving our activities to deliver excellent services, products and projects, we are both fulfilling our societal mission and increasing our relevance in a rapidly changing environment. These pillars ensure that the Elia group keeps working in the interest of society, even though the latter's needs continuously evolve.

As outlined in Figure 2 below, the bottom pillar relates to our core business as a TSO, whilst the top two pillars relate to how we are expanding our activities beyond this to create additional value for our stakeholders.

Deliver the infrastructure of the future & develop and operate a sustainable power system

As reflected in our first pillar, the Elia group is committed to keeping the lights on around the clock, designing, delivering and operating the transmission infrastructure of the future and enabling the energy transition - not just in our home markets of Belgium and Germany, but also at a European level. Our CAPEX projects, which we are dedicated to delivering on time, within budget and to a high standard of quality with a maximum focus on safety, actively contribute to shaping solutions that meet our stakeholder needs and create value for wider society. For example, the onshore and offshore interconnectors we build allow renewable energy to be shared between countries that have excess RES and those that have RES deficits, so contributing to the strengthening of the internal European energy market.



Grow beyond current perimeter to deliver societal value

Our second pillar aims to further expand our activities beyond their current perimeter in order to deliver additional societal value. Through our consultancy, EGI, we have developed a solid understanding of international markets and both detect and attract appealing business opportunities. Leveraging both this expertise and the experience we have gained through our regulated activities in offshore renewable development, we are actively shaping new growth opportunities. Areas we are exploring include offshore development beyond the maritime boundaries of Belgium and Germany in the North and Baltic Seas respectively, as well as equity participation that creates additional value in combination with our current portfolio.

Develop new services creating value for customers in the energy system

Through our third pillar, we are ready to continuously change, delivering new services which create value for energy customers and digital tools which benefit the international energy ecosystem. We aim to achieve this by utilising and driving the digitalisation of the power sector and spurring innovation. Leveraging our experience with consumer centricity as part of our regulated activities, we are exploring and contributing to fostering a range of new opportunities - from sector coupling through to the provision of new digital services with partners like re.alto, the start-up we launched in 2019. Ultimately, these activities will further hasten the energy transition.

FIGURE 2: OUR THREE PILLARS OF GROWTH

Our strategic ambitions

Our strategic ambitions translate our three pillars of growth into concrete goals for the business. They act as a framework which helps us to select and prioritise our projects during the business planning process. Our four growth ambitions relate to what we want to do and how we want to improve, whereas our four enabling ambitions relate to the means through which we will be able to deliver our growth ambitions.

The following sections focus on three group-wide initiatives (Make A Difference, our digital aspirations and ActNow) and our so-called Moonshots - five innovative projects. As central strategic initiatives which were identified during our business planning process, each of these is directly linked to fulfilling one of our strategic ambitions (presented in Figure 3). Additionally, our Moonshots focus on optimising our tools, processes, assets and activities along the value chain.

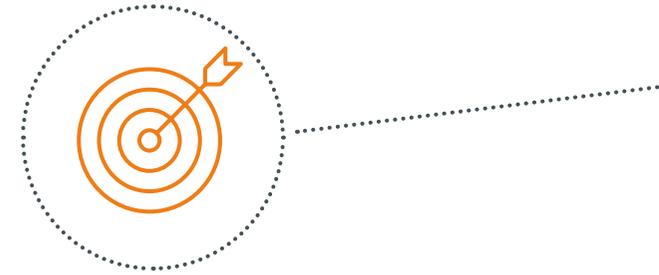


FIGURE 3: OUR STRATEGIC AMBITIONS



1

The culture we need

MAKE A DIFFERENCE

The first central initiative relates to encouraging a shift in our internal organisational culture. In order to successfully deliver our strategy, we are embedding 6 key behaviours across the whole of the Elia group. Known collectively as our 'Make A Difference' behaviours, these represent the corporate culture we wish our staff to embody, so that they form the basis for the ways in which we all approach our work - both internally (across teams and departments) and externally (with partners and stakeholders outside of the group).

The MAD behaviours are a prerequisite for our delivery of our vision and mission, continued positive influence on stakeholders, and successful delivery of impact along the energy value chain.

We have organised workshops and information sessions to create awareness about MAD and encourage staff to adopt the MAD behaviours in their daily work. 2021 focused on 'Simplification'.



Feedback

We give feedback to and ask for feedback from colleagues at all levels of the Group. In this way, we show appreciation for their work and strive for continuous improvement.



Co-creating the future

We are aware of the radical changes occurring in our sector (such as digitalisation and decentralisation) and play an active role in shaping them.



Simplification

We consider the ways in which projects can be simplified, eliminating unnecessary complications in what is already a very complex environment.



One company

Each employee's responsibilities transcend the boundaries of their own job or department. All members of staff consider issues from a company-wide perspective and support the choices made by Elia Group as a company.



One Voice

We have open and constructive debates before taking a decision. Once a decision is taken, everyone commits to it fully and is united in their understanding of and communication about it.



Impact

We carry out our work and projects in the best possible way by focusing on the actions that make a difference and have a tangible impact on areas including safety, the system, society, the environment, and our performance.

2

Our digital transformation

The second central initiative involves the digital transformation of our business. We seek to remain efficient throughout this transformation as we: master the growing complexity of our core business; speed up our activities; develop new solutions for a fully decarbonised system; work as part of ecosystems to better understand and serve the needs of consumers; and lay the foundations for expanding our role and the services we provide across the energy value chain.

Figure 4 below outlines this digital journey. The left-hand side of Figure 4 depicts the technological steps which we need to take: the technology, processes and tools that need to be gradually developed and disseminated across the group, leading us to eventually becoming 'digital beyond the core'. Just as important as these technological steps, however, are 6 shifts in mindset that our digital transformation must encompass - these are depicted on the right-hand side of Figure 4. These technological steps and accompanying shifts in mindset are complementary: both must occur in tandem for the Elia group to become truly digital.

In order to ensure our business remains future-proof, our digital transformation is organised around three specific areas:

1. The urgent need to transform our core business along each part of the value chain to efficiently master the volume of tasks, complexity and risks we are facing.
2. The need to correctly connect, understand, assess and anticipate future needs to do and build what matters.
3. The need to generate future additional business (via solutions and digital products that are also useful for external partners).

We recently established a Digital Transformation Office (DTO) to support our core business as it undergoes this tech-enabled transformation. The DTO will enhance staff skills, embed flexibility and agility across the group's culture, revamp the foundation of our technology platforms and ensure value creation remains focused on and aligned with our strategy.

Our digital strategy addresses how we will achieve this transformation. It includes five transformation objectives, which are shown in Figure 5 and must be reflected in our business roadmaps to deliver our strategy.

FIGURE 4: OUR DIGITAL TRANSFORMATION JOURNEY

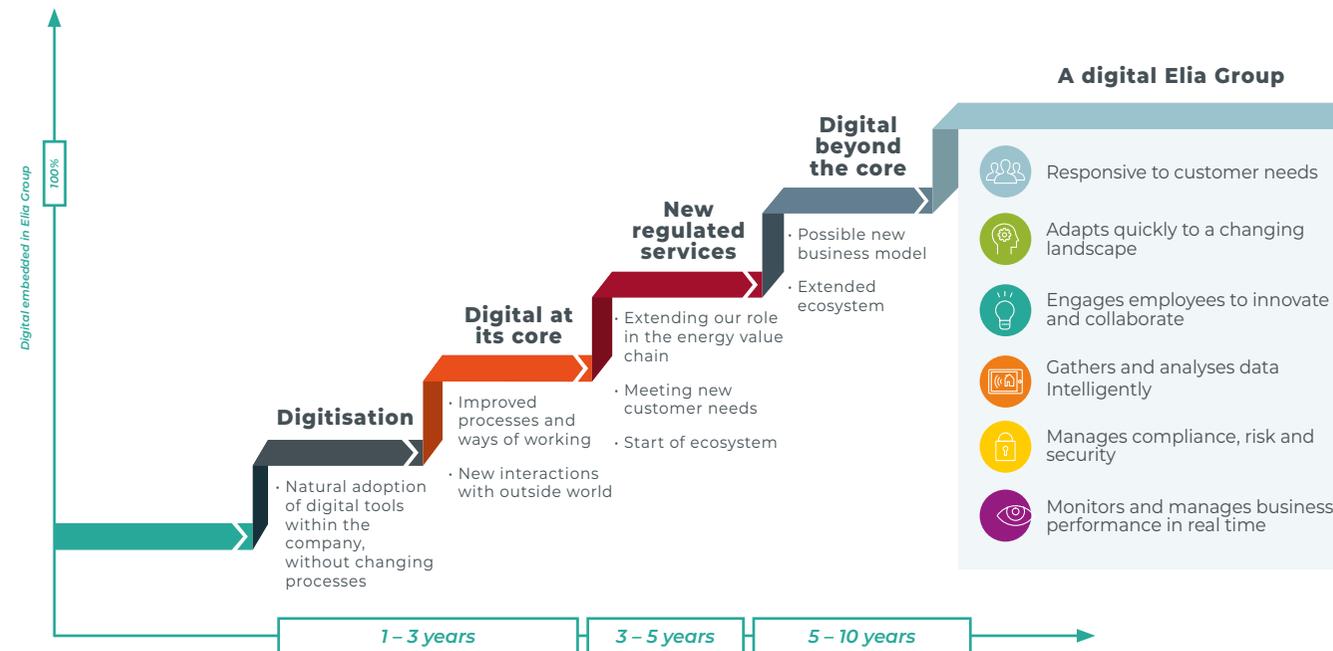


FIGURE 5: OUR DIGITAL STRATEGY

	Objective
1	Fulfill customer demand for decarbonisation with focus on electrification
2	Develop reliable system with high RES integration
3	Develop infrastructure faster
4	Reduce our assets' total cost of ownership
5	Increase impact of value adding support activities and efficiency of transactional support functions

3

Our sustainability programme - ActNow

Sustainability lies at the heart of our strategy and our ActNow programme, which was developed and published in 2021, sets out our long-term sustainability objectives. These are guided by the UN SDGs, demonstrating that our organisational goals are explicitly linked to global goals, and are implemented through our business roadmaps and plans.

As outlined in Figure 6 below, each objective is assigned to one of five dimensions: Climate Action; Environment & Circular Economy; Health & Safety; Diversity, Equity & Inclusion; and Governance, Ethics & Compliance. For a closer look at each objective, and how we aim to achieve them, please see the recording of our 2021 [Capital Markets Day event](#).

FIGURE 6: OUR ACTNOW PROGRAMME



Our biggest contributions to sustainability as a company which owns two TSOs lies in the development of the power grid and the enhancement of electricity market design, which in turn enable the integration of rapidly growing amounts of RES into the system and allow the further electrification of society to occur. These efforts are consolidated in the first objective of Dimension 1: enabling the decarbonisation of the power sector. However, as a socially responsible company, our commitment to sustainability reaches far beyond this: from reducing our own carbon footprint to embedding circularity in our core business processes to ensuring equal opportunities for all staff, ActNow is firmly embedded in our core business via our business roadmaps and plans.

Our commitment to sustainability is mirrored in the fact that we have sound governance arrangements in place at Executive

Management Board and Senior Management levels to monitor its anchorage across the entire group; as part of this, a Group Sustainability Office (GSO) was established. Supported by local sustainability boards, both Elia and 50Hertz contribute to fulfilling our group-wide objectives via their ActNow roadmaps, which are adapted to the local environments in which they operate. We have also started tracking and reporting relevant sustainability KPIs to better shape our group-wide ambitions; please see the chapter entitled 'Our performance' for further information.

We were able to achieve some major ActNow milestones in 2021. For example, we developed a Code of Ethics, which provides staff with guidance about how to behave in an ethical, responsible and transparent manner in their everyday work. In addition, we published a Diversity, Equity & Inclusion Charter, which outlines the management team's commitment to ensuring that the Elia group provides an inclusive and supportive work environment for all staff. In 2022, we are aiming to phase out the use of herbicides and achieve an ISO 14001 certification for 50Hertz's environmental management system (certification for Elia is due to follow in 2023).



4

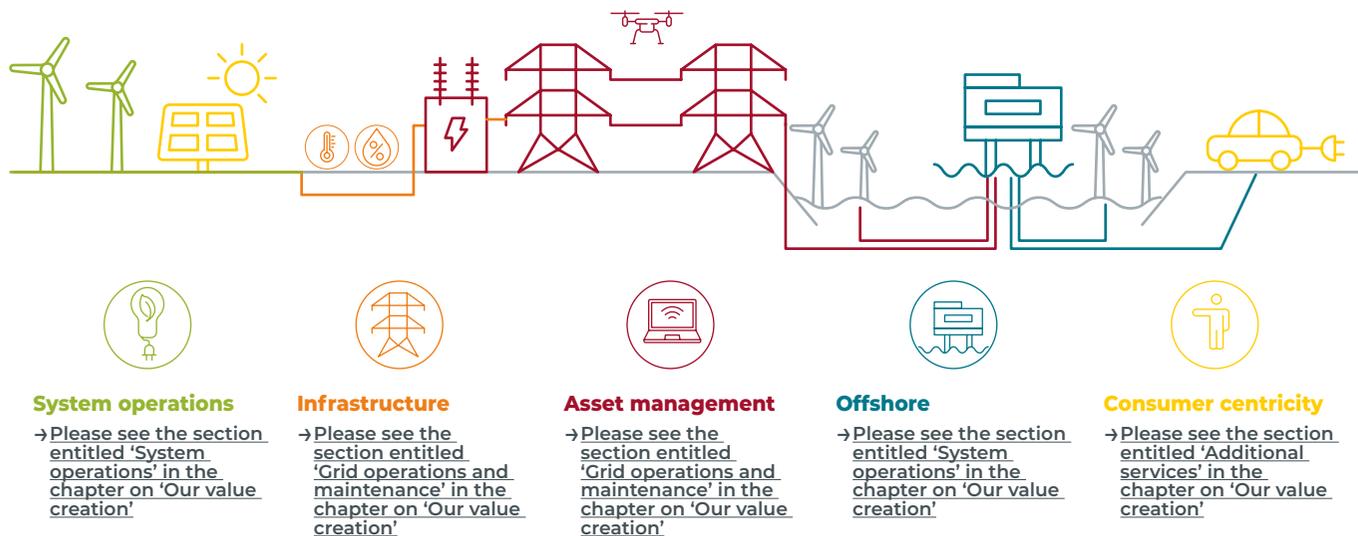


Five innovative projects: our Moonshots

As a driver of the energy transition, we must continuously innovate, optimising our tools, processes, assets and activities. As part of this, we are working on five key innovative projects: our Moonshots. These are visionary and ambitious and support our commitment to making quick progress on our value chain activities. Over the coming years, our Innovation Team will work with specialists from different departments to research, test and develop each of these projects under real conditions.

Our five Moonshots relate to the five topics shown in Figure 7, each of which is linked to the Elia group's activities along the value chain.

FIGURE 7: OUR FIVE MOONSHOTS



Our business

Our core societal tasks

Working in the interest of society, the Elia group aspires to enable a successful energy transition, establishing a fully decarbonised and reliable, sustainable and affordable energy system in the process. Indeed, in order to meet the targets of the European Green Deal, the full harnessing of renewable energy and widespread electrification of society will be necessary.

Our subsidiaries in Belgium (Elia) and the north and east of Germany (50Hertz) operate 19,192 km of high-voltage connections, in line with their legal responsibilities as regulated businesses. Through them, we ensure that production and consumption are balanced around the clock in order to supply around 30 million people with electricity. We achieve this by ensuring that our grid maintenance and expansion investments are made on time and within budget, with a maximum focus on safety. We manage our stakeholders proactively by establishing two-way communication channels with all interested parties very early on in the development process and offer up our expertise to partners across the energy sector, including policymakers and relevant authorities, to ensure the success of the energy transition.

Moreover, in order to successfully manage and shape an increasingly complex energy system, we develop innovative system- and market-related solutions to facilitate the rapid integration of intermittent renewable energy and other decentralised generation sources into our grid. This includes the construction and operation of interconnectors, which promote decarbonisation since they allow countries to share the excess renewable energy they produce across borders and further reinforce the interconnectedness of the European grid. It also includes encouraging the role of new market players and technologies such as electric vehicles, batteries and power-to-X (PTX). In addition to our TSO activities, we hold 50% of the joint venture Nemo Link; provide consultancy services for international customers through EGI; provide a European digital marketplace for energy data and services through re.alto; and recently launched a new entity - Wind-Grid.

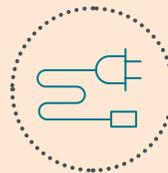


Grid management – We deliver and operate infrastructure

We develop, build and maintain our transmission grid in accordance with society's long-term needs. We invest heavily in the integration of RES, the development of a meshed offshore grid and the construction of interconnectors to facilitate the integration of the European energy market. We are therefore driving the transition to tomorrow's energy system.



Please see the first three sections of the chapter entitled 'Our value creation model'.



Market facilitation – We facilitate the development of the electricity market

The Elia group makes its infrastructure available to all market players in a transparent, non-discriminatory way. Digitalisation and technological developments are offering players new opportunities to optimise their electricity management by (for example) allowing them to sell their surplus energy or temporarily reduce their consumption. We develop services and mechanisms allowing the market to trade on different platforms, which promotes economic competitiveness, and so the wellbeing of society. We promote the integration of the European energy market and support local markets to enable a new consumer-centric approach, as exemplified by our exploration of new closer to real-time products and flexibility sources, such as balancing services provided by electrical vehicles.



Please see the section entitled 'Market facilitation' in the chapter on 'Our value creation model'.



System operations – We keep the lights on around the clock

Operating the electricity system is becoming increasingly complex due to the sharp rise in renewable energy, the continuous arrival of new players and technologies and the increase in supranational coordination. As part of this, we monitor the electricity system in real time, requiring specialist knowledge and the use of sophisticated tools and processes, and work with other European TSOs and distribution system operators (DSOs) to ensure a reliable energy supply and efficiently manage our grid.



Please see the section entitled 'System operations' in the chapter on 'Our value creation model'.



Trusteeship – We deliver independent and reliable trusteeship services related to renewable levy systems

The legal responsibility for coordinating and processing national levy systems that promote the integration of RES into the energy system lie with Elia in Belgium and 50Hertz in Germany. Our two TSOs therefore collect these levies as trustees in their respective countries, administering them and coordinating their distribution. If the electricity which is generated from RES is not marketed directly, we sell this electricity on the power exchange.



Please see the section entitled 'Trusteeship' in the chapter on 'Our value creation model'.

Our grid and our assets

Our electricity transmission grid forms the backbone of a successful energy transition. The voltage range of our grid is 30 kV to 400 kV in Belgium and 150 kV to 400 kV in Germany. It includes onshore and offshore installations and both AC and DC lines.

Characteristics of our grid

1. Alternating current and direct current

AC, which is used in most lines across the European electricity grid, allows electricity to be easily switched and transformed into other voltages, in turn allowing meshed grids with strong redundancy to be built. DC connections, whilst still rare, are growing in importance since they allow a better steering of grid flows and permit large volumes of electricity to be transported over long distances with fewer losses. We have built up a strong amount of expertise in building DC connections through our involvement in different DC projects.

2. Electricity connections: underground cables and overhead lines

We optimise the use of existing infrastructure as much as possible when developing our grid; for example, if transport needs along existing overhead lines increase, we reinforce them via additional or restored conductors. This bolsters sustainability, reduces duplication and ensures that the impact of our grid on the environment is minimised. When new electricity lines are needed, we investigate whether underground cables or overhead lines are best suited to the demand, considering factors such as cost, environmental impact, reliability and operations. The voltage level of the project also plays a major role: it is better to install new low-voltage AC connections underground and new high-voltage AC connections (380 kV) as overhead lines. The German Government has decided to prioritise underground cabling for DC corridors.

3. Interconnected European electricity system

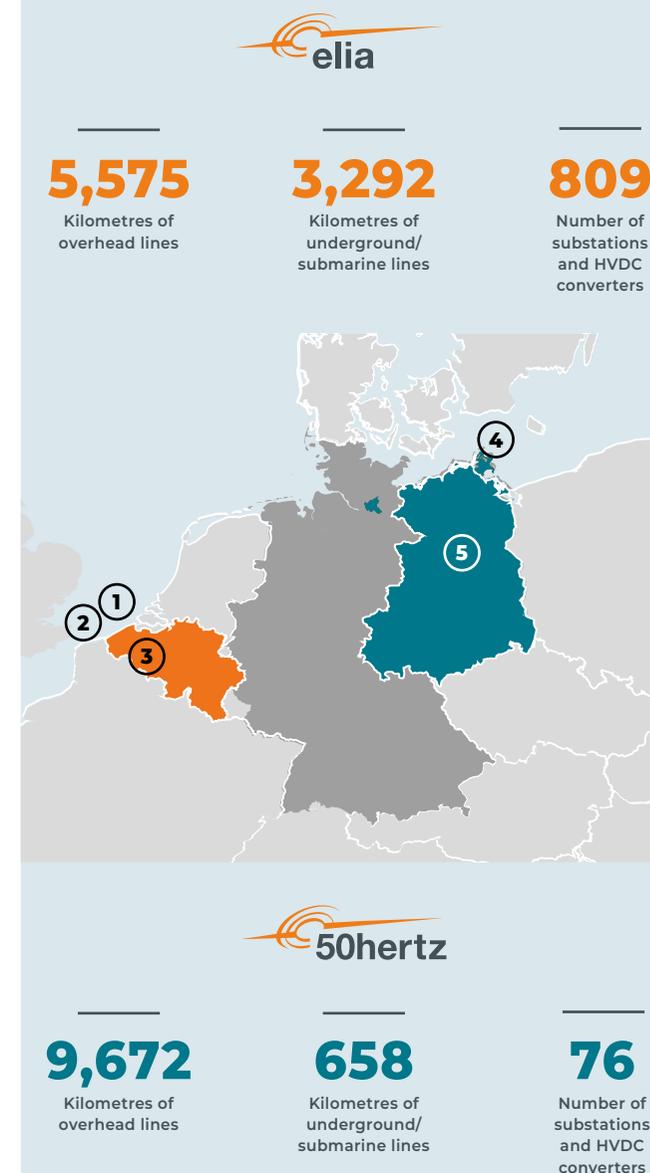
The Elia group is helping to establish a connected European electricity system by building interconnectors with countries across the continent, in turn facilitating the sharing of renewable energy amongst member states and some of their neighbours. Our portfolio of interconnectors includes the Kontek

subsea cable, which was built in 1995 and links Germany with Denmark; the ALEGrO interconnector, which was completed in 2020 and links the Belgian and German systems together; the Kriegers Flak Combined Grid Solution, which is the world's first hybrid offshore interconnector, linking wind farms in the Baltic Sea to the Danish and German grids; and Nemo Link, an interconnector which stretches between Great Britain and Belgium. We are currently working on a number of additional projects that will contribute to this European grid; please see the sections entitled '[Infrastructure design and construction](#)' and '[System planning](#)' in the chapter on 'Our value creation model' for further information.

The Elia group has an ambitious investment plan; our key projects over the next few years are included in the map in Figure 8.

- ① **Energy Island:** this extension of the Modular Offshore Grid (MOG) will involve the development of new offshore grid infrastructure, including a multifunctional artificial island with a capacity of 3.5 GW, allowing new wind farms in the Belgian part of the North Sea to be linked to the onshore grid.
- ② **Nautilus:** this subsea hybrid interconnector will run between Belgium and the UK via an energy island which will be connected to wind farms in the North Sea.
- ③ **Ventilus and Boucle du Hainaut:** these two projects are essential for the reinforcement of the internal backbone of the Belgian onshore grid. They will ensure Belgium's security of supply and enable wind energy generated in the North Sea to be integrated into the system.
- ④ **Offshore projects Ostwind 2, Ostwind 3 and Gennaker:** these three projects will link different offshore wind farms in the Baltic Sea to 50Hertz's onshore transmission grid, connecting a capacity of approximately 2 GW of energy to the German grid by 2028.
- ⑤ **HVDC corridors - SuedOstLink & SuedOstLink+:** the SuedOstLink will transport renewable energy from the north and east of Germany to load centres in the south of the country. The SuedOstLink+ project will double the capacity of the SuedOstLink route to 4 GW by extending the latter to the North. Please see the section entitled 'Infrastructure design and construction' in the chapter on 'Our value creation model'.

FIGURE 8: OUR KEY PROJECTS



6 Our value creation model



In short

- The Elia group is responsible for connecting centres of generation to centres of consumption and integrating increasing amounts of intermittent green electricity into the system while keeping the grid in balance around the clock.
- Our value chain is the bond that ties our different subsidiaries together; we are able to leverage the knowledge gained across these different entities to speed up the energy transition.
- We deliver and operate infrastructure; keep the lights on around the clock; facilitate the development of the electricity market; deliver independent and reliable trusteeship services related to renewable levy systems in Belgium and Germany; and deliver additional services for consumers.

Business model: how we create value for our stakeholders

Figure 9 uses the <IR> Framework to summarise our business model. We rely on six capitals (outlined below) as inputs for our business activities, so creating value for our stakeholders. In return, these activities and their outputs influence our capitals, affecting our ability to maintain a sustainable business model over time.

FIGURE 9: OUR VALUE CREATION MODEL

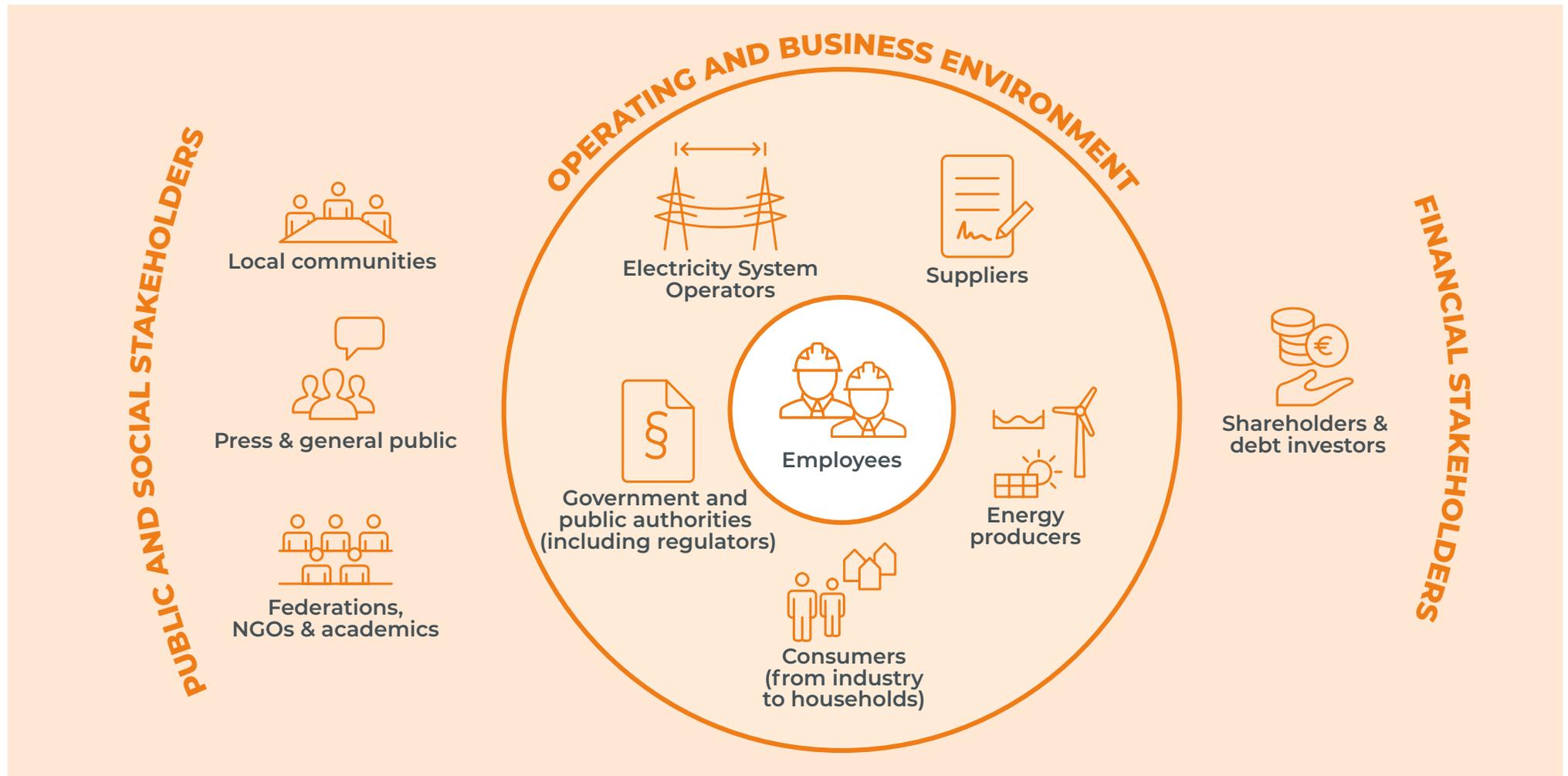
INPUTS	BUSINESS ACTIVITIES	OUTPUTS	KPI	OUTCOMES
<p>Financial: We receive grid fees for our operation of the electricity grid and system; we also depend on financial investors to upgrade and build our grid and assets as we have a large CAPEX programme ahead of us.</p> <p>Assets: We rely on our onshore and offshore assets including lines, cables, substations, interconnectors and equipment and tools. We maintain and operate a secure and reliable system through our regional operations centres and system control centres.</p> <p>Employees & Subcontractors: Collectively, our staff are resilient and have a sound knowledge of legal and regulatory frameworks, energy markets, and system operations; technical expertise (including in-depth knowledge of health and safety practices); skills linked to digital transformation; strong communication skills; and proficiency in the areas of performance and project management.</p> <p>Intellectual: Our TSO licenses form the basis of our activities. Our access to and understanding of market, system and asset data, and use and development of software, reinforces our staff knowledge and skills.</p> <p>Natural: Our activities use and affect the environment, landscape, fauna and flora.</p> <p>Social & Relationship: We manage our stakeholders proactively by establishing two-way communication channels between all relevant parties in a transparent way. We interact with interested parties at a very early stage in our grid projects and incorporate external knowledge into our studies, research, project planning and design.</p>	<p>System planning We design the energy system of the future</p> <p>Infrastructure design and construction We deliver the infrastructure of the future</p> <p>Grid operations and maintenance We operate a safe and reliable infrastructure</p> <p>System operations We keep the lights on around the clock</p> <p>Market facilitation We facilitate the development of the electricity market</p> <p>Trusteeship We coordinate and process legal levy systems</p> <p>Additional services We create value for consumers and customers</p> <p>Corporate functions We enable our core activities</p>	<p>Based on our market and grid studies and simulations, we work on the Belgian and German grid development plans and the Europe-wide TYNDP. We develop roadmaps for the realisation of the future energy system beyond 2030.</p> <p>Based on our system analyses and interactions with stakeholders, we design and build state-of-the-art assets which fulfil societal needs and facilitate the integration of the European system and energy market.</p> <p>We operate the transmission grid in a safe, cost-efficient, consumer-friendly and environmentally sound manner while ensuring that our employees and subcontractors can work in a safe and effective way.</p> <p>We maintain the balance between demand and supply in real time and keep the voltage and usage level of all technical assets within their technical bandwidths. We ensure that the necessary system services (including frequency control, voltage control, congestion management and grid restoration) are provided and activated where necessary to maintain system reliability.</p> <p>We develop solutions at national and European levels to increase the efficiency and liquidity of the different electricity markets (wholesale, ancillary services, reliable capacities, etc.). We are committed to delivering more consumer comfort and value the contribution of parties who provide flexibility.</p> <p>We collect legal levies which promote environmentally friendly technologies as trustees in Belgium and Germany, administrate these efficiently and coordinate their distribution to their recipients.</p> <p>We are working on the development of consumer-centric services to unlock new, decentralised flexibility provided by assets such as heat pumps, electric vehicles and batteries and are facilitating their ability to participate in the market and provide grid support services - benefiting both consumers and the system.</p> <p>Our corporate functions form the foundation of our activities. They enable safe and sound working environments; determine the strategic development of our business; provide sufficient financing for operating the grid and the system and delivering our ambitious CAPEX plan; provide human and material resources for our activities; ensure that sound governance processes are in place and that we comply with relevant regulations and laws; support the prioritisation of investment and activities; and foster innovation and our digital transformation.</p>	<p>CAPEX plan 2022-2026</p> <p>€4 billion Belgium</p> <p>€5.6 billion Germany⁽¹⁾</p> <p>363 km Lines commissioned</p> <p>79% Forest corridors managed ecologically</p> <p>60% high-voltage lines critical to birds equipped with bird markers</p> <p>99.99% Grid reliability (onshore, 150 kV and above)</p> <p>30 million end users</p> <p>7.56%⁽²⁾ ROE (adj.)</p> <p>6.3⁽³⁾ Group TRIR</p> <p>22.2% Women in total workforce</p>	<p>Financial: We can build on our regulatory returns and the returns from our non-regulated activities, as well as the financial backing from our investors (shareholders and bondholders).</p> <p>Assets: Our grid is growing and becoming more and more complex. Therefore, we improve our assets, control systems and our equipment and tools in order to maintain and operate the grid and run a secure and reliable electricity system.</p> <p>Employees & Subcontractors: We continuously further the knowledge of our staff and subcontractors and improve their working conditions as workforce resilience and health and safety is a top priority.</p> <p>Intellectual: We constantly enhance our organisational processes and knowledge, including the ways in which we collect, analyse and use the data we have access to for decision-making.</p> <p>Natural: We address our impact on the environment, flora and fauna through the use of different mitigation and ecological compensation measures which aim to encourage biodiversity and reduce our emissions.</p> <p>Social & Relationship: Our early and regular involvement of stakeholders in relation to changes to our grid, the system and the market, enhances trust, cements our relationship with them, and provides us with a range of valuable information, data, suggestions and constructive feedback.</p>

(1) Elia Group owns 80% of 50Hertz; numbers represent 100% of 50Hertz
 (2) Determined as the result attributable to ordinary shareholder/equity attributable to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve)

(3) Calculated as: (the number of work accidents with and without lost time)*1,000,000 / (The total number of working hours over the year); excludes subcontractors - they will be included from 2022 onwards

Fostering stakeholder interactions

Engaging with our stakeholders is key to successfully creating value and delivering our strategy. We regularly interact with all our stakeholders and foster two-way communication channels with them. These stakeholder interactions form the basis for our identification of material topics (please see the section entitled '**Materiality**' below). More information on the variety of our stakeholder engagement activities can be found in our **Sustainability Report**.



WHY DO WE INTERACT WITH EACH STAKEHOLDER?



To strengthen cohesion, encourage co-creation, cooperation and creativity, we hold team meetings, performance management and information sessions, workshops, training sessions and employee events (daily, weekly and monthly, depending on the interaction)



To drive the energy transition forward both within our home countries and across Europe and ensure that our activities are communicated to and aligned with the activities of DSOs and TSOs across the continent, we interact with other system operators to co-develop solutions for the grid, system and market



To deliver high-quality projects which are on time and within budget, we regularly acquire goods and services from suppliers and cooperate with them/hold information sessions with them to develop tools which enhance our activities and support our staff, ensuring the highest standards of safety are adhered to; we hire subcontractors who work closely with our own teams and contribute to our activities



To ensure system reliability, increase market liquidity and encourage socioeconomic prosperity through access to renewable energy, we are in regular contact with energy producers



To undertake our regulated activities and act as a trusted advisor for policymakers, we have meetings with and produce regular reports for local, national and European authorities

HOW DO WE CREATE VALUE?

We hold regular staff events and communicate on a regular basis with employees through various internal channels about opportunities for skills and knowledge development, activities being undertaken across the group, and wellbeing initiatives and local community projects; in doing so, we are creating a safe and productive workplace (see '[Corporate functions](#)' below)

We write and/or contribute to national and European grid development plans (see '[System planning](#)'); we operate a reliable system (see '[System operations](#)'); we develop joint grid projects, including interconnectors; we develop solutions to trigger changes in the electricity market (see '[Market facilitation](#)'); we hold information sessions, conferences, visitor sessions and networking meetings

We efficiently acquire goods and services from suppliers with clear contracts in place that ensure quality and safety; we provide safe work environments for all staff which use innovative tools and equipment; we trigger technical innovation and the development of new goods and services to meet the needs of the future system (see '[System planning](#)')

We build direct grid connections to energy sources; we interact with partners to provide ancillary services and undertake congestion management; and co-develop specifications and products to facilitate access to and participation in the electricity market (see '[System operations](#)', '[Market facilitation](#)')

We write and/or contribute to national and European grid development plans (see '[System planning](#)'); we have trusteeship responsibilities in Belgium and Germany (see '[Trusteeship](#)', '[Corporate functions](#)'); we take part in negotiations regarding regulatory frameworks; we provide transparency relating to grid and system activities and fair operating practices; we hold consultations regarding our grid development

FURTHER INFORMATION

[20 years of Elia celebration: October 2021](#)

[Statement from Alexander De Croo, Prime Minister of Belgium - 20 Years of Elia](#)

[ENTSO-E: Ten-Year Network Development Plan](#)

[Elia's Federal Development Plan 2020-2030](#)

[German Grid Development Plan website](#)

[Elia's Federal Development Plan 2020-2030](#)

[German Grid Development Plan website](#)

[Elia's Federal Development Plan 2020-2030](#)

[German Grid Development Plan website](#)

'Together. Faster. Climate-Neutral.' initiative in Germany and the group's 'Roadmap to net zero' publication (please see '[System planning](#)')

WHY DO WE INTERACT WITH EACH STAKEHOLDER?



To fulfil consumer demand for decarbonisation and meet customer needs, we are in regular contact with industrial customers; we encourage connections to RES for these and wider society and focus on electrification; as part of this, with our direct customers, we undertake customer surveys and hold regular working group meetings about transmission services and fair operating practices



To deliver the necessary infrastructure and secure future growth, we regularly interact with financial investors through the production of financial reports, quarterly reports and investor calls; we provide regular contact with our Investor Relations experts; we also hold events such as our Capital Markets Day and analyst events for the presentation of our half-year and full-year results



To enhance our projects and mitigate the impact of our activities on the environment, we regularly interact with local communities about our projects



To drive the energy transition, we regularly communicate in an open and transparent manner with the general public and the media about our projects and our research (using in-person, print and digital channels, including social media, our website(s), brochures and publications, press conferences and livestreamed events)



To further the energy transition, we regularly interact with external experts when preparing our research and publications (including NGOs and academics); contribute to research and studies carried out by external stakeholders; have partnerships with higher education institutions; are members of different associations (which facilitate the exchange of information and best practice); and have signed different voluntary commitments (for example, we are members of the Renewables Grid Initiative, the Roundtable for Europe's Energy Future [of which our CEO was appointed as Chair] and the World Energy Council; and are a signatory of the United Nations Global Compact); we have also established a Scientific Advisory and Project Board in Germany

HOW DO WE CREATE VALUE?

We ensure a reliable system by lowering the barriers to market access, unlocking and valorising additional flexibility (including from households, prosumers and industry), increasing market liquidity, and providing better control to customers in terms of their consumption (including facilitating energy tracing) (see '[Market facilitation](#)', '[Additional services](#)'); we connect industry to RES, and facilitate sector coupling (see '[System planning](#)', '[System operations](#)')

We have a sound CAPEX plan to deliver the needed infrastructure for driving the energy transition (see '[Infrastructure design and construction](#)', '[Corporate functions](#)'); we also secure green Investments to ensure future growth (see '[System planning](#)')

We enhance our grid project planning and design thanks to external feedback from local communities which we collect during consultation sessions, site visits, workshops and meetings; we undertake compensation measures with local partners (see '[Infrastructure design and construction](#)', '[Grid maintenance](#)')

We contribute our research and knowledge to public debates related to the decarbonisation of society

We share knowledge and analysis about the future electricity grid, system and market and work with external experts during the production of reports and publications (see '[System planning](#)', '[Market facilitation](#)', '[Infrastructure design and construction](#)'); we invite stakeholders to participate during consultations related to new projects (see '[Infrastructure design and construction](#)')

FURTHER INFORMATION

[Consumer-Centric Market Design White Paper](#) (please see '[Market facilitation](#)')

[2021 Financial Report](#)

[2021 Sustainability Report](#)

[Elia Group's Capital Markets Day 2021](#)

[Elia Group EU Taxonomy Case Study](#) (see '[Corporate functions](#)')

[Elia Group's full-year results 2021](#)

[Elia Group's Investor Relations website](#)

[Elia's project website](#)

[50Hertz's project website](#)

[50Hertz Dialogmobil \(German only\)](#)

[Elia Group website](#)

[Elia Group press releases](#)

[Elia Group YouTube channel](#)

[Scientific Advisory and Project Board](#)

[50Hertz's contribution to the dena Grid Study III](#)

[Renewables Grid Initiative](#)

[Roundtable for Europe's Energy Future](#)

[World Energy Council](#)

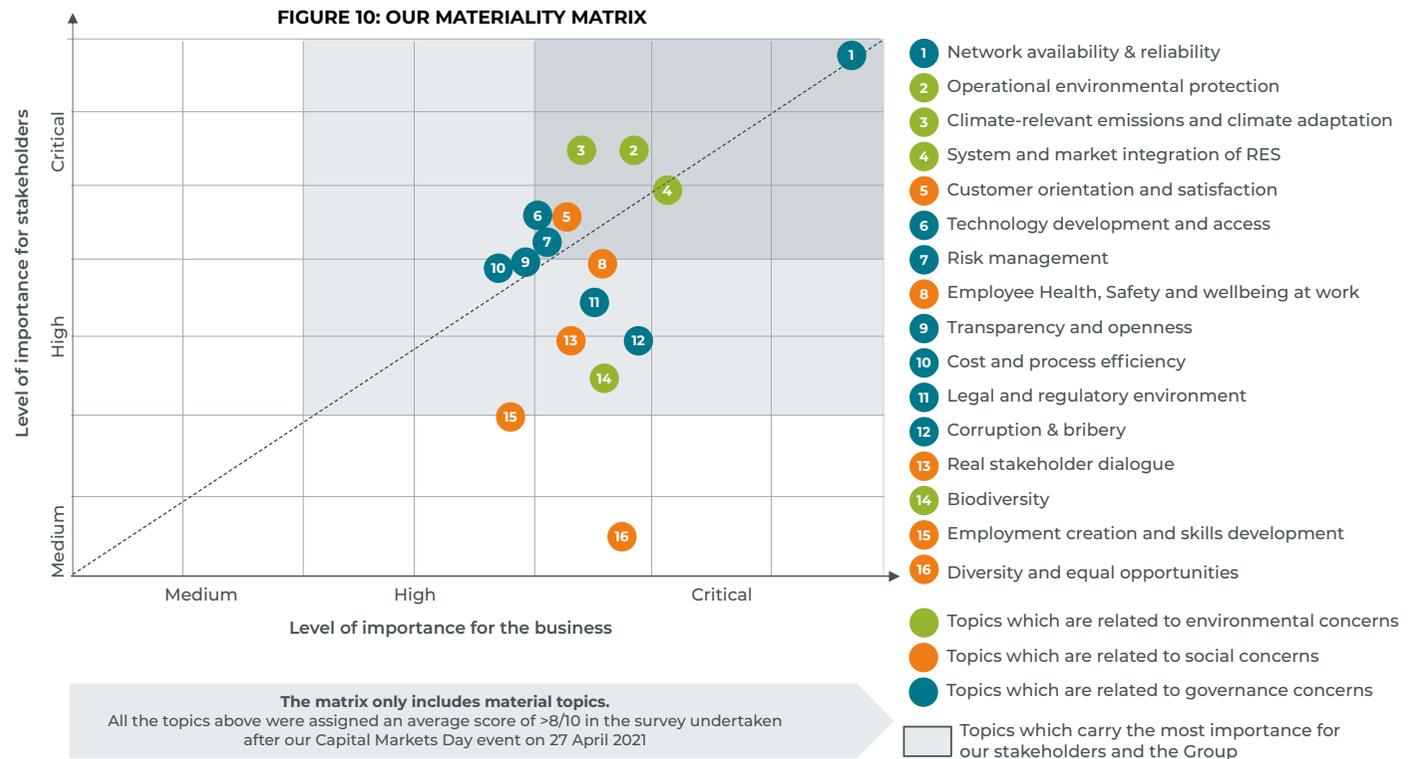
[UN Global Compact](#)

Materiality

The annual development of our materiality matrix - which serves as a guide for strategic decision-making, the setting of priority areas for the Elia group, the management of our ESG issues and the transparent reporting we carry out - has been undertaken since 2019.

Our 2021 matrix (Figure 10) was based on the sources outlined below.

1. Results from the 2020 internal survey we carried out regarding material topics. Managers from across both Elia and 50Hertz were asked to rate the importance of a number of topics from their own point of view and from the point of view of the group's external stakeholders.
2. The identification of topics which demonstrate 'double materiality' - which cover both the impacts the Elia group has on the external environment and the impacts the external environment has on the Elia group. These topics were identified following the design and rolling out of our ActNow programme: in 2021, we identified the SDGs which our five Act-Now dimensions were most closely aligned with. Once these were identified, we used the results of an analysis carried out by S&P Trucost to identify which Goals demonstrated double materiality.
3. The results of an external consultation that we undertook with our stakeholders in Belgium at the end of 2020. Different stakeholders - who were selected based on their experience with the energy sector and their different interactions with our business - were selected for this. They included stakeholders that we regularly engage with, including public authorities, direct clients, suppliers, sectoral federations and environmental associations. We ensured that these stakeholders represented diverse voices in terms of the language(s) they spoke; the size of the organisations they represented; where their organisations were based; and whether their organisations were from the public or private sector.



4. The results of a series of roundtables organised in 2021 with different types of German stakeholders (policymakers, industry, non-governmental organisations, academia) to discuss the most material elements to successfully decarbonise German society.
5. The results of a survey which was carried out following the Elia group's first Capital Markets Day in April 2021, which aimed to collect the views of our financial stakeholders. Note that all topics displayed in the 2021 matrix were identified as material by our financial stakeholders in this survey.
6. The results of studies such as the World Energy Council's World Energy Issues Monitor and other recognised frameworks (such as the Global Reporting Initiative Sector Supplement for Electric Utilities) were considered to ensure completeness. In the future, we will continue to monitor international studies of this kind to make sure our materiality matrices stay up-to-date.

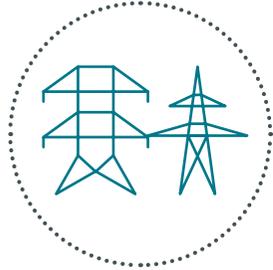
The X axis and Y axis include three possible values which each topic is assigned, based on their importance for the group and our stakeholders (respectively): 'medium', 'high' and 'critical'. The chart above reflects the topics that contribute directly to one or more of the UN's SDGs.

Please see the appendix for further information regarding the assignment of X and Y axis values to each topic.

In future, our annual stakeholders' day will be used as an opportunity to systematically gather external stakeholder feedback on the importance of each topic, whilst an internal survey of Senior Management will be used to update the X axis values assigned to each topic.

Moreover, our Group Sustainability Office (GSO; see the chapter entitled '**Corporate bodies and governance**') will from now on oversee the identification and monitoring of new topics to be considered for inclusion in our matrices.

#1. System planning – We design the energy system of the future



The Elia group is responsible for developing the infrastructure of the future which will secure the electricity supply Europe needs to decarbonise. The foundation for this is the adoption of efficient and demand-oriented measures that support network optimisation and grid reinforcement and expansion. Each of these measures are identified based on energy scenarios that we feed into our market and grid simulations. The results of these simulations are integrated into the Belgian and German grid development plans and the Europe-wide TYNDP. We develop roadmaps for the realisation of the future energy system beyond 2030 while considering the patterns of change occurring both in neighbouring electricity systems and in other sectors such as transport, gas, building and industry.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



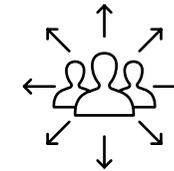
Employees & Subcontractors

Our staff carry both crucial technical and market knowledge and skills. When coupled with their knowledge of the Belgian, German and European regulatory and market frameworks and societal and policy changes, this produces one of our unique selling points: the ability to understand, develop and enhance a reliable and decarbonised electricity system which supports the decarbonisation of other sectors in society via sector coupling. In turn, our system planning activities facilitate the development of our staff, enabling them to become skilled in developing scenarios, running market simulations and energy system modelling, anticipating needs and making sound proposals about the system's optimisation and development. At the same time, our staff develop their ability to interact with external stakeholders throughout our research process - from soliciting their input and feedback to communicating our findings to them by contextualising our conclusions and articulating their repercussions in a clear manner.



Intellectual

Our use of past studies and research (published by our own teams or by external stakeholders) enables us to produce up-to-date national grid development plans and contribute to ENTSO-E's TYNDP, in turn reinforcing the research we produce which forms part of our organisational intellectual property. Our inclusive process and approach to defining scenarios and running market and grid simulations, the tools and methods we explore and employ to undertake these and the knowledge we gain as we develop our published plans represent important organisational benefits. These allow us to gain a better understanding of the system as it stands, of the interdependencies it shares with other energy sectors, what the system of the future could look like and what needs to change to establish it.



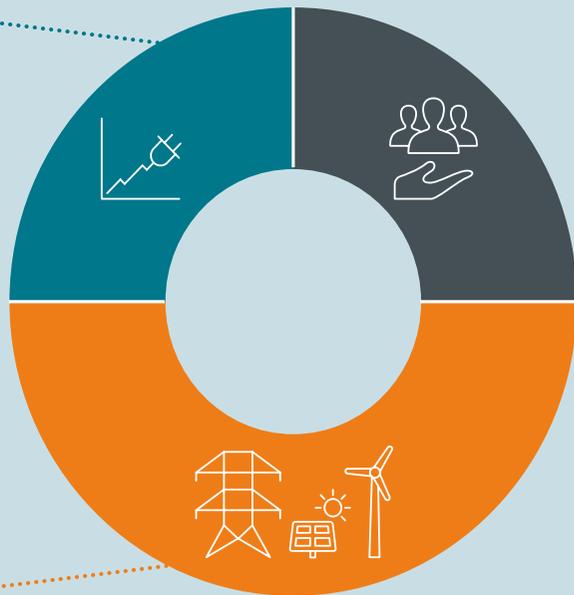
Social & Relationship

We adopt a systematic approach to scenario development and market and grid simulations, which involves maintaining continuous contact with a wide range of stakeholders (including other TSOs, DSOs, civil society, energy producers, consumers, technology suppliers, local authorities, politicians, academia and experts from other sectors such as industry and the gas, building and transport sectors). Soliciting their input allows us to incorporate external knowledge and information into our planning and ensures that the studies we produce are cross-sectoral in nature: our partners provide us with insights into their respective business areas and plans, including the technologies they are developing and their future projected needs for electricity as they decarbonise. Moreover, our associates in academia and research institutes help us to develop our simulations, including the methodology and tools we employ. Our early involvement of stakeholders throughout the process enhances trust, cementing our relationship with them and providing us with a range of reliable sources who can provide us with information, data and constructive feedback and additional developments and system features to consider. This, in turn, enhances the group's reputation.

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

System planning allows us to grow beyond our current perimeter, sharing our planning and simulation skills and knowledge while identifying grid projects which deliver societal value outside of our regulated perimeter.



Deliver the infrastructure of the future & develop and operate a sustainable power system

The planning and design of a sustainable power system provides clear reasoning for our delivery of the infrastructure of the future. We carry out our system and grid planning activities in our home regions of Belgium and Germany as well as at a European level.



RISK MANAGEMENT

Most relevant opportunities

Offshore evolution; Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks

Changing/new regulatory conditions; Early termination of TSO licences; Balancing; Adequacy; Contingency events and business continuity disruption; Climate change and the energy transition

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

CAPEX plan 2022-2026

€4 billion **€5.6 billion**
Belgium Germany⁽⁴⁾

Please see the chapter entitled 'Our performance' for further information

(4) Elia Group owns 80% of 50Hertz; numbers represent 100% of 50Hertz

HOW WE DELIVER VALUE

Material topics



Our regulators and respective governments check and approve our grid development plans, which we develop in line with national policy. Our scenarios and conclusions also feed into policymaking: in Germany, for example, they support the government with defining a path for the phasing out of coal, integration of ever-increasing amounts of renewable energy into the grid and strengthening of connectivity with neighbouring countries, so enabling the country to become climate-neutral by 2045. In Belgium, our work informs political decisions to phase out nuclear power, unlock additional system flexibility and, where efficient, build additional interconnectors to facilitate imports of renewable energy from abroad.

The system and market integration of renewable energy and the efficiency and guarantee of system reliability is key in this regard. This translates into ensuring that the system of the future can be relied upon around the clock, increasingly depending as it will on distributed intermittent renewable energy (which experiences daily, weekly, and seasonal fluctuations).

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Our plans, which are developed following regular and transparent interactions with our stakeholders (including with national regulators and governments), form the basis of the design and delivery of our own grid in line with the interests of society, and indicate to our shareholders and debt investors where our areas for growth lie and what our investment needs are.

Factors which have a significant influence on the development of our plans and scenarios include delivering on the goals of the European Green Deal, encouraging the widespread electrification of society, and enabling consumers to maximise their benefits from the energy transition by capitalising on their flexibility. Whilst developing our grid infrastructure in an affordable and cost-efficient way is vital, access to and the deployment of the right technology across the grid are also of great importance. This includes assets and devices that can assume the role that traditional power plants have played in providing system inertia (and therefore stability) and the development of infrastructure which supports the efficient long-distance transportation of renewable energy across regions and borders to consumption centres.

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Our plans allow other system operators, energy producers and industrial partners to ensure their plans for development are in line with the system we are developing, by considering factors such as future capacity and flexibility needs and the speed at which decarbonisation will happen.



Our European neighbours are also able to use our scenarios, plans and conclusions about the nature of the future energy systems in Belgium and Germany in the preparation of their own system plans, assessing how developments in our homecountries will influence their own security of supply and how the integrated European energy market can be encouraged.



Moreover, research institutes and think tanks rely on our contributions to make their analyses more robust. Similarly, suppliers and manufacturers across the energy value chain are able to identify future technological needs, permitting them to focus on the development of products which will help to fill these.



Our system plans - which we develop by undertaking regular, inclusive and transparent discussions with our stakeholders - inform members of the public, the media, public authorities, non-profit organisations and energy professionals about possible ways our energy system could develop, and allows them to understand how aligned their aspirations are with different pathways for reaching carbon neutrality. Our inclusive and transparent approach to their development enables us to secure public acceptance for the development of the energy system.



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TOGETHER. FASTER. CLIMATE-NEUTRAL

In October 2021, 50Hertz launched a new initiative entitled 'Together. Faster. Climate-neutral', which it developed alongside a range of stakeholders from science, the business world and NGOs. Under this slogan, 50Hertz published a catalogue of pragmatic proposals for advancing the expansion of renewables, the electricity grid and sector coupling.

These proposals are aimed at helping the new German Federal Government to accelerate the energy transition and pave the way to climate neutrality – which the 2021 Climate Protection Act aims to ensure Germany will achieve by 2045.

In its coalition agreement, the new Government also stressed that 80% of Germany's electricity demand needs to be covered by renewable energy by 2030.

Germany wants to be climate-neutral by 2045. This can only be achieved if many players pull together - and we must all work with the same goals in mind. As part of our 'Together. Faster. Climate-neutral.' initiative, very different stakeholders have come together and have agreed on a whole bundle of measures. Germany's transformation and the establishment of a climate-neutral economy will only succeed if citizens are given a voice in discussions and are given the opportunity to participate in value creation and growth.

STEFAN KAPFERER, CEO OF 50HERTZ

DECARBONISING INDUSTRY

Throughout 2021, 50Hertz and the Mining, Chemical and Energy Industrial Union (IG BCE) organised a series of roundtables with important players from industry, politics and the business world under the slogan "With new energy for strong industrial workplaces". Given that the industrial sector is responsible for over 30% of Germany's primary energy consumption and 45% of the country's electricity consumption, facilitating its decarbonisation is crucial.

The roundtables were attended by minister presidents, ministers, state secretaries, industrial company directors and representatives from leading energy and business companies and think tanks. Participants agreed that a decisive start to climate-neutral industrial production is now necessary, with the expansion of renewable energy and associated grid infrastructure (aided by a suitable

regulatory framework which enables sector coupling) being indispensable for this.

50Hertz and the IG BCE published the results of the roundtable discussions and presented them to representatives from politics and business in the autumn of 2021.

Given that Europe has set more ambitious climate protection targets, new and unusual alliances are needed to advance the decarbonisation of industry and the economy.

STEFAN KAPFERER,
CEO OF 50HERTZ



ABOVE: THE FIRST ROUNDTABLE - 50HERTZ AND THE IG BCE.

RIGHT: 50HERTZ CEO STEFAN KAPFERER AND IG BCE CHAIRMAN MICHAEL VASSILIADIS IN CONVERSATION WITH KERSTIN MARIA RIPPEL, 50HERTZ'S HEAD OF COMMUNICATIONS & POLICY, CONCLUDING THE SERIES OF ROUNDTABLES.



USING GREEN ELECTRICITY TO SUPPLY HEAT

Throughout 2021, 50Hertz built a number of power-to-heat (PtH) units - which convert green electricity into heat - across its grid area.

In September, construction of one of the largest PtH plants in Germany was officially started in the town of Wedel (near Hamburg). The unit will have a capacity of 80 MW and will enable 27,000 families to heat their homes through the use of excess wind energy from the winter period of 2022-23 onwards.

50Hertz also commissioned three PtH units as the year came to a close. Two of these were in the state of Mecklenburg-Western Pomerania: the first, a 2 MW unit in Parchim, serves 3,000 households; the second, which was jointly commissioned by 50Hertz and the German utility company SWS Energie GmbH, is a 6.5 MW unit which converts wind energy that cannot be

connected to the grid (due to congestion) into green district heating. The third unit, commissioned in November, provides 7,000 flats in the large housing estate of Mümmelmannsberg (in Hamburg) with heat, whilst also being available for use by 50Hertz to ensure grid stability.



LEFT: THE PTH PLANT IN PARCHIM IS OFFICIALLY OPENED BY DIRK BIERMANN (50HERTZ CHIEF MARKETS AND SYSTEM OPERATIONS OFFICER), DIRK KEMPKE (MANAGING DIRECTOR OF STADTWERKE PARCHIM) AND MAYOR DIRK FLÖRKE.

RIGHT: OFFICIAL LAUNCH OF THE CONSTRUCTION WORKS FOR THE P2H PLANT IN WEDEL WITH (FROM LEFT TO RIGHT): CHRISTIAN HEINE, WÄRME HAMBURG MANAGING DIRECTOR; DR. FRANK GOLLETTZ, CHIEF TECHNICAL OFFICER OF 50HERTZ; JENS KERSTAN, HAMBURG'S SENATOR FOR THE ENVIRONMENT; AND DR. MICHAEL BECKEREIT, TECHNICAL MANAGING DIRECTOR OF WÄRME HAMBURG.



PARTNERSHIP WITH BESIX TO GIVE SMART BUILDINGS AN ACTIVE ROLE IN THE ELECTRICITY SYSTEM

Elia is working with BESIX, the international construction company, to make buildings more energy-efficient and energy-smart. Smart buildings are becoming increasingly relevant, since they enable flexible energy management: their energy consumption can be matched to the variable generation of energy produced from renewable sources.

Buildings account for 40% of Belgium's energy consumption. The construction and real estate sectors are not yet widely digitalised. However, as technology becomes increasingly accessi-

ble, digitalisation and automation in these sectors will grow, so facilitating the role that smart buildings will be able to play in the electricity system.

By working with external partners and using our combined expertise, we can test applications that will later be used in private homes.

ROADMAP TO NET ZERO: THE GROUP'S VISION ON THE ENERGY SYSTEM IN 2050

In a vision paper entitled 'Roadmap to net zero', which the Elia group published in November 2021, the group sets out key insights and describes key areas for Belgium, Germany and Europe to focus on in order to ensure they can reach net zero by 2050. Launched during a livestreamed event with a live audience, the paper takes an in-depth look at the continent's energy balance, flexibility and security of supply.

The paper calls for an efficient use of Europe's renewable energy potential, a focus on international partnerships and maximum electrification. It highlights that an investment framework that is capable of tripling the speed of renewable energy expansion is needed and also explores the 'lock-in effects' that could make decarbonisation less efficient.



WATCH A RECORDING OF THE LIVESTREAMED EVENT HERE



Stakeholder reactions to the study

The 'Roadmap to net zero' study addresses the right issues regarding innovation and digitalisation. It also addresses some very important questions about using green molecules. We do need molecules quite a bit, actually. We don't yet know where we will get them from, so it is very important to optimise the system in a way that we don't try to use them for the wrong purpose.

Andreas Kuhlmann, CEO of dena

One of the key challenges that we are facing is adding very big amounts of generation capacity to the system over the next decade or two. We need to think in new ways to make that happen at a fast pace. We need to review the permitting rules that are currently in place and are slowing down deployment. We need to take a fresh look at how to involve local communities.

Kristian Ruby, Secretary General of Eurelectric



What we now need to do in Germany, Belgium and all over Europe is to triple wind and solar installation rates and increase electrification. The 2020s will be about the expansion of renewables and direct electrification.

**Patrick Graichen,
Executive Director of Agora Energiewende**



What I like about this study is that it explores two different scenarios. One scenario involves widespread electrification and the other involves a strong use of green molecules. What is important for me to stress is that under both of these scenarios, a rapid increase in renewable energy is key. Direct electrification and the use of green molecules will encourage a fast and high-capacity increase in the use of renewables across Europe.

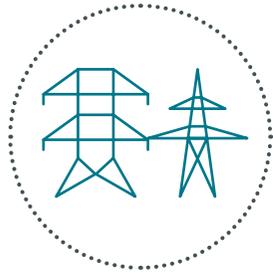
**Kathrin Goldammer,
Managing Director of the Reiner Lemoine Institute**



Collaboration is absolutely necessary across borders and sectors. The Elia group highlights the importance of international collaboration and international exchange. I highly appreciate that and look forward to further collaborations with them.

Hilde Tonne, CEO Statnett

#2. Infrastructure design and construction – We deliver the appropriate infrastructure



Based on our system analyses, we design and build state-of-the-art assets which form a grid that will allow the integration of the renewable energy that our home countries (and so, Europe) need for decarbonisation. We prioritise infrastructure projects by considering the current status of our assets and future needs. We undertake regular surveys, analyses and discussions with local and regional stakeholders throughout the project design and construction phases to identify the best possible solutions related to technology, routing and integration into the surrounding landscape. We have solid project governance and project management structures in place which ensure the health and safety of our staff and subcontractors and help to anticipate any possible risks or delays, whilst enabling us to deliver projects which are on time, within budget and of a high quality.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



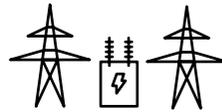
Financial

We depend on financial investments to upgrade and build our grid and assets. Once our infrastructure has been built and is in operation, our investors receive a return on their financial backing of the group's ambition to drive the decarbonisation and electrification of society and build a sustainable future.



Intellectual

At an organisational level, our TSO licences in Belgium and Germany give us the mandate to develop the grid in both countries, whilst our processes ensure quality and uniformity in the way we run infrastructure projects; the health and safety certifications held by Elia and 50Hertz, for example, provide a useful measure of our current practices. Our organisational know-how increases as we work on projects, since they allow us to continuously refine our approaches to the design and construction of our infrastructure.



Assets

Our design and construction activities (which involve the use of tools, equipment and infrastructure) enable the constant improvement of our grid and assets to make them fit for meeting the new needs brought about by the energy transition: they are enhanced and rendered more resilient, both so that they can integrate rapidly growing amounts of renewable energy into the system as conventional thermal power sources are phased out and so that they become more robust in the face of climate change.



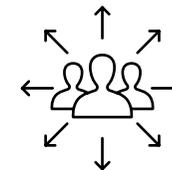
Natural

Our infrastructure projects affect land, landscapes and biodiversity. The compensation measures and joint projects we undertake with local environmental partners contribute to the restoration of land and encouragement of ecological development. We are also investigating new technologies to limit the impact of our assets on the environment; examples include the reduction of the use of SF₆ in our substations.



Employees & Subcontractors

Our skilled workforce, alongside the subcontractors we hire, have technical expertise and a sound knowledge of project management, risk management, health and safety procedures and the legal requirements that our assets should meet. Each project we undertake enables the development of our staff, allowing them to refine their technical knowledge and approach to project and risk management. The group's employment of subcontractors further encourages this, facilitating the exchange of new skills and best practice. This knowledge and learning can be shared across teams, departments, and Elia Group's subsidiaries, encouraging us to continuously adjust our processes and protocols and adopt innovative approaches to infrastructure design and construction. In turn, this allows us to strive for organisational maturity in our handling of project inherent risks - providing the group with an excellent foundation to continue developing our activities outside of our home markets.



Social & Relationship

We undertake active discussions with a range of stakeholders throughout the design and construction of our grid and assets, especially with DSOs, producers and our direct consumers; we also take care to incorporate feedback from local communities into our approach to enhance our activities. The delivery of our infrastructure builds trust with wider society, since we strengthen our ties with different societal actors through regular and transparent dialogue and fulfil our commitment to drive forward the energy transition.

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

We have the ability to grow beyond our current perimeter to deliver societal value and carry out these activities in other markets which are further afield through EGI, our consultancy that also provides grid design studies for its clients, and will continue to do so in the future through WindGrid, our new offshore entity.



Deliver the infrastructure of the future & develop and operate a sustainable power system

Our infrastructure design and construction activities allow us to fulfil the delivery of the infrastructure of the future. In this pillar, we carry out these activities in our home countries of Belgium and Germany.



RISK MANAGEMENT

Most relevant opportunities

Offshore evolution; Digital transformation; Relevant role played in the energy transition leading to a sustainable future; CAPEX realisation

Most relevant risks

The COVID-19 pandemic; Changing/new regulatory conditions; Early termination of TSO licences; Contingency events and business continuity disruption; Climate change and the energy transition; Permitting; Suppliers; Health and safety accidents

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

Grid investments 2021

€376.6 m

Belgium

€850.9 m

Germany

363 km

Lines commissioned

99.92%

EU Taxonomy eligible CAPEX

68

Public info-dialogue sessions related to grid projects

Please see the chapter entitled 'Our performance' for further information

HOW WE DELIVER VALUE

Material topics



Our construction projects connect production and consumption areas together whilst directly facilitating the decarbonisation of society, and are therefore aligned with the aspirations of the general public, policymakers, regulators, industry, electricity producers and non-profit organisations which are working to achieve net zero. Our projects also foster the integration of the European grid and energy market, further supporting the energy transition: the interconnectors we build with neighbouring system operators enable the sharing of renewable energy across borders in an economically and ecologically efficient way.



A number of significant considerations arise as we design and construct our onshore and offshore infrastructure (which includes overhead lines, underground cables and substations). We aim to deliver the infrastructure and assets that are both the most efficient and suitable for widespread electrification and decarbonisation. Where a new need is identified, we seek to optimise and upgrade our existing infrastructure wherever possible first, before exploring reinforcements to our grid or adding new parts to it. Cost, process efficiency and ensuring high quality are therefore key points of concern, alongside ensuring that the technology which is most suited to the integration of high amounts of renewable energy is employed in a way that impacts the environment as little as possible.



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We inform suppliers and manufacturers across the energy value chain of our technological and equipment-related needs, meaning they can then focus on producing leading solutions for these - we are therefore contributing to the production of innovative tools and processes.

6



Ensuring the health of our employees and subcontractors as they work on our projects is essential, as reflected in our procedures. We create a safe working environment for our employees and subcontractors as our site work involves a high amount of risk. We update our safety protocols on a regular basis, adopting new standards and including feedback from staff as part of this, and ensure all our staff and subcontractors are aware of the measures and policies in place.

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Whilst our design and construction activities can have impacts on local landscapes, fauna and flora, we endeavour to avoid or minimise the impact they have; where this is not possible, we undertake compensation measures, often along with local non-profits or NGOs, which seek to redress the harm caused and encourage biodiversity.

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In this vein, to ensure value can be preserved, we offer transparency and openness to our stakeholders from the very start of our infrastructure projects, inviting local communities to take part in meaningful dialogue about their design, consequences and possible alternatives; we therefore use their feedback to develop projects which are best suited to serving the interest of society, contributing to the restoration of land and encouraging ecological development.

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OSTWIND 2 CABLING LAID

Good progress on the cabling for the Ostwind 2 project was made throughout 2021; this cabling will connect two wind farms - Arcadis Ost 1 and Baltic Eagle, which will generate a combined output of 750 MW - to the German grid. 170 km of 220 kV subsea cabling was successfully laid, as were the land cables running between the landing point (where the subsea cabling meets the mainland) and the onshore substation of Lubmin. To limit the environmental impact of the latter, underground protective pipes were installed using horizontal drilling.

Work on the Arcadis Ost 1 offshore platform also progressed well. The offshore transformation platform was transported from Gdansk (Poland) to a shipyard in Aalborg (Denmark); assembly of the electrical equipment has now started there. The offshore installation phase will start in 2022.



Five years ago, we announced that we would complete the two cable systems for Ostwind 2 in 2021. Today we can say that we have delivered on our promise: the project is right on schedule. Given that many projects are being undertaken in the Baltic Sea in order to transform it into an area where offshore wind can be generated in large amounts, we set ourselves an ambitious target in 2016. The fact that we have now reached this crucial milestone as planned shows that 50Hertz can be relied upon.

STEFAN KAPFERER, CEO OF 50HERTZ

50HERTZ TO OPERATE FIRST OFFSHORE WIND FARM PLATFORM

The Ostwind 3 project, which is still in its planning phase, will involve 50Hertz constructing and operating both the grid connection and transformer platform for a wind farm in the Baltic Sea. The wind farm, which will be built by Iberdrola, will be located to the north-east of Rügen Island and will have an output of 300 MW: enough to supply 260,000 households with renewable electricity.

The Ostwind 3 project team presented their plans for the project to members of the public in September, focusing on the new substa-

tion which will be built near Greifswald and the onshore section of the cable. The team also developed a new information hub for local citizens to use; this offers local people the opportunity to submit feedback about the transformer station and land and sea routes that the cabling is due to run across. This feedback will be evaluated by 50Hertz and may also be included in the documents they submit to the authorities when trying to secure planning approval for the project.



PLANNING APPROVAL FINALISED FOR HANSA POWERBRIDGE

In July, final approval for the land section of Hansa PowerBridge, a 700 MW direct current interconnector that will link Germany and Sweden together, was secured from the authorities. 50Hertz and its Swedish counterpart Svenska kraftnät have been working on the project since 2015. The interconnector, which will run across a distance of 300 kilometres and is due to be commissioned in 2026, will link Güstrow in the German state of Mecklenburg-Western Pomer-

ania with Hurva in southern Sweden. This will enable Germany to use the large storage volumes in Scandinavia when necessary and allow Sweden to access the European energy system, which is characterised by a high proportion of wind and solar power. The investment costs for the project, which have been estimated at over €600 million, will be borne by both TSOs.



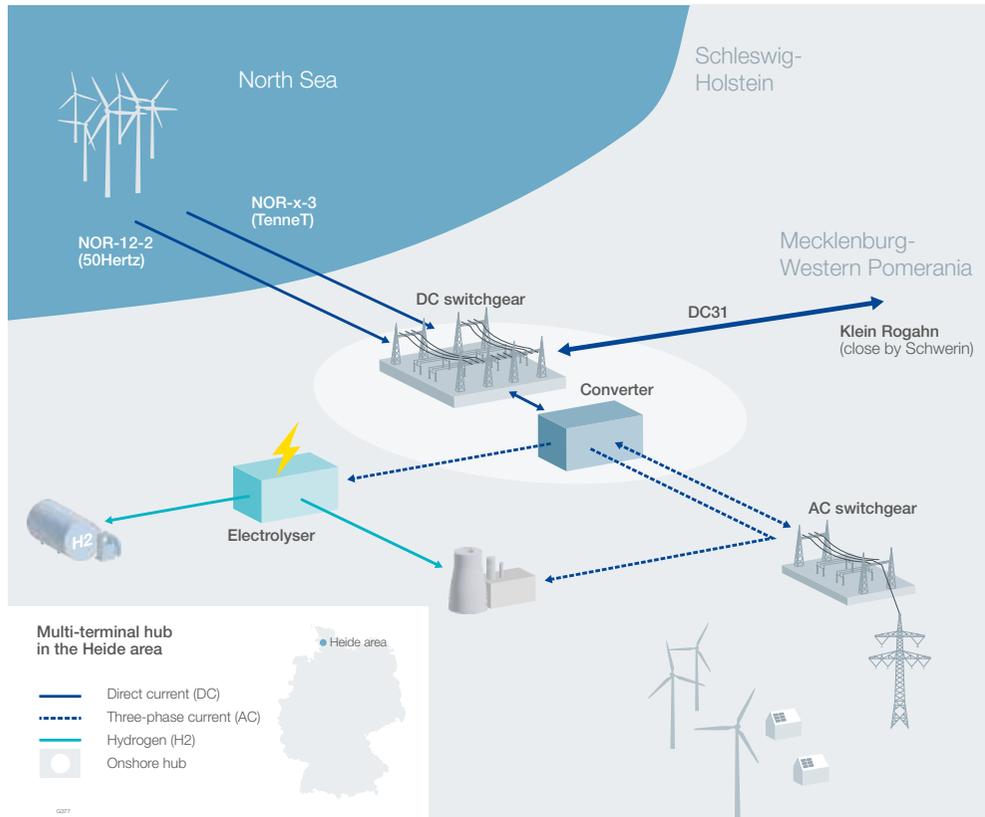
SUEDOSTLINK AND SUEDOSTLINK+ CONNECTIONS

In 2021, Siemens was awarded the contracts for building the converter systems which will link both ends of the SuedOstLink to the rest of the German grid. The connection will be key for transporting green electricity from the windy areas of northern Germany (where 50Hertz operates) to areas of high consumption in the south of the country (where TenneT operates). The DC connection will therefore link Wolmirstedt near Magdeburg in Saxony-Anhalt to Isar near Landshut in Bavaria, stretching across a distance of 540 km. Moreover, a second connection, SuedOstLink+, will transport electricity from Klein Rogahn (located to the west of Schwerin) to Isar, meeting the SuedOstLink in the district of Börde in Saxony-Anhalt.

50Hertz carried out an information campaign about the two connections throughout 2021: the 50Hertz DialogMobil (or dialogue van) stopped to inform local stakeholders about their plans at 16 locations in the areas between Thuringia, Saxony and Bavaria.



THE DIALOGMOBIL MAKES A STOP AT THE WOLMIRSTEDT SUBSTATION.



BERTIKOW-PASEWALK OVERHEAD LINE APPROVED

In October, the BNetzA approved plans for a new (replacement) 380 kV overhead line which will run between the substations of Bertikow (in Brandenburg) and Pasewalk (in Mecklenburg-Western Pomerania). This was the first time the BNetzA had directly approved such

a project. The replacement line, which will be able to transport more electricity than the current one, is due to be switched on in 2023. As part of the project, the Pasewalk transformer station was reinforced at the beginning of 2021.

50HERTZ AND TENNET TO BUILD OFFSHORE CONNECTION IN GERMAN NORTH SEA

50Hertz and its Dutch-German counterpart TenneT announced the launch of a joint project which will facilitate the transportation of wind power from the North Sea to the German power grid. The two companies signed a cooperation agreement which relates to the realisation of a so-called 'multi-terminal hub' in the area of Heide (Schleswig-Holstein) and an onshore 200 kilometre-long DC cable, which will run from the hub to Mecklenburg-Vorpommern (in the area of Kleine Rogahn). In addition to this onshore cable, the multi-terminal hub will be linked to two other offshore DC cables and will also have a converter connected to it - this will convert DC into AC, which will then be made available to the surrounding region for

onshore hydrogen electrolyzers which are due to be built there in future.

The project is included in Germany's Grid Development Plan 2035, which was approved by the BNetzA. The multi-terminal hub approach is truly innovative: until now, DC connections at sea and on land have been realised as point-to-point connections only. However, the new multi-terminal hub will bring together several DC connections, so reducing costs and the use of land. The approach will also help to make load flows more flexible.



THE APPROVAL NOTICE IS HANDED OVER TO 50HERTZ AT THE BNETZA IN BONN. MATTHIAS OTTE (HEAD OF THE BNETZA GRID EXPANSION DEPARTMENT), DR BODO HERRMANN (HEAD OF THE BNETZA GRID EXPANSION UNIT), ELKE KORN (PROJECT MANAGER AT 50HERTZ) AND DR. FRANK COLLETZ (CHIEF TECHNICAL OFFICER AT 50HERTZ).

PYLON UNBENDING PROJECT

Given that electricity pylons are often at risk of being damaged by farmers or agricultural workers, the group's Innovation Team has been working on developing a device which will help to quickly and efficiently repair pylons which have been bent out of shape.

Usually, the time spent on repairing pylons which have been damaged by agricultural activities can last up to three days. Additionally, if a deformed pylon is embedded in a concrete foot, the latter often has to be broken and recast. The new device, which is being developed by the Innovation Team and the Open-Hub (part of the University of Louvain), will allow pylons to be unbent without the need for them to be dismantled and without the need to use a crane to reach them. The new device is due to be launched in 2022.



HIGH-PERFORMANCE STEEL

By 2030, the transmission capacity of the Belgian high-voltage grid will have doubled due to the massive increase in RES it will encompass. To cope with this challenge, and ensure that the grid can withstand higher loads, it will need to be significantly upgraded and expanded. This led Elia, the University of Liège and ArcelorMittal to join forces and use a combination of analytical, numerical and experimental approaches to develop design rules for using stronger S460 steel in the construction of new pylons and the reinforcement of existing pylons.

The use of high-performance steel in the construction and reinforcement of pylons will fall within the limits allowed by existing standards and regulations and will not generate any additional negative visual impacts on the surrounding landscape. The new family of S460 steel pylons will be able to safely carry the electricity lines that will be capable of meeting the energy needs of the future.

The project, known as the 'Saeftinghedok project', will be the first project of its kind to use S460 steel. The project anticipates the construction of the highest pylons in Europe, which may be built across the proposed Saeftinghedok dock in the port of Antwerp.

PHASE-SHIFTING TRANSFORMERS INSTALLED IN HAMBURG

At the end of 2021, four phase-shifting transformers (PSTs) were commissioned by 50Hertz in the Hamburg East substation, which acts as a key transition point between the 50Hertz and TenneT grids. These PSTs enable the flow of electricity in either direction to be better controlled, so allowing congestion management costs to be avoided.



TRANSFORMER STATION OPERATOR TOMKE SCHUSTER IN FRONT OF THE NEW PHASE-SHIFTING TRANSFORMERS BEFORE INSTALLATION IN HAMBURG.



TRITON LINK INTERCONNECTOR TO BE BUILT

Elia and the Danish TSO Energinet signed a new cooperation agreement to continue collaborating on the implementation of what could become a world first: a subsea connection between two artificial energy islands. The Triton Link project will facilitate the exchange of power between the two countries and at the same time transport electricity from offshore wind farms to the mainland using hybrid technology. The new hybrid interconnector will be an innovative and challenging project, both because of the distance it will cover (more than 600 km) and the technology involved.



THE NEW COOPERATION AGREEMENTS BETWEEN THE ELIA GROUP AND ENERGINET WERE SIGNED DURING THE ANNUAL CONFERENCE HELD BY WINDEUROPE IN COPENHAGEN IN NOVEMBER 2021. MOREOVER, A PARTNERSHIP AGREEMENT WAS ALSO SIGNED BY THE BELGIAN AND DANISH ENERGY MINISTERS, TINNE VAN DER STRAETEN AND DAN JØRGENSEN (RESPECTIVELY).

TRITON LINK

“ We need to move beyond the simple point-to-point grid connection model we’ve had so far. We need more hubs, platforms or artificial islands such as the one that Elia will build in the middle of the Princess Elizabeth zone in Belgium. This will require very close collaboration between TSOs, governments and offshore wind farm developers.

GILES DICKSON, CEO OF WINDEUROPE

“ Triton Link will be an important first that will determine the further development of the European offshore electricity grid. For the first time ever, two artificial energy islands will be electrically connected via a cable that not only exchanges power between the two countries but also connects to large-scale wind farms in the remote North Sea. This technological feat will enable the Elia group, Energinet and all the companies involved to gain an innovative global lead.

CHRIS PEETERS, CEO OF ELIA GROUP



SECOND HYBRID INTERCONNECTOR IN THE BALTIC SEA



50Hertz also signed a collaboration agreement with Energinet in preparation for the building of a second hybrid interconnector in the Baltic Sea: the Bornholm Energy Island project. As part of the first phase of the project, an HVDC interconnection will be built between both countries, stretching over a total length of 400 kilometres. From Bornholm Island, the subsea

cable will run west towards the Danish island of Zealand and south-west towards the coast of Mecklenburg-Western Pomerania in Germany. As part of the second phase of the project, Danish wind farms being developed off the coast of Bornholm Island (which have a total capacity of 2,000 MW) will be connected to the interconnector using hybrid technology.

“At Energinet, we are thrilled and enthusiastic about cooperating with the Elia group on what might become the world’s first energy islands in the North and Baltic Seas. Personally, I cannot stress enough how important these are at this moment in Europe’s history. Having countries come together as part of international collaborations like ours and joining together through a common dedication to paving the way for new technologies and new solutions is exciting. I am confident that we will enjoy a very fruitful partnership in the years to come.

THOMAS EGEBO, CEO OF ENERGINET

“The project builds on the successful cooperation between 50Hertz and Energinet that led to the construction of the world’s first hybrid interconnector in 2020: the Kriegers Flak Combined Grid Solution. The energy hub on Bornholm Island could lay the foundation for an offshore power grid in the Baltic Sea.

STEFAN KAPFERER, CEO OF 50HERTZ



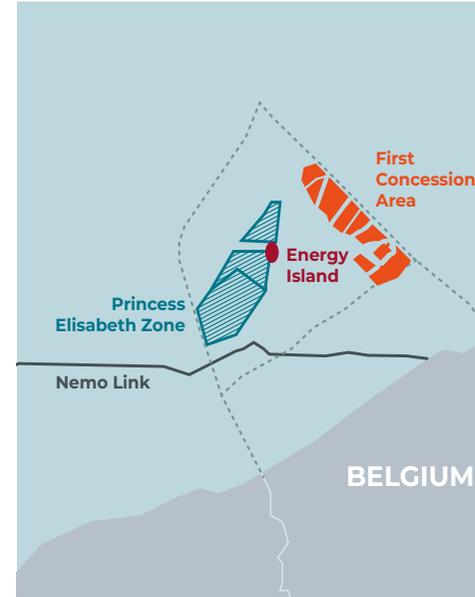
This energy island is an export product in and of itself, because it showcases our engineering skills and those of Elia's staff, who have the guts and the talent to undertake such a magnificent project. Thanks to Elia, Belgium can be at the forefront of the sustainable revolution.

Alexander De Croo,
Prime Minister of Belgium

GREEN LIGHT GIVEN FOR BELGIUM'S FIRST ENERGY ISLAND

On 23 December, Elia welcomed the Federal Council of Ministers' approval for the planned extension of the Belgian offshore grid and the integration of the future Princess Elisabeth wind farm zone. This approval confirmed that energy islands are the most appropriate solution for integrating additional offshore wind energy into the system and bolsters Elia's efforts to ensure Belgium establishes strong connections with other countries. In 2022, Elia will continue analysing its plans for the artificial island and will begin the tendering process for its construction.

In October 2021, the Belgian government announced it would expand the offshore wind capacity of the Princess Elisabeth zone (which will be Belgium's second offshore wind zone) from 1.75 GW to 3.5 GW. Belgium's first offshore wind zone, which has a capacity of 2.26 GW, was completed in 2020.



We will turn the North Sea into one big, sustainable power plant. We will position Belgium in the middle of the energy transition as the connecting country for new energy factors, including hydrogen. If we want to make the energy transition a success, a sustainable investment of one trillion euros is needed over the next few decades. Elia Group is a partner who has proven to be visionary and competent.

Tinne Van der Straeten,
Belgian Federal Minister of Energy



STRENGTHENING THE BELGIAN BACKBONE

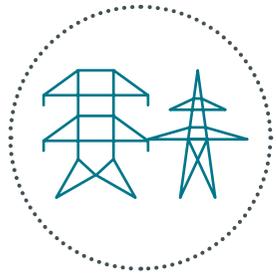
To strengthen Belgium's electricity backbone, several major infrastructure works were undertaken along both its north-south and east-west axes. Since the works were carried out on existing high-voltage lines, this required appropriate planning to avoid compromising the country's security of supply.

Of particular importance were the works carried out on the high-voltage lines of Zandhoven-Kinrooi and Avelgem-Avelin (France). These are being equipped with a new type of

conductor (HTLS technology) that can transport more power without impacting the environment.

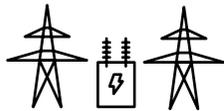
These projects will allow Elia to better distribute and transmit increased electricity flows throughout the country and to its neighbouring countries. The works are being undertaken in phases across several years, with the construction site shifting along the routes as each phase of work is completed.

#3. Grid operations and maintenance – We operate safe and reliable infrastructure



We operate the transmission grid in a safe, cost-effective, consumer-friendly and environmentally sound manner. Our regional centres play an important role in securing the highest possible level of grid availability for energy consumers through the maintenance of our overhead lines, underground cables and substations. These tasks are becoming increasingly difficult, since the number and type of assets linked to the expansion of our grid, the intermittent nature of RES infeed and volatility of electricity flows are increasing. Innovative solutions such as the adoption of predictive maintenance are key to enabling our employees to keep up with these developments whilst ensuring that their work can be undertaken in a safe and effective way.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



Assets

In carrying out our activities (using tools, equipment and infrastructure), our grid and assets are enhanced, optimised and regularly maintained - ensuring that their availability is maximised and that they are highly available, more resilient and efficient, and have longer life cycles.



Employees & Subcontractors

The skills and knowledge of our staff are key for monitoring the grid's status and the running of planned and unplanned interventions in a safe and effective manner, so ensuring the highest possible level of grid availability at all moments. As they carry out their tasks and daily activities, their skills are expanded and developed.



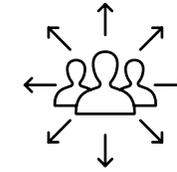
Intellectual

At an organisational level, our TSO licences in Belgium and Germany give us the mandate to operate and maintain the grid, whilst our policies and processes ensure staff approach their work in a systematic manner. We keep refining and enhancing these operational processes, maintenance activities and incident response times, so increasing our organisational know-how and reducing our costs and impact on the environment.



Natural

Our grid assets have impacts on the local environment; examples include the use of oil or SF₆ gas in our substations; the fact that our overhead lines can pose a danger to birds; the effect our underground cables have on the land and soil; and the noise and emissions our assets can cause and release. However, we address these through mitigation and compensation measures, often working alongside local partners to ensure effectiveness.



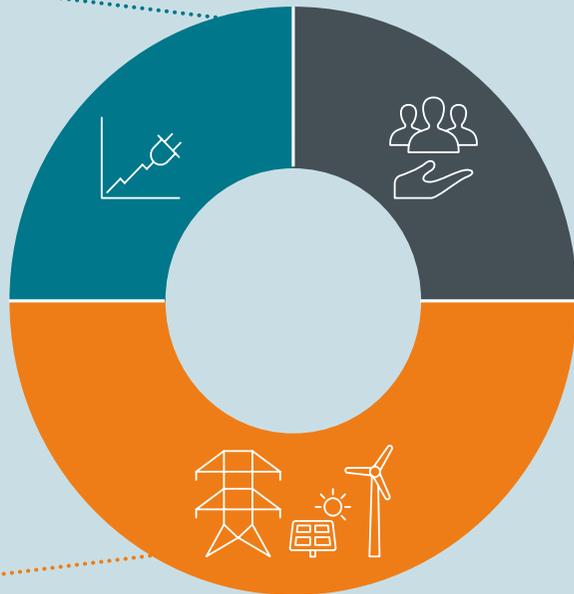
Social & Relationship

We rely on close relationships with local contractors to ensure sound maintenance practices are respected and quick response times are secured to safeguard grid availability. We therefore forge close relationships with national, regional and local authorities and communities to keep them informed when impact on the environment or incidents which cause disruption to the grid occur.

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

We can use our knowledge from our core business in order to provide these services also outside our core business, especially in operating and maintaining offshore grids outside our home markets in Belgium and Germany.



Deliver the infrastructure of the future & develop and operate a sustainable power system

The operation and maintenance of our grid is directly reflected in our first pillar of growth: we strive to operate a sustainable power system in a safe and cost-effective manner to the benefit of our consumers whilst minimising our impact on the environment.



RISK MANAGEMENT

Most relevant opportunities

Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks

The COVID-19 pandemic; Early termination of TSO licences; Contingency events and business continuity disruption; Climate change and the energy transition; Suppliers; Health and safety accidents

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

€10.3 billion
Regulatory Asset Base⁽⁵⁾

79%
Forest corridors managed ecologically

100%
EU Taxonomy eligible OPEX

60%
HV lines critical to birds equipped with bird markers

0.12%
SF₆ leakage rate

Please see the chapter entitled 'Our performance' for further information

(5) Includes 80% of 50Hertz; does not include Nemo Link

HOW WE DELIVER VALUE

Material topics



Energy producers, electricity consumers and DSOs benefit from our near-constant grid availability and reliability, regular high-quality maintenance activities and clear and fast action on behalf of our staff should a more serious issue arise. We optimise the use of our assets - reducing inefficiencies and making them and our grid resilient so that they can withstand extreme weather events - whilst also addressing wear and tear.



The use of enhanced risk management processes (and clear health and safety and incident management procedures) optimises the operation of our grid and reduces possible incidents and potential safety hazards during maintenance activities. Such activities are undertaken by our regional centre staff. As shown in the map, they are based in 6 centres across Belgium and 10 sites in Germany (these 10 sites are covered by five onshore teams and one offshore team). They must be on hand around the clock both to monitor assets and quickly intervene if needed.



The operation and maintenance of our grid is becoming more demanding: the number and type of assets we operate and maintain is rising and the way they are used is becoming increasingly dynamic, given the intermittent nature of wind and solar power, which are the main renewable sources of electricity.



We address the environmental impacts our (ageing) infrastructure has on natural habitats in terms of emissions or leaks, which can affect the surrounding landscape and nature (and can trigger an associated need for broader maintenance works). We address these impacts through mitigation and compensation measures, which we often undertake by working alongside local communities and non-profits that have an environmental focus. Examples include the installation of bird markers along our lines, ecological corridor management around our grid in forested areas, and the replacement of SF₆ with alternatives in our substations.

Our open and transparent communication with national, regional and local communities about disruptions to the grid and works is essential for maintaining the trust we have built over the years. This is also crucial for being able to realise new infrastructure projects in these regions.



We adopt innovative tools and practices, such as the digitalisation of maintenance processes or the use of artificial intelligence in predictive maintenance (which means we can better anticipate when our assets might be experiencing wear and tear) to help further optimise our asset use, increase cost and operational efficiency and decrease environmental impacts - and ensure our staff are able to work in increasingly safe environments.



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USING MIXED REALITY FOR MAINTENANCE WORK

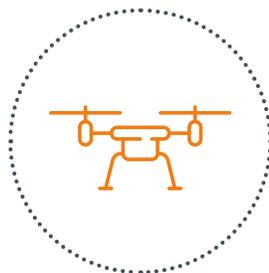


In 2021, the maintenance team for the Modular Offshore Grid (MOG) in the North Sea began using mixed reality (MR) smart glasses to improve their maintenance work. The MOG, a switching platform which transports electricity from four wind farms to the Belgian mainland, permits the integration of renewable energy into Elia's electricity grid.

The MR smart glasses allow staff to share their real-time view of the MOG with remote experts and receive audio and visual assistance from them at the same time: the glasses overlay this digital content on top of the live feed of the MOG.



Given the MOG's remote location off the Belgian coast, the use of smart glasses reduces the time, costs and CO₂ involved in using external experts for help with its upkeep; they have been particularly useful throughout the COVID-19 pandemic, since travel across borders has been difficult.



USING DRONES AND ROBOTS TO INSPECT ASSETS

Throughout 2021, the Elia group tested the use of drones to inspect our electricity power lines and pylons and the use of robots to inspect the halls of our HVDC converter stations. The inspection of such assets have traditionally involved high costs and risks for our staff.

Indeed, helicopters, which are usually used to inspect power lines and pylons, are expensive, produce CO₂ emissions, and are dangerous and time-consuming for staff to use. HVDC converter halls, which have strong electromagnetic fields, must usually be temporarily switched off for them to be manually inspected by staff. The replacement of such methods with drones and robots will therefore improve the reliability of our inspection practices, preventing outages and minimising the rates of degradation of our assets.

Beyond Visual Line of Sight (BVLOS) drones carrying high-resolution and infrared cameras, 3D LIDAR laser scanning technology and photogrammetry were used to inspect and create 3D models of power lines in Belgium and Germany. AI was subsequently used to analyse the captured data, improving the identification of potential issues and degradation.

The use of robots for the inspection of HVDC converter halls was tested in switched off converter halls in Belgium and in a laboratory environment. In November last year, we launched a collaboration with three partners to develop robots which have electromagnetic compatibility, allowing converter halls to be inspected without the need to switch them off.



WATCH A VIDEO OF THE TEST FLIGHTS IN BELGIUM HERE:





FASTER AND MORE ACCURATE INCIDENT VERIFICATION: ASSET MANAGEMENT MOONSHOT

As a TSO, we aim to get the most out of the assets we have already built. Being able to understand an incident as quickly as possible after it has occurred will enable us to minimise its impact. In 2023, we will be able to analyse on- and offshore grid incidents within 10 minutes of their occurrence using highly accurate fault localisation and visual information provided by drones, offshore robots, sensors and digital modelling.



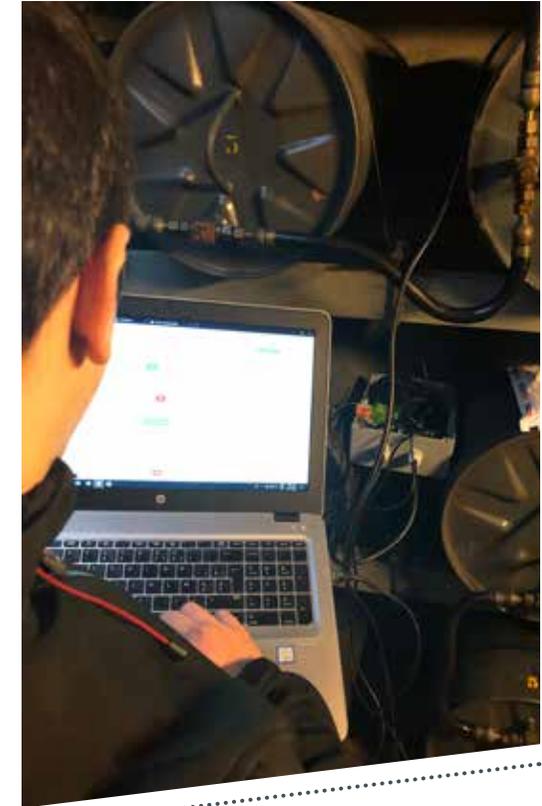
To improve quality and safety, we need to understand incidents as quickly as possible in order to avoid them having a high impact on the grid and consumers. With this near-real-time information, staff who are responsible for analysing and correcting incidents will be able to better prioritise their work, focus on those incidents which are likely to have the biggest impacts, and efficiently apply the right corrective actions.

PATRICK DE LEENER, CHIEF ASSETS OFFICER AT ELIA

USING THE INTERNET OF THINGS (IOT) TO MONITOR UNDERGROUND ELECTRICITY CABLES

In order to facilitate the early detection and mitigation of oil leaks associated with self-contained oil-filled (SCOF) cables, staff from Elia in Belgium have been working with three external partners to replace the manual monitoring of such cables with digital and remote monitoring technology.

The manual monitoring of such cables usually only occurs once every quarter and is both expensive and time-consuming. The use of sensors, on the other hand, allows the pressure of the insulation oil in SCOF cables to be monitored on a continuous and remote basis: the data collected by the sensors is sent to an internal analytics platform, which provides staff with long-term trends about it, notifying them of any irregular or unstable patterns.



Destroyed Pepinster substation rebuilt in record time after heavy flooding

At the end of August, the Pepinster high-voltage substation in Belgium was restored after being completely destroyed by floods in Wallonia. In mid-July, several rivers burst their banks following extreme rainfall; this caused unprecedented damage in several areas in Wallonia. The municipality of Pepinster was hit the hardest.

Hard work was carried out to clear the substation following the floods and rebuild what they destroyed. Our teams did their utmost to ensure the supply of electricity was quickly restored in the region.



“The human suffering caused by the catastrophic flooding in Belgium has touched me deeply. The destructive power of the floods is much worse than can be communicated through images on TV. I have witnessed firsthand the hard work of our staff on the ground. All the debris has been removed and the rebuilding of the substation is in full swing. Hats off to everyone involved in this project.

**CHRIS PEETERS, ELIA GROUP CEO,
AFTER VISITING THE DESTROYED PEPINSTER
SUBSTATION**





ENSURING THE LONG-TERM PERFORMANCE OF HVDC UNDERGROUND CABLES: INFRASTRUCTURE MOONSHOT

Given that the number of HVDC underground cables being installed across our grid is rising, and the fact that these expensive assets cannot be visually inspected by our staff, developing an effective way to monitor and manage their performance is key.

The Elia group will create so-called digital fingerprints for HVDC cables and their joints. The fingerprints will enable us to identify cable-related patterns and predict things that might go wrong with them, so allowing us to quickly respond to potential failures

“It is crucial for us to understand what happens before and after the commissioning of a cable - particularly in terms of its joints. Measuring their partial discharge, noise and temperature are all important. With this real-time information, we can predict patterns. Through this project, we are aiming to lower the expected downtime of cables by more than 50%, so that their availability nears the availability of our overhead lines.

DR. FRANK GOLLETZ, CTO 50HERTZ

MAKING OUR ASSETS SF₆- FREE

In 2021, the first emission-free circuit breakers were commissioned as part of pilot projects undertaken across Belgium and Germany. This marks an important step in our journey towards ensuring carbon neutrality across all of our activities by 2045. Sulphur hexafluoride (SF₆) is a greenhouse gas which has a global warming potential that is around 23,500 times higher than that of CO₂*.

The Elia group uses SF₆ in the closed circuits of electrical switchgear because of its excellent insulation properties. Whilst our staff continuously monitor the pressure vessels containing the SF₆ to detect and minimise the impact of potential leaks, a certain amount of leakage occurs as part of the normal operation of our

assets, which is why we have been seeking to replace the gas with better alternatives.

The first emission-free circuit breakers were commissioned in 2021 across the parts of our grid which operate at 70 kV and 123 kV levels. Moreover, since no market-ready alternative to SF₆ is yet available for use in switchgear at the 220 kV and 380 kV levels, 50Hertz is funding a research project at the university of ETH Zurich with a number of other partners. The research programme will run over several years.



*Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change, IPCC 2014

#4. System operations – We keep the lights on around the clock



Operating the electricity system is becoming increasingly complex due to the sharp rise in intermittent renewable energy, the arrival of new players and technologies and the increase in cross-border coordination. In order to keep the lights on around the clock for over 30 million people in Belgium and the north and east of Germany, we apply specialist knowledge and use sophisticated tools and processes to maintain the balance between demand and supply in real time, whilst keeping the voltage and usage level of all technical assets within their technical bandwidths. As renewables come to dominate the energy sector, we ensure that the necessary system services (including redispatching, voltage control and restoration) are provided and activated where necessary to maintain system reliability. We also work with other European TSOs and DSOs to ensure a reliable energy supply and to efficiently manage our grid.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



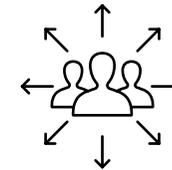
Employees & Subcontractors

Staff knowledge and skills related to system operations - allowing them to undertake a wide range of activities, including load forecasting, performing grid security and stability analyses, managing voltage and redispatching for congestion management purposes - and their access to appropriate and advanced technology and equipment are key. In carrying out our activities, both staff skills and knowledge and organisational capital increase: our operational processes, constant planning and monitoring and response to incidents are developed, refined and improved. This is complemented by the Elia group's access to data, software licences and systems and procedures at an organisational level.



Intellectual

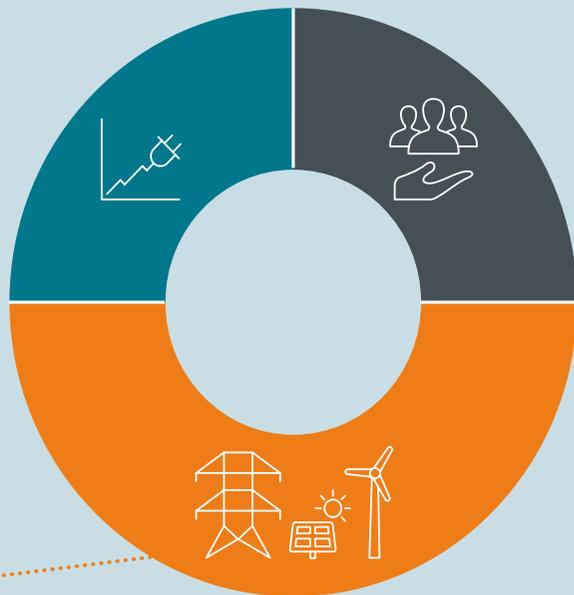
We use a variety of tools (such as weather forecasting tools and technology for frequency and voltage control) to carry out these activities. Given that we are early adopters of technology, our understanding and use of appropriate technology develops as we use it, and means that we are often at the forefront of platform and software development. Indeed, the changes the energy sector and industry are undergoing, and the speed at which these are occurring, means that we are heavily involved in the design and creation of software and tools that we need to continue ensuring a reliable and secure system.



Social & Relationship

We keep strengthening our relationships with DSOs and other TSOs both within and outside of our home countries: close cooperation with these partners is key for ensuring the security of energy systems across the whole of Europe and driving forward the energy transition. Whilst our system operations activities must be aligned, they also reinforce the close relationships we have with these partners.

STRATEGIC CONTRIBUTION



Deliver the infrastructure of the future & develop and operate a sustainable power system

Staff in our two control centres in Belgium and Germany work around the clock to maintain the balance between electricity demand and supply in real time and keep the system both reliable and resilient. Through forecasting and monitoring demand patterns and the stability and performance of the network, electricity flows can be dispatched and directed across our grid whilst ensuring that the voltage and usage levels of all our assets are kept within their technical bandwidths. Our system operations activities carry a high level of societal value, ultimately ensuring that 30 million end users have access to a secure and reliable supply of electricity.



RISK MANAGEMENT

Most relevant opportunities

Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks

The COVID-19 pandemic; Early termination of TSO licences; Balancing; Adequacy; Contingency events and business continuity disruption; Climate change and the energy transition; Failure of information & communication technology (ICT), data security and protection measures

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

Carbon intensity of electricity production mix⁽⁶⁾

117g

CO₂/MWh (Belgium⁽⁷⁾)

404g

CO₂/MWh (Germany)

1,054 t CO₂e

CO₂ footprint of grid losses

99.99%

Grid reliability (onshore, 150 kV and above)

Please see the chapter entitled 'Our performance' for further information

(6) Own calculations
(7) Using direct emissions only

HOW WE DELIVER VALUE

Material topics



We create value for energy producers, consumers (both industrial and household) and DSOs: our near-constant network availability and reliability means that generated power is directed where it is needed and transported in a secure manner, ensuring that producers can run their businesses in a trusted technical environment and that consumer demand for electricity is met.

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We also offer support to national and international partners (including DSOs and other TSOs), since a high level of interconnectedness and interdependency exists across the whole of the European energy system (which make it more efficient and reliable). We therefore provide mutual assistance to each other, aligning the measures we undertake in situations when the system is experiencing periods of stress. By securing a reliable electricity system in the long run, we create economic and societal benefits by providing an attractive environment for industry and society to thrive in.

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We also create value for software suppliers since we rely on their technology to undertake our activities, while they rely on us to identify and encourage the development of the right software and tools for ensuring a reliable and secure system. Indeed, 50Hertz's development of the MCCS in Germany is an example of innovative technology which will facilitate the constant stability of system operations across its grid as its system is decarbonised (see the stories below for more details). The creation of such software highlights the importance of ensuring that staff are supported to develop the right skills for mastering this technology and for taking appropriate decisions, just as employee health, safety and wellbeing are paramount - system operations staff work in shifts to continuously make sure that demand and supply are kept in balance. Risk management - both in terms of our staff and the operation of a sustainable system - is therefore also of ongoing consequence.

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Of material importance to our system operations is the speed of change, the system and market integration of renewables in real time, and the rise in the number of interventions which are needed to keep the system in balance. Running a system which is becoming progressively decentralised and increasingly reliant on intermittent renewable energy while encouraging electrification (to help lower society's carbon footprint) also requires the development of and access to the right digital technology for handling this increasing complexity. This complexity is reflected in all our system operations activities, from forecasting (which involves planning hours, days, weeks and months ahead by taking grid usage, weather patterns and maintenance work factors into consideration) to the optimisation of ancillary services (which involve the use of capacity and flexibility from generators and, increasingly in Belgium, consumers).

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SOLAR ECLIPSE IN BELGIUM AND GERMANY



On 10 June 2021, a partial solar eclipse cast a shadow across much of Europe. This caused the generation of solar electricity to drop by 15% and 7% in Belgium and Germany respectively.

Given that the reliable operation of our grid increasingly depends on RES such as solar power, the impact of natural events like this need to be appropriately anticipated and managed, so that the balance between supply and

demand can be maintained at all times. Both Elia and 50Hertz undertook different measures to ensure continuity of supply in their respective countries, including securing the deployment of additional reserves and staff in control rooms. Market players were also informed of the eclipse, ensuring they too were able to respond to it appropriately.



BELGIAN FEDERAL ENERGY MINISTER TINNE VAN DER STRAETEN VISITED THE ELIA CONTROL CENTRE TO LEARN HOW IT HANDLES UNUSUAL SITUATIONS SUCH AS ECLIPSES



MODULAR CONTROL CENTER SYSTEM: 100% RENEWABLE GRID SUPPORTED BY NEW GRID CONTROL SYSTEM

In order to ensure that 50Hertz's grid can rely on 100% renewable energy, it has been developing a new digital grid control system: the MCCS. Indeed, operating an electricity system which relies entirely on many decentralised intermittent RES will be highly challenging. The MCCS will ensure that generation and consumption are always balanced, despite the increased complexity.

The MCCS will include different modules, each of which will address one specific aspect of system operations - such as providing a forecasting tool for wind power feed-in or a grid security calculator. Each module will be connected to a central integration platform and will be able to interact with the other modules independently of this platform. Developing the technology for the MCCS within the Elia group is a completely new approach for us.

In 2021, 50Hertz celebrated a significant technical milestone as part of the project: performance data from ongoing operations were processed for the first time by the MCCS and displayed via its user interface. Development of the digital tool will continue throughout 2022, during which the project team will work alongside other TSOs, DSOs and market participants to refine it.



MASTER CONTROLLER TO REDUCE GRID CONGESTION AS THE SUBSEA GRID IS DEVELOPED: OFFSHORE MOONSHOT

A sophisticated hybrid subsea electricity grid needs to be built in order to support the integration of increasing amounts of offshore RES into the system. Hybrid interconnectors serve two or more functions simultaneously: they link the electricity grids of two different countries together while also integrating one or more offshore wind farms. Since they carry out multiple functions, such hybrid assets can easily be overloaded. Therefore, the Elia group has been developing an automatic optimiser

that will suggest the best operation scheme for hybrid cables to follow, so maximising both the efficient flow of electricity and the integration of offshore power. This so-called 'plug and play master controller' will reduce congestion across the grid and enhance security of supply.



Operating future offshore grids with DC transmission lines and onshore and offshore converter stations will be a very complex task. Based on the controller that was developed for the Combined Grid Solution, the Elia group is developing a new modular tool that will support the operation of offshore grids. This new tool will be employed as part of the Bornholm Energy Island project that we are developing with Energinet (our Danish counterpart).

DIRK BIERMANN, CMO OF 50HERTZ



Since coal-fired power plants are being replaced, we are exploring new ways to keep the voltage and frequency of our grid stable. Converters with grid-forming functionalities that are able to mimic the stabilising effects of traditional power plants form an important area of exploration for us.

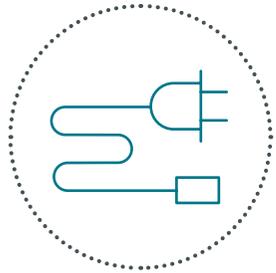
DIRK BIERMANN, CMO OF 50HERTZ

ENSURING GRID STABILITY AS RES INCREASE: SYSTEM OPERATIONS MOONSHOT

As large traditional power plants are taken out of use and are replaced by numerous, more dispersed renewable energy generators and sources, grid stability is decreasing. The Elia group will therefore test and demonstrate new ways of keeping the grid stable through the use of new electronic devices that can provide the same level of stability as conventional power plants.



#5. Market facilitation – We facilitate the development of the electricity market



As generation sources become increasingly volatile and decentralised, a continuous adaptation of the markets is necessary. As a market facilitator, we are developing solutions at national and European levels to increase the efficiency and liquidity of the different electricity markets (wholesale, ancillary services, reliable capacities, etc.). To do so, we cooperate with other TSOs, power exchanges, traders, regulators and governments. Consumers and their interests lie at the core of this - we make sure that we are creating additional value for society via market instruments. We are committed to delivering more consumer comfort and fully recognise the valuable contribution that consumer flexibility will play in establishing a fully decarbonised system.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



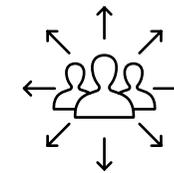
Employees & Subcontractors

We employ the skills and knowledge of our staff as they oversee the balancing of the market in real time, explore the use of new digital tools and undertake research related to the changes that are needed to enable the system to remain adequate and balanced in the future. Our activities encourage the development of our staff, as the latter further their skills and knowledge about the Belgian, German and European energy markets.



Intellectual

Our TSO licences confer us with balancing responsibilities and our know-how and access to data give us the means to undertake research and provide industry, partners and policymakers with research related to the energy transition. Over time, we constantly enhance our organisational processes and knowledge, including the ways in which we collect and use the data we have access to.



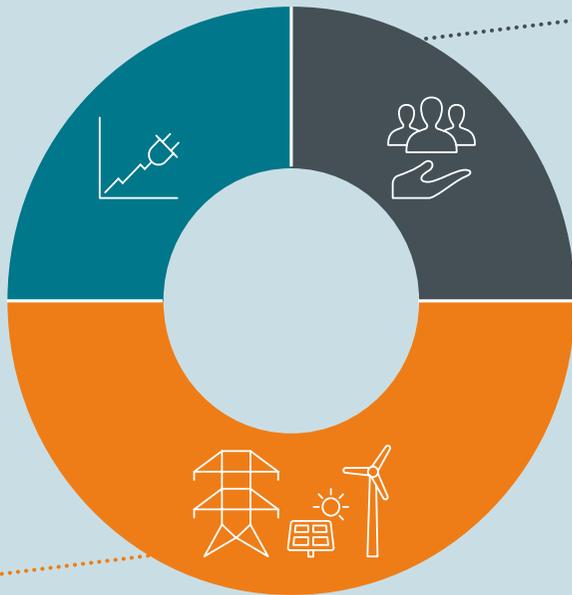
Social & Relationship

We keep improving and strengthening our relationships with our stakeholders. We work closely with academia and energy experts, industry and the regulators in our home countries, designing and implementing an energy market that will valorise consumer flexibility, enhance their comfort, and support the energy transition. Beyond working with these national partners and stakeholders, we also work with other European TSOs to calculate and allocate cross-border transmission capacities, furthering the integration of the European energy market.

STRATEGIC CONTRIBUTION

Develop new services creating value for customers in the energy system

In line with our Consumer-Centric Market Design, we facilitate market participation and the exchange of electricity on a closer to real-time basis and encourage the supply of more flexibility for the system (including prosumers and the owners of electric vehicles).



Deliver the infrastructure of the future & develop and operate a sustainable power system

We are responsible for ensuring an efficient and transparent electricity market, so maintaining the balance between supply and demand around the clock.



RISK MANAGEMENT

Most relevant opportunities

Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks

Changing/new regulatory conditions; Balancing; Adequacy; Contingency events and business continuity disruption; Failure of information & communication technology (ICT), data security and protection measures

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

30 million

End users

Please see the chapter entitled 'Our performance' for further information

HOW WE DELIVER VALUE

Material topics



Having ultimate responsibility for the balance of demand and supply in Belgium and parts of Germany and procuring ancillary services benefits both energy producers and consumers in Belgium, Germany and Europe more widely, since we are working towards the further integration of the European energy market.

1



Determinant factors which have a bearing on our facilitation of the market include ensuring cost and process efficiency whilst adhering to the legal and regulatory environments we organise markets in. To ensure the reliability of our grid and maintain security of supply, we organise a balancing market through which we can access the flexibility offered by balancing service providers (BSPs), who offtake and inject electricity into the grid. Balancing responsible parties (BRPs) ensure the balance between these offtakes and injections across a range of access points on a fifteen-minute basis. We also take ultimate responsibility for their work, meaning that if BRPs are unable to fulfil their function, we oversee the procurement of ancillary services, which include securing extra flexibility or capacity from generators and consumers to reduce the imbalance between supply and demand.

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Our research into maintaining an adequate system and integrating new flexibility providers is of value to public authorities and regulators in our home markets: they use this when taking decisions about the amount of capacity Belgium and Germany need, and who should be able to provide them, as both countries work towards net zero.

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Our market facilitation activities also create value for wider society by encouraging the integration of renewable energy into the system. Indeed, as the latter shifts to comprise a large amount of decentralised, intermittent RES, it needs a high amount of flexibility in order for balance to be maintained. Therefore, a well-designed energy market which permits more short-term trading and a large number of new, smaller market players (including prosumers and the owners of electric vehicles) to take part in it will help to meet this need; the rollout of smart meters will significantly contribute to understanding how these new flexibilities function.

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As part of our pre-qualification responsibilities (which involve establishing clear technical parameters that players need in order to be able to participate in the market), we undertake research and try to remove as many market barriers as possible, ensuring that every player is offered transparent, non-discriminatory access to the grid. We also explore and develop new digital tools which facilitate market participation and the exchange of electricity on a closer to real-time basis and encourage the supply of more flexibility for the system. These goals are outlined in our proposed CCMD (see following pages), which was published in 2021. It aims to place consumers firmly at the centre of the market, allowing them to play a leading role in the energy transition through the valorisation of their flexibility whilst benefiting from consumer-centric energy services - so ensuring customer orientation and satisfaction. In order to implement the CCMD, we are committed to real stakeholder dialogue and interaction with academics and other market participants; at the same time, ensuring that our staff are skilled, knowledgeable and ready to lead the required change is also crucial.

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White paper on a Consumer-Centric Market Design



In June 2021, the Elia group published a white paper outlining a new market model and calling for increased collaboration amongst players from across the energy sector. The proposed Consumer-Centric Market Design (CCMD) aims to give consumers a more active role in the electricity system and the energy transition.

As electrification spreads across society and high amounts of renewable energy are being integrated into the grid, electricity demand must be matched to electricity supply; encouraging consumers to adapt their behaviour to the state of the grid is therefore necessary. Whilst the CCMD aims to unleash better energy services for consumers 'behind the meter', it will also facilitate the energy transition.

Through the publication of its white paper, the Elia group aims to open up discussions and foster collaboration between stakeholders from across the energy value chain and wider society. As part of this, the group hosted its first hackathon in October (see the section entitled 'Additional services').

Our energy system needs to adapt to respond to the challenges of today and evolve and prepare for those of tomorrow. We welcome any concrete initiative that could help us realise that, and bring forward the flexibility, responsiveness and liquidity required in our energy markets.

Catharina Sikow-Magny,
Director Internal Energy Market at the European Commission's Directorate-General for Energy

THE WHITE PAPER WAS LAUNCHED DURING A LIVESTREAMED EVENT IN JUNE - YOU CAN WATCH IT HERE:



We have learned that customer expectations have fundamentally changed. Customers want to be in control and expect fast, reliable and individualised products and services without any hassle. The potential held in this is huge, as electric cars will soon dominate the market. So let us work together and make this possible for our customers.

Johan Thijs, CEO of KBC Group



The Consumer-Centric Market Design is a creditable effort to shake up the market. Questions and issues surrounding it still need to be addressed, as is always the case for innovative ideas that bring about change.

Tinne Van der Straeten,
Belgian Federal Minister of Energy



Today, we already have the necessary technology and solutions that will take us to net zero. But those are only half the story. Giving users full control over their own energy usage, through digitalisation, is just as important. The benefit of this is obvious and immediate.

Max Viessmann, Co-CEO of Viessmann Group



BELGIUM'S FIRST CRM AUCTION

In late October, Elia announced the results of its first CRM auction for the 2025-26 delivery year. The CRM was introduced by the Belgian Federal Government to secure the country's supply of electricity following the legally required nuclear phase-out, which is due to be completed by 2025. Elia organised the first CRM auction at the request of the Belgian Minister of Energy and with the approval of the European Commission.

On 23 December 2021, the Belgian Government settled on a compromise, whereby the last existing nuclear power plant is due to close in 2025. However, ministers left open the possibility of extending the life of two reactors if security of supply has not been secured by that point.*

Belgium's phasing out of nuclear power will begin with the closure of one reactor on 1 October 2022.



PRESS CONFERENCE REGARDING BELGIUM'S NUCLEAR PHASE-OUT WITH FEDERAL MINISTER OF ENERGY TINNE VAN DER STRAETEN AND PRIME MINISTER ALEXANDER DE CROO. ELIA GROUP CEO CHRIS PEETERS ATTENDED THE NEGOTIATIONS WHICH PRECEDED THE PRESS CONFERENCE, LENDING HIS EXPERTISE TO THE DISCUSSIONS.



*On 18 March 2022, the Belgian Federal Government announced that it would extend the life of its two newest nuclear power plants by 10 years (the Doel 4 and Tihange 3 reactors). The feasibility of this will be examined and worked out over the coming months.

#6. Trusteeship – We coordinate and process legal levy systems



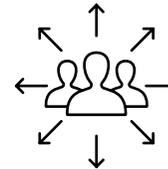
The German and Belgian legislators have transferred the responsibility for coordinating and processing legal levy systems that promote environmentally friendly technologies to the transmission system operators in their respective countries. Elia and 50Hertz therefore act as trustees, collecting these levies from consumers in Belgium and Germany and coordinating their distribution to parties who integrate environmentally friendly technologies into the grid. If the electricity generated from RES is not directly marketed, Elia and 50Hertz are responsible for selling this electricity via the power exchange.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



Financial

We are responsible for collecting levies from consumers through their energy bills and coordinating the distribution of these to appropriate parties, so rewarding RES producers and encouraging the integration of environmentally friendly technologies into the transmission grids in our respective countries.



Social & Relationship

We work closely with national authorities, regulators, other TSOs, DSOs, consumers and energy producers to ensure the smooth coordination of the legal levy systems in Belgium and Germany. We reinforce our relationships with each of our stakeholders, carrying out our responsibilities in an open and non-discriminatory way and cementing their trust in us and our reputation as a driver of decarbonisation in the process.

STRATEGIC CONTRIBUTION



Deliver the infrastructure of the future & develop and operate a sustainable power system

We play an active role in promoting the integration of environmentally friendly technologies into the transmission system by acting as trustees in Belgium and Germany.



RISK MANAGEMENT

Most relevant opportunities Relevant role played in the energy transition leading to a sustainable future

Most relevant risks Changing/ new regulatory conditions; Early termination of Transmission System Operator licences; Cash flow

 Please see the chapter entitled 'Risk management' for an explanation of these



HOW WE DELIVER VALUE

Material topics



We create value by coordinating and processing legal levy systems which are related to the integration of environmentally friendly technologies (including RES technology) into the grid, in line with our legal responsibilities and political and social ambitions to further decarbonisation and reach net zero.



As part of our responsibilities, we oversee the selling of renewable energy in electricity markets in cases where producers do not do so themselves; we undertake this in a transparent and non-discriminatory way.



In Germany, for example, the levies we coordinate include the Renewable Energy Sources Act (EEG) levy and the Combined Heat and Power Act (KWKG) levy. We collect these levies from consumers and coordinate their distribution to appropriate recipients, so supporting the integration of RES into the grid and energy system.

Broadly speaking, the size of the levies paid by consumers depends on the difference between the revenues received by producers when they sell their RES on the market and the subsidy amount set by governments to encourage the production of RES. Should a producer sell their renewable energy for less than the amount stipulated by the authorities, the shortfall will be made up for by Elia or 50Hertz, who will pay them the difference by using the levies collected from consumers.

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#7. Additional services – We create value for consumers and customers



As the energy transition and the digitalisation of the sector are well underway, consumers are calling for opportunities to benefit from energy services that bring them additional value and comfort. Fostering this whilst ensuring that such products and services strengthen the electricity system forms part of the Elia group's proposed Consumer-Centric Market Design (CCMD). This entails a paradigm shift: a movement towards a system under which consumption patterns follow production. Our activities in this area therefore involve working within ecosystems (in the regulated sphere via Elia and 50Hertz, in the non-regulated sphere via re.alto and in foreign electricity markets via EGI) to design and deliver consumer-centric services. These services will enable decentralised flexibility assets such as heat pumps, EVs and batteries to participate in the market and provide grid support services - simultaneously benefiting both the system and consumers. The latter will be given the opportunity to engage with different service providers at appliance level, granting providers access to their regulated metered data as they see fit and relying on a trusted and secure digital infrastructure to do so.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



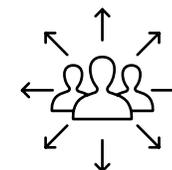
Employees & Subcontractors

We rely on human capital, since the digital and technological skills of our staff and their knowledge about the needs and operation of the energy system are key. The development of additional services - both through our regulated and non-regulated business activities, which complement each other - enables the improvement of our staff: both their digital skills and knowledge of the system are enhanced as they design and deliver solutions which provide value for energy consumers and our other market players.



Intellectual

We rely on intellectual capital: at an organisational level, we hold collective energy and digital expertise and have access to large amounts of grid and energy-related data. Our intellectual capital is constantly enhancing, as we are actively shaping new technology, software and digital tools.



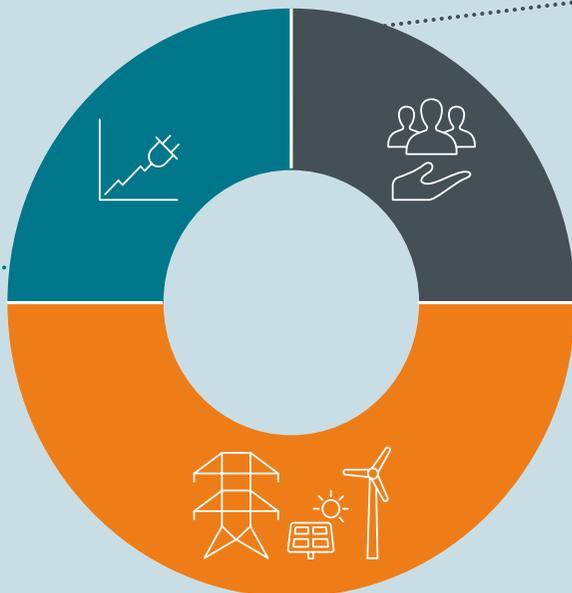
Social & Relationship

We rely on our close links with stakeholders across the energy value chain and in adjacent sectors, including end consumers and direct customers (to better understand their needs), and other sectors (often as part of ecosystems), in order to better scope out new possibilities as electrification spreads across society. Whilst energy consumers benefit very concretely from increased comfort, value and traceability, energy market players benefit from improved access to data for the development of their businesses, and other sectors benefit further from efficiency gains linked to electrification, as we transition to a net-zero society.

STRATEGIC CONTRIBUTION

Develop new services creating value for customers in the energy system

As digitalisation spreads across society, and the energy transition is underway, we aspire to deliver new digital interfaces and energy services to consumers and businesses which are linked to the electricity system and power markets, increasing our relevance as a Group and helping to further decarbonisation.



Grow beyond current perimeter to deliver societal value

We provide consultancy services through EGI in order to help partners master the challenges of the energy transition through their grid management and system and market operations.



RISK MANAGEMENT

Most relevant opportunities

Offshore evolution; Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks

Changing HR needs; Failure of information & communication technology (ICT), data security and protection measures; Suppliers; New business developments

Please see the chapter entitled 'Risk management' for an explanation of these



HOW WE DELIVER VALUE

Material topics

Our work in the area of consumer centricity creates value by placing consumers at the heart of the energy market. As outlined in European goals, this is crucial for ensuring the success of the energy transition, since consumers will be able to deliver the additional flexibility that the system needs (as it becomes increasingly decentralised and reliant on RES) whilst being rewarded for it. This new role will be facilitated by the development of new digital services - services which consumers are now expecting from the energy sector.

On the one hand, our regulated work in this area involves implementing our CCMD (see section on '[Market facilitation](#)') and providing our larger direct customers and market players with improved access to data.



Our proposed CCMD includes two market changes that will help to place consumers at the centre: firstly, the development of a so-called 'Exchange of Energy Blocks' hub, through which energy could be exchanged between consumers and other market parties on a fifteen-minute basis; secondly, the introduction of a real-time price signal, which would give consumers a reference for their consumption and the value of services offered by third parties. Introducing these changes and hastening the arrival of consumer-centric services would enable consumers to benefit from increased control over their energy consumption and bills, increased comfort, and more transparent information about the source of their energy. At the same time, these services will offer them the opportunity to play an important role in the energy transition, since they will be able to actively participate and generate new business value by providing flexibility for the system or acting as prosumers (either individually or as part of energy communities).

Moreover, by providing our direct customers with improved access to data, we are making them better informed and supporting them to make more efficient choices, ultimately leading to enhanced services for end consumers (our new portal, the Elia Portal Interface for Customers, is an example of this; see stories below for further information).

On the other hand, our work in unregulated spaces in this area involves directly encouraging the development of energy services such as energy-as-a-service, heat-as-a-service or green tracking. Indeed, re.alto offers market parties easy access to data from decentralised energy sources (such as electric vehicles, solar panels, heat pumps and batteries), so allowing them to use this as they develop and refine innovative services for residential and commercial clients.

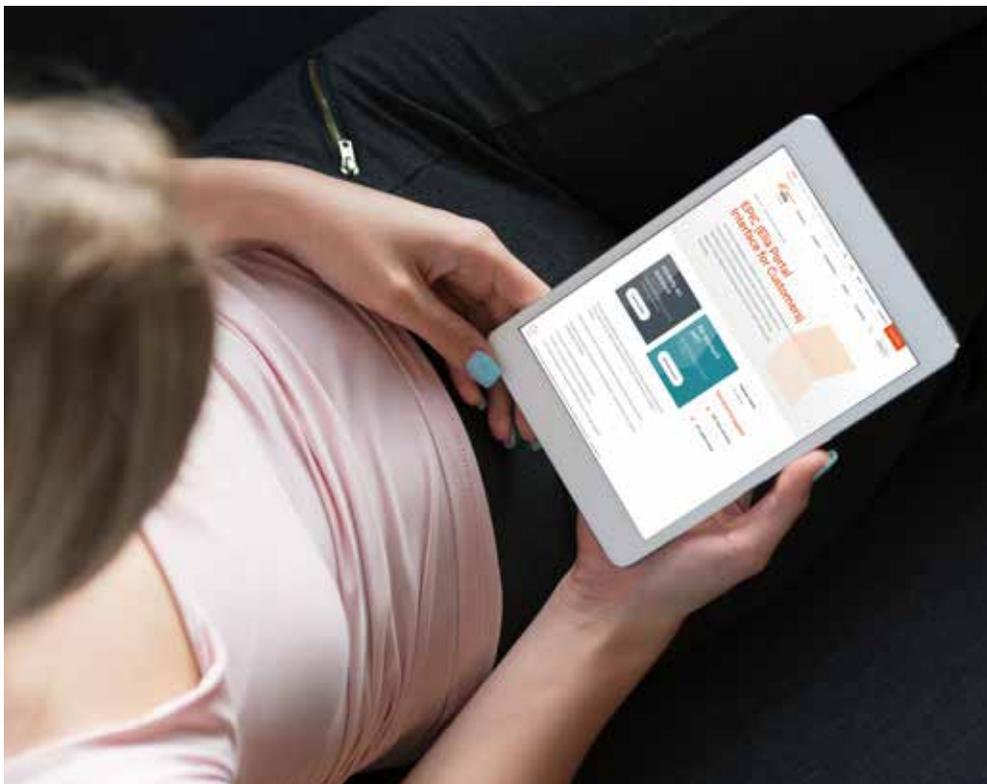
As we work on these areas, the need for genuine stakeholder dialogue with consumers and as part of ecosystems with other industries (to encourage sector coupling) is therefore clear. Access to and the development of the right technology are essential, which is why innovation and skills development for our staff is also key.



Whilst we need to ensure that the services we are developing in our home countries can actually be offered there in line with unbundling rules, we also offer consultancy services in unregulated spaces through our consultancy, EGI. These services are related to grid operations and the integration of renewables into power systems and markets outside of our home countries (mainly Europe, southeast Asia and the Middle East) and provide EGI's customers with analysis regarding how to effectively deliver their individual business models in line with decarbonisation targets.

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15

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ELIA PORTAL INTERFACE FOR CUSTOMERS (EPIC) LAUNCHED

In July, EPIC was launched, grouping Elia's direct customer services and historical data together in one place - so streamlining their interactions with the company.

Elia's direct customers include industrial clients who are connected to its grid in Belgium. EPIC offers these customers a range of services through the use of one login, including access to metering data; a chance to review and comment on invoices and contracts; and control over how their information is shared with third parties.

Before the launch of EPIC, these services were only accessible through the use of different websites. EPIC therefore offers Elia's customers convenience, transparency and the data they need to take sound operational and commercial decisions.

HACKATHON: DESIGNING CONSUMER-CENTRIC ENERGY SERVICES

In October, we hosted our first ever hackathon, which focused on translating the group's proposed Consumer-Centric Market Design into tangible, practical solutions. Over 100 participants - including coding students and representatives from start-ups and larger digital and energy-related companies - took part in the competition.

The winning team, Green Bid, was awarded the opportunity to spend 14 weeks developing their solution with the Elia group experts at The Nest, our internal digital incubator. The hackathon forms part of our commitment to fostering collaboration between stakeholders from across the energy value chain to ensure that the energy transition is a success.



CHARGE YOUR EV ACROSS EUROPE WITH ELECTRICITY FROM YOUR SOLAR PANEL: CONSUMER CENTRICITY MOONSHOT

By 2024, the Elia group wants to have demonstrated the use of a European e-mobility roaming service to optimise self-consumption. This means individuals will be able to charge their EVs with electricity from their own home solar panel no matter where they are across Europe.



The project is a practical application of consumer centricity: placing consumers at the heart of the energy transition, enabling the grid to use their flexibility whilst offering them more comfort and value.

A peer-to-peer, cross-border trading system and virtual grid of charging stations will be needed to support this project, which will give the owners of solar panels full control over the electricity they generate. We will first focus on implementing this use case between Belgium and Germany, which will then pave the way for it to be used in other residential or industrial settings.

“For the Elia group, embracing consumer centricity seems an obvious choice. We want to focus on developing and providing new seamless services which are easy to understand and provide added value for consumers, allowing them to actively participate in the power sector and providing the grid with decentralised flexibility assets.

FRÉDÉRIC DUNON, CHIEF CUSTOMERS, MARKETS AND SYSTEM OFFICER AT ELIA TRANSMISSION BELGIUM

THE ELIA GROUP BEGINS PARTNERSHIP WITH OCTOPUS ENERGY GROUP ON ENERGY SERVICES FOR CONSUMERS

At the COP26 climate summit in Glasgow in November, the Elia group and Octopus Energy (a British company specialising in renewable energy) signed a memorandum of understanding which bolsters their joint commitment to placing consumers at the heart of the energy transition. Both parties will be setting up test projects over the next two years which will involve close working between KrakenFlex (Octopus Energy's real-time software platform) and re.alto, Elia Group's digital marketplace for energy data and services.

The partnership will make it possible for new energy services to be offered to consumers (such as the ability to charge their electric vehicles and use their heat pumps when there are large amounts of green electricity on the grid) whilst helping to ensure that the grid is kept in balance, so facilitating the transition to a sustainable energy system.



“We'll combine the awesome power of our unique energy asset management platform KrakenFlex with Elia's innovative technology to unlock world leading entech innovation, enabling millions of customers to use abundant, cheap green energy to power their appliances and drive down their energy bills, all while helping balance the grid during intermittent energy production – it's a win-win for everybody.

GREG JACKSON,
CEO AND FOUNDER OF OCTOPUS
ENERGY GROUP



USE THIS QR CODE TO WATCH THE SIGNING CEREMONY

#8. Corporate functions – We enable our business activities



Our corporate functions - which include Legal and Regulatory Services, Human Resources, Strategy, Communication & Reputation and Public Affairs, Finance, Digital and IT and Procurement - enable our business activities to fulfil the group's societal mission. They support the development of a highly skilled and healthy workforce, a growing technical asset base and digital platforms and solutions for mastering growing complexity and remaining efficient. They provide the necessary financial means for our business activities, verify that activities comply with legal and regulatory conditions and facilitate regular dialogue with our stakeholders, so as to be certain that we remain relevant and are indeed acting in the interest of society.

HOW WE DRAW ON AND AFFECT THE CAPITALS: INPUTS AND OUTCOMES



Financial

A sound, long-term financial strategy and controlling and accounting processes make sure we use our resources in an efficient way and create a maximum amount of value; in this vein, we establish strong relationships with our investors and secure green financing to ensure that our business is sustainable. Our Finance and Legal and Regulatory departments also bolster our organisational processes, ensuring they are efficient and aligned with national and international requirements, in turn contributing to decent grid tariffs for consumers, providing our investors with clear financial returns and the group with the means to reinvest in and maintain our infrastructure in a reliable manner.



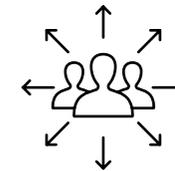
Employees & Subcontractors

Staff skills and knowledge are key to delivering the quality society expects in terms of our responsibility for managing critical infrastructure. Our HR teams ensure that our staff feel supported and welcome and are given the same opportunities to develop skills and knowledge and progress within the group.



Intellectual

At an organisational level, our corporate functions are supported through our TSO licenses in our home countries; access to data and software; protocols and processes; and health and safety certifications. Our focus on digital skills, tools and processes contributes to further enhancing organisational processes, since it also allows us to develop innovative solutions in terms of making our workspaces and infrastructure more efficient and sustainable, speeding up the delivery of our grid, maintaining a high level of grid and system reliability and creating additional services for consumers.



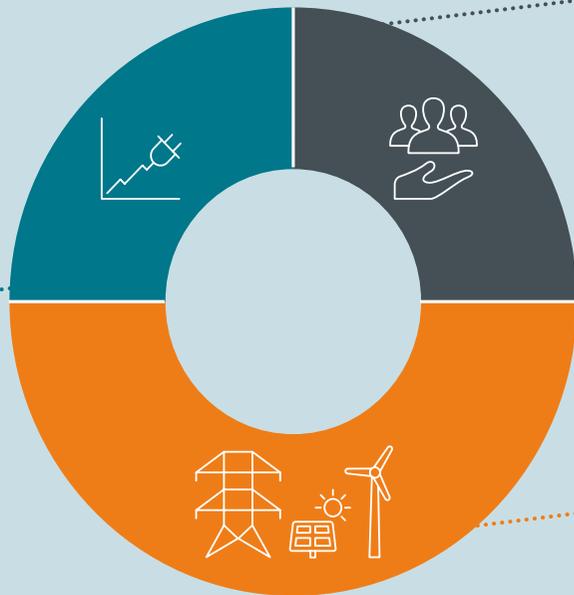
Social & Relationship

The close ties we establish with our stakeholders - who include consumers, energy suppliers, local communities, other DSOs and TSOs, manufacturers in the energy sector, financial investors and policymakers - bolster our understanding of the environment we work in and provide us with the social licence we need to carry out our activities. Our communications activities and the close ties we form with external stakeholders keeps them informed of our goals, enables them to use our information and analysis for their own purposes and contributes to furthering the energy transition by encouraging a sharing of research about different paths leading to decarbonisation.

STRATEGIC CONTRIBUTION

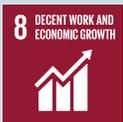
Our corporate functions - which encompass teams focusing on our strategy, innovation, internal and external communication, public affairs, digital and IT services, finance, risk management, governance, legal and regulatory matters, health and safety, and human resources – are important enablers of our business activities. These, in turn, allow us to fulfil our three strategic pillars of growth.

Develop new services creating value for customers in the energy system



Grow beyond current perimeter to deliver societal value

Deliver the infrastructure of the future & develop and operate a sustainable power system



RISK MANAGEMENT

Most relevant opportunities Digital transformation; Relevant role played in the energy transition leading to a sustainable future

Most relevant risks The COVID-19 pandemic; Early termination of TSO licences; Sustainability of income; Failure of information & communication technology (ICT), data security and protection measures; Contingency events and business continuity disruption; Negative changes in financial markets; Cash flow; Legal disputes and liabilities

Please see the chapter entitled 'Risk management' for an explanation of these

OUR PERFORMANCE

€328.3 m
Adjusted Net Profit

6.3
Group TRIR⁽⁹⁾

37
Nationalities
3.3%
of foreign nationalities represented in workforce⁽¹¹⁾

7.56%
ROE (adj.)⁽⁸⁾

3.0%
Absentee Rate Group⁽¹⁰⁾

69*
Employee commitment index

€1.75
Gross dividend per share

22.2%
Women in total workforce

4/12
ESG Governance Index⁽¹²⁾

99.94%
EU Taxonomy eligible turnover

22.1%
Women in leadership positions

5/12
Compliance Index⁽¹³⁾

Please see the chapter entitled 'Our performance' for further information

(8) Determined as the result attributed to ordinary shareholders/equity attributed to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve)
 (9) Calculated as: (the number of work accidents with and without lost time)*1,000,000 / (The total number of working hours over the year); excludes subcontractors - they will be included from 2022 onwards
 (10) Corresponds to health rate (1-x)
 (11) Non BE/DE nationalities
 (12) Composition of the index available on our website
 (13) Composition of the index available on our website
 * The survey is performed once every two years. It aims to collect feedback from employees about their views and general level of satisfaction with regard to Elia and 50Hertz as workplaces; the Index is made up of 7 questions.

HOW WE DELIVER VALUE

Material topics

Collectively, our corporate functions operate as a facilitator for the rest of the group's activities, supporting these as the group fulfils its strategic goals and drives the energy transition. They create value by allowing the group to fulfil its strategy in a safe, legal and open manner, as outlined below.

- **Our Legal and Regulatory Services Department** ensures that the group operates in keeping with our TSO licenses and in line with current regulatory frameworks in Belgium and Germany, any legal obligations we have and legislation at national and EU levels.

- **Our Human Resources Department** ensures that we are able to attract, recruit and retain the talent we need to keep succeeding as a driver of the energy transition. It supports staff throughout their careers, providing a welcoming environment in which staff feel supported and are able to develop their skills through multiple training opportunities.



- **Our Health and Safety Department** ensures that we embed a high standard of safety across all activities, so that all our employees and subcontractors get home safely. We continuously improve the safety measures in place and evaluate issues, concerns and incidents when they occur, making improvements where necessary.



- **Our Strategy Department** sets the strategic ambitions for the group, in keeping with society's interest, so securing the group's relevance both now and in the future. The definition and realisation of our strategy, is undertaken in line with the goals of other European system operators, political decision-makers, authorities, non-profits, academics and other energy sector professionals, renewable energy producers, industry and energy consumers more widely.



- **Our Communication and Reputation Department, Public and Regulatory Affairs Department and Community Relations Department** maintain open and transparent two-way communication channels with external stakeholders: from the media through to members of the public, local communities, shareholders and policymakers at national and EU levels. Our systematic engagement and dialogue is key for keeping our stakeholders informed, engaged and committed to our work and how it is enabling decarbonisation. We clearly communicate how our activities are furthering the energy transition, so solidifying their cooperation with us.



- **Our Internal Communication Department** ensures that staff are kept informed of group-wide activities, organise regular internal events for employees and foster cohesion across different teams through initiatives such as the 'Make A Difference' behaviours (see chapter entitled '**Our purpose and strategy**').



- **Our Finance Department** ensures that the group has enough security with regard to the financing it needs to deliver its high-quality and innovative projects and continue to facilitate the energy transition. We are committed to robust accounting, controlling and risk management practices to secure efficiency and value creation. The cost-effective way in which we carry out our activities and the profits we make create value for our shareholders and financial investors and ensures that grid tariffs remain fair for consumers.



- **Our IT Department and new DTO** (see the chapter entitled '**Our purpose and strategy**') provide staff with the licences and equipment they need to carry out their daily tasks. They work with staff from across the business to develop easy-to-use solutions that raise business efficiency, lower complexity and enable data-driven decisions to be taken; these include a group-wide digital backbone and digital platforms which are tailored to the needs of each team. Our digital transformation allows us to develop new solutions with partners and innovate to better meet the future needs of consumers.

- **Our Procurement Department** establishes the group's purchasing policies and procedures, seeking efficiency and streamlining where possible and focusing on suppliers who have signed our Supplier Code of Conduct. These sound practices translate into a timely acquisition of the products and services which are needed along the whole value chain in a way that ensures quality, safety and a reduction in our carbon footprint.

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THE ELIA GROUP'S ALIGNMENT WITH THE EU TAXONOMY

In November, we published a paper which outlined our alignment with the EU Taxonomy, a classification system published by the European Commission that defines a list of economic activities which it considers to be environmentally sustainable. The system provides a methodology that companies can use to calculate how 'green' their turnover, CAPEX and OPEX are.

Our paper outlines the methodology we employed to assess how far our activities are aligned with the EU Taxonomy. In it, we estimate that 99% of our turnover, 100% of our CAPEX and 99% of our OPEX is aligned with the taxonomy for the year 2020. The methodology will allow us to keep fine-tuning our own strategic ambitions to ensure that our activities are firmly aligned with the ambitions of the European Green Deal.



UPDATED CODE OF ETHICS FOR GROUP STAFF

Our Code of Ethics provides staff with guidance about how to behave in an ethical, responsible and transparent manner in their everyday work. The Code summarises the Elia group's vision, outlines a number of guiding principles and covers the behaviour that is expected from all staff in relation to the following areas: Integrity and Compliance; Diversity, Equality and Inclusion; Handling of Information.

Our Code of Ethics forms part of Dimension 5 of our ActNow programme: Governance, Ethics & Compliance. This highlights that good governance and integrity in our work with contractors and suppliers are essential for ensuring our long-term success.



FIRST GREEN FINANCE FRAMEWORK PUBLISHED

In December, Elia published its first Green Finance Framework, which outlines how it will channel investments into projects which have clear environmental benefits. The framework confirms that Elia's funding strategy is aligned with its sustainability programme, ActNow.

As Europe aims to reach climate neutrality, immense investments in the expansion and reinforcement of our grid need to be made in the coming years in order to successfully inte-

grate increasing amounts of renewable energy into the system. These investments will support important steps such as the integration of offshore wind farms into our grid and the cross-border exchange of surplus renewable energy. The Green Finance Framework therefore confirms that Elia's funding strategy is fully aligned with its role as a driver of the energy transition and its sustainability programme, ActNow.



ASSESSMENT OF OUR PROGRESS IN CHAMPIONING DIVERSITY, EQUITY AND INCLUSION

As part of our sustainability programme, Act-Now, we strive to establish an inclusive and supportive work environment that ensures equal opportunities for all and is a reflection of the society we serve. We are conscious of the fact that the energy sector has historically been led by male technical expertise. However, in order to be resilient and attract the right talent to drive the energy transition forward, we need to implement unbiased recruitment and selection processes, undertake career planning which is based on equal opportunities and hire staff with a diverse range of backgrounds.

In early 2021, we assessed our progress in terms of diversity, equity and inclusion (DEI) through the use of staff interviews and data analysis in order to identify the issues we still need to work on.

As a consequence, we developed a DEI roadmap, which includes five focus areas: establishing inclusive leadership across the whole organisation and engaging all staff; embedding unbiased recruitment and selection practices into our hiring processes; ensuring equal opportunities for all staff in the development of their careers; building an open company culture and ensuring a healthy work-life balance; and fully recognising the responsible role we play in the interest of society.

Moreover, over 20 Diversity Ambassadors are supporting their colleagues internally as the Elia group continues along its journey to becoming diverse and inclusive.



We let our employees work out their own vision of the future through specific initiatives that encourage innovation. A large part of the energy transition still has to be defined. This provides opportunities for people to contribute to its progress. At Elia, there is plenty of scope for personal initiative-taking. This is not just because we like to give our people a lot of space, but also because it's necessary. To tackle something as complex as the energy transition, you need a broad group of people to lean on. For this purpose, we have developed a specific leadership programme.

CHRIS PEETERS, CEO OF ELIA GROUP

ANNUAL INNOVATION WEEK: CO-CREATING THE FUTURE WITH OUR ECOSYSTEM

The group's 2021 Innovation Week was organised under the slogan of "Co-creating the future with our ecosystem". For the first time in the history of the group's annual Innovation Week event, staff invited their external partners to help present their 20 most innovative projects to colleagues from across the group in Berlin.

The projects in question were clustered around the five following domains: System Operations; Consumer Centricity; Infrastructure; Asset Management; and Offshore. The week ended with project leaders taking part in a virtual panel discussion about the group's Moonshot projects (each of which relate to one of the five domains above; see the chapter entitled '[Our purpose and strategy](#)' for more details).



BRAZILIAN START-UP TIDEWISE WINS THE GROUP'S 2021 OPEN INNOVATION CHALLENGE

The 2021 Open Innovation Challenge (OIC), which focused on offshore wind integration, received participant applications from 78 teams across the world. Having made it through to the competition final, 5 teams were invited to pitch their solutions to the competition judges during an event which was live-streamed from Berlin in June.

Brazilian start-up TideWise was selected as the winning team. They developed an unmanned surface vehicle with advanced sensors which allows offshore inspections to be performed in situations where the risk and cost of having humans on site are too high. The vehicle is able to collect aerial, surface and underwater data to carry out near real-time remote inspections and surveys and uses AI for optimal control.

The group's annual OIC aims to expand its partnerships and harness external knowledge and expertise to foster innovation in the areas it works on as a system operator. Start-ups from all over the world are invited to apply to take part in the competition, and the winning team is given the opportunity to develop their project with staff from the Elia group.



COVID-19 ANTIGEN TESTING AND VACCINATIONS FOR STAFF

Ensuring the protection of all employees as they carry out their daily activities throughout the COVID-19 pandemic has been a key area of focus for the group. The COVID-19 situation in both of our home countries (and in terms of staff contact) was constantly monitored throughout 2021, with the group's offices ensuring that its staff followed the appropriate social distancing and health and safety measures that had been put in place locally. For example, staff were encouraged to work from home as much as possible, so reducing direct contact between employees and, therefore, the risk of transmission.

Since the end of February 2021 (before the legal obligation set in), staff in Germany have been asked to take rapid antigen tests upon arrival at work if their presence in the office has been required. Additionally, 50Hertz employees were able to book their COVID-19 vaccinations through 50Hertz's online portal from February until June (with this portal being opened again in November), after which they were able to receive them at 50Hertz premises. Moreover, Elia staff have been offered daily antigen tests in its offices across Belgium when they have been asked to attend in-person meetings.



The group's exceptional stakeholder engagement during the COVID-19 pandemic

The Elia group adjusted to the reality of COVID-19 measures extremely quickly and organised 8 high-profile group-wide events that were livestreamed throughout the pandemic. Alongside this, teams from across the group engaged with local stakeholders about specific projects in Belgium (led by Elia) and Germany (led by 50Hertz) through different digital means.

No other TSO held as many engaging high-profile events as we did. We successfully managed to keep our stakeholders informed of our goals, vision, activities and publications - including two studies which outlined recommendations for accelerating the integration of renewable energy.

You can revisit the most important livestreamed events of 2021 using the QR codes below:



ELIA GROUP'S CAPITAL MARKETS DAY



TOWARDS A CONSUMER-CENTRIC AND SUSTAINABLE ELECTRICITY SYSTEM



ROADMAP TO NET ZERO



THE GROUP'S VERY OWN TV STUDIO

Given that hosting livestreamed events is very time-consuming and expensive, the group has decided to build its own studio at its headquarters in Brussels. This will enable the group to continue interacting with stakeholders through regular broadcasts - particularly international stakeholders.

Our own TV studio was used for the first time at the end of December 2021 for an internal staff event. After all, our own employees are also important stakeholders who we want to keep committed to both our vision and the energy transition.



7 Our performance



Our top key performance indicators

All our activities within the Elia group take place along the same value chain. We use the know-how we have acquired through our different subsidiaries and our interactions with stakeholders to create value.

Good progress on our strategy was carried out in 2021 - we continued to deliver value in line with the interest of society, driving the energy transition forward and so helping to decarbonise the energy sector - and, ultimately, wider society. The progress we made in 2021 in terms of fulfilling our strategy is reflected below in the set of top indicators (or KPIs), each of which is clearly linked to one or more of our strategic ambitions (please see the chapter entitled 'Our purpose and strategy').

These KPIs enable us to understand and track our progress over time and ensure comparability with other players in the energy sector. More information about the financial KPIs can be found in the [Financial Report](#), whilst more information about the non-financial KPIs can be found in the [ActNow Dashboard](#) on our website.

GOVERNANCE

Governance, Ethics & Compliance		2019	2020	2021	Target 2024
	ESG Governance Index ¹	1/12	3/12	4/12	12/12
	Compliance Index ¹	5/12	5/12	5/12	12/12

(1) Composition of the indexes available on our website

In June, the Elia group published its new Group Code of Ethics, which provides staff with guidance about how to behave in an ethical, responsible and transparent manner in their everyday work. In addition to designing clear objectives regarding ethics and transparency, an Environmental, Social and Governance (ESG) Governance Index was created to help us embed ESG factors across our business activities and decision-making processes, including the variable remuneration of our workforce. Next to the ESG Governance Index, a Compliance Index, which guides us in introducing the right measures to ensure compliance with all relevant legal and regulatory requirements, was created in 2021. As both indexes look forward, they are each composed of twelve commitments we want to achieve by the end of 2024, which explains why our scores for them may appear low today. So far, nine out of the twenty-four actions in these two indexes have been accomplished. Examples include having more than 80% of our procurement budget spent on suppliers who have signed our Supplier Code of Conduct or the introduction of specific governance arrangements for ESG topics at the group and local levels. Please see the chapter entitled '[Corporate bodies and governance](#)' for further information.

DESIGN, DELIVER AND OPERATE THE FUTURE TRANSMISSION GRID INFRASTRUCTURE SUPPORTING RES INTEGRATION

Financial Performance		2019	2020	2021	Target
	Regulatory Asset Base ² (€ billion)	9.1	9.7	10.3	n.a.
	Grid Investments (€ million)	BE: 723.5 DE: 488.6	BE: 337.4 DE: 715.9	BE: 376.7 DE: 850.9	CAPEX plan 2022-2026: BE: €4 billion DE: €5.6 billion
					

(2) Includes 80% of 50hertz; does not include Nemo Link
(3) Elia Group owns 80% of 50Hertz, numbers represent 100% of 50Hertz

Climate Action		2019	2020	2021	Target 2030
	Lines commissioned (km)	453	371	363	n.a.

Being a TSO, our biggest contribution to accelerating the energy transition is via the strengthening and expansion of the power grid, in order to facilitate the integration of renewable energy. As demonstrated in the table above, we were able to make considerable progress in the commissioning of new overhead lines and cables and successfully executed our investment programme to ensure a reliable, sustainable and affordable energy system. Driven by this organic growth, we increased the Regulatory Asset Base, which is an important driver for determining the return on the invested capital in the TSO through regulatory schemes. With our ambitious investment plan of €9.6 billion ahead of us for 2022 to 2026, we will continue to deliver this organic growth and contribute to enabling the energy transition.

FURTHER SHAPE THE (EUROPEAN) MARKETS & ENSURE HIGH SECURITY OF SUPPLY

Governance, Ethics & Compliance		2019	2020	2021	Target 2030	
		# Public info-dialogue sessions related to grid projects	75	79	68	n.a.

As outlined throughout this report, we establish two-way communication channels with all interested parties very early on in the grid development process and offer up our expertise to partners across the energy sector, including policymakers and relevant authorities, to ensure the success of the energy transition. Despite the global pandemic, we were able to hold 68 public information sessions related to our grid projects in 2021. Additionally, we organised and participated in many other discussions and exchanges with different stakeholder groups (for example, please see the section entitled **'System planning'** in the chapter on 'Our value creation model' for information about the roundtables we held). We continue to involve all stakeholders as we carry out our activities, since this is essential for our success.

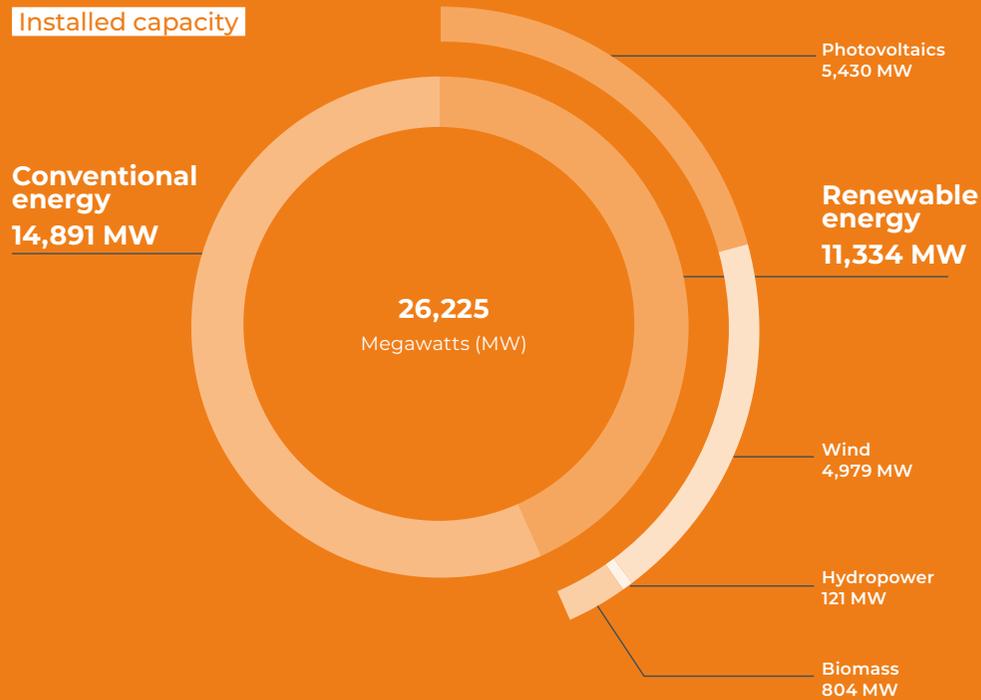
Climate Action		2019	2020	2021	Target 2030	
		Grid reliability (onshore, 150 kV and above)	99.99%	99.99%	99.99%	n.a.

With a grid reliability level of 99.99%, we provide society with a robust power grid, which is important for socioeconomic prosperity. As the share occupied by RES in the energy mix is constantly growing – as demonstrated in the chart overleaf – ensuring grid reliability is becoming more and more complex. We are working on different innovative projects like the MCCS (see the section entitled **'System operations'** in the chapter on 'Our value creation model') in order to maintain a high level of grid reliability in future.



Elia

Installed capacity



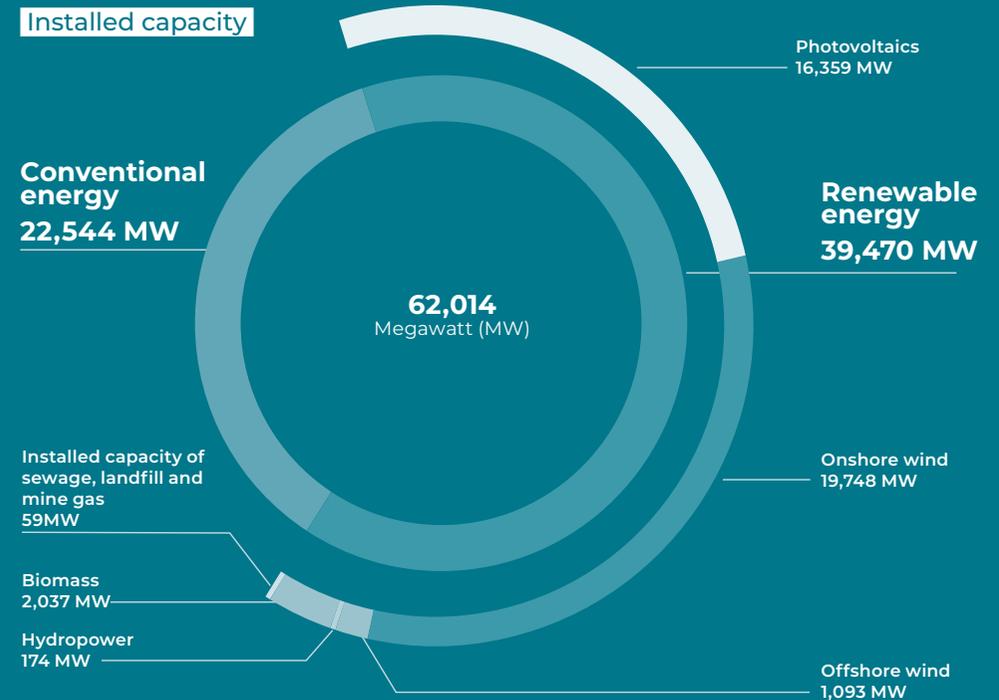
Evolution

Development of the RE share in electric supply in Elia grid area



50Hertz

Installed capacity



Evolution

Development of the RE share in electricity supply in 50Hertz grid area



This version of the integrated activity report includes corrections relating to data that was included in the original (and printed) version of this report.

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS

		Climate Action	2019	2020	2021	Target 2030
		Scope 1 emissions (tCO ₂ e)	16,868	19,804	15,807	Carbon neutrality (including offsetting)
		Scope 2 emissions (tCO ₂ e)	1,051,115	938,956	1,092,151	-28% for grid losses; carbon neutrality for own energy consumption (including green procurement and offsetting)
		Scope 3 emissions (tCO ₂ e)	60% of Scope 3 emissions are accounted for on the basis of mature (primary) data; Scope 3 reduction target to be set by mid 2020s			

The combination of low amounts of wind and a shift towards hard coal and lignite (due to high gas prices in 2021) in the 50Hertz control zone temporarily drove the CO₂ intensity of electricity generation up. However, the combination of a small rise in renewable production and an exceptionally reliable year in terms of nuclear energy in the Elia control zone resulted in a lower CO₂ intensity in 2021. This means the emissions from grid losses rose slightly in the 50Hertz control area in 2021 and decreased slightly in the Elia control area. Looking at our own activities, we were able to introduce the first SF₆-free installations in two of our substations through two proof of concepts: a 70 kV circuit breaker in the Marcourt substation in Belgium and the first alternative gas-insulated switchgear in the Charlottenburg substation in Berlin were installed. Our group-wide SF₆ phase-out strategy is well underway.

		Environment & Circular Economy	2019	2020	2021	Target 2030
		Forest corridors managed ecologically	75%	78%	79%	90%
		HV lines critical to birds equipped with bird markers	52%	58%	60%	100%

As indicated in the previous table, our ecological aisle management and bird protection programmes are being solidly rolled out. Indeed, in 2021, we undertook ecological aisle management across areas amounting to 29 hectares and 33 hectares in Belgium and Germany respectively. Moreover, by the end of 2021, 60% of the Elia group's high-voltage lines identified as critical for birds had bird markers installed along them, meaning that 10 additional kilometres of lines were equipped with markers last year.

STRENGTHEN THE GROUP'S POSITION THROUGH INORGANIC GROWTH & EXPAND INTO NEW BUSINESS AREAS

In 2021, we continued to strengthen the group's position through our inorganic growth: we investigated new business opportunities and prepared the establishment of a new subsidiary to expand our international offshore activities. Through WindGrid, Elia Group will continue to expand its activities overseas, since large-scale investments are being planned to develop offshore electricity grids in Europe and beyond. Indeed, the European Commission is aiming to quadruple Europe's current offshore wind capacity to 60 GW by 2030 and 300 GW by 2050.

BE A LEADER IN HEALTH AND SAFETY & EVOLVE OUR CULTURE AND TALENT

		Health & Safety	2019	2020	2021	Target 2030
		Group TRIR ⁴	4.6 ⁴	5.5 ⁴	6.3 ⁴	Below 6.5
		Absentee Rate Group ⁵	3.3%	2.9%	3.0%	Below 5%

(4) Calculated as: (the number of work accidents with and without lost time)*1,000,000 / (The total number of working hours over the year); excludes subcontractors - they will be included from 2022 onwards;

(5) Corresponds to health rate (1-x)

Our track record in terms of safety in 2021 is overshadowed by a fatal accident that occurred as maintenance activities were being undertaken on 29 September. An investigation into the accident was carried out and additional measures are being implemented to prevent such accidents from reoccurring. The event has reinforced the group's resolve to make sure that all of our employees return home safely every day.

In 2021, Elia adopted a new global prevention plan 2020-2025, which outlines its health and safety strategy for the years to come: ensuring a solid approach to health and safety alongside enhancing our safety culture, with visible and exemplary safety leadership demonstrated by each individual. After the successful introduction of the Safety Culture Ladder certification system (SCL scale 1 to

5) in 2020, an intermediate audit was carried out in 2021. This confirmed that Elia's safety practices are aligned with a Level 3 on the SCL scale and included recommendations for the organisation as it aims to reach a Level 4.

A second monitoring audit was carried out at 50Hertz in accordance with ISO 45001:2018. The auditor verified the effectiveness of 50Hertz's occupational health and safety management system, concluding that the organisation demonstrates a high level of occupational safety awareness. The auditor observed no deviations from the required standards at the sites that they visited. Furthermore, 50Hertz focused on in-depth exchanges with its contractors. In July 2021, the managing directors of all overhead line construction contractors working for 50Hertz were invited to a "Safety Dialogue" in order to discuss accidents and their possible causes. Given the success of this initial session, such discussions will now be held on a regular basis.

Diversity, Equity & Inclusion		2019	2020	2021	Target 2030
	Women in total workforce	21.1%	21.9%	22.2%	Currently being defined
	# Nationalities	27	32	37	n.a.
	Employee commitment index	n.a.	69	69*	Currently being defined

* The survey is performed once every two years. It aims to collect feedback from employees about their views and general level of satisfaction with regard to Elia and 50Hertz as workplaces; the Index is made up of 7 questions.

The Diversity, Equity & Inclusion (DEI) KPIs related to the number of nationalities and women included in our workforce have increased steadily over the past 3 years. Elia was assessed as having made progress in the categories of 'diversity and inclusion' and 'leadership' by the Top Employer Institute (who awarded Elia the 'Top Employer' label for the fifth year in a row for 2021); indeed, the proportion of women who form part of our total workforce is increasing. Moreover, as our workforce becomes more diverse in terms of the nationalities it includes, our decision-making and innovation improve.

The Elia group published a DEI Charter outlining Senior Management's commitment to further embedding DEI across the organisation. In addition, in order to track and progress towards the fulfilment of our DEI ambitions, the Elia group developed a DEI data dashboard. Moreover, as part of the group-wide diversity and inclusion awareness campaign, a series of 'blind conversations' focusing on DEI were launched, which almost 100 colleagues participated in. To respond to some of the topics raised during these conversations, a series of training modules for employees was developed; these modules focus on challenging unconscious bias and encouraging an inclusive culture and leadership practices.

REALISE OUR DIGITAL TRANSFORMATION

Achieving our digital aspirations is crucial for coping with the changing context we operate in. Part of our digital transformation journey has involved the recent establishment of a Digital Transformation Office (see chapter entitled '[Our purpose and strategy](#)').

FINANCE OUR FUTURE

Financial Performance		2019	2020	2021	Target	Progress
	Adjusted Net Profit (€ million)	306.2	308.1	328.3	n.a.	
	ROE (adj.) ¹	7.66%	7.2%	7.56%	n.a.	
	Gross dividend per share (€)	1.69	1.71	1.75	n.a.	

(1) Determined as the result attributable to ordinary shareholder/equity attributable to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve);

The adjusted net profit is used to compare our performance between years, while the ROE (adj.) provides an indication of our ability to generate profits relative to our invested equity. In 2021, the adjusted net profit went up by 6.6%, reaching €328.3 million, following Nemo Link's very strong performance and solid operations in Belgium which offset the reduced result in Germany, which was driven by increased operational expenses. An increased dividend of €1.75 per share will be proposed at the General Meeting of 17 May 2022. For detailed information on our financial performance, please see our [Financial Report](#) and the livestreamed analyst call we organised regarding the Elia group's 2021 [full-year results](#).

INCREASE EFFICIENCY, REALISE SYNERGIES & OPTIMISE RESOURCE ALLOCATION

In order to successfully deliver our strategy, we want to encourage a shift in our organisational culture. We are therefore embedding 6 key behaviours (the MAD behaviours) across the group. Whilst ensuring excellence in our work is key, focusing on 'Impact' while overcoming complexity and eliminating complications through 'Simplification' is also important. In order to increase our efficiency and realise synergies, we depend on alignment and accountability across the whole group, in line with the behaviours of 'One voice' and 'One company'.

Please see the chapter entitled '[Our purpose and strategy](#)' for further information.



8 Corporate bodies and governance

One-tier governance structure

Elia Group has a one-tier governance structure which comprises a Board of Directors and an Executive Management Board.



Luc Hujuel tendered his voluntary resignation as non-executive director of Elia Group SA/NV as of 31 December 2021 (at midnight). To replace Luc Hujuel, the Board of Directors, on 17 December 2021, co-opted Thibaud Wyngaard, upon the proposal of Publi-T, as non-executive director as from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director will be proposed to the Ordinary General Meeting to be held on 17 May 2022.

Board of Directors

Elia Group is managed by a Board of Directors that is composed of at least ten (10) and a maximum of fourteen (14) members who are appointed for a maximum of six (6) years. All members are appointed during General Meetings and may be dismissed during these. These directors strive for consensus in their decision-making.

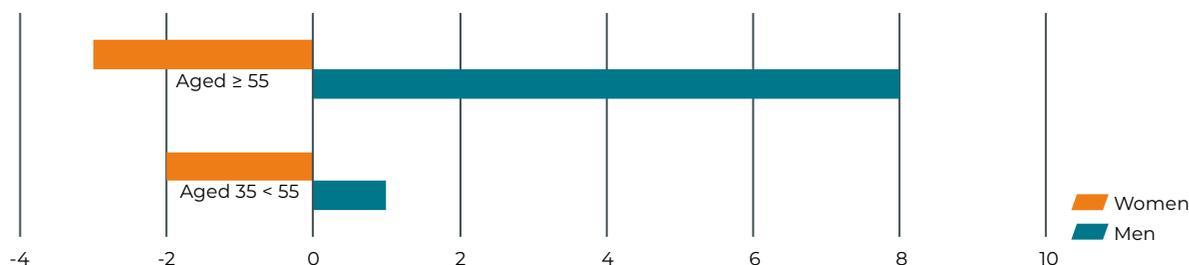
The Board of Directors consists exclusively of non-executive directors. At least three (3) directors are independent directors in line with the meaning of this term outlined in section 7:87 of the Belgian Code of Companies and Associations. Moreover, at least one third (1/3) of the members of the Board of Directors are required to be of the opposite sex to the remaining members (the minimum number required is rounded off to the nearest whole number). When renewing the directorship of each member, care is taken to ensure that a linguistic balance is achieved with regard to directors who hold Belgian nationality.

Currently, the Board of Directors is composed of fourteen (14) non-executive members, of which seven (7) members are independent directors and seven are non-independent directors appointed in line with proposals from Publi-T. The composition of the Board of Directors is based on seeking to achieve a good balance in terms of the diversity and complementarity of the skills, experience, knowledge and gender of each of its members. All directors comply with the unbundling requirements vis-à-vis the production or supply of electricity.

- | | |
|---------------------------|-------------------------------|
| 1 Bernard Gustin | 8 Luc Hujuel |
| 2 Claude Grégoire | 9 Roberte Kesteman |
| 3 Geert Versnick | 10 Jane Murphy |
| 4 Michel Allé | 11 Dominique Offergeld |
| 5 Luc De Temmerman | 12 Pieter De Crem |
| 6 Frank Donck | 13 Rudy Provoost |
| 7 Cécile Flandre | 14 Saskia Van Uffelen |

Our Board of Directors' composition, diversity and tenure is based on balancing gender, skills, experience and knowledge to ensure effective leadership.

DIVERSITY WITHIN BOARD OF DIRECTORS - AGE AND GENDER (# OF DIRECTORS)



The Board of Directors assumes responsibility for and recognises it is the guardian of corporate governance, meets all legal requirements and applies/adheres to the following pillars:

- the (Belgian) 2020 Corporate Governance Code, which Elia Group has adopted as its benchmark code;
- the (Belgian) Code of Companies and Associations;
- Elia Group's Articles of Association.

The Board of Directors is collectively responsible to strive for the long-term success of the Company by providing business leadership and ensuring that risks are anticipated and managed. In this regard, the Board of Directors must decide on the values and strategy, risk profile and key policies of the Company. The Board of Directors must ensure that Elia Group has the financial and human resources necessary to achieve its objectives.

The Board of Directors is supported by four (4) advisory committees: the Remuneration Committee, the Audit Committee, the Nomination Committee and the Strategic Committee.

Remuneration Committee

The **Remuneration Committee** is (among others) responsible for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Executive Management Board and of the Board of Directors.

The Remuneration Committee met six (6) times in 2021, with an attendance rate of 100%. In 2021, it prepared, amongst others, the remuneration report 2020 for presentation to the Ordinary General Meeting and reviewed Elia Group's remuneration policy and the compensation model of the Executive Management Board of Elia Group as from 2022. A new remuneration policy 2022 will be presented to the Annual General Meeting on 17 May 2022.

Audit Committee

The **Audit Committee** is (among others) responsible for examining accounts and exercising control over the budget, monitoring the effectiveness of the internal control and risk management systems, and monitoring the statutory audit of the annual accounts.

The Audit Committee met five (5) times in 2021, with an attendance rate of 96,00%. In 2021, it examined, amongst others, the annual accounts for 2020, under both Belgian GAAP and IFRS as well as the half-yearly results as at 30 June 2021 and the 2021 quarterly results, in accordance with Belgian GAAP and IFRS rules. The Audit Committee also reviewed the yearly budget process and the group Business Plan for 2022-2026. In addition, it followed up the risk management activity and took note of the internal audits carried out and the recommendations made. The Audit Committee followed an action plan for each internal audit carried out, in order to improve the efficiency, traceability and

awareness of the areas audited and thereby reduced the associated risks and provided assurance that the control environment and risk management are appropriate.

As from 2022, the Audit Committee will also contribute to the preparation of Elia Group's sustainability report and will monitor the implementation of the group's sustainability policy.

Nomination Committee

The **Nomination Committee** is (among others) responsible for providing advice and support to the Board of Directors regarding the appointment of the directors, the Chief Executive Officer and the members of the Executive Management Board.

The Nomination Committee met nine (9) times in 2021, with an attendance rate of 100%. In 2021, it dealt in particular with the following matters: compliance with the requirements in the area of full ownership unbundling concerning the non-executive directors, proposal for the (re-)appointment of non-executive directors, follow up of future Board mandates to be renewed in 2022, review of the Corporate Governance Charter, reports of the Compliance Officer and preparation of the Corporate Governance Statement 2021.

Strategic Committee

The **Strategic Committee** is (among others) responsible for providing advice and recommendations to the Board of Directors on the business development activities and international investment policy of the Company in the broadest sense, including the method of financing.

The Strategic Committee met nine (9) times in 2021, with an attendance rate of 95,24%. In 2021, it assisted the Board of Directors by issuing recommendations and advices on the business development activities, including the international investment policy of Elia Group. As from 2022, the Strategic Committee will also advise the Board on the sustainability policy of Elia Group as well as on the reporting in view of the new European taxonomy legislation.

Executive Management Board



1 Chris Peeters
Chief Executive Officer and
TSO Head Elia

2 Catherine Vandendorpe
Chief Financial Officer

3 Stefan Kapferer
TSO Head 50Hertz

4 Peter Michiels
Chief Human Resources,
Internal Communication
Officer, Chief Alignment
Officer

**5 Michael Freiherr Roeder
von Diersburg**
Chief Digital Officer

The Executive Management Board (*Collège de gestion journalière/College van dagelijks bestuur*) is responsible for the day-to-day management of the company, including all commercial, technical, financial, regulatory and personnel matters related to this day-to-day management of the company, as well as for the regular reporting to the Board of Directors on its operational activities in the company and its policy in the key subsidiaries.

The composition of Executive Management Board is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge. When searching for and appointing new members of the Executive Management Board, special attention is paid to diversity parameters in terms of age, gender and complementarity.

The Executive Management Board generally meets at least twice (2) a month.

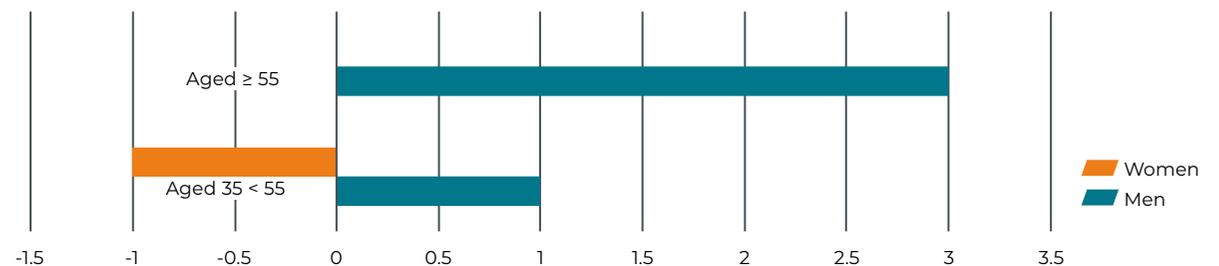
Each quarter, the Executive Management Board reports to the Board of Directors on the company's / the group's financial situation (in particular on the balance between the budget and the results stated) and all day-to-day management responsibilities, in particular on the management by the group of the transmission system activities in the main Belgian and German affiliates of the group (Elia Transmission Belgium / Elia Asset and 50Hertz). In this context, it reported in 2021 on, amongst others, the follow-up of the group's investment programme (including the

monitoring and development of major investment projects), the group's infrastructure (including as to maintenance and operations), the evolutions in the energy policy field (including the main decisions taken by regulators and administrations), human resources matters, safety and security issues and M&A/business development matters. The Executive Management Board also followed-up the most important group risks and their mitigation measures as well as the recommendations of the internal audit.

The Board of Directors delegated the day-to-day management to the Executive Management Board within the limits of the rules and principles of general policy and the decisions adopted by the Board of Directors of the company.

There is strong and continuous interaction between the Board of Directors and the Executive Management Board. The Executive Board reports to the Board of Directors on the company's financial situation and on the management by the group of the transmission system activities in the main Belgian and German affiliates of the group.

DIVERSITY WITHIN EXECUTIVE MANAGEMENT BOARD - AGE AND GENDER (# OF EXECUTIVE BOARD MEMBERS)



Governance matters are highly important for Elia Group and are fully embedded into the Dimension five of Elia Group's ESG programme, ActNow.

Sustainability is fully embedded into our business strategy. Our sustainability ambitions are consolidated at Group level and overseen by the Group Sustainability Office (GSO), which consists of the Group-wide Strategy Department and local sustainability managers from Belgium and Germany. The GSO reports directly to the Elia Group Management Board via its sponsors: the Group's Chief Financial Officer, who oversees dimensions of Climate Action and Environment & Circular Economy; and Elia Group's Chief Alignment Officer, who oversees the dimensions of Diversity, Equity & Inclusion, Health & Safety and Governance, Ethics & Compliance.

The GSO sets sustainability targets and ambitions in close collaboration with the business, which is represented by Dimension Leaders for each ActNow dimension. Progress made in line with these targets is measured through joint KPIs that apply to Elia Transmission Belgium and 50Hertz.

Local roadmaps are determined on an annual basis for Elia Transmission Belgium and 50Hertz. These roadmaps, which identify the activities that each subsidiary needs to focus on, are adapted to their local environment and ensure that both subsidiaries contribute to meeting the Group-wide sustainability objectives. The roadmaps are overseen by local sustainability boards, which are established by the local sustainability managers; they report to their local executive committees. The local sponsors of ActNow are the Chief Community Relations Officer at Elia Transmission Belgium and the CEO at 50Hertz.

For further details, see the Corporate Governance Statement included in the 2021 [Financial Report](#).

Culture and ethics

Integrity and ethics form an important part of our interactions with internal and external stakeholders. The Executive Management Board and senior management regularly communicate both internally and externally about these principles to make the rights and responsibilities of the Group's subsidiaries and their employees transparent and tangible.

These principles are described and listed in the following documents: the Code of Conduct, the Code of Ethics, and the corporate governance charter.

Going forward, we will add an anti-bribery and corruption policy.

GOVERNANCE, ETHICS AND COMPLIANCE

Target Matrix

Governance, Ethics, Compliance & Transparency

Objective 1 (Governance)

Accountable rules & processes

Key Result Areas:

- Adoption of international best-practice approaches to serve long-term stakeholder interests
- Strategic perspective of sustainability (longterm ambitions)
- Effective internal controls and external audits leading to prompt actions

Objective 2 (Ethics)

Sustainable mindset & behaviors

Key Result Areas:

- Clear expected behaviors with no tolerance for ethical breaches
- Culture of speaking out and simple procedures
- No links with any political or religious activities
- Highest integrity towards contractors and suppliers

Objective 3 (Compliance)

Conformity with external & internal rules

Key Result Areas:

- Compliance with all relevant legal and regulatory requirements
- Prevention of fraud/abuse
- Detection of compliance issues at early stages and prompt corrective action/consequence management

Objective 4 (Transparency)

Openness & meaningful stakeholder dialogue

Key Result Areas:

- Full, fair, accurate, timely, and understandable provision of useful information
- Reporting in accordance with recognized international standards
- Proactive stakeholder dialogue

Mainly qualitative key results with some quantitative indicators (and ESG ratings scores)

Action plan Governance

Action plan Ethics

Action plan Compliance

Action plan Transparency

Risk management and internal control

Elia Group closely monitors its main risks and opportunities in order to undertake informed decision-making and efficiently control their impact on its performance. The Elia Group Risk Management framework is strongly aligned with the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which includes best practice related to the assessment of business risks. Each identified risk is analysed in light of its potential impact on the different types of capitals (see 'Glossary') and its link with the 3 strategic pillars (see chapter entitled '[Our purpose and strategy](#)').

Elia Group is committed to avoiding risks that could potentially harm its existence, to reducing risk positions as far as possible and to optimising its risk-opportunity profile. In line with this, Elia Group has appointed a Head of Group Risk Management, who reports directly to the Group Chief Financial Officer.

Each subsidiary of Elia Group has risk guidelines in place which outline how risks are systematically identified, recorded, assessed and monitored throughout each financial quarter. A risk workshop is held once a year during which all division heads (second management level) as risk owners and the Head of Group Internal Control and Risk Management discuss the most significant risks and related topics with the Executive Management Board.

The process in place aims at identifying key risks, assessing them, defining appropriate responses, communicating them to the Board of Directors and monitoring the effectiveness of mitigation actions. All the information collected by these processes is recorded in risk registers. Regular exchanges between risk managers and risk owners allow these registers to be kept up-to-date. The most important elements are summarised in risk reports, which are presented to the Board of Directors and Audit Committee four times a year.

Past risk analyses have contributed to highlighting Elia Group's vulnerability to climate change and the need to tackle this through specific projects; for example, the floods which occurred in July 2021 in Belgium led to new risks being taken into account and ActNow was updated to include a new objective: climate change resilient infrastructure.

For further details, see the section entitled 'Risk Management and Uncertainties' included in the Corporate Governance Statement in the 2021 [Financial Report](#).

Remuneration

The remuneration of the directors consists of a base salary and an attendance fee per meeting of the Board of Directors.

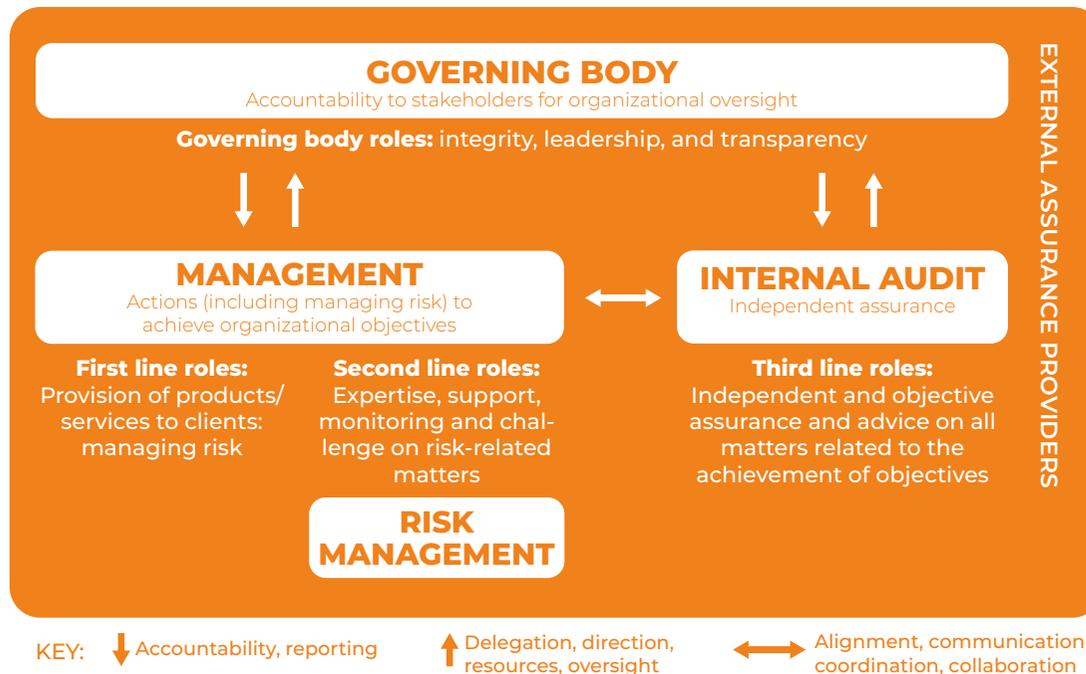
The remuneration of the members of the nomination committee, the remuneration committee and the audit committee also consists of a base salary and an attendance fee per meeting.

The members of the Strategic Committee are not remunerated, with the exception of the Chairman, who is remunerated in the same way as the Chairmen of the other advisory committees of the Board of Directors.

The Remuneration Committee is responsible for the Remuneration policy defining the remuneration of the members of the Executive Management Board. This remuneration consists of a fixed remuneration and a variable remuneration.

The objective of Elia Group's remuneration policy is to attract, retain and motivate the best talent so that it can achieve its short- and long-term goals within a coherent framework.

The total amount of remuneration paid out to the members of the Executive Management Board in the 2021 financial year has contributed to the long-term objectives and the sustainability of Elia Group as the structure of the Executive Board's remuneration is designed to promote sustainable value creation by the company. The level of the fixed remuneration ensured, on the one hand, that the Elia group could rely on a professional and experienced management, even in more difficult times, such as the Covid-19 crisis. The payment of the short-term bonus, on the other hand, ensured the realization of the performance criteria that translate the Elia group's strategy. The long-term success of the company was further stimulated by the long-term incentive plan, through which the members of the Executive Board were also rewarded in case of a.o. the realization of the energy transition.



Going forward: 2022

Improvement axes were identified, now that our ESG programme Act Now is up and running, the objectives of this programme were included in the variable remuneration both in long-term and short-term collective targets.

Finally, in addition to designing clear objectives on ethics and transparency, we also created an ESG Governance Index and a Compliance Index that will guide the integration of ESG factors into the heart of our business activities and decision-making processes, including the variable remuneration of our workforce. Both indexes, described in Figure 11 will be reported externally twice a year.

As both indexes look forward, they are each composed of twelve commitments we want to achieve within the next 3-4 years. We already made noteworthy progress on our roadmaps in 2021 with the accomplishment of nine actions out of twenty-four. Examples include having more than 80% of our procurement spent from suppliers who signed our Supplier Code of Conduct or the addition of an executive-level responsibility for ESG topics both at Group and local levels. We enter 2022 with a score of 4/12 for the ESG Governance Index and 5/12 for the Compliance Index.

0 or 1	Assign one Compliance coordinator in 50Hertz and Elia Transmission Belgium	0 or 1	Develop an ESG journey, including an annual sustainability governance workshop, with the Board
0 or 1	Set-up an anti-bribery and corruption policy for all Group entities	0 or 1	Provide a bi-annual assessment of the risk situation in every Group entity
0 or 1	Write a conflict of interest policy for all Group entities for all Group entities	0 or 1	Add Sustainability aspects to charter of BoD Committees
0 or 1	% employees having followed the training on anti-bribery and corruption and conflict of interest > 80%	0 or 1	Establish an annual Board performance review
0 or 1	% of the procurement spent from suppliers having signed the supplier Code of Conduct > 80%	0 or 1	Have an ESG expert in the BoD
0 or 1	Report according to IIRC as from 2023 and TCFD from 2024	0 or 1	Create a remuneration Committee within Eurogrid GmbH
0 or 1	Is the % of timely implemented internal audit recommendations > 80%. If yes, 1; else 0	0 or 1	Review and publish Severance pay policy for senior executives leaving the company: (1) No specific termination clause, (2) just local regulation applies
0 or 1	No confirmed incidents of corruption and actions taken (GRI 205-3)	0 or 1	Add an Executive-level responsibility for ESG topics both at Group and local levels (GRI 102-20)
0 or 1	No non-compliance with environmental laws and regulations notified by authorities or certification body (GRI 307-1)	0 or 1	Ensure a minimum of 20% for the weight of ActNow objectives, CAPEX Delivery excluded, in the variable remuneration of EXCO and EGMB members
0 or 1	No Legal actions for anti-competitive behavior, anti-trust, and monopoly practices (GRI 206-1)	0 or 1	Set up annual local Exco meeting on how to embed Sustainability decision-making process (Budgets, Strategic planning, orga)
0 or 1	No data breaches notified to the data protection authorities (GDPR violations)	0 or 1	Have all ActNow objectives in the Strategic Business Roadmaps of local entities and allocate required resources (FTE and €)
0 or 1	Publication of a corporate tax disclosure	0 or 1	Bridge 90% of the gaps between Elia/50Hertz's operations and the preselected set of ESG standards published by ratings agencies, investors and regulators



0...12/12

Compliance score



0...12/12

ESG Governance score



9 Risk management



The Elia group closely monitors the opportunities and risks it faces. We do this in order to carry out informed decision-making and efficiently control their potential impact on the relationships and resources we depend on to create value - and so, their impact on our performance.

Whilst an opportunity is a possible positive development that is likely to generate an increase in the value of the capitals we depend on, risks are possible negative developments.

The tables below provide an overview of: the main opportunities and risks we face; management measures we undertake for each; a measure of their importance compared with 2020; their link(s) to our 3 pillars of growth; and their potential impact on the capitals and our value chain components. Note that some of these opportunities and risks relate to the whole of our business, whilst others are specific to certain activities only.

Detailed information about each opportunity and risk and our approach to and governance of risk management is provided in our [Financial report](#).

Risks

Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Link with our pillars of growth			Impact on capitals					Impact on value chain components						
				Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship
Changing HR needs	The group's culture and skills must be aligned with our strategy. We are acting in an environment which has increased in complexity; this requires a more agile, digital and innovative mindset. Specific technical skills (in offshore, digitalisation, intellectual property...) are needed to support the achievement of our strategy - and these skills need to be acquired despite the current 'talent war'.	<ul style="list-style-type: none"> - Culture change and leadership programmes - Launch of a Digital Transformation Office - Talent management framework - Training - New Way of Working policies - Diversity & inclusion initiatives - Wellbeing initiatives 	=	X	X	X		X	X		X	X	X	X	X			X
Changing/new regulatory conditions	Unplanned and/or inconvenient changes to or misinterpretations of regulatory or policy mechanisms in Belgium or Germany could clash with the group's existing and envisioned strategy, causing severe financial and organisational impacts.	<ul style="list-style-type: none"> - Regular contact with European and national authorities - Proactive anticipation of new directives and regulations - Membership of ENTSO-E, which can provide advocacy related to changes which are aligned with our strategy 	=	X		X	X					X	X	X	X	X		X

Risk	Description	Management of risk	Link with our pillars of growth	Impact on capitals					Impact on value chain components											
				Evolution of estimated probability and impact compared with FY2020	Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services
The COVID-19 pandemic	The pandemic could impact system operations (and, therefore, continuity of supply) if minimum staff numbers in critical departments cannot be guaranteed as a result of COVID-19 infections or quarantine measures (this includes the impact of COVID-19 on the mental wellbeing of our employees and on our revenues).	<ul style="list-style-type: none"> - Regular surveys which check the mental wellbeing of our staff - Reinforced safety and access measures in control centres - Antigen tests made available on site - Vaccinations provided at our offices in Germany - Dedicated COVID-19 taskforce in Belgium 	=	X				X	X		X	X		X	X	X				X
Early termination of Transmission System Operator licences	An early revocation of the transmission system operator licenses belonging to Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH would have an adverse material impact on these entities and therefore on Elia Group SA/NV.	<ul style="list-style-type: none"> - Safeguarding security of supply and enhanced and accelerated CAPEX delivery are our top priorities - Strong governance processes in place with a focus on compliance 	=	X				X	X	X	X	X		X	X	X	X	X		X
Sustainability of income	Changes to the regulatory parameters could impact the profitability of the group.	<ul style="list-style-type: none"> - Ensuring that our strategy is aligned with the interests of society - Maintaining and growing our asset base - Increasing efficiency in our investment and asset maintenance policies - Regular and open dialogue with our regulators 	↗	X	X	X		X					X	X					X	X
Balancing	The growth in the number of renewable energy units connected to distribution systems across Europe and the number of connections to large offshore wind farms creates new challenges for operational grid management, particularly in terms of the increased volatility of energy flows across our network.	<ul style="list-style-type: none"> - Grid expansion and a higher use of the grid - National and international cooperation for grid control - Reforms to market design to unlock more flexibility (such as our proposed Consumer-Centric Market Design) - Unlocking the potential held in flexible load management - Digital and customer centricity initiatives - Enabling new market players/ technologies - Preparing an integrated balancing market at EU level 	=	X	X			X	X			X	X	X		X	X			

Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Link with our pillars of growth			Impact on capitals					Impact on value chain components							
				Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services
Adequacy	The electrification of other sectors across society will lead to a growing demand for electricity; the growth in renewable energy sources may be too slow to cover this increased demand.	<ul style="list-style-type: none"> - Adequacy and flexibility studies - Providing useful information to the authorities - Capacity remuneration mechanism in Belgium to guarantee the country's security of supply in the longer term - Dimension 1 of our ActNow programme: accelerating the decarbonisation of the power sector 	=	X	X		X	X			X	X			X	X			
Contingency events and business continuity disruption	Unforeseen events that alter the smooth operation of one or more infrastructure components are a risk; examples of such events include unfavourable weather conditions, human errors, malicious attacks, terrorism and equipment failure.	<ul style="list-style-type: none"> - Implementation of IT security measures - Security screening of critical operations/activities - Limiting access to control rooms and data rooms - Redundancy of infrastructure - Redundancy of critical tools - Additional security layer for critical infrastructure - Risk preparedness plan for electricity sector - Business continuity and restoration plans - Asset condition monitoring 	=	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X
Climate change and the energy transition	Changes to the climate and the energy transition cause uncertainties and challenges in terms of the markets, system and infrastructure.	<ul style="list-style-type: none"> - ActNow programme - Infrastructure design / stringent climate-related design conditions - Climate vulnerability assessments - Climate adaptation plan for our existing infrastructure 	↗	X	X		X	X		X	X	X	X	X	X	X	X	X	
Failure of information & communication technology (ICT), data security and protection measures	A failure of our ICT systems and processes or a breach of their security measures could result in losses for customers and reduced revenues for the group and its affiliates.	<ul style="list-style-type: none"> - Implementation of IT security measures (e.g.: IT segmentation, backups, failover mechanisms) - Compliance with relevant regulation (GDPR/network codes/NIS directive/ISO27000) - Employee awareness raising and training 	↗	X	X		X	X	X		X	X	X	X	X	X	X	X	

Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Link with our pillars of growth				Impact on capitals					Impact on value chain components					
				Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship
Permitting	The need to obtain infrastructure approvals and permits within certain time frames represents an important challenge. These approvals and permits can be challenged (in court), further delaying projects.	<ul style="list-style-type: none"> - Transparent communication and dialogue with local communities - Concrete and open stakeholder management - Working closely with local authorities to achieve common goals 	=	X	X	X			X	X		X						
Suppliers	Given the complexity of infrastructure works, the increasing demands on the market, and the fact that factories have increasing numbers of orders to fulfil, the group may find it challenging to find enough suppliers for its projects, may end up paying more for services or may have to deal with issues surrounding the quality of products/services they purchase.	<ul style="list-style-type: none"> - Earlier placing of orders - Improved capacity forecasts - Widening the range of possible suppliers - Improved support for new suppliers - Encouraging increased transparency across the supply chain - Internal expertise related to critical technologies and tools - Regular price revisions 	↗	X	X	X	X				X	X					X	
Health and safety accidents	Accidents, asset failure or external attacks may cause harm to people which may lead to liabilities.	<ul style="list-style-type: none"> - Promotion of a strong safety culture (safety culture ladder) - Active implementation of health and safety policies 	=	X	X		X	X		X	X		X	X				
Negative changes in financial markets	The ability of the organisation to access global sources of financing to cover its financing needs or repayment of its debt could be impacted by the deterioration of financial markets.	<ul style="list-style-type: none"> - Strong treasury risk monitoring - Diversified financing sources in debt instruments and good balancing of maturities of its funding - Green financing - Ring-fenced group structure with separate S&P credit rating for ETB, Elia Group and Eurogrid GmbH 	↗	X	X	X												X

Risk	Description	Management of risk	Link with our pillars of growth			Impact on capitals					Impact on value chain components								
			Evolution of estimated probability and impact compared with FY2020	Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services
Cash flow	Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues (incl. interest expenses) may have a negative short-term effect on the financial position of the group.	<ul style="list-style-type: none"> - Daily short-term liquidity management - Availability of credit lines and commercial paper programs - Improvements in forecasting (energy volumes) - Involvement in the design of regulatory mechanisms and tariffs 	=	X	X	X											X		X
New business developments	Any negative results from new business developments are entirely borne by the group; they represent an additional financial risk and could impact its reputation.	<ul style="list-style-type: none"> - Ring-fenced group structure - Capped liabilities in contracts - Strong governance and risk management process for decision-making regarding new business developments 	=		X	X	X			X								X	
Legal disputes, liabilities	The outcome of legal disputes and lawsuits may negatively affect business operations and/or the organisation's financial results.	<ul style="list-style-type: none"> - Risk management process aimed at avoiding legal disputes as far as possible - Capped liabilities in contracts - Identification of appropriate legal provisions 	=	X	X	X	X												X

Opportunities

Opportunity	Description	Response to opportunity	Importance of opportunity compared with FY2020	Impact on capitals					Impact on value chain components							
				Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services
Offshore evolution	The Elia group has to support the harnessing of offshore capacity by coming up with smart solutions for planning and operations, as well as the timely delivery of onshore and offshore infrastructure.	- Definition of the group's offshore strategy, so the organisation can play an active role in offshore development and help Europe to reach its targets in this area.	=	X	X	X		X	X						X	
Digital transformation	The group must embed digitalisation across all of its activities in order to drive its transformation; better understand how the world will evolve; and develop its activities to operate efficiently in the interest of society.	- Digitalisation is an integral part of the group's strategy - The organisation of the group has been adapted to enable more digitalisation - Launch of a digital transformation programme and a Digital Transformation Office	=	X	X	X	X			X	X	X	X	X	X	X
Relevant role played in the energy transition leading to a sustainable future	The energy transition lies at the heart of our vision and Elia Transmission Belgium and 50Hertz Transmission aim to play an exemplary role in this by integrating sustainability into their activities and be a trusted advisor for the authorities.	- The interests of society drive every decision taken - Ambitious sustainability targets included in the ActNow programme - Studies carried out to anticipate impacts (e.g. Roadmap to net zero / Vision 2050, e-mobility study) - Climate change vulnerability assessments	⤴	X	X	X	X	X	X	X	X	X	X	X	X	X
CAPEX realisation	The execution of its project portfolio in a timely and effective manner forms a key part of the Elia group's strategy. The group is aware that this opportunity is closely linked to its ability to manage a much larger portfolio than it ever has before in a context of operational constraints (see risk section).	- Strong culture of high performance and delivery - Implementation of federal development plans - Risk management in infrastructure projects - Enhanced CAPEX delivery - Efficiency and simplification through use of behavioural standards	⤴	X	X			X			X					

10 2022 Outlook



Strongly committed to the energy transition

As a company that comprises two system operators, we work in close collaboration with local governments and regulators, who create the conditions we need to deliver what society expects from us: a reliable, sustainable and affordable energy system. As outlined in our 'Roadmap to net zero' publication last year, in addition to energy saving, direct electrification (of both households and industry) is the most efficient way to decarbonise society. Accordingly, we are doing our utmost to develop high-quality infrastructure on time and within budget. Additionally, we are encouraging changes in electricity market design and - by harnessing digitalisation - are facilitating the participation of many kinds of market players.

However, there is a mismatch between European climate targets and the current pace at which developments are occurring. To reach climate neutrality by 2050, RES development needs to be sped up by a factor of three. We are therefore at an important turning point: the next ten years will be crucial in terms of reaching net zero. Policymakers at all institutional levels need to focus on measures that create the right investment framework and reduce the throughput time of RES expansion projects and the realisation of the necessary grid infrastructure.

CAPEX plan of €9.6 billion for the next 5 years

In Belgium, our CAPEX plan amounts to €4.0 billion for the next 5 years. The stable basis for this plan is formed by annual investments dedicated to the replacement or reinforcement of existing infrastructure to absorb the higher infeed of renewable energy. From 2023 onwards, the further integration of the European electricity system and the decarbonisation of society will drive a second wave of important investments marked by higher CAPEX, mainly driven by the following projects: the Energy Island; Nautilus; Ventilus; and Boucle du Hainaut.

In Germany, our CAPEX amounts to €5.6 billion over the next 5 years. The main drivers of this are the construction of new substations, upgrades to several 400 kV overhead lines, the construction of an HVDC corridor (the SuedOstLink) and additional connections to offshore wind farms (including Ostwind 2, Ostwind 3 and Gennaker).

Electrification will unlock flexibility to facilitate further RES integration

As RES expansion continues and electrification spreads across society, there is a growing need for additional flexible assets which can help to match the demand for electricity with production patterns.

Today, industry is the provider of such flexibility (by increasing or decreasing energy consumption or providing battery technologies, for example). As outlined in our 2021 white paper, a consumer-centric market design will open the door for consumers to provide some of the flexibility the grid increasingly needs. Such a design will allow more renewable energy to be efficiently integrated into the system at the same time as allowing consumers to reap the benefits of their investments in flexible assets (such as EVs, heat pumps and home batteries), so furthering the decarbonisation of society.

Digitalisation in the name of efficiency and decarbonisation

Enabling consumers to play a leading role in providing the grid with flexibility can only be carried out through the widespread digitalisation of flexible assets and different activities along our grid. This will encourage the development of consumer-centric services, which will deliver increased comfort to consumers and enable them to optimise their energy costs whilst also encouraging a shift to a system under which the consumption of electricity is aligned with its production (rather than the other way round).

If we are able to develop a digital electricity system and encourage an adapted market mechanism which is in sync with the arrival of additional grid infrastructure, we will be building an industrial concept that is very future-oriented and a stepping stone to the realisation of the Green Deal. This stepping stone will strengthen our strong position in offshore wind and the development of a new market design for the balancing market.

A sea of opportunities

In addition to the massive growth in offshore wind development (both close and far offshore), additional subsea interconnectors which will contribute to the further integration of the European electricity grid will have to be built. Moreover, the development of major projects in our control areas will be complemented by many opportunities that will appear outside of our captive markets.

This is why we decided to establish a new subsidiary: WindGrid. Its creation is a logical step in the further expansion of Elia Group as an international energy company. WindGrid will be a reliable partner for policymakers and authorities that want to proactively build offshore grid infrastructure and for renewable energy developers that are looking for solutions which will allow them to connect their offshore energy assets to onshore electricity networks. By building on the experience and know-how of the Elia group and co-investing in international offshore grid infrastructure, WindGrid will make a key contribution to accelerating the energy transition.

Challenges brought about by the energy transition

Whilst uncertainty regarding the necessary policies and roadmap for reaching net zero remains, some of the challenges we are facing are clear. These must be addressed in time to ensure decarbonisation is a success. In addition to securing sufficient investment capital, speeding up our activities and transforming into a truly digital company, we must attract and retain the best talent with the right skills and expertise. Failure to secure each of these could affect the speed at which we execute our strategy and so the acceleration of the energy transition.

11 Appendix

Development of materiality matrix

Of the sources used to develop our current materiality matrix (see the chapter entitled '[Our value creation model](#)'), sources (1) and (2) determined the assignment of X axis values to each topic. These remained largely unchanged compared with the values assigned to each topic as part of our 2020 matrix (included in our 2020 Sustainability Report). New material topics which were identified following the introduction of our ActNow programme (and which were not included in the 2020 matrix) were assigned values by Senior Management.

Moreover, sources (3) and (5) determined the assignment of Y axis values to each topic. Whilst the stakeholders we interviewed were asked to rank the topics in order of importance for them, our financial stakeholders were asked to assign a score to each topic (between 1 and 10, with 10 indicating 'high importance'). Once we had received the results from each set of stakeholders, we aligned both approaches with each other: we assigned a score to the topics which had been ranked by our stakeholders who had been surveyed as part of (3). As an example, if a given topic had been assigned an average score of 9.5 by our financial advisors, and this topic ranked second in terms of its score, we assigned the score of 9.5 to the second most important topic identified by our other stakeholders. This allowed us to calculate an average score for each topic, which then led to their placement along the Y axis.

SOURCES USED TO DEVELOP OUR MATERIALITY MATRIX

1. Internal survey undertaken in 2020
2. Topics which were found to demonstrate 'double materiality'
3. External consultation undertaken in 2020
4. Roundtables undertaken in 2021
5. Capital Markets Day survey undertaken in 2021
6. International studies and frameworks

Glossary

Whilst we aim to make our Annual Report accessible to everyone, it does include technical terms and abbreviations. Below are two lists, as follows: the first includes the most frequent technical terms, each one accompanied by an explanation of its meaning; please note that these explanations are not the legal definitions of each term. The second list includes Integrated Reporting terms, which aim to support our stakeholders as we progress on our <IR> journey.

GENERAL TERMS

50Hertz Transmission GmbH (50Hertz): One of Elia Group SA/NV's subsidiaries - a transmission system operator which operates in the north and east of Germany.

Adequacy: This is a measure of whether an electricity system carries enough capacity to meet the demand for electricity under normal conditions. A system is considered 'adequate' if it has sufficient capacity; this capacity can come from generation sources (such as a wind farm); electricity imports; and (increasingly) flexibility assets.

Alternating current (AC): AC is a type of electrical current which regularly reverses its direction: the direction of the flow of its electrons switches back and forth on a regular basis. A typical household plug is usually an AC plug.

Balancing services: One of the services that system operators have to ensure in order to maintain the balance between supply and demand in real time across the electricity system.

CAPEX: Abbreviation of 'capital expenditure'. This is the amount a company spends on building or upgrading its assets; for the Elia group, this includes our lines, pylons, and substations.

Carbon dioxide equivalent (CO₂e): A measure of how much a gas contributes to global warming when compared with carbon dioxide.

Carbon footprint: This is a measure of the amount of greenhouse gases produced as a result of an individual's or organisation's activities.

CCMD / Consumer-Centric Market Design: This is the name given to the Elia group's proposed market design, which aims to place consumers at the centre of the energy system, give them a more active role in the electricity system and allow them to benefit from better energy services. In turn, this is expected to facilitate the energy transition.

CRM / Capacity Remuneration Mechanism: This is one of several measures that can be adopted to ensure a country's security of electricity supply. Such mechanisms provide payments to electricity generators which guarantee that they will be available for electricity generation if this is needed at some future point in time. These payments are in addition to the earnings that power plants make by selling electricity on the market.

Direct current (DC): DC is a type of electrical current which flows in one direction only. Household appliances that run on batteries employ DC.

Driver (of the energy transition): the Elia Group is a driver of the energy transition: through our activities, we support the decarbonisation of the power sector, of the economy, and, ultimately, society. We are working towards ensuring that Europe reaches net zero by 2050.

DSO / distribution system operator: An organisation which is responsible for the transportation of energy (gas or electricity) across fixed infrastructure, generally on a regional level within a country.

E-mobility: Shortened term for electromobility, which is the umbrella term for methods of transportation which are powered by electricity.

Electrification: This is the process of powering a system or machine via the use of electricity (instead of another energy source, which the electricity replaces).

Elia Grid International: A wholly owned subsidiary of Elia Group and 50Hertz: a consultancy which provides international clients with services related to energy market development, asset management, system operation, grid development and the integration of renewable energy sources into electricity systems.

Elia Group (SA/NV): This acts as a holding company which owns a number of subsidiaries.

Elia group, the: This expression refers to the different subsidiaries which form Elia Group SA/NV.

Elia group's grid: This encompasses the network of transmission infrastructure and associated assets that we own and manage in Belgium and the north and east of Germany.

Elia Transmission Belgium SA/NV (Elia): One of Elia Group SA/NV's subsidiaries - Belgium's only transmission system operator.

End consumer: An individual who buys and uses a product or service. In the electricity sector, the term is generally used to refer to household consumers.

Energy mix: This is the breakdown of primary energy sources (such as fossil fuels or renewable energy sources) used to produce secondary energy (such as electricity) for direct use by consumers.

ESG / environmental, social and corporate governance matters: These are the three broad categories used to assess the impact of a company's practices on the external environment (beyond simply looking at a company's profitability). Companies are increasingly being expected to include ESG metrics in their external reports.

Flexibility: This is a measure of how much an energy system is able to cope with short-term fluctuations in production and consumption. These fluctuations are associated with the integration of increasing amounts of intermittent renewable energy sources into energy systems. It is expected that flexibility assets will play an increasingly being expected to include ESG metrics in their external reports.

Flexibility assets: These are household-level assets - such as electric vehicles and heat pumps - that are due to play an important role in maintaining the balance between the supply of electricity and the demand for electricity. For example, the battery of an electric vehicle can be charged and then be used to store that energy temporarily, re-injecting it back into the grid when needed.

Global Reporting Initiative (GRI) standards: These voluntary standards provide a framework for governments and organisations to use when carrying out corporate reporting related to environmental and social performance issues.

Global warming potential (GWP): this is a measure of how much a particular gas contributes to global warming relative to CO₂. The larger the GWP of a given gas, the more this gas warms the Earth compared to CO₂ over the same time period.

Green bond: This is a type of debt instrument which is used to channel investments into projects that have positive impacts on the environment or on climate-related targets.

Greenhouse gas (GHG): Gases that contribute to the warming of the Earth's temperature. GHGs which are produced as a result of human activities include carbon dioxide, methane and sulphur hexafluoride (SF₆).

GW: Abbreviation of 'gigawatt', which is a unit of energy that measures the amount of energy transferred each second. 1 GW of electricity is roughly enough to power about 750,000 homes.

GWh: Abbreviation of 'gigawatt hour', which is a unit of energy that is equivalent to a steady power of one gigawatt running for one hour.

HVDC: Abbreviation of 'high-voltage direct current', which is a type of current that allows power transmission across long distances and between AC transmission systems whose frequencies are not matched.

Interconnector: A high-voltage cable that connects the electricity grids of two countries together. Interconnectors enable power exchanges to occur across borders, contributing to each country's security of supply.

Intermittency: Volatility. Some renewable energy sources are associated with high levels of intermittency, given that they are affected by environmental, daily and seasonal factors.

Nemo Link: The first subsea interconnection between Belgium and the UK, which Elia built and now runs with National Grid, the British electricity and gas utility company.

Net zero: A term indicating balance being achieved between the amount of carbon dioxide (CO₂) a country or region emits into the atmosphere and the carbon it removes from the atmosphere.

OPEX: Abbreviation of 'operating expense'. These are a company's costs associated with the day-to-day running of its operations, such as grid maintenance, staff salaries, business travel and rent for office space.

Power-to-X (PtX): This term comprises the group of technologies that use electricity to generate heat (PtH), gas (PtG) or synthetic fuels.

Prosumer: An individual who both consumes and produces value. In the energy sector, such individuals both consume electricity and produce it through the use of their own individual power generators (such as a solar panel, for example). Prosumers may also sell any excess electricity that they produce.

re.alto: Elia Group's corporate start-up, which is the first European marketplace dedicated to the exchange of energy and data services.

RES / Renewable energy sources: Energy which is generated from natural processes or sources that are continuously replenished, such as wind energy, solar energy or hydropower. Some of these sources - such as wind and solar energy - are intermittent.

ROE: Abbreviation of 'return on equity', which measures the rate of return that shareholders receive on the company stock that they own.

SDGs / Sustainable Development Goals: A collection of 17 global goals that were adopted by all United Nations (UN) member states in 2015.

Sector coupling: This refers to the use of renewable energy to decarbonise different sectors of society, such as heating, transport and industry. It includes, for example, the electrification of devices in the areas of heating or transport, so that these electrified devices can operate as flexibility assets; and the production of green hydrogen for industrial use.

SF₆: Abbreviation of 'sulphur hexafluoride', a very powerful greenhouse gas.

TSO / transmission system operator: An organisation which is responsible for the transportation of energy (gas or electricity) across fixed infrastructure, generally on a national level within a country. TSOs link generation sources with infrastructure belonging to Distribution System Operators.

Value chain: Term used to describe the whole range of a company's activities that contribute to its delivery of a service or creation of a product.

WindGrid: Elia Group's newest legal entity, which is focused on offshore development outside of the regulated perimeters of Elia and 50Hertz in Belgium and Germany respectively.

INTEGRATED REPORTING TERMS

Business Model: The system of transforming inputs through business activities into outputs and outcomes to fulfil an organisation's strategic purpose and create value over the short, medium and long term.

Capitals: Resources and relationships that an organisation depends on to create value. The Integrated Reporting Framework includes six categories of capitals: Financial; Manufactured (which we have termed 'Assets' throughout this report); Intellectual (including organisational know-how and its brand and reputation); Human (which we have termed 'Employees and Sub-contractors'); Social and Relationship; and Natural.

Inputs: The six capitals which are transformed through business activities into outputs and outcomes.

Integrated reporting: An approach to corporate reporting that provides a complete picture of how each of a company's activities creates, preserves or erodes value for its stakeholders in the short, medium and long term.

Materiality: A term used in integrated reporting which refers to the influence an issue has on an organisation's ability to create value. These topics are identified and ranked based on the importance for our stakeholders. For example, the integration of a high amount of renewable energy sources into the energy system is a material issue for the Elia group.

Outcomes: Internal and external consequences of our business activities on the six capitals, which can be positive or negative.

Outputs: Products and services coming from our business activities, as well as any by-products and waste.

Performance: Achievements relative to the strategic objectives and outcomes in terms of the effect on the capitals.

Reporting parameters

Registered offices

The registered office of Elia Transmission Belgium and Elia Asset is located at
Boulevard de l'Empereur 20
1000 Brussels, Belgium

The registered office of 50Hertz GmbH is established at
Heidestraße 2
D-10557 Berlin, Germany

The registered office of Eurogrid International is located at
Rue Joseph Stevens, 7
1000 Brussels, Belgium

The registered office of Elia Grid International is located at
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Reporting period

This annual report covers the period from 1 January 2021 to 31 December 2021.

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Ce document est également disponible en français.
Dit document is ook beschikbaar in het Nederlands.



We would like to thank everyone who contributed to this annual report.



Powering
the decade
of electrification

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Foreword

GRI 102-50

This Sustainability Report provides transparency on the Elia group's performance in terms of sustainability in 2021 and describes the integration of sustainability into our strategy (see Section 2. Strategy).

This annual Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. GRI Standards serve as best practice that can be used by organisations when carrying their public reporting about their economic, environmental and social impacts.

Relevant GRI performance indicators are highlighted throughout the report wherever Elia Group SA/NV is communicating about its economic, environmental or social impacts. Please consult the GRI Content Index on page 102 for a full overview of these indicators.

It is Elia Group SA/NV's fourth annual sustainability report and it covers the period from 1 January 2021 to 31 December 2021.



Our ActNow programme

that focusing on sustainability has become second nature for us



In short

- Our sustainability programme, ActNow, focuses on ensuring maximum impact across five dimensions.
- These dimensions are linked to our mission and to internal changes that we are promoting across the organisation.
- Sustainability is now embedded across all levels of the company and has specific governance arrangements attached to it.
- We want our own activities and the electricity system to be carbon-neutral by 2030 and 2040 respectively.

INTERVIEW WITH CHRIS PEETERS AND CATHERINE VANDENBORRE, CEO AND CFO OF ELIA GROUP RESPECTIVELY.



Through our ActNow programme, Elia Group is aiming to undergo a fundamental business transformation and establish an organisational culture that has sustainability at its core. This will ensure that our mission to work in the interests of society is further strengthened.

How is Elia Group ensuring that sustainability is directly linked to its business activities?

Catherine Vandendorre: Our main mission is to accelerate the energy transition. Elia Group's growth strategy is therefore inherently linked to sustainability. However, that doesn't mean we don't have to work on making our own activities more sustainable. Via our ActNow road maps, we have identified both concrete steps and actions to take in this regard.

Chris Peeters: Our sustainability actions are not limited to those we undertake in terms of our infrastructure. In our system management activities, for example, we use fewer and fewer assets that emit CO₂ to keep the system balanced. Digitalisation is allowing us to integrate battery technology into the system and encourage demand response. We are also developing ideas and services that will facilitate the decarbonisation of a number of additional sectors. I am thinking here of the integration of electric cars and smart buildings into our grid. In this way, we are also supporting our partners to become more sustainable.

Catherine Vandendorre: Our sustainability programme, ActNow, focuses on ensuring maximum impact across five dimensions. These are linked to the Sustainable Development Goals of the United Nations. They are: (1) Climate Action; (2) Environment & Circular Economy; (3) Health & Safety; (4) Diversity, Equity & Inclusion; and (5) Governance, Ethics & Compliance. These dimensions are linked to our mission as a transmission system operator and are also linked to internal changes that we are promoting across the organisation. After all, the financial markets go beyond simply looking at CO₂ emissions alone.



SUSTAINABILITY IS BECOMING AN IMPORTANT DECISION-MAKING CRITERION. INVESTMENT DECISIONS WILL THEREFORE BE BASED BOTH ON THE PRICE OF THE INVESTMENT AND ALSO ON THE ASSOCIATED CO₂ EMISSIONS.

Chris Peeters

GRI 102-14



IN THE FUTURE, WE WANT TO BASE OUR FINANCING ON GREEN FINANCIAL INSTRUMENTS SUCH AS GREEN BONDS OR INSTRUMENTS WHOSE FINANCIAL CONDITIONS DEPEND ON SUSTAINABILITY PERFORMANCE INDICATORS LINKED TO ESG CRITERIA.

Catherine Vandendorre

Speaking of the financial markets, Elia Group carried out its first audit regarding its alignment with the EU Taxonomy for the year 2020. How important is green financing?

Catherine Vandendorre: Opting for green financing is a conscious choice. It gives us access to a larger group of investors. Moreover, we are increasingly seeing that it also has a positive financial impact of a few basis points. In the future, we want to base our financing on green financial instruments such as green bonds or instruments whose financial conditions depend on sustainability performance indicators linked to Environmental, Social and Governance (ESG) criteria. We carried out the audit because we wanted to show the financial markets that our ActNow programme is more than just hollow words. We proved that we are compliant with a number of regulations, including the fact that our activities are considered environmentally sustainable according to the system laid out in the Taxonomy.

Chris Peeters: There are financial reasons for it, but we also want to support a culture of sustainability across the whole of our organisation. We have integrated ActNow into our business planning. That's pretty new. In the past, we said we supported the energy transition; however, ActNow is now forcing us to think about the things we do and how we do them. We also occasionally do things that are a bit contrarian, like building high-voltage substations which use SF6 (a powerful greenhouse gas). We want such issues to be actively considered from different viewpoints and for decisions to be made which strike a good balance between technological progress and meeting a set of goals.

Can you provide some examples of how ActNow has led to changes in your business planning?

Chris Peeters: Sustainability is becoming an important decision-making criterion. As part of our gridplanning activities, our teams are working on producing a CO₂ rating scale. If you opt for a particular solution, it will have a cost and also an impact in terms of CO₂ emissions. Investment decisions will therefore be based both on the price of the investment and also on the associated CO₂ emissions. We are also working on developing an internal carbon price related to the choice of materials. We want

to test the carbon price this year in order to apply it from next year onwards. By embedding these tools and processes across the organisation, we are making everyone across the company aware of the importance of sustainability.

Elia Group is facilitating the energy transition and helping other companies to decarbonise. What about dimensions such as diversity and security? How far does their social impact extend?

Catherine Vandendorre: We always act in the interest of society. When selecting the five dimensions, we highlighted different stakeholders for whom we want to do our best. One such example is diversity. Our decision-making is influenced by wanting to be diverse and inclusive.

Chris Peeters: Here, too, there is a cultural dimension. Within Health & Safety, we have defined specific maturity levels as part of our Go4Zero programme. Practical projects which keep our organisation busy lead to our organisation maturing over time. It's not just about meeting targets. It has to become second nature. Our maturity with regard to sustainability will continue to increase over the next 10 years and will also gradually become embedded into the ways of working of many of the subcontractors we employ.

Where does Elia Group want to be in 10 years with regard to ActNow?

Chris Peeters: We have defined where we want to be in 10 to 20 years for all dimensions of the ActNow programme. We want our own activities and the electricity system to be carbon-neutral by 2030 and 2040 respectively. Now we are working on the best way to realise that and how we can accelerate certain things if necessary. Sustainability is now embedded across all levels of the company and has specific governance arrangements attached to it, including at the level of the Board of Directors.

Company profile



Elia group consists of several subsidiaries, including transmission system operators (TSOs) Elia Transmission Belgium SA/NV (Belgium), 50Hertz Transmission GmbH (north & east of Germany) and the joint consultancy company Elia Grid International SA (worldwide).

Together, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate 19,192 km of high-voltage connections that supply power to around 30 million end users 24 hours a day, 365 days a year. Our group is one of Europe's top 5 TSOs.

Any reference to Elia Transmission Belgium SA/NV in this report refers to the following companies: Elia Transmission Belgium SA/NV, Elia Asset SA/NV (EA) and Elia Engineering SA/NV (EE) (unless expressly stated otherwise).

Any reference to 50Hertz Transmission GmbH in this report includes the following companies: 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (unless expressly stated otherwise).

 **More information about the Elia group can be found in the 2021 Integrated Report and 2021 Financial Report.**

The Elia group's main responsibilities are developing and maintaining the electrical grid, managing the balance between the consumption and generation of energy, and facilitating access to the market. The Elia group also develops innovative solutions in order to better integrate renewables into the system, balance the network and truly put the consumer at the centre of the future energy system.

Elia Group acts as a holding company which owns two TSOs: Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH in Germany. The separation and ringfencing of the Elia group's regulated activities in Belgium from its non-regulated activities and its regulated activities outside of Belgium was undertaken to ensure that its future activities in Belgium and Europe would be aligned with its growth strategy. In 2021, this allowed the group to pursue its organic growth and has set the foundations for future inorganic growth.

REGULATED ACTIVITIES



Elia Transmission Belgium (hereafter referred to as Elia) is the Belgian TSO for high-voltage (30 kV to 70 kV) and extra-high-voltage (110 kV to 400 kV) electricity. It has a natural monopoly as Belgium's only TSO. It develops, builds and operates a robust electricity transmission system (both on- and offshore) and is responsible for devising services and mechanisms which support the development of electricity markets at national and European levels.

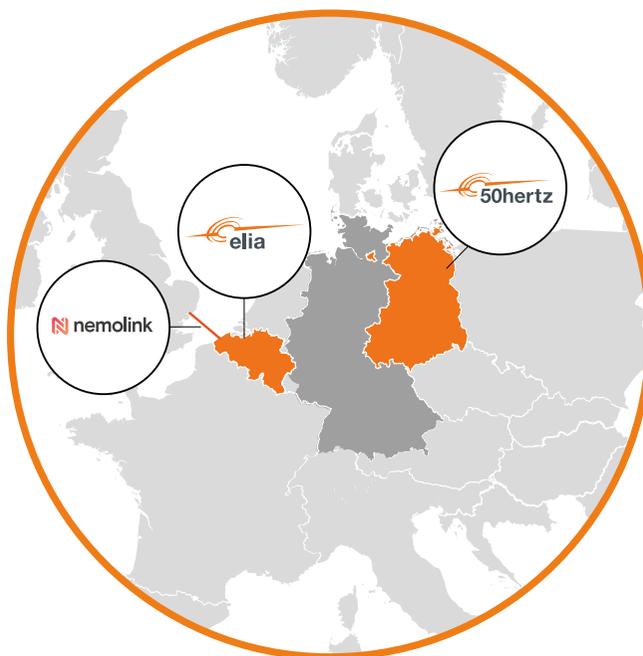


Elia Transmission Belgium is part of the Nemo Link joint venture with National Grid, the British electricity and gas utility company. Nemo Link is the first sub-sea interconnector to link Belgium to Great Britain, so allowing the trade of electricity between both countries: traders can buy up to 1,012 MW of capacity in auctions over a number of time frames.

The building of Nemo Link marked a crucial step in the integration of the electricity grids of continental Europe and the UK. The interconnector was commissioned on 30 January 2019, and operates in line with its specific regulatory framework.



50Hertz Transmission (hereafter referred to as 50Hertz) is a TSO which holds a natural monopoly in the north and east of Germany and is a crucial player in the realisation of the German 'Energiewende' - or energy transition. Its grid runs across a distance of around 10,325 km, supplying electricity to 18 million people in the states of Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia, and the city states of Berlin and Hamburg. In 2021, around 56.1% of electricity consumption in the 50Hertz grid area came from renewable sources; it aims to make this 100% by 2032. The shareholders of 50Hertz are Elia Group (80%) and the German state-owned investment and development bank KfW Group (20%).



NON-REGULATED ACTIVITIES

Our non-regulated business activities are allowing us to develop the key competencies we need to ensure a successful energy transition. They are helping us to embrace innovation, develop sustainable energy markets and shape growth opportunities that increase our societal relevance.



EGI offers consultancy and engineering services related to energy market development, asset management, system operation, grid development and RES integration. As a wholly owned subsidiary of Elia Group and 50Hertz, EGI is able to harness the expertise of two large European system operators, each with a solid track record in delivering high-quality projects and many decades of experience. Its clients are mainly comprised of TSOs, but EGI also supports regulators, public authorities and private developers.



In September 2020, Elia Group announced the official launch of re.alto, its very own corporate start-up and the first European marketplace dedicated to the exchange of energy data and services. The start-up enables the exchange of energy data through its innovative Application Programming Interface (API) platform, so enabling the energy industry to take a huge digital leap forward towards a more widespread adoption of Energy-as-a-Service business models, ultimately hastening the establishment of a low-carbon society.



Elia Group's newest legal entity, WindGrid, will focus on offshore development outside of its current regulated perimeters. In February 2022, the Board of Directors approved the formation of this new subsidiary, solidifying the group's commitment to accelerating the energy transition in the interest of society both in its home countries and abroad. WindGrid will deliver and unlock further revenue streams for the group, whilst enabling it to remain at the forefront of offshore wind development and maintain its relevance in the long term.

1

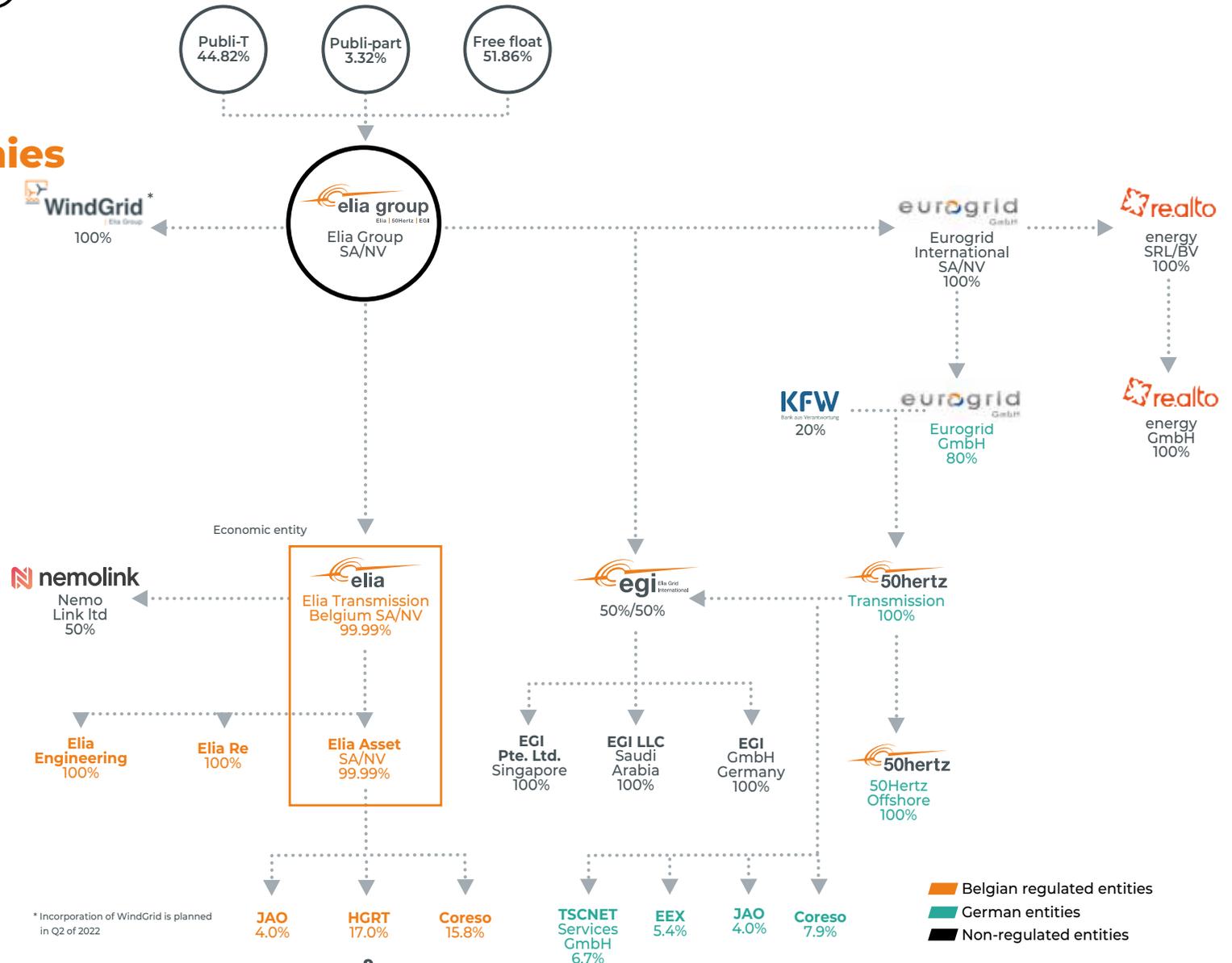
The Elia Group

1.1. Elia group companies

1.1.1. Structure

GRI 102-1, GRI 102-2, GRI 102-5

Elia Group SA/NV acts as a holding company that owns Elia Transmission Belgium SA/NV (the Belgian TSO), Eurogrid International SA (which comprises the activities of 50Hertz Transmission GmbH, one of Germany's TSOs) and Elia Grid International SA (the group's international consultancy branch). Its main shareholder is the municipal holding Publi-T. Elia Group SA/NV (formerly Elia System Operator SA/NV) has been listed on the regulated market of Euronext Brussels since June 2005. For more information, see page 16 of the [2021 Financial Report](#).

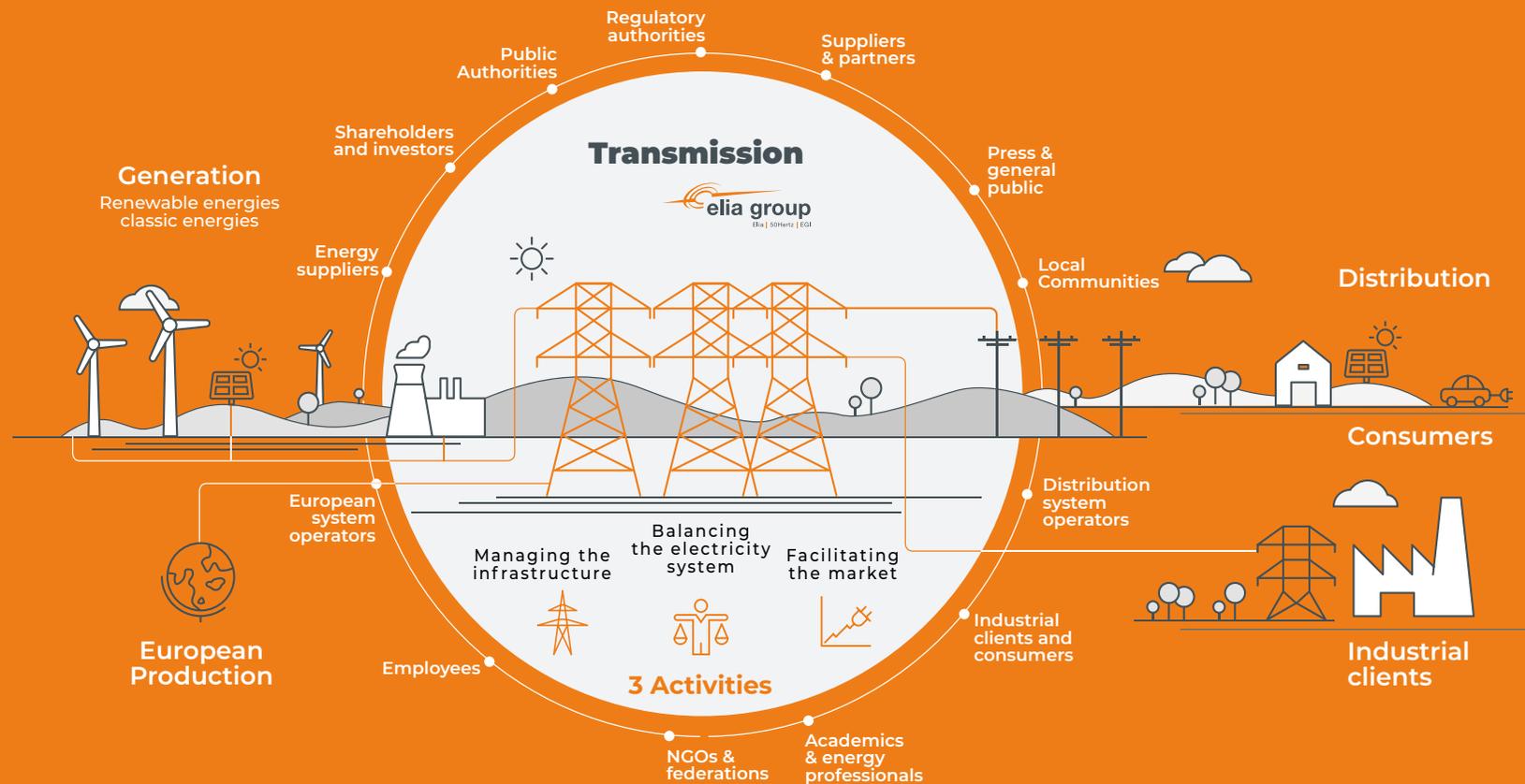


1.1.2. Business model

GRI 102-1, GRI 102-2, GRI 102-7, GRI 102-9, SDG9

The Elia group is a key player in electricity transmission: it is one of Europe's top five TSOs. In order to successfully drive the energy transition forward, the Elia group develops innovative solutions for the system and market integration of volatile renewable energies. The Elia group ensures that generation and consumption are balanced around the clock, supplying around 30 million end users with electricity. With subsidiaries in Belgium and north and east Germany, we operate 19,192 km of high-voltage connections. The Elia group believes that interconnectors, especially cross-border interconnectors which are also linked to offshore wind farms, are necessary to achieve the goals of the European Green Deal. Given the enormous amount of electricity that will be needed in order to decarbonise society, Europe must harness all potential renewable energy sources, including those which are located far off the coasts of its member states. In addition to its activities as a transmission system operator, the group offers various consulting services for international customers through its subsidiary Elia Grid International SA (EGI), whose activities include focusing on the integration of renewables in countries outside of Belgium and Germany.

We connect generation & distribution





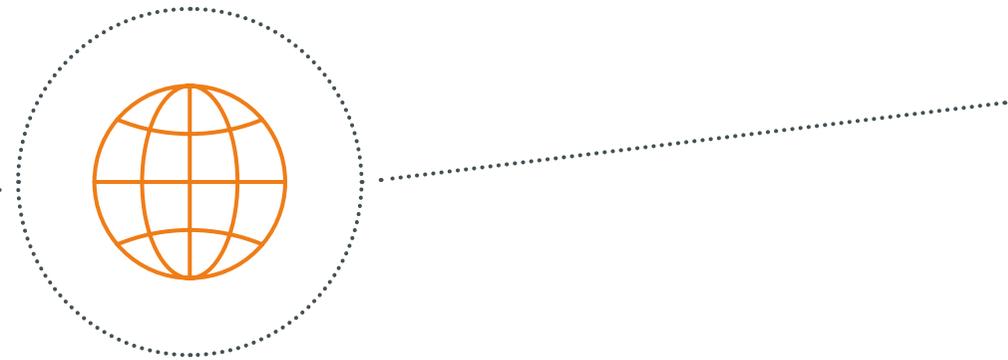
GRI 102-3, GRI 102-4

ELIA IN BELGIUM

As the sole operator of the Belgian high-voltage grid, Elia Transmission Belgium SA/NV has a natural monopoly and is therefore subject to regulatory supervision. Its public mandate and responsibilities are an integral part of the legislation that regulates the Belgian electricity market. It is overseen at the national level by the CREG¹, the federal regulator for the extra-high voltage electricity grid (110 kV-400 kV), and at a regional level by the VREG², CWAPE³ and BRUGEL⁴ - the regional electricity market regulators for the high-voltage electricity grid (30 kV-70 kV). The regulatory system has a significant impact on the organisation's business model. Elia Transmission Belgium SA/NV is also part of the Nemo Link consortium, which operates the first subsea interconnector between Belgium and the UK. Elia Transmission Belgium SA/NV operates a modular offshore grid in the Belgian North Sea which connects offshore wind production on an offshore platform and transports it to the mainland.

50HERTZ IN GERMANY

50Hertz Transmission GmbH holds a regional monopoly on the transmission grid in the north and east of Germany. The company is the exclusive operator of the extra-high-voltage electricity grid (150 kV – 525 kV) in this area. 50Hertz Transmission GmbH is therefore subject to regulatory supervision by the national regulatory authority - the Federal Network Agency (BNetzA). The German regulatory system decisively shapes its business model. BNetzA also sets 50Hertz Transmission GmbH's revenue cap when it comes to calculating its network fees. In addition, 50Hertz Offshore GmbH operates the Kriegers Flak Combined Grid Solution (CGS), the world's first hybrid offshore interconnector. The CGS connects the German and Danish electricity grids together whilst also including connections to several offshore wind farms. As a result, the CGS can transmit offshore wind power to either country whilst also being used for cross-border electricity trading.



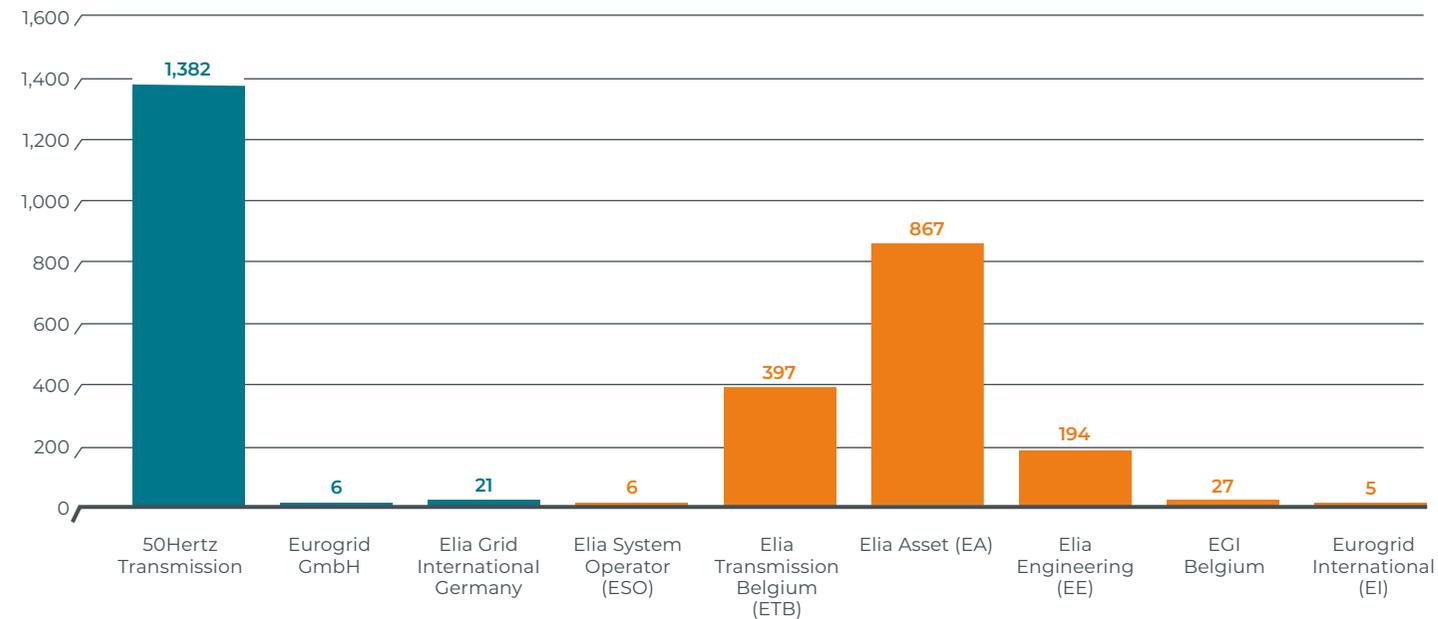
1 CREG: Commission for Electricity and Gas Regulation.
 2 VREG: Vlaamse Regulator van de Elektriciteits- en Gasmarkt.
 3 CWAPE: Commission Wallonne pour l'Energie.
 4 BRUGEL: Régulateur BRUXellois pour les marchés du Gaz et de l'Electricité/BRUsselse Reguleringscommissie voor de Gas- en Electriciteitsmarkt.

1.1.3. Size of the group

GRI 102-1

Breakdown by country, company and number of employees

TOTAL HEADCOUNT ELIA GROUP 2021



Please note: three of Elia Transmission Belgium SA/NV's chief officers and two other staff members occupy positions in both Elia Group SA/NV and Elia Transmission Belgium SA/NV, meaning they are counted twice in the figure above.



1.2. Grid

G4-EUS-EU4

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate the extra-high-voltage transmission grids (110kV - 525 kV) in Belgium and in the north and east of Germany, as well as interconnectors to other extra-high-voltage grids. In addition to this grid, Elia Transmission Belgium SA/NV operates

the high-voltage grid (30kV - 70kV) in Belgium. The operation of these grids at different voltage levels means Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH differ in terms of the number of assets they oversee and in terms of the measurement of the grid interruptions ([see 1.3.9. Grid Reliability](#)).

1.2.1. Length of lines

ELIA IN BELGIUM

Voltage	2019		2020		2021	
	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV (DC)	70*	-	70*	-	70*	-
380 kV	40	918	40	923	41	940
320 kV	-	-	49	-	49	-
220 kV	135	300	161	301	162	300
150 kV	628	1939	686	1935	717	1,926
110 kV	-	8	-	8	-	9
70 kV	317	2,404	304	2,399	324	2,370
36 kV	1,917	8	1,915	8	1,865	8
30 kV	75	22	75	22	75	22
Total Lines/Cables	3,182	5,599	3,300	5,596	3,292	5,575
TOTAL	8,781		8,896		8,867	

* The Nemo Link interconnector – total length 140 km – is a joint venture (50/50) between National Grid Interconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, and Elia.

50HERTZ IN GERMANY

Voltage	2019		2020		2021	
	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV (DC)	15	-	15	-	15	-
380 kV	55	7,250	55	7,330	55	7,330
220 kV	293	2,607	293	2,397	293	2,342
150 kV	270	-	295	-	295	-
Total Lines/Cables	633	9,857	658	9,727	658	9,672
TOTAL	10,490		10,385		10,325	

1.2.2. Substations and switches

ELIA IN BELGIUM

	2019	2020	2021
substations ≥ 150 kV	300	299	300
substations < 150 kV	507	507	507
HVDC* Converter station	1	2	2
TOTAL	808	808	809

* HVDC: High Voltage Direct Current

N.B.: Please note an error has occurred in the reporting for year 2020, the number of HVDC Converter stations was 2 (instead of 1) as mentioned in the above table.

50HERTZ IN GERMANY

	2019	2020	2021
# substations	65	65	65
# switch gears	9	9	9
HVDC Converter station	2	2	2
TOTAL	76	76	76



1.3. Guiding principles

1.3.1. Memberships

GRI 102-12, GRI 102-13, SDG17

As outlined in the table below, the Elia group is a member of a number of societies and associations and plays a role in different initiatives linked to renewable energy, climate and environmental protection, human rights and the harmonisation of the European electricity market at global, European and local levels.

	Energy	Climate	Environment	Human rights	Elia	50Hertz
World Energy Council	✓				✓	✓
CIGRE - Conseil International des Grands Réseaux Electriques	✓				✓	✓
Go15 - Reliable and Sustainable Power Grids	✓		✓		✓	(✓)
UNGC - United Nations Global Compact		✓	✓	✓	✓	✓
Centre on Regulation in Europe	✓	✓			✓	
Roundtable of Europe's Energy Future	✓	✓			✓	✓
Charge-up Europe	✓	✓			✓	
ENTSO-E - European Network of Transmission System Operators for Electricity	✓	✓	✓		✓	✓
Coordination of Electrical System Operators	✓				✓	
RGI - Renewables Grid Initiative	✓	✓	✓		✓	✓
Energy Web Foundation	✓	✓			✓	
The Shift	✓	✓	✓	✓	✓	
Synergrid - Fédération des gestionnaires de réseaux électricité et gaz en Belgique	✓				✓	
Osiris	✓				✓	
Conseil des Gestionnaires des Réseaux de Bruxelles	✓				✓	
Vlaamse Raad van Netwerkbeheerders	✓				✓	
Powalco	✓				✓	
BECI - Brussels Enterprises Commerce and Industry	✓				✓	
FEB - Fédération des Entreprises de Belgique	✓				✓	
UWE - Union Wallonne des Entreprises	✓				✓	
VOKA - Vlaams Netwerk van Ondernemingen	✓				✓	
AGORIA	✓				✓	
Communauté Portuaire Bruxelloise	✓				✓	
COGEN Vlaanderen	✓	✓			✓	
AVEU Arbeitgeberverband Energie- und Versorgungswirtschaftlicher Unternehmen e.V. [employers' association of energy and utility companies]	✓			✓		✓
BDEW – Federal Association of the Energy and Water Industry	✓					✓
VDE-Elektrotechnischer Verein e.V. [electrotechnical association]	✓					✓
Diversity Charter				✓		✓
FGW Fördergesellschaft Windenergie und andere Dezentrale Energien e.V.	✓					✓

1.3.2. Values, principles and standards

GRI 102-16, GRI 102-17, GRI 102-26

For Elia Group SA/NV, long-term success is defined by acting in the interest of society. This is reflected in the company's vision: "A successful energy transition for a sustainable world".

The Elia group is committed to ensuring it has solid corporate governance practices in place, as outlined in its group-wide Code of Ethics. The latter aims to ensure that staff and the group act in accordance with the ten principles of the UN Global Compact in the areas of human rights, labour standards, environmental protection and anti-corruption. In line with this, Elia Group SA/NV and 50Hertz Transmission GmbH have expressed their commitment to responsible corporate governance practices by signing the United Nations Global Compact (UNGC) – the leading U.N. initiative which encourages businesses to adopt sustainable and socially responsible policies that are aligned with the 2030 Sustainable Development Goals. Both companies are also committed to and actively work on topics included in the 10 Principles of the UNGC (see Section 2. Strategy).



Code of Ethics

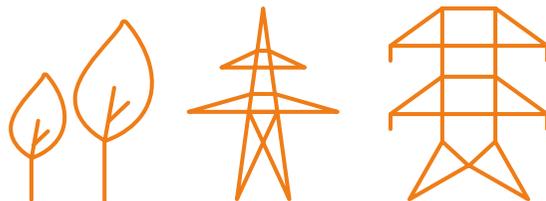
Integrity and ethics are a critical aspect of our internal interactions. The Board of Directors and the Executive Management Board regularly communicate about these principles to clarify the mutual rights and responsibilities of the company and its employees. These rules are communicated to all new employees, and compliance with them is formally included in employment contracts.

The Code of Ethics (published in 2021) and all associated policies define what the Elia group considers to be proper ethical behaviour. They establish a set of clear principles which seek to avoid any conflicts of interest. They also seek to ensure that employees do not violate any laws regarding the use of privileged information, market manipulation or suspicious activities. Senior management consistently ensures that employees comply with internal values and procedures and, where applicable, takes appropriate action, as set out in company regulations and employment contracts.

Acting in as honest and independent parties when interacting with all stakeholders is an important guiding principle for

all our employees. The Code of Ethics explicitly states that Elia Group SA/NV prohibits bribery in any form, the abuse of prior knowledge and market manipulation. Elia Group SA/NV and its employees do not accept gifts or hospitality to gain any competitive advantages. Facilitation payments are not permitted by Elia Group SA/NV. Disguising gifts or hospitality as charitable donations is also a violation of the Code of Ethics.

In addition, the Code of Ethics ensures that discrimination is not tolerated within the organisation; it prohibits all forms of racism and discrimination and promotes equal opportunities for all employees through fair assessments of their work. This applies regardless of an individual's ethnicity, gender, religion, political opinion, social origin, age, sexual orientation or physical ability. Elia Group SA/NV's internal policy on discrimination and equal opportunities is based on the International Labour Organization's Convention C111 on Discrimination. Lastly, the Code of Ethics seeks to ensure that staff use and treat the IT systems and data they have access to in a confidential manner, in line with data protection requirements.



Code of conduct

Following the entry into force of European Regulation (EU) No. 596/2014 on market abuse, Elia Group SA/NV amended its Code of Conduct, which aims to prevent staff (including individuals with leadership responsibilities) from breaking any laws regarding the use of privileged information and market manipulation.

The Code of Conduct lays down a series of regulations and communication obligations for transactions undertaken by staff in relation to their Elia Group SA/NV securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on the monitoring of the financial sector and other financial services. This Code of Conduct is available on the organisation's website [here](#).

Corporate Governance Charter and internal rules of procedure of the Board of Directors, the Board's advisory Committees and the Executive Management Board

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board of Directors' advisory committees and the Executive Management Board can be found in the organisation's online document library [here](#).

The responsibilities of the Board of Directors and of the Executive Management Board are described in detail in the Articles of Association of the company and are therefore not reiterated in the internal rules of the Board of Directors and the Executive Management Board.

Cultural Behaviours

To encourage a shift in organisational culture, the Make A Difference (MAD) programme was launched. MAD includes six key behaviours, which represent the corporate culture that we want our employees to embody. They form the basis for the way we all approach our work - both internally (in teams and departments) and externally (with partners and stakeholders outside the Group).

The MAD behaviours are a prerequisite for delivering on our vision and mission and for our continued positive impact on our stakeholders and the energy value chain.

These behaviours are modified and adapted for staff at Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH, in order to accommodate local differences in culture. The six core values reflect fundamental principles that are deeply rooted across the Elia group. These six behaviours form the basis of our Code of Ethics, and the guidelines and principles that drive all of Elia group's activities.

Supplier Code of Conduct

All parties involved in procurement must comply with Elia Group SA/NV's Supplier Code of Conduct and all related regulations. Elia Group SA/NV's Supplier Code of Conduct is published both internally and externally ([Elia Transmission Belgium SA/NV](#) and [50Hertz Transmission GmbH](#)) and is based on four pillars: confidentiality; non-discriminatory treatment of suppliers; transparency; and avoidance of conflicts of interest. Employees involved in procurement and payment processes are regularly provided with training and awareness-raising sessions related to these topics.

MAD DIFFERENCE



Feedback

We give feedback to and ask for feedback from colleagues at all levels of the Group. In this way, we show appreciation for their work and strive for continuous improvement.



Simplification

We consider the ways in which projects can be simplified, eliminating unnecessary complications in what is already a very complex environment.



One Voice

We have open and constructive debates before taking a decision. Once a decision is taken, everyone commits to it fully and is united in their understanding of and communication about it.



Co-creating the future

We are aware of the radical changes occurring in our sector (such as digitalisation and decentralisation) and play an active role in shaping them.



One company

Each employee's responsibilities transcend the boundaries of their own job or department. All members of staff consider issues from a company-wide perspective and support the choices made by Elia Group as a company.



Impact

We carry out our work and projects in the best possible way by focusing on the actions that make a difference and have a tangible impact on areas including safety, the system, society, the environment, and our performance.

1.3.3. Roles and responsibilities within the company

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32, GRI 102-33, GRI 103-3

ELIA IN BELGIUM

Elia fully complies with corporate governance requirements.

In addition, internal management systems based on recognised standards such as early public acceptance are used in sustainability areas which are material. In the area of health and safety, Elia Transmission Belgium SA/NV holds a Safety Culture Ladder Level 3 certification. In the area of information security management, the organisation launched a programme in line with ISO 27001 with a view to obtaining ISO 27001 certification in 2022. The existing environmental management system is currently being aligned with ISO14001.

50HERTZ IN GERMANY

50Hertz Transmission GmbH expresses its commitment to responsible corporate governance in its sustainability mission statement and corporate charter. These state that in the areas of human rights, labour standards, environmental protection and anti-corruption, the company acts in accordance with the ten principles of the UN Global Compact. Employees also have access to comprehensive company documentation that includes all valid guidelines, directives, work instructions, process manuals and company agreements.

Furthermore, certified management systems (such as ISO 45001 in the area of health and safety and ISO 27001 in information security management) or internal management systems based on recognised standards, (like the framework of early public participation according to VDI 7000, for example), are used in areas which are material. The organisation's existing environmental management system is currently being aligned with ISO 14001. An audit of this is due to be carried out during the fourth quarter of 2022.

Sustainability lies at the heart of our business strategy. The group-wide sustainability programme ActNow reflects this. ActNow defines five areas of focus: our so called dimensions of sustainability management (see chapter 2 for more information on ActNow). Our ambitions are consolidated at group level and steered by the Group Sustainability Office (GSO), which is part of the Group Strategy Department. The GSO reports (via its sponsors) to individuals from the Executive Management Board who are responsible for sustainability: the Group Chief Financial Officer oversees the ActNow dimensions of Climate Action and Environment & Circular Economy; and the Group Chief Alignment Officer oversees the ActNow dimensions of Diversity, Equity and Inclusion, Health & Safety and Governance, and Ethics and Compliance. The Group Sustainability Office works

closely with different business units and local sustainability managers to set targets in line with the group's sustainability commitments.

The local entities of Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH implement these goals via local action plans that define the activities they should focus on. These local action plans are monitored and steered by local Sustainability Boards which meet several times a year. The sponsors of these Boards are members of the executive management committees in both countries. In addition, Dimension Leaders were appointed to each of the five ActNow dimensions to monitor and steer the development and implementation of the local action plans in Belgium and Germany.



ELIA IN BELGIUM

Led by the Chief Community Relations Officer, the Environment & Corporate Social Responsibility (CSR) Department has defined a roadmap of measures that the organisation needs to follow as it expands its sustainability reporting. All environmental reporting and sustainable communication with external stakeholders is coordinated by the Community Relations Department.

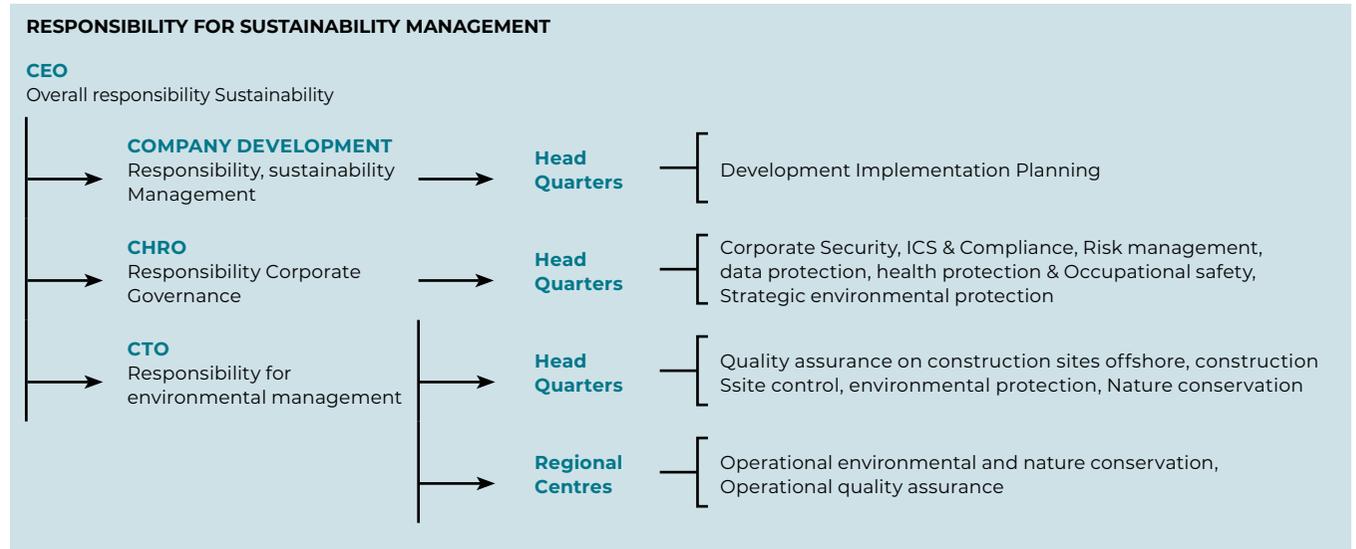
The responsibilities linked to sustainability are clearly defined, as outlined in the figure below.



50HERTZ IN GERMANY

Under the supervision of 50Hertz Transmission GmbH's Chief Executive Officer, the local CSR manager (who is part of the Corporate Development Department) has defined a sustainability roadmap for the implementation of ActNow; the Communications & Public Affairs Department has refined the associated reporting processes.

The responsibilities linked to sustainability are clearly defined, as outlined in the figure below.



1.3.4. Legal and regulatory framework

The Elia group complies with all applicable legislation. Its business activities are subject to numerous regional, national and European laws and regulations. Elia Group SA/NV is subject to the rules of good governance applicable to listed companies. Additional relevant information can be found in the **Corporate Governance Statement in our 2021 Financial Report**.

The Elia group actively monitors the emergence of European, national or local regulations

A European Green Deal

In December 2019, the European Commission published its **European Green Deal**, an ambitious package of measures that aims to make the EU the first climate-neutral continent in the world and is based on the Commission's 2018 publication **A Clean Planet for all**. This strategy is in line with the 2015 Paris Agreement, which aims to keep the average global temperature increase well below 2°C (preferably 1.5°C). All EU member states have also agreed to reaching the goal of climate neutrality.

2021 was a particularly important year in terms of making the Green Deal goals a reality, since in June 2021, the Commission presented its so-called “Fit for 55” package. This aims to reduce greenhouse gas emissions by at least 55% (compared with 1990 levels) by 2030. The package covers wide-ranging policy areas – from renewables to energy efficiency, as well as alternative fuels (for e-mobility), land use, energy taxation, effort sharing and emissions trading. The Elia group in particular monitors the Energy Efficiency Directive, the Renewables Directive and the Alternative Fuels Infrastructure Regulation. An Elia group position paper on the “Fit-For-55” package is publicly available⁵.

In addition, in December 2021 the Energy Performance of Buildings Directive was published, as well as a revision of the gas package.

GRI 419-1

During the reporting year, the Elia group companies did not receive any significant fines or non-monetary sanctions for failure to comply with social or economic legislation and regulations.

⁵ <https://www.eliagroup.eu/en/publications>

ELIA IN BELGIUM

One of the core principles of corporate governance laid down by the legislation governing the electricity industry in Belgium is the strict separation between the composition of and responsibilities incumbent upon Elia Transmission Belgium SA/NV and Elia Asset SA/NV's Board of Directors and Executive Management Board.

Additional information about the legislation and regulations which are relevant to our business activities can be found on our website ([link](#)).

In 2021, as required by law, Elia Transmission Belgium SA/NV published its most recent biennial study on Belgium's adequacy and flexibility needs for the coming decade (2022-2032).



50HERTZ IN GERMANY

In the reporting year, the following laws were of particular note. These have an influence on the integration of sustainability into business activities.

- The amendment to the Climate Protection Act increases the greenhouse gas reduction target from 55% to at least 65% by 2030 and 88% by 2040. The target year for reaching climate neutrality was brought forward from 2050 to 2045. Concrete measures to achieve the target will be ensured in future by individual laws and ordinances. These will also have a significant influence on 50Hertz's business activities.
- The Supply Chain Due Diligence Act describes requirements regarding the due diligence obligations of companies. The aim is to improve the protection of human rights in global supply chains. The supply chain extends from a company's own business operations to its direct and indirect suppliers. Important components of the law include businesses being required to carry out a risk analysis, implement risk management and introduce a complaints mechanism and transparent reporting. From 2024, the law will apply to companies with more than 1,000 employees.
- A jacket ordinance was passed in 2021 that recasts or amends the Federal Soil Protection and Contaminated Sites Ordinance, the Landfill Ordinance and the Gewerbeabfall Ordinance. The ordinance will apply from 2023.

1.3.5. Anti-corruption

GRI 205-1, GRI 205-2

Due to their legal status as electricity TSOs, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to a wide range of legal and regulatory rules in their respective countries, which stipulate three basic principles: non-discriminatory behaviour; confidential treatment of information; and transparency towards all electricity market participants for non-confidential market information.

The Elia group companies have company charters, guidelines and other documents regarding the behaviour which is expected of our employees. These documents set out Elia group's understanding of correct ethical conduct and make it clear that the company complies with the law and does not tolerate corruption. These principles flow are translated into organisational measures that are binding throughout the company.

A policy defining and addressing bribery and corruption was published as part of our Code of Ethics.

The reference framework for internal control and risk management, established by the Executive Management Board and approved by Elia Group SA/NV Board of Directors, is based on the COSO II framework. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk management, control activities, information and communication, and monitoring. The use and inclusion of these concepts in Elia Group SA/NV's various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives.

Elia Group SA/NV offers its employees the opportunity to express their concern about an (alleged) breach of the Code of Ethics without fear of sanctions and/or unfair treatment. In addition to the existing reporting channels, an external system Ethic-sAlert for reporting integrity breaches has been implemented that is compliant with the EU Whistleblowing Directive. Internal employees as well as external stakeholders can report via this

platform their suspicions about possible breaches of the Code of Ethics which may harm Elia Group SA/NV's reputation and/or interests in a protected manner.

Violations of these codes can be reported to the local management or HR, directly to the Compliance Officer or by using the external system after which they will be handled objectively and confidentially in line with the whistleblowing procedure.

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH compliance officers state that no such breaches were reported by internal employees or external stakeholders in 2021.

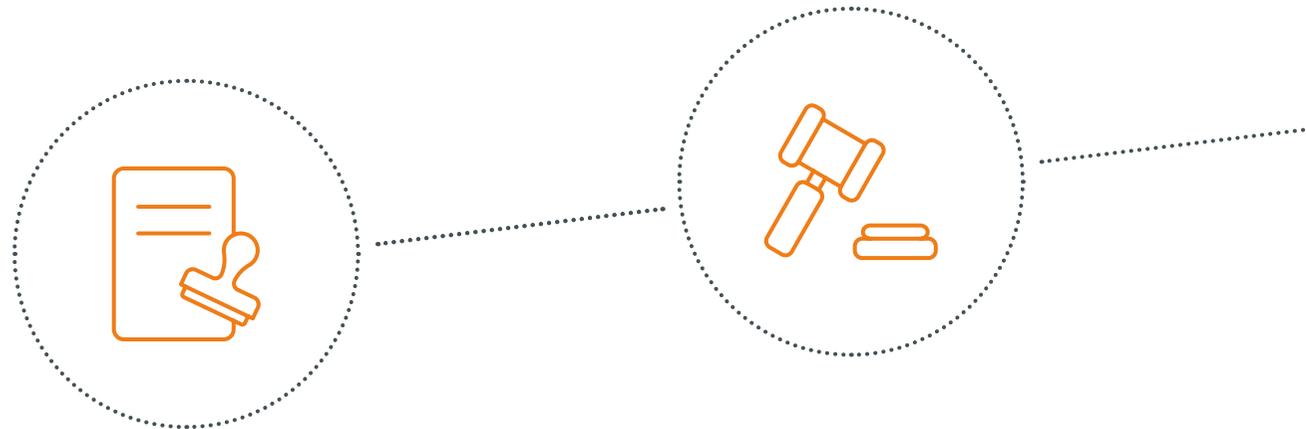
 **For detailed information about these topics, please refer to section Features of the internal control and risk management systems in the Financial Report.**

ELIA IN BELGIUM

In 2021, no relevant findings related to fraud were reported during the specific fraud risk audits in the finance and purchasing processes.

50HERTZ IN GERMANY

In addition to training being offered to staff about issues of compliance, a web-based compliance training course was made available to staff in March 2021 (almost 90% of staff completed this course). The next round of regular training is scheduled for spring 2023. Due to the increasingly close integration of governance, risk and compliance matters, internal control systems (ICS) are also being continuously developed and increasingly linked to risk management. Thus, during the course of regular risk assessments, control mechanisms are also updated accordingly.



1.3.6. Risk management

GRI 102-30, GRI 102-11, GRI 201-2

The Risk Management framework of Elia group is strongly linked to COSO framework, which gathers best practices for assessing business risks. In line with these guidelines, risk management takes place at different levels in the organisation (strategic, business/ operational, project...) and relies on Elia group's strategy and risk appetite, the level of risk our organisation is prepared to accept in pursuit of its objectives. This risk appetite is a guidance based on 5 matrices which capture financial, reputational, health and safety and operational/societal risks and impacts. Once a risk is identified as substantive based on the corporate risk appetite, a dialogue takes place to make sure relevant contextual factors are adequately taken into account in the assessment. The most substantive risks are integrated into the risk reporting and the evaluation of the adequacy between risks and responses is then challenged up to the level of the Executive Management Board and the Board of Directors. If the (aggregated) risk is below the critical level defined by the risk appetite, the risk is assessed as medium and a cost-benefit analysis determines the use of control measures to reduce risks. For a few cases where it facilitates decision-making, the risk appetite has been translated into more operational criteria, which are used by the operational entities.

There are processes in place which aim to identify and assess key risks, define appropriate responses to them, communicate them to the Board of Directors and monitor the effectiveness of mitigation measures. All the information collected throughout these processes is recorded in risk registers. Regular communication between risk managers and risk owners allow these registers to be kept up-to-date. The most important details are summarised in risk reports, three of which were presented to the Board of Directors and Audit Committee in 2021.

Since 2017, Elia Transmission Belgium SA/NV has been responding to the CDP Climate Change Questionnaire that addresses the company's management of environmental impacts, climate-related risks and opportunities. Elia Transmission Belgium SA/NV obtained a C score in 2021 for the year 2020.

In 2021, climate-related risks were assessed and integrated even more firmly into risk management processes across all the Elia group with a regulatory point of view but also taking physical climate risks into account. Risk analyses highlighted the organisation's climate change vulnerability and the need to tackle this through specific projects. For example following the July 2021 floods in Belgium, new risks were taken into account and our ESG programme ActNow was updated with the addition of a new objective: climate change resilient infrastructure.

 **For detailed information about risk management, please refer to section Risk management and uncertainties facing the company in our Financial Report 2021.**

1.3.7. Political influence

Laws and regulations have a strong influence on Elia Transmission Belgium SA/NV's and 50Hertz Transmission GmbH's operations. The different authorities at federal and regional levels grant the Elia group companies their operating licence and contribute to the determination of the legal framework according to which the TSOs must realise their public mission. Regional governments and authorities are responsible for granting permission to build the transmission infrastructure. Regulatory authorities determine the regulatory frameworks in which these activities have to be undertaken.

In this context, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH act in compliance with all the regulations that affect the operation of the transmission grid. The Elia group companies are responsible for contributing to the political debate and to the development of regulations. We carry out our advisory role in a transparent manner. As legal monopolies with public responsibilities, Elia group companies communicate their viewpoints with the best interests of society in mind.



The Elia group is a trusted advisor regarding topics such as the fulfilment of the energy transition, ensuring a secure supply of electricity as renewable energy increases, and the expansion of the grid.

As an increasing amount of energy policies that impacts the activities of Elia Transmission Belgium SA/NV, 50Hertz Transmission GmbH and the societies in which they operate is set at a European level, a European Affairs Team at Group level was created. The team monitors all relevant legislation and regulation (see section on the Green Deal above) and participates in European public and political debates through the means of public position statements.

Both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are registered in the **EU Transparency Register** and committed to its Code of Conduct.

ELIA IN BELGIUM

Part of the responsibilities of the Public & Regulatory Affairs and External Relations Department includes communication with political representatives. A Corporate Reputation Committee composed of representatives from all internal departments that have external contact with (political) stakeholders has been set up to coordinate interactions with these stakeholders.

Elia Transmission Belgium SA/NV is an important player in Belgium that has a solid understanding of the national, regional and local electricity systems. The organisation therefore occupies a strong position from which to provide analysis, advice and recommendations to the authorities so that informed decisions can be made.

The Elia group's Code of Ethics ([see also section 1.3.2. Values, principles and Standards](#)) is applicable to all our employees. It addresses relevant laws, conflicts of interest and professional deontology. In 2021 (and as in the past), Elia Transmission Belgium SA/NV made no donations to politicians or political parties.

50HERTZ IN GERMANY

As the activities of those who pass laws or regulations have a strong impact on 50Hertz Transmission GmbH's business activities, the company publishes and makes position papers available to politicians in a transparent manner. The Communication & Public Affairs Department is responsible for this. When developing viewpoints, we are committed to involving political stakeholders and regulators as early in the process as possible. This gives all parties the opportunity to present their point of view, improves the quality of information that is used and builds trust between different parties. We ensure that employees who are active in societal and energy policy are guided by clearly defined principles with respect to the way they communicate and act. For the 2021 federal elections, for example, the Communication & Public Affairs Department published a position paper entitled [Doing more of the right things faster](#), which provides an overview of the energy policy decisions which urgently need to be addressed from the point of view of a transmission system operator. As part of a roundtable initiative with the General Works Council and the Mining, Chemical and Energy Industrial Union (IG BCE), 50Hertz Transmission GmbH held a number of discussions with stakeholders from the world of politics, business and science about how the phase-out of fossil fuels and climate-neutral management can succeed. The results of this discussion are summarised in the summary paper entitled [With new energy for strong industrial jobs](#).

In addition, 50Hertz Transmission GmbH launched the initiative "Together. Faster. Climate-Neutral" in 2021 and, together with other grid operators, energy and industrial companies, developed concrete proposals and published them in December 2021. These are aimed at accelerating the expansion of the electricity grid so that it can transport higher volumes of electricity generated by renewable energy sources. Further information about the initiative can be found [here](#) in German.

The company's communication with political representatives is conducted in a responsible and transparent manner; it does not make any donations to political parties. Ethical principles and guidance related to the representation of political interests have been established, forming the basis of our interactions. A detailed orientation guide, which applies to the whole company and has been approved by senior management teams, explicitly regulates staff conduct in political environments. It states that 50Hertz Transmission GmbH does not make any donations to politicians or political parties and maintains a fair and impartial balance when sponsoring organisations or initiatives. The responsibility for donations to party-affiliated foundations and associations is centrally coordinated by the Communication & Public Affairs Department. Through specific training programmes, 50Hertz Transmission GmbH ensures that its employees who contribute to social and energy policy align their communication and actions with clearly defined principles. The Lobby Register Act passed on 25 March 2021 came into force on 1 January 2022. The lobby register is intended to help strengthen public trust in politics and the legitimacy of the decision-making processes in parliament and government. The aim is to create more transparency with regard to the influence of representatives on this process. As soon as the entry in the German lobby register is officially permitted, 50Hertz Transmission GmbH will record its information on it.

In 2021, 50Hertz Transmission GmbH did not make any donations to politicians or political parties.

1.3.8. Security and emergency management

Critical infrastructure

For Elia group companies, security does not stop at the company's boundaries. For example, staff are trained in crisis management and crisis communication with internal and external stakeholders during regular crisis team exercises. Not only are the existing structures, processes and reporting channels reviewed and continuously improved, but crisis team members and employees are also intensively trained in the skills needed to deal with unexpected and high-stress events in a level-headed manner and are also trained to take quick and appropriate crisis management decisions. These and other measures serve to continuously increase the resilience of the Elia group in a holistic manner. In addition to the training offered to all members of the crisis team, reviews are undertaken of property protection concepts and general corporate security is further developed.

ELIA IN BELGIUM

Following the implementation of the framework related to access screening for our most critical areas (National Control Centres/Regional Control Centres/Data rooms), the Security Department conducted a thorough analysis of all access rights to these areas. Only those individuals who should have access to these areas because of their specific role were retained and included in a screening list. Files on each of the 549 individuals on this list were created and forwarded to the Belgian Federal Public Service (FPS) Economy. After a screening check was conducted by the National Security Authority, these individuals received a positive screening certificate. This means that since September 2021, all individuals who have been granted access to our most critical areas have been screened; moreover, a specific process has been put in place for all new members of staff who need to access these areas.

In order to ensure that our General Data Protection Regulation protocol is adhered to in the best possible manner and to optimise operational efficiency, a new system has been developed in concert with the FPS Economy that involves the automatic forwarding of new digital files.

Based on criteria agreed upon with the FPS Economy in 2020 and in compliance with the legislation relating to critical infrastructure (EPCIP Directive), a list of potential new critical infrastructures was officially handed over to the FPS Economy. This list designates a total of 41 'Critical Infrastructures', of which 19 are new. 3 pieces of infrastructure previously assumed to be 'critical' were not included in this list, since they did not meet the relevant criteria.

In consultation with and in line with guidance from the Security Department, both the FPS and Federal Agency for Nuclear Control (FANC) carried out inspections of all of our Critical High-Voltage Substations in 2021. This involved verifying that the Operator's Security Plan (OSP) complied with all relevant legislation and reality in our substations. Aside from some minor areas that were identified as needing improvement, all audit reports provided positive feedback about the processes in place. The items that needed to be addressed were immediately dealt with or included in an action list.

As part of the joint approach to the OSP related to Elia's critical infrastructure that is linked to the Doel nuclear power station, Elia's Security Department developed a specific protocol with ENGIE, the nuclear power station; this defined the steps to be taken and cooperation needed with regard to alerts and incident management. In line with this, a security exercise was conducted in 2021 which allowed us to improve our processes according to the Plan Do Check Act (PDCA) principle. Furthermore, the process relating to requests for gaining access was digitised.

The provisions included in the CAPEX plan were fully developed in 2021. In addition, a special focus was placed on various high-voltage stations which are of particular importance for society (since they are related to the COVID-19 vaccination drive). After having undertaken an in-depth benchmarking exercise and an analysis of specific security systems, we identified three possible security approaches for regular substations. Based on

these, a new security policy for these regular substations is due to be developed in 2022.

Following the adoption of an online access control system for Elia's high-voltage substations, over 100 such substations were equipped with this new system by December 2021. The Security Department conducted a study which involved replacing the redundant access control system (Offline-Elkey-key) with this new system. The aim of this switch is to ensure we have a high-performing system at our disposal and to considerably reduce our operational costs.

Due to the importance of Elia's offshore activities, the Security Department conducted a thorough study of the specific risks and mitigating measures related to security in offshore installations. In 2022, the Department will focus on the further development of our public-private partnerships for this purpose (including with the military).

The continuous development of our expertise in the field of operational security resulted in the development of various projects which aim to support transversal services. These include the International SOS Travel App: an Elia Group app which offers our employees maximum protection and support during their business trips.

As part of the professionalisation of the alarm raising processes and incident management, a new in-house Security Operations Centre began to be constructed at the Elia headquarters in 2021. The centre is due to be operational in early 2022.

In order to ensure that cooperation between the emergency services and Elia's Security Department is maximised, roadshows were organised for the relevant (local and federal) police districts. These included explanations of our list of Critical Infrastructures and related security measures.

IT

The further reinforcement of the robustness, security and protection of our IT and network systems is a key recurring component in preserving the confidentiality of critical data.

One of the concrete measures taken in 2021 is the development of a data classification model for Elia group: this enables data owners to easily and correctly classify their data so adequate security measures can be applied. One model for the Group assures consistency.

Best practice and information are exchanged at a national level in the utility sector as well as at a European level (ENTSO-E). We evaluate the threat landscape and associated development to be able to put the right risk mitigation measures in place.



ELIA IN BELGIUM

A number of concrete measures taken in 2021 in this field are listed below.

- Monthly external scanning of Elia's external perimeter (Elia's public IP addresses) in order to assess the potential vulnerabilities of Internet applications regarding possible cyber risks. In the reporting year, no targeted cyberattacks against Elia were recorded.
- Further development of the information security management system (ISMS) programme launched in 2020, as part of good governance and as an enabler to meet regulatory requirements (NIS Directive, ENTSO-E): design, create and implement an ISMS in line with ISO27001. The ISMS is a framework of policies and controls that aim to manage security and security risks systematically across the entire organisation. The objective is to obtain ISO27001 certification in 2022.
- Phishing campaign: human behaviour is key in countering the threat of phishing. An awareness campaign was launched to inform and warn staff of the risks of phishing mails.
- Successfully passing the external audit regarding compliance with the MVS Security Plan: in the context of the OPDE/CGM programme (the European Common Grid Model) ENTSO-E requires TSOs to comply with a specific set of security measures when exchanging information with other TSOs.
- Appointment of a Data Protection Officer (DPO) to ensure that Elia processes the personal data of its data subjects (staff, customers, providers or any other individuals) in compliance with the applicable General Data Protection Regulation (GDPR).

50HERTZ IN GERMANY

As an operator of critical infrastructure, 50Hertz is obliged by the IT Security Act and the Energiewirtschaftsgesetz (EnWG) to ensure that information is securely stored on systems that are necessary for maintaining security of supply. In this context, the processing, storage and communication of information must be designed in such a way that the availability, confidentiality and integrity of the information and our critical systems are ensured to an appropriate degree.

The information security management system was recertified in 2020, in accordance with ISO 27001 "IT Security Catalogue pursuant to Section 11 (1a) EnWG". Through an established security process, information security risks are systematically identified and dealt with. In the reporting year, no targeted cyberattacks were carried out against 50Hertz; moreover, no damage caused by information security incidents occurred. In an independent audit which evaluated and certified the operational security of data centres (based on DIN EN 56000), the 50Hertz data centres were designated as "highly available" at Level 3.

As part of the data protection management system (DSMS), the existing e-learning programme was updated and internal and external employees were sensitised and trained in this area.



Emergency and restoration

G4-EUS-DMA Disaster/ Emergency Planning and Response

Should an electricity crisis occur (as a result of natural disasters, malicious attacks or a fuel shortage), Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have crisis management procedures in place which consist of 3 main plans, as outlined below.

- **The crisis management plan** describes the roles, responsibilities and processes related to crisis management. Emergency management is planned for based on different emergency scenarios known as Standardised Emergency Preparedness Plans (SEPPs). The emergency plans contain appropriate measures which must be followed and the definition of reporting and information processes.
- **The system defence plan:** this includes automatic and manual measures which aim to prevent abnormal situations from developing (including blackouts), to limit the impact of disturbances and to stabilise the electric power system when it is in an 'Emergency' state. These measures aim to return the system to a 'Normal' or 'Alert' state as soon as possible with minimal impact on grid customers and society. In accordance with the system defence plan, both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have established load shedding and other plans to be executed by themselves or related distribution operators; these include demands which need to be manually or automatically performed to prevent the worsening of an electricity crisis.
- **The restoration plan:** this includes a set of actions that can be used after a disturbance which has had large-scale consequences (e.g. a blackout) which are intended to bring the electricity system back to a 'Normal' state.

Both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH regularly train their operator teams by organising simulated exercises with relevant stakeholders and partners (such as distribution system operators or generation companies). In general, system operators regularly practice handling abnormal and crisis situations by undertaking theoretical and practical training.

TSOs must regularly test their ability to restart the system. These restart tests - also called black start tests - are part of the grid reconstruction plans of TSOs, who must regularly test this capability in their respective grid areas so that the power supply can be restored as quickly as possible after a power outage.

Simulation trainings and theoretical training sessions related to emergency and restoration plans are provided for the operators of the national control centre and the regional control centres.

ELIA IN BELGIUM

In the reporting year 2021, Elia Transmission Belgium SA/NV Elia successfully conducted three black start tests and various emergency exercises, including risk preparedness tests for crisis staff (a.o. "Heatwave" with French TSO RTE) and 'National Backup Control Centre' tests.

Due to the major floods in Wallonia during 2021 summer, the Emergency plan has been activated in July 2021.

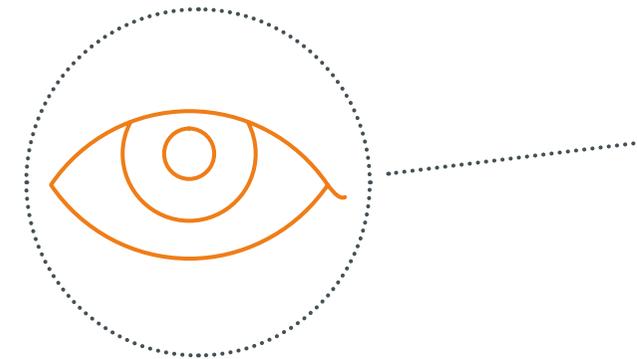
50HERTZ IN GERMANY

50Hertz Transmission GmbH regularly rehearses so-called black starts in order to be prepared to restore the power supply within a short time in the event of a blackout. Such training is undertaken with different partners: both as part of simulations and during network reconstruction tests under real conditions. This ensures safety in the event of a crisis and is also required by law.

In the year under review, a network reconstruction was successfully completed for the second time using a so-called start-up grid. A start-up grid consists of a grid cluster with strategically useful transformer stations, which are simultaneously electrified by a black start unit, in this case a pumped storage power plant.

COVID-19

As soon as the COVID-19 virus was first located in Europe, task forces were set up to closely monitor the spread of the virus and its impact on Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH. These task forces continue to monitor the situation. Measures that these task forces decide to establish are communicated immediately to all group employees.



1.3.9. Grid reliability

G4 EUS, DMA

In order to meet the demand for electricity at all times, both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH must assure their customers that their grid is reliable. As TSOs, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH provide infrastructure with adequate electricity interconnections to enable the smooth functioning of markets and systems. This is the best guarantee of security of supply.

However, even where markets and systems function well and are interconnected, the risk of a power outage still exists.

The actions established to cope with a large-scale power outages caused by exceptional events are described in the previous section.

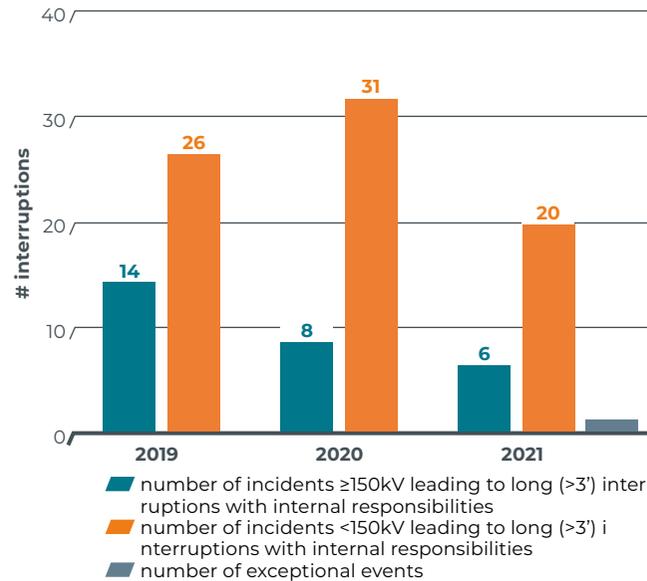
Grid availability and interruptions

ELIA IN BELGIUM

In order to assess the availability of the grid for a specific year, the number of incidents for which we Elia Transmission Belgium SA/NV are responsible and which have led to at least one customer interruption that lasted for more than three minutes (the international standard) is recorded. Any interruption caused by customer errors, thunderstorms, third parties, birds, etc. and considered as exceptional events, are not included in this record.

The major floods in the Belgian Province de Liège in July 2021 had a large impact on the grid. Due to rising water, an urgent power outage was planned for, the flooding was considered as a “force majeure” and naturally categorised as an exceptional event.

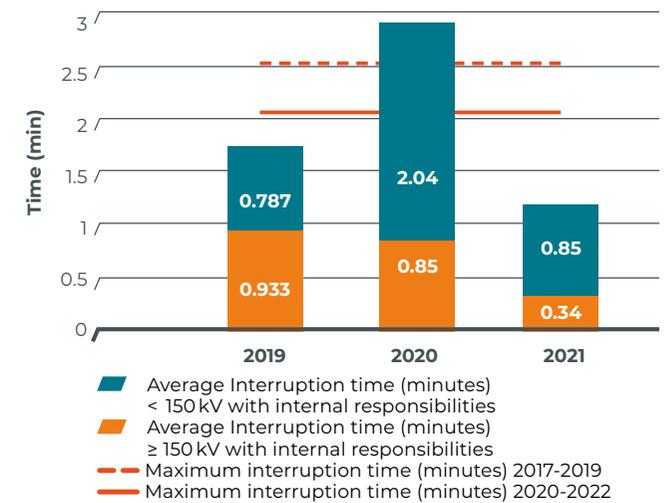
GRID INTERRUPTIONS



Most interruptions take place along the local transmission grid (< 150 kV), since most customers are connected to the local (regional) transmission grid rather than the federal transmission grid. When considering specific grid interruptions, the **average interruption time (AIT)** is also calculated. This provides a measure of the interruption time that would have been experienced if all the customers connected to the grid had experienced an interruption at the same time. AIT is calculated as Energy Not Supplied / Yearly Average Power.

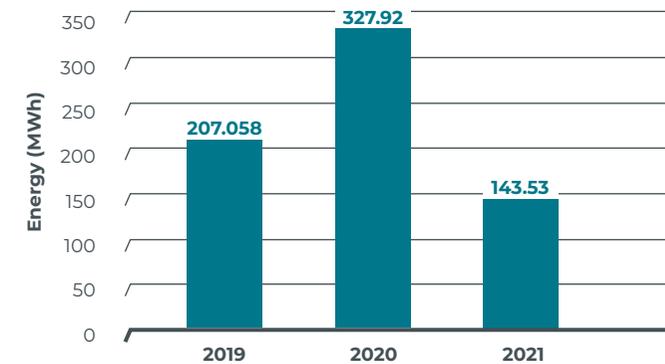
The **maximum interruption time** is the reference value used for calculating the Average Interruption Time (AIT) Incentive relating to continuity of supply by CREG, the Belgian federal regulator. For the period 2020-2022, its value is 2.1 minutes.

AVERAGE INTERRUPTION TIME



Energy not supplied (ENS) refers to all energy not supplied to our customers during outages of more than three minutes caused by Elia’s internal problems. However, ENS does not take into account the impact of major events.

ENERGY NOT TRANSPORTED/NOT SERVED



The ENS score achieved in 2021 was lower than last year when a series of storms caused several technical failures.

Grid availability

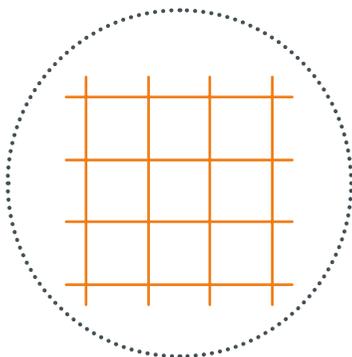
Onshore availability represents the availability of the interface points between the Elia grid and our customers' grids. It takes into account all the interruptions caused by intrinsic risks (weather, third parties, animals outside a building, etc.) or by internal Elia problems (e.g. material failure, human error) which lasted for more than three minutes, but excludes interruptions directly caused by Elia's customers.

CALCULATION METHOD:

Onshore availability = 1 – AIT (internal Elia + intrinsic risk) (# minutes in the year)

	2019	2020	2021
Onshore grid availability at connection points	0.99999671	0.99999362	0.99999564

In 2021, onshore availability in Belgium remained at a very high level (above 0.99999).



50HERTZ IN GERMANY

50Hertz Transmission GmbH operates the extra-high-voltage grid in the north and east of Germany. Its reliability is demonstrated through the occurrence of the number of faults per 100 km across the extra-high-voltage grid (≥ 150 kV) area of 50Hertz Transmission GmbH. Faults include network and equipment disturbances that result in transmission capability being restricted or system conditions being violated. Grid disturbances include, among other things, the effects of storms that cause an electrical short circuit. Equipment faults are only taken into account if network elements have caused a fault or have to be switched off. Network elements are lines, transformers, chokes and busbars.

Disturbance Rate DE (disturbance/100km)	2019	2020	2021
50Hertz	1.12	1.20	1.16
Average all German TSO	1.36	1.59	-

The disruption rate for all German TSO will be available in /July 2022



2 Strategy



GRI 102-15, GRI 102-29, GRI 201-2

2.1. Materiality and objectives

GRI 102-15, GRI 102-29, GRI 102-46, GRI 102-47, GRI 103-1

The energy transition is one of the greatest challenges society is facing this century. With the vision “For a successful energy transition in a sustainable world”, the Elia group is making it clear that it is an active driver of the decarbonisation of society and industry. To this end, it is developing the grid, the system, and the market of the future.

Definition of our main topics

The annual development of our materiality matrix - which serves as a guide for strategic decision-making, the setting of priority areas for the Elia group, the management of our ESG issues and the transparent reporting we carry out - has been undertaken since 2019.

Our 2021 matrix was based on the sources outlined below.

1. Results from the 2020 internal survey we carried out regarding material topics. Managers from across both Elia and 50Hertz were asked to rate the importance of a number of topics from their own point of view and from the point of view of the group’s external stakeholders.
2. The identification of topics which demonstrate ‘double materiality’ - which cover both the impacts the Elia group has on the external environment and the impacts the external environment has on the Elia group. These topics were identified following the design and rolling out of our ActNow programme: in 2021, we identified the SDGs which our five ActNow dimensions were most closely aligned with. Once these were identified, we used the results of an analysis carried out by S&P Trucost to identify which goals demonstrated double materiality.



Understanding the matrix

Our materiality matrix consists of three categories: ‘medium’, ‘high’ and ‘critical’ materiality issues based on their importance for the group and our stakeholders (respectively). The chart above reflects the topics that contribute directly to one or more of the UN’s SDGs, and charts the level of importance of each topic for our stakeholders and the group.

3. The results of an external consultation that we undertook with our stakeholders in Belgium at the end of 2020. Different stakeholders - who were selected based on their experience with the energy sector and their different interactions with our business - were selected for this. They included stakeholders that we regularly engage with, including public authorities, direct clients, suppliers, sectoral federations and environmental associations. We ensured that these stakeholders represented diverse voices in terms of the language(s) they spoke; the size of the organisations they represented; where their organisations were based; and whether their organisations were from the public or private sector.
4. The results of a series of roundtables organised in 2021 with different types of German stakeholders (policy-makers, industry, non-governmental organisations, academia) to discuss the most material elements to successfully decarbonise German society.
5. The results of a survey which was carried out following the Elia group's first Capital Markets Day in April 2021, which aimed to collect the views of our financial stakeholders. Note that all topics displayed in the 2021 matrix were identified as material by our financial stakeholders in this survey.
6. The results of studies such as the World Energy Council's World Energy Issues Monitor and other recognised frameworks (such as the Global Reporting Initiative Sector Supplement for Electric Utilities) were considered to ensure completeness. In the future, we will continue to monitor international studies of this kind to make sure our materiality matrices stay up-to-date.

The development of materiality

The materiality of each topic is analysed as part of a regular cycle. In order to gain an even deeper understanding of our stakeholders' views, a survey of the group's most important external stakeholders is due to take place during the third quarter of 2022; this survey will include interviews and workshops.

In the future, our annual Stakeholders Day will be used as an opportunity to systematically gather external stakeholder feedback on the importance of each topic, whilst an internal survey of Senior Management will be used to update the X axis values (importance for the group) assigned to each topic.

Moreover, our Group Sustainability Office (GSO; [see 1.3.3. Roles and responsibilities](#)) will from now on oversee the identification and monitoring of new topics to be considered for inclusion in our matrices.



2.2. ActNow – Elia group’s sustainability programme

GRI 102-29, 103-2, 103-3

Sustainability lies at the core of the group’s business strategy. The group’s ActNow programme, which was published in 2021, sets out our long-term sustainability goals. These are aligned with the UN SDGs, demonstrating that the group’s business objectives are explicitly linked to global goals. They are implemented through our business plans and operations. The group reviewed its business units and processes in relation to the SDGs and is improving its sustainability performance accordingly, developing indicators and a roadmap that help us to track our progress. Specific targets that are regularly reviewed and managed have been set.

ActNow is organised around five dimensions: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion and Governance, Ethics and Compliance.

The electricity sector has a major role to play in the decarbonisation of society and tackling of climate change. Electricity as an energy carrier is already the most cost-efficient solution in most sectors. Accordingly, further electrification based on the integration of renewable energy into the system is the most efficient way to realise the energy transition. The Elia group is positioned at the very centre of the energy system and is thus well-placed to identify the best methods for decarbonising the system. In addition to developing the necessary grid infrastructure which will support the integration and transportation of additional volumes of renewable energy across the grid, the Elia group is identifying necessary sources of flexibility which will allow the grid to cope with the variability of renewable energy and is preparing the market and system to operate in a 100% renewable energy context.

With ActNow, the joint study **Decarbonising the energy system – The role of Transmission System Operators** published with 7 other TSOs¹⁰, and 50Hertz’s strategic initiative *From 60 to 100 by 2032 - new energy for a strong economy*, we are making an ambitious contribution to fulfilling European, national and regional renewable energy and climate targets - as well as decarbonising society - both internally and externally.



Our regular ESG ratings from ESG rating agencies like Vigeo Eiris and Sustainalytics are also providing us with important input to improve our sustainability performance. Further information to Elia Transmission Belgium SA/NV can be found [here](#) and for 50Hertz Transmission GmbH can be found [here](#).

The Elia group supports the European Green Deal through its core business. The demand-driven grid development we undertake and our innovation programmes enable us to integrate ever-increasing amounts of renewable energy into the system, whilst the building and operation of interconnectors enables cross-border European electricity trading to be undertaken. We cover the high investments required for this - where this makes economic sense - through green bonds that we place in the European and international financial markets. We are therefore committed to fully aligning ourselves with the EU Taxonomy to make this market more transparent.

¹⁰ We worked with 7 other TSOs (Terna, RTE, TenneT, Amprion, Red Eléctrica, Swissgrid and APG) to identify the main tools for decarbonising the energy system. These were outlined in a joint paper that was published in July 2021: Decarbonising the energy system – The role of Transmission System Operators.



5 Dimensions

Section



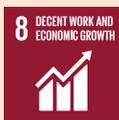
1 Climate Action

- Enabling decarbonisation of the power sector
- Carbon neutrality in system operations by 2040
- Carbon neutrality in our own activities by 2030
- Transition to a carbon-neutral value chain for new assets and construction works



2 Environment & Circular Economy

- Preserve and strengthen ecosystems and biodiversity
- Embed circularity in our core business processes
- Ensure compliance with environment performance standards



3 Health & Safety

- Going for zero accidents
- Build our safety culture
- We are all safety leaders
- We strive for health and wellbeing of our staff



4 Diversity, Equity & Inclusion

- Inclusive leadership across the organisation and engaging all staff
- Inclusive recruitment and selection practices in hiring processes
- Equal opportunities for all staff
- Open and inclusive company culture and healthy work-life balance
- Recognition of societal DEI role



5 Governance, Ethics & Compliance

- Governance: Accountable rules & processes
- Ethics: Sustainable mindset & behaviours
- Compliance: Conformity with external & internal rules
- Transparency: Openness & meaningful stakeholder dialogue

Environment

Section 3. – Energy – Market & integration of renewables
Section 8. – Environmental aspects

Section 8. – Environmental Aspects

Social

Section 5. – Safety
Section 4. – Human Resources

Section 4. – Human Resources

Governance

Section 1.3. – Guiding principles
Section 7.3. – Public Acceptance and Stakeholder dialogues

For further details about the key performance indicators and targets which form part of our ActNow programme, please see the section entitled **'Performance' in our 2021 Integrated Report.**

2.3. Green finance & EU Taxonomy

Our vision “For a successful energy transition in a sustainable world” requires immense investments to be made in the expansion of the grid to support the integration of renewable energy into the system. This expansion - which includes offshore wind farm connections, the construction of new and necessary grid infrastructure and the construction of cross-border interconnectors - will support the sustainable electrification of society and, ultimately, the achievement of climate neutrality by 2050, in line with the European Green Deal.

Green Finance

The Elia group will increasingly finance these ‘green’ investments with green bonds. Appropriate frameworks have been established for this purpose.

The publication of the Green Finance Framework and the Euro-grid membership of the Nasdaq Sustainable Bond Network (NSBN) enable us to include this ‘green’ aspect in our financing and accelerate the transition to net zero.

In 2020, Elia Transmission Belgium SA/NV signed a €650 million revolving credit facility (RCF) agreement with a pricing mechanism linked to three sustainability performance targets.

50Hertz Transmission GmbH published its first Green Bond Impact Report in 2021. The report is a mandatory component of the first green bond issued in 2020 (which amounted to €750 million). It was used to finance projects including the grid connections to Ostwind 1 and 2 the connections leading to the offshore wind farms located to the northeast of the island of Rügen.

EU Taxonomy

Sustainable finance plays an essential role in achieving the EU's policy objectives. The EU Action Plan on Financing Sustainable Growth led to the creation of the EU Taxonomy, a classification system for sustainable economic activities. It was designed to help identify businesses that contribute to climate neutrality. An analysis of eligibility and alignment of Elia group's activities with EU Taxonomy was carried out and a [case study](#) has been published in cooperation with the consulting and auditing firm Deloitte.

 **For comprehensive reporting on the EU Taxonomy eligibility, please refer to Section 9. Reporting on the EU Taxonomy Regulation.**



3 Energy – Market and integration of renewables



GRI 302-2, SDG7

3.1. Introduction

The key role we are playing in the decarbonisation of the power sector is the best way we can contribute to meeting the Green Deal targets. We see this as our societal challenge and this is what we need to focus on.

We are enabling the decarbonisation of the power sector through our grid development projects. The German and Belgian governments have set targets to ensure that renewable energy covers 65% and 40% of the electricity mix in their respective countries by 2030. We will contribute to meeting these targets by expanding our grids, continuing to develop market products that facilitate the integration of renewable energy sources into them and improving the operation of our systems, so they are ready for a world led by green energy.

3.2. Installed capacity in our control areas

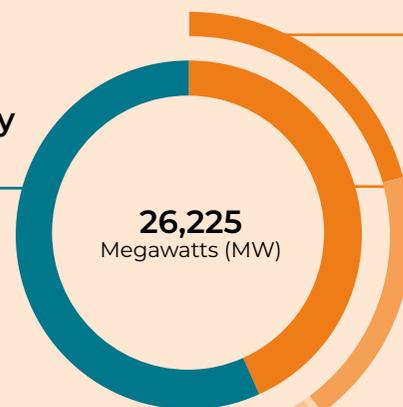
Transmission System Operators (TSOs) operate and maintain electricity grids and transport the electricity produced by the different energy sources across their operating zones.

ELIA IN BELGIUM

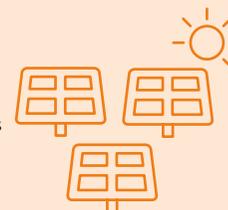
Installed capacity in our grids Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH enable non-discriminatory access to the transmission grid for all electricity generators.



Conventional energy
14,891 MW



Photovoltaics
5,430 MW



Renewable energy
11,334 MW

Wind
4,979 MW



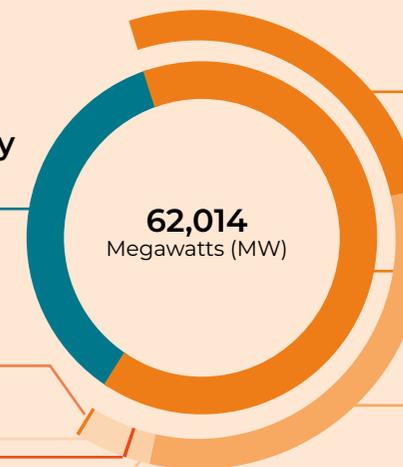
Hydropower
121 MW

Biomass
804 MW

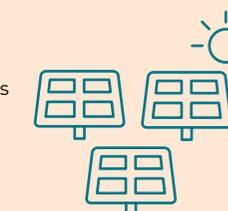
50HERTZ IN GERMANY



Conventional energy
22,544 MW



Photovoltaics
16,359 MW



Renewable energy
39,470 MW

Onshore wind
19,748 MW



Installed capacity of sewage, landfill and mine gas
59 MW

Biomass
2,037 MW

Hydropower
174 MW

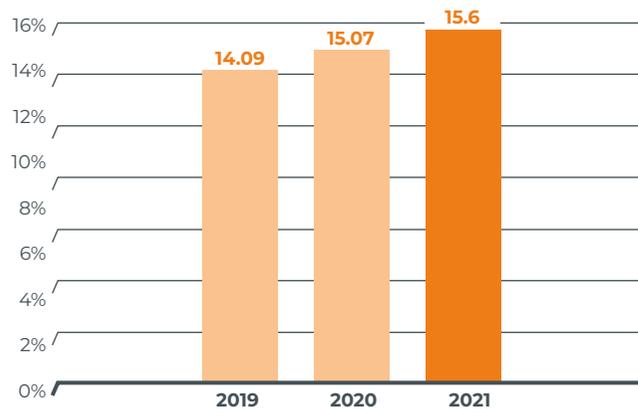
Offshore wind
1,093 MW

This version of the sustainability report includes corrections relating to data that was included in the original (and printed) version of this report.

3.3. Changes to the share occupied by renewable energy in electricity consumption across our control areas

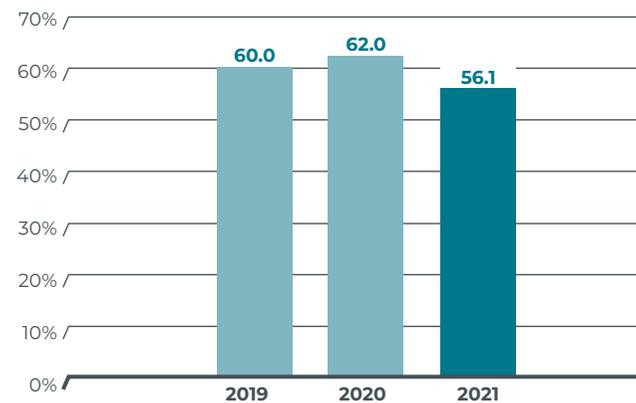
ELIA IN BELGIUM

CHANGE TO THE SHARE OCCUPIED BY RENEWABLE ENERGY IN ELECTRICITY CONSUMPTION



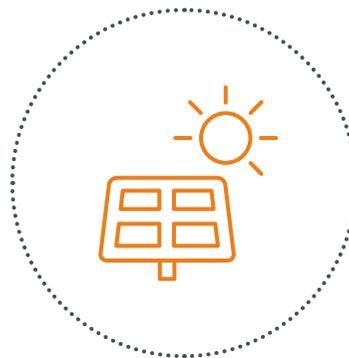
50HERTZ IN GERMANY

CHANGE TO THE SHARE OCCUPIED BY RENEWABLE ENERGY IN ELECTRICITY CONSUMPTION



In 2021, an annual average of 56.1 percent of electricity consumption in the 50Hertz grid area came from renewable energies. This was lower than the 62 percent figure from the previous year. The reasons for this were increased electricity consumption in the 50Hertz grid area with a significantly lower wind harvest.

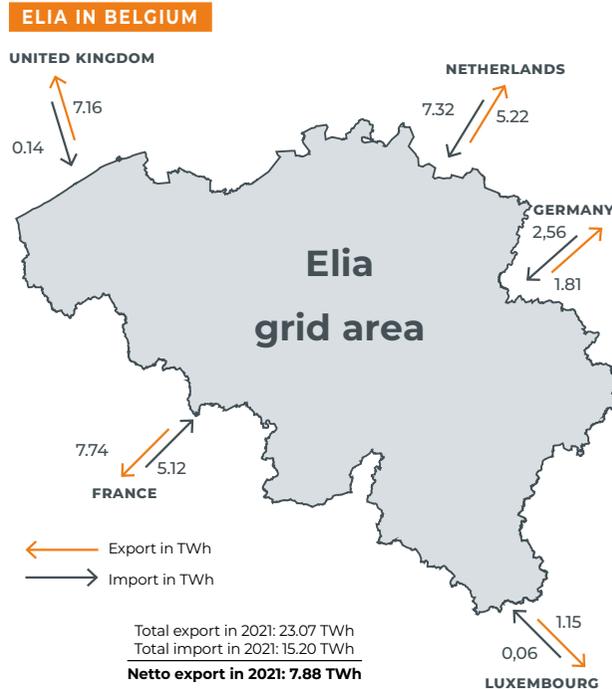
Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH enable non-discriminatory access to the transmission grid for all electricity generators.



3.4. Energy imports and exports

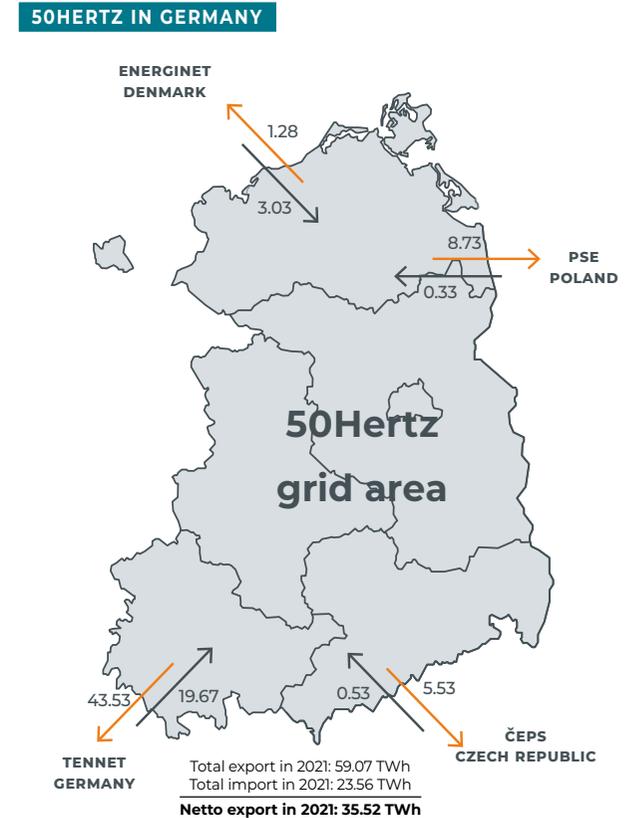
GRI 102-6, GRI 302-2

The electricity system and markets in Europe are already highly interconnected and integrated. The resulting challenges therefore require a transnational approach. HVDC interconnectors, which enable long distance transmission are required in order to strengthen the European electricity market, facilitate the energy transition and overcome the challenges associated with it. They are essential links in the construction of an integrated European electricity grid which facilitates the integration of renewable energy into the system and improves the security of supply.



The Nemo Link subsea interconnector, commissioned in January 2019, connects Belgium and United Kingdom.

ALEGrO, the first electricity interconnector between Belgium and Germany was commissioned in November 2020 by system operators Elia Transmission Belgium SA/NV and Amprion. ALEGrO posted good results for its first year of operation: 93% of availability and exchanges totalling 4.5 TWh. The interconnector has made it possible to balance prices between markets and boost societal wellbeing.



In October 2020, 50Hertz Transmission GmbH and Danish grid operator Energinet jointly organised the inauguration of the world's first hybrid offshore interconnector, the Combined Grid Solution (CGS). The CGS connects two substation platforms in the Baltic Sea both to each other and to the existing land connections of the offshore wind farms. This means that the CGS can transmit offshore wind power to Denmark or to Germany and can also be used for cross-border electricity trading.

3.5. Grid losses in our control areas

G4-EU12

When electricity is transported, part of the energy is converted into heat, and is known as 'grid loss'. Grid assets such as overhead lines, underground cables, transformers, etc. all have a small amount of electrical resistance which causes them to heat up as soon as an electric current flows through them. Grid losses are therefore the difference between the amount of electricity entering the grid and the amount of electricity supplied. They are unavoidable when transmitting electricity and depend on the voltage of electricity and length of the transmission lines, amongst other factors. The high-voltage direct current (HVDC) technology used in some of the interconnectors is more suitable than conventional three-phase alternating current technology for transmitting large quantities of electricity with low grid losses and optimal control over long distances.

When assessing the carbon footprint of a TSO in line with the Greenhouse Gas Protocol, grid losses-related GHG emissions are accounted for in its indirect GHG emissions (Scope 2).

The energy mix generated and fed into our system determines our carbon footprint. A high integration of renewable energy translates into limited GHG emissions.

The reduction of grid losses is not the only factor that should be considered when developing our grid, since too narrow a focus can lead to adverse effects and even slow down the integration of renewable energy.

 For further details on the group Carbon footprint, see Section 8.2.1. Emissions – Greenhouse Gas Emissions.

ELIA IN BELGIUM

In Belgium, there is a distinction between two categories of grid losses:

- Grid losses monitored at federal level (≥ 150 kV) compensated with kind in accordance with federal legislation;
- Grid losses monitored at regional level (< 150 kV)

In 2021, the grid losses of Elia Transmission Belgium SA/NV totalled 1.5 TWh. Its transmission losses expressed as a percentage of total energy (electricity transmitted) were: 2.03%.

Grid losses	unit	2019	2020	2021
Federal level (from 150 kV)	MWh	788,191	717,811	918,071
Regional level (less than 150 kV)	MWh	547,383	539,061	558,922
Grid losses total	MWh	1,335,574	1,256,872	1,476,993

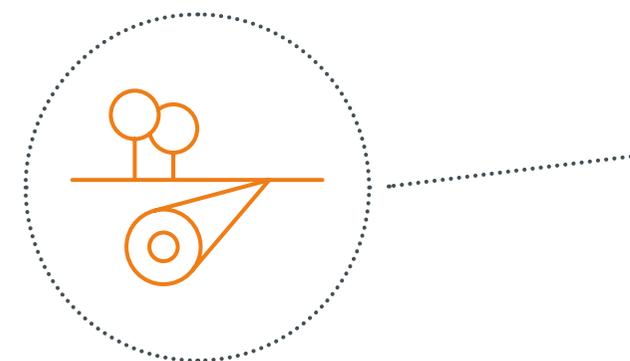
The losses are calculated using the Energy Management Systems (EMS) State Estimator. The EMS models the entire Belgian network, listing each network element. The State Estimator will estimate the state of each network element on the basis of measurements taken in real time and the system modelling parameters.

50HERTZ IN GERMANY

In 2021, the grid losses of 50Hertz Transmission GmbH totalled 2.4 TWh. Its transmission losses expressed as a percentage of total energy (electricity transmitted) were: 2.17%.

50Hertz Transmission GmbH has already planned the South-East Link between Saxony-Anhalt and Bavaria, the first 525 kV HVDC transmission line in its grid area. As mentioned above this technology is more suitable than conventional three-phase alternating current technology for transmitting large quantities of electricity with low grid losses and optimal control over long distances.

To be able to better predict the amount of losses and purchase electricity for balancing out the grid more cost-effectively via the electricity market, 50Hertz Transmission GmbH has developed a new forecasting model based on artificial intelligence (AI). It developed the grid loss model in cooperation with the Fraunhofer Institute for Optronics, Systems Engineering and Image Analysis (IOSB) in Ilmenau.





4 Human resources

GRI 102-7, GRI 102-8, GRI 103-2, GRI 401-2, GRI 401-3, GRI 405-1, SDG5, SDG8

4.1. Management approach

The Elia group owes its success entirely to the success of its employees. It is the group's responsibility to help them develop their skills, foster their health and commitment, involve them in decisions and guarantee equal opportunities for all.

The Elia group complies with international guidelines which extend beyond its collective agreements and company agreements, such as the core labour standards of the International Labour Organization (ILO: C87, C98 and C135) and the worker's rights set out in the UN Global Compact.

The Elia group is committed to promoting diversity out of conviction and in accordance with ILO Convention 111 and strictly condemns any discriminatory action in all work-related situations. All employees are equal regardless of their ethnicity, age, gender, sexual identity, religious affiliation, political views, national or social origin or other factors. The Elia group is committed to valuing all employees and their abilities equally.

As part of our Sustainability programme ActNow, we have set ourselves specific targets in the areas of "diversity, equal opportunities and inclusion" and "occupational health and safety" (see **5. Safety**). The maintenance and further development of our values-based, open and inclusive corporate culture as well as the promotion of a healthy work-life balance are among the company's top objectives; they form the strategic basis for all staff-related decisions.

Within the senior management team, responsibility for staff strategy issues lies with the Group Chief Alignment Officer and the Group Talent Management Officer.

There were no reported cases of discrimination in 2021.

4.2. Headcount

GRI 102-7, GRI 102-8, GRI 405-1, GRI 401-1

ELIA IN BELGIUM

(subsidiaries included: Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering SA/NV, Elia Asset SA/NV, Elia Grid International SA/NV and Eurogrid International SA/NV)

	2019	2020	2021
Total employees Elia	1,424	1,455	1,491
- full-time	1,295	1,333	1,347
- part-time	129	122	144
- men	1,150	1,170	1,198
- women	274	285	293
- below the age of 30	211	171	157
- between the ages of 30 and 50	828	882	925
- over the age of 50	385	402	409



	2019			2020			2021		
	Men	Women	%women	Men	Women	%women	Men	Women	%women
Directors	5	3	37.50%	5	3	37.50%	5	3	37.50%
Senior Managers	28	5	15.15%	29	6	17.14%	33	7	17.50%
Line Managers	449	128	22.18%	474	140	22.80%	494	148	23.05%
Employees	668	138	17.12%	662	136	17.04%	666	135	16.85%
Subtotal	1,150	274	19.24%	1,170	285	19.59%	1,198	293	19.65%
Total	1,424			1,455			1,491		

The average age of employees is 42.7 years.



50HERTZ IN GERMANY

	2019			2020			2021		
	Men	Women	%women	Men	Women	%women	Men	Women	%women
Directors	4	0	0.00%	4	1	20.00%	4	1	20.00%
Senior Managers	38	5	11.63%	37	8	17.78%	32	9	21.95%
Line Managers	68	13	16.05%	86	14	14.00%	88	18	16.98%
Employees	763	249	24.60%	844	290	25.57%	922	313	25.34%
Subtotal	873	267	23.42%	971	313	24.38%	1,046	341	24.59%
Total	1,140			1,284			1,387		

The average age of employees at 50Hertz has fallen slightly compared to the previous year and is now 42.2 years.

New employee hires and employee turnover

ELIA IN BELGIUM

(subsidiaries included: Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering SA/NV, Elia Asset SA/NV, Elia Grid International SA/NV and Eurogrid International SA/NV)

NEW HIRES 2021

New Hires 2021	Unit	2019		2020		2021	
		Number	rate (%)	Number	rate (%)	Number	rate (%)
		132	9%	100	7%	96	6%
New hires per gender	Men	107	81%	73	73%	78	81%
	Women	25	19%	27	27%	18	19%
New hires per age category	< 30 year	51	39%	26	26%	38	40%
	30 < 50 year	70	53%	55	55%	55	57%
	≥ 50 year	11	8%	19	19%	3	3%

TURNOVER 2021

Employee Turnover 2021	Unit	2019		2020		2021	
		Number	rate (%)	Number	rate (%)	Number	rate (%)
Turnover		43	3.1%	47	3.2%	74	5.1%
Employees who left Elia per gender	Men	34	2.4%	34	2.3%	63	4.3%
	Women	9	0.6%	13	0.9%	11	0.8%
Employees who left Elia per age category	< 30 year	9	0.6%	6	0.4%	10	0.7%
	30 < 50 year	34	2.4%	23	1.6%	34	2.3%
	≥ 50 year	0	0.0%	18	1.2%	30	2.1%

Remarks:

- New hires include all new employees within the planned budget and all the employees that were recruited as additions to the original budget. Changes in positions are not included.
- The number of leavers is determined based on all employees leaving the company as a result of dismissal, retirement or resignation from 1 January to 31 December of the reporting year.
- Turnover rate = # employees who left (#employees begin of year+#employees end of year)/2

50HERTZ IN GERMANY

(subsidiaries included: Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz offshore GmbH)

NEW HIRES 2021

	2020		2021	
	Men	Women	Men	Women
< 30 years	41	20	12	1
30 - 50 years	52	19	84	34
> 50 years	42	17	46	19
TOTAL	135	56	142	54

LEAVERS 2021

	2020		2021	
	Men	Women	Men	Women
< 30 years	2	3	10	4
30 - 50 years	18	4	20	7
> 50 years	13	2	21	5
TOTAL	33	9	51	16

4.3. Work-life balance

GRI 401-2

Elia group employees benefit from a family-friendly work environment and the opportunity to enjoy a healthy work-life balance.

The early recognition and prevention of work-related illnesses and the ability to remain employable are integral parts of occupational health and safety at Elia group (see also Section 5. Safety). In order to achieve these goals, Elia Group implements occupational health measures which focus on individual protection and the prevention of health risks. In addition, Elia Group regularly provides medical consultations, vaccinations and advice related to workplace ergonomics to all employees.

A confidential counselling service is available to employees in the event that they should experience stress, conflict or suffer from substance addiction. Employees are also invited to take part in different public sports events.

In order to improve our working environment, an exit interview is always carried out with staff who leave the organisation, in order to better understand their reasons for departure.



Parental leave

GRI 401-3

ELIA IN BELGIUM

In Belgium, every worker has the right to take four months of parental leave (either as full-time leave or part-time leave).

NOTE: It is not possible to report on the total number of employees at Elia Transmission Belgium SA/NV who are or have been entitled to this type of leave, as they may have already taken it whilst working at another company.

PARENTAL LEAVE

	2019		2020		2021	
	Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
TOTAL						
Men	75	67%	111	66%	105	67%
Women	37	33%	58	34%	52	33%
Full-time parental leave (≥1 month)						
Men	39	-	34		33	
Women	21	-	18		16	
Total	60	54%	52	31%	49	31%
Parental leave as a deduction of full-time employment						
Men	36	-	77		72	
Women	16	-	40		36	
Total	52	46%	117	69%	108	69%

50HERTZ IN GERMANY

A company agreement is in place which aims to improve the work-life balance of mothers and fathers and support them with their childcare needs. This outlines the company's policy on issues relating to parental leave, support services, flexible working hours, special holidays and sabbaticals as well as career advancement. The 50Hertz headquarters also houses a daycare centre for the children of employees, which is also open to local children from the neighbourhood. In addition, a parent-child office exists for short-term childcare during the working hours if necessary. In job advertisements at 50Hertz, the 'Flexi-Compass' initiative provides candidates with information about possible part-time and flexitime positions. Employees who occupy such positions are given more flexibility with regard to the way they can organise their working hours (and the places they work from), so supporting them to better be able to manage their personal and professional responsibilities. Guidance about such roles can be found in the document on "mobile working". As a result of the COVID-19 pandemic, parents who were affected by the closure of schools and daycare centres were given suitable working time arrangements in this reporting year to enable them to care for their children at home.

PARENTAL LEAVE

	2020	2021
Number of employees on parental and care leave	9	14
thereof men	4	6
thereof women	5	20
Number of employees on parental leave 01.01.2021 - 31.12.2021	67	77
thereof men	47	49
thereof women	20	28

Retirement

G4-EUS-EU15

ELIA IN BELGIUM

2021	In 5 years		In 10 years	
	men	women	men	women
Percentage of employees eligible to retire				
Directors	0%	0%	0%	0%
Senior managers	0.17%	0%	0.33%	0%
Line managers	1.67%	1%	3.34%	2%
Employees	5.59%	6.83%	7.93%	8.19%
Total (without directors)	7.46%	7.93%	11.99%	10.69%

50HERTZ IN GERMANY

2021	In 5 years		In 10 years	
	men	women	men	women
Percentage of employees eligible to retire				
Directors	20%	0%	20%	0%
Senior managers	9.76%	0%	29.27%	0%
Line managers	1.89%	0%	11.32%	0%
employees	5.75%	1.70%	11.58%	3.48%
Total (without directors)	5.60%	1.50%	12.10%	3.10%



4.4. Employee surveys

Employee surveys are conducted every two years. In 2020, the survey was organised at group level for the first time and included questions on the topic of diversity in the section on corporate culture. Both the answer rate (87% of employees took part) and results of the survey were very high (commitment index around 70), this demonstrates the high engagement of our workforce.

The detailed results were discussed across the organisation: company-wide fields of action and measures for individual teams were decided upon. The main topics which were established as focus areas at Group level were change management, cross-departmental collaboration and simplification.

Employees are able to share their views about the organisation on a regular basis (see section on stakeholder participation). Initiatives include the “Say it!” employee survey at 50Hertz, which was conducted for the fourth time in 2020. The participation rate was 91% (2017: 91%) and 50Hertz was once again able to achieve an above-average employee commitment index of 71 (2017 survey: 68).



4.5. Training

GRI 404-1

To realise our vision and master the challenges of tomorrow, the group needs motivated employees, since they are a key success factor in times of constant change. In addition to training related to the technical and safety skills which are required to perform our core business tasks (training specifically focusing on safety is detailed in **5.2. Health and safety training**), Elia group employees are offered individually tailored further training and the opportunity to complete relevant qualifications.

The increase of teleworking due to the COVID-19 outbreak has also had an impact on the way training is provided, virtual training sessions have been held in order to ensure training continuity. The catalogue of available training has expanded to webinars accessible by every employee of the Elia group.

Systematic succession planning ensures that sufficient numbers of potentially suitable employees are available for all management positions and that vacancies can be filled internally wherever possible. To this end, talent is identified and promoted - for example through programmes for “young professionals” that are jointly developed and offered across Elia group. Programmes for upgrading employee skills and encouraging career transition also exist (this includes programmes related to innovation, “intrapreneurship”, leading the change and external education).

Elia group attracts qualified young talent via its own in-house training programmes. These include a 24-month trainee programme, internships and students completing diplomas, bachelor or master’s degrees (in cooperation with a local universities).

An additional Elia group talent programme was launched in the third quarter of 2020. Talent@Elia Group is one of the top projects included in the Elia Group SA/NV Business Plan. This project was established to ensure our organisation can succeed in the ever-changing context of the energy transition and can fulfil its digital transformation needs. The framework developed as part of this project aims to enable our business strategy and to create an attractive, motivating environment for the talent we have and need.

In addition, managers can take specific training modules to develop their own leadership skills.

ELIA IN BELGIUM

The average number of hours dedicated to training and further education, excluding regular safety instructions, was 13.92 hours per employee in the reporting year. The overall tendency is to have shorter and impactful training sessions.

50HERTZ IN GERMANY

In 2021, a total of 108 student employees and 10 trainees were employed at 50Hertz Transmission GmbH. Currently, 30 young people are completing industrial or commercial training programmes at the organisation. The trainee ratio was therefore 2.1 percent. The average number of hours dedicated to training and further education, excluding regular safety instructions, was 12.56 hours per employee in the reporting year. In addition, managers can take part in specific training modules developed by the organisation to develop their own management skills.

4.6. Remuneration policies and incentive systems

GRI 102-38, GRI 102-41

Elia group's remuneration policy focuses on attracting and retaining the best talent, rewarding performance and supporting a culture of feedback and continuous development where possible.

Staff remuneration is aligned with job requirements and performance, regardless of gender, and is supplemented by extensive social benefits and a company pension scheme.

We ensure equal pay for equal work via a mechanism of reference salaries that are market benchmarked. Every job description is related to a salary category (which are discussed during "weighing committees").

In accordance with local legislation, Elia Group subsidiaries are obliged to prepare a report which transparently outline staff remuneration. The aim of this legislation is to ensure staff receive equal amounts of remuneration when they carry out equal amounts of work and, more specifically, it aims to ensure that the gap is avoided.

The remuneration of employees includes success and performance-related elements that provide them with incentives to achieve our collective corporate targets as well as their individual targets. All employees receive regular performance reviews and career development sessions. Some collective targets also relate to the environment of sustainable corporate governance, such as compliance with occupational health and safety and, at 50Hertz Transmission Belgium, successful social dialogue.

In addition, with the Elia Group share programme, employees have the opportunity to benefit from the business' success during the previous financial year. For the ninth time in 2021, every employee was offered shares at a preferential price.

Elia Group SA/NV transparently discloses the total remuneration of each of the members of the Board of Directors and of the Executive Management Board in its consolidated financial statements; these include the fixed and variable total remuneration of management staff as well as their company pensions and other benefits. The basic features of the remuneration system are explained and detailed in the corporate governance statement included in the 2021 Financial Report.

ELIA IN BELGIUM

Elia negotiates collective agreements for its 'non-exempt' staff¹¹ with other organisations across the energy sector. For 'exempt' staff members, their salary is based on internal equity combined with market competitiveness, their level of maturity, their respect for corporate values and safety leadership, and performance – all irrespective of gender.

In 2021, the Sustainability risk rating score has been added as a new sustainability-related collective target to the variable remuneration of the staff and Executive Management Board of Elia Transmission Belgium SA/NV.

Elia transparently discloses the total remuneration of the members of the Board of Directors and of the Executive Management Board of Elia Transmission Belgium SA/NV and Elia Asset SA/NV in its consolidated financial statements; these include the fixed and variable total remuneration that management staff receive as well as company pensions and other benefits.

Elia is willing to disclose its annual total compensation ratio (as is carried out by 50Hertz). We are working internally on the calculation method and making every effort to achieve this soon.



50HERTZ IN GERMANY

Fair remuneration for all employees is a matter of course for 50Hertz. Additional offers for retirement benefits and health round off the offer they provide to staff as an attractive employer. The remuneration policies will be further developed in line with future requirements in order to ensure it remains as an attractive employer. The Mining, Chemical and Energy Industrial Union (IG BCE) negotiates collective agreements with the Employers' Association of Energy and Utility Companies (AVEU). For the first time since 2013, a separate collective agreement was negotiated for 50Hertz in 2020 and the relevant parties decided to continue discussions surrounding general working conditions (skeleton wage agreement). Remuneration in line with requirements and performance is supplemented by extensive benefits and a company pension scheme.

50Hertz discloses the total remuneration of its management in its consolidated financial statements in a transparent and voluntary manner; these include the fixed and variable total remuneration of management staff, as well as their company pensions and other benefits.

The pay ratio (which expresses the relationship between the remuneration paid to the highest-paid employee and the median salary of all employees) is 7.7.

¹¹ non-exempt staff are entitled to be paid for the overtime work they carry out; exempt staff are not paid for this overtime - they are compensated through other means

4.7. Social dialogue and co-determination

GRI 407-1, 402-1

The Elia group is committed to freedom of association, collective bargaining and the protection of employee representatives. Particular emphasis is placed on trust and constant cooperation with all trade unions. A cross-company discussion takes place in Elia Group SA/NV's European Works Council with representatives from Elia and 50Hertz.

The company ensures that employment-related decisions are impartial and non-discriminatory via this discussion process (that involves monthly meetings and preliminary consultations with union representatives) at local and Group levels.

ELIA IN BELGIUM

All employees are covered by collective agreements

Social consultation at Elia Transmission Belgium SA/NV involves information provision, discussions and negotiation via the statutory consultative bodies, such as the Works Council, the Committee for Prevention and Protection at Work and the trade union delegation. These bodies include employee and employer representatives. Each body plays an advisory for certain matters and a decision-making mission for certain matters.

In addition to these legal bodies, we involve our social partners in social consultation and discussions via involvement in working groups to jointly prepare the implementation of our strategy. Via these consultations and discussions we want to involve them early in the evolution of our activities and the changes and opportunities this will bring for our organization and our way of working.

50HERTZ IN GERMANY

The Supervisory Board of 50Hertz Transmission GmbH is composed of six members and is contractually required to comprise equal numbers of employee and employer representatives (this goes beyond legal requirements). In a total of four Supervisory Board meetings were held in 2021; throughout these, the Management Board informed and advised the Supervisory Board about the current course of business, the organisation's economic situation and the status and development of risks. A committee of spokespersons with information and consultation rights represents the interests of senior executives. The Works Council is responsible for representing employees at 50Hertz

who are covered by collective agreements and those who are not. 50Hertz is committed to addressing employee concerns through joint events such as those organised by the Electricity Industry Group Committee and the Netzer Working Group. In addition, the company regularly sends guest speakers and lecturers to IG BCE educational events. In order to promote employee involvement in trade union affairs, taster courses on co-determination are offered. A youth and trainee representative committee (JAV) looks after the interests of young people at the company. The JAV works closely with co-determination bodies.



4.8. Diversity, Equity, Inclusion

GRI 405-1

As part of the group-wide ActNow programme, the Elia group is committed to promoting diversity and providing equal opportunities for all employees.

Elia Group published a Diversity, Equity & Inclusion (DEI) Charter outlining the management team's commitment to further embedding DEI across the organisation. In addition, in order to track and progress towards the fulfilment of our DEI ambitions, Elia Group developed a DEI data dashboard.



Diversity, Equity & Inclusion

	2019	2020	2021	Target
Women in leadership positions	17.24%	20.43%	22.11%	n.a.
Women in total workforce	21.13%	21.93%	22.23%	Currently being defined.
# Nationalities	27	32	37	n.a.
% Foreign nationalities in total workforce	2.63%	3.02%	3.32%	n.a.

Around 50 DEI ambassadors ensure the establishment of an open and inclusive corporate culture across the company. To this end, workshops to raise awareness of diversity and inclusion issues were offered and held in the reporting year. The Diversity Break, which encourages staff to discuss such issues together and was developed in 2020, was further developed in 2021. For example, new blind conversations took place which almost 100 colleagues participated in, during which employees were invited to anonymously express their views regarding the topics of equality, diversity and inclusion.

To respond to some of the topics raised during these conversations, a series of training modules for employees was developed; these modules focus on challenging unconscious bias and encouraging an inclusive culture and leadership practices. The format will be continued and evaluated in the coming year. An awareness-raising event was also held for managers.

In 2021, a 'Diversity & Inclusion Scan' was launched to better understand where we stand today in relation to these areas of action. This will lead to the development of a roadmap which will guide us as we improve in these areas.



Diversity within Board of Directors and Executive Management Board of Elia Group SA/NV

DIVERSITY WITHIN THE BOARD OF DIRECTORS

Number of directors as at 31 December 2021		2021
Men	Aged between 35 and 54 years	1
	Aged 55 or older	8
Women	Aged between 35 and 54	2
	Aged 55 or older	3

When searching for and appointing new non-executive directors, special attention is paid to encouraging diversity in terms of age, gender and complementarity of skills.

DIVERSITY WITHIN THE EXECUTIVE MANAGEMENT BOARD

Number of Executive Management Board Members as at 31 December 2021		2021
Men	Aged between 35 and 54 years	1
	Aged 55 or older	3
Women	Aged between 35 and 54	1
	Aged 55 or older	0

When searching for and appointing new members of the Executive Management Board, special attention is paid to encouraging diversity in terms of age, gender and complementarity of skills.



ELIA IN BELGIUM

In 2021, Elia Transmission Belgium SA/NV received the Top Employer label for the fourth time in a row; this label rewards companies that offer their employees an excellent working environment. Elia stood out in particular in the area of talent acquisition and for the work it has done on its corporate values.

The proportion of women in Elia’s overall workforce is 19.65% as of 31 December 2021 (the proportion of women at every responsibility level is disclosed in **4.2 Headcount**).



DIVERSITY WITHIN THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT BOARD

Number of people on the Board of Directors of Elia Transmission Belgium SA/NV as at 31 December 2021

		2021
Men	Aged between 35 and 54 years	1
	Aged 55 or older	7
Women	Aged between 35 and 54	2
	Aged 55 or older	4

In accordance with the Act of 29 April 1999 relating to the organisation of the electricity market, the Code of Companies and Associations and the Articles of Association of Elia Transmission Belgium SA/NV, at least one third (1/3) of Board members must be of the opposite gender to the remaining two thirds. This one third rule is applied proportionately to the independent and non-independent directors. In addition, the composition of the Board of Directors is balanced in terms of each member’s gender, complementarity of skills, experience and knowledge, in accordance with the Code of Companies and Associations and the internal rules of the Board of Directors.

Number of people on the Executive Management Board of Elia Transmission Belgium SA/NV as at 31 December 2021

		2021
Men	Aged between 35 and 54 years	1
	Aged 55 or older	4
Women	Aged between 35 and 54	3
	Aged 55 or older	0

The composition of the Executive Management Board is balanced in terms of each member’s gender, complementarity of skills, experience, knowledge and native language. When searching for and appointing new members of the Executive Management Board, special attention is paid to encouraging diversity in terms of age, gender and complementarity of skills.

50HERTZ IN GERMANY

	%
Share of women in management	20
Share of women on the Supervisory Board	33
Share of women at senior management	22
Share of women at line management	17
Share of women in total workforce	25

One of 50Hertz’s concrete targets includes increasing the proportion of women in the total workforce (both in leadership positions and in senior management positions) to at least 30% by 2030. The proportion of women in the total workforce was 25% (the proportion of women at every responsibility level is disclosed in **4.2 Headcount**).

In 2020, as an addition to the company-wide network called “50:50 - the women’s network”, the “Women in Leadership” initiative was launched. This aims to promote female junior staff. This has already had a positive effect: in 2021, 50Hertz was once again named “Best Employer for Women” by Brigitte magazine. In addition, 50Hertz took part in “Girls Day” (a programme which encourages young girls to study science, technology, engineering or mathematics) for the third time in the reporting year. Due to the COVID-19 measures, around 20 girls were able to participate in a virtual business game on the energy transition. In addition, 50Hertz supports the “EnterTechnik” programme, which involves young women taking part in three-month internships with that have a technical focus.

Promoting diversity and equal opportunities at 50Hertz also means giving people with health impairments the same opportunities as staff without health impairments. An inclusion agreement which was negotiated and signed by the Works Council, the Speakers’ Committee and representatives with disabilities outlines measures to support people with health impairments in their working lives. An internal inclusion team is responsible for

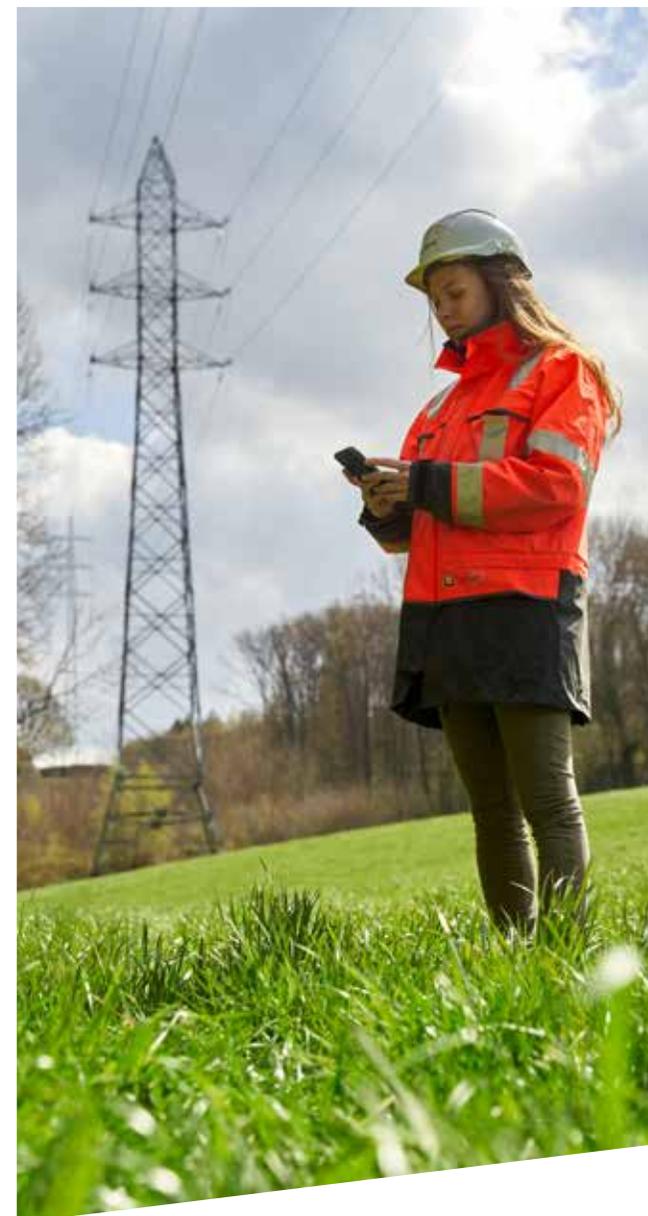
implementing and monitoring this agreement. In the reporting year, the proportion of severely disabled employees and employees with equal rights in our workforce was 1.4 per cent. In the year under review, a total of 23 employees with disabilities were employed in the company.

In accordance with the job-specific requirements in different commercial and technical areas, this number is due to be successively increased in the future. To this end, 50Hertz is cooperating with the Annedore-Leber-Berufsbildungswerk, a special training centre that supports people with disabilities, to make it easier for young people with disabilities to find a job. In the year under review, two interns from the organisation were given an insight into the job profiles at 50Hertz. One former trainee from the organisation was hired by 50Hertz some years ago.

To strengthen governance arrangements related to diversity and equal opportunity issues, an Equal Opportunities Officer was appointed for the first time in the year under review. She provides staff with an independent and anonymous reporting channel that they can use to report cases of discrimination through. There were no reported cases of discrimination in 2021.

50Hertz is a signatory of the Diversity Charter, an initiative which aims to promote diversity in companies and institutions. 50Hertz participated in the nationwide Diversity Day for the third time in the reporting year and raised awareness about this amongst its employees.

Furthermore, 50Hertz has an agreement in place with AfB gGmbH. The organisation disposes of client IT hardware and is a recognised inclusion company which offers disabled people a job and contributes to the avoidance of additional GHG emissions by processing and marketing used IT equipment.



Diversity and inclusion



BLIND CONVERSATIONS

A To ensure that our employees were given an opportunity to discuss diversity, equity and inclusion (DEI) in an open and safe environment, we organised almost 100 blind conversations with staff from across Elia and 50Hertz. For each conversation, two colleagues were brought together virtually to chat anonymously about DEI and what they thought we were doing well, what they thought could be improved and what DEI actions we could take.

Each session was supported by a DEI expert. We are now using the feedback from these discussions to inform our journey towards becoming an inclusive organisation. Our areas of focus include promoting gender equality and supporting staff from different ethnic backgrounds to feel supported. We want to provide staff with an inclusive environment in which no form of discrimination is tolerated and everyone feels safe and comfortable to be themselves.



EXTERNAL INSPIRATION TO RAISE AWARENESS

What do Hassan Al Hilou, Hanan Challouki and Ann Wauters have in common? Well, they all shared their vision with staff from Elia last year: they inspired our colleagues and increased awareness about gender equality. Hassan Al Hilou, an entrepreneur, spoke about the strength held in diversity. Hanan Challouki provided insights into developing an inclusive work culture and Ann Wauters shared a personal story about her international career and how diverse staff members can build strong teams and deliver better results.



5 Safety



5.1. Management approach

GRI 103-2, GRI 403-1, GRI 403-2, GRI 403-3, 403-6, 403-8

As high-voltage electricity transmission system operators, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate assets and infrastructure where accidents, asset failure or external attacks may cause harm to people. The safety and welfare of all individuals (Elia group's staff, subcontractors and third parties) is a key priority for the group and its subcontractors. Elia Group's subsidiaries have implemented a Health and Safety policy, undertake regular safety analyses and promote a culture of safety cross the organisation.

The Elia group has high safety standards in place which all of its employees, subcontractors and everyone who comes into contact with its infrastructure are required to follow. An Elia Group Safety Officer position was established in 2020.

The prevention of accidents and work-related illnesses is a top priority for Elia Group's subsidiaries. Occupational health and safety measures are included in the corporate strategy. The latter is underpinned by the Health and Safety at Work Guideline, which is binding for all employees. Occupational health and safety practices have been improved over the past few years. These improvements have focused on the establishment of safe and healthy workplaces and the strengthening of a culture of prevention by making occupational safety a corporate value. This ensures that aspects of occupational safety are anchored in the thinking and actions of all employees and implemented across all support and core functions.

Every employee is instructed to recognise hazards, report them immediately, and submit suggestions for promoting safe and healthy working conditions.

As part of our commitment to health and safety, considerations related to occupational health and safety and injury and illness prevention are integrated into our corporate strategy at group level: they form part of the group's ActNow programme. Our group-wide ambition is to ensure that all our employees and subcontractors arrive home safe and sound every day.

To make this happen, we have defined four strategic health and safety objectives:

- **We aim for zero accidents.**

Elia Group is committed to making sure that everyone returns home safe every day. This includes all of our employees, our subcontractors and individuals who work on or in the vicinity of our infrastructure.

- **We maintain a solid culture of safety.**

Reaching our health and safety goal requires more than just procedures and guidelines. We actively work towards ensuring that everyone is personally involved in ensuring their own safety and the safety of their colleagues.

- **We are all safety leaders.**

The group's transformation in this area requires visible safety leadership at all levels of the organisation. Safety leaders show exemplary behaviour and inspire others to do so too. Elia Group is committed to actively developing 'safety leadership' in all of its employees.

- **We ensure and promote the health and wellbeing for our staff.**

The strategic roadmaps developed by both Health & Safety departments (in Belgium and Germany) have been aligned with these 4 strategic objectives.

In order to further raise employee and supplier awareness about occupational health and safety issues, specific campaigns are carried out on a regular basis across the organisation. The translation of relevant documents and campaign content into other languages (particularly for different suppliers who do not operate in any of the languages we use across the Group) is being planned.

The early detection and prevention of work-related illnesses and the preservation of employability are also important components of our approach to occupational health and safety. To support these, appropriate occupational health care, which focuses on individual protection and the prevention of health conditions is ensured. In addition, the Elia group provides its staff with regular medical consultations, flu vaccinations and advice regarding ergonomics in the workplace for all employees. Confidential counselling delivered by external, qualified therapists is available for employees at any time in the event that they should suffer from stress, conflict or suffer from substance addiction.



COVID-19

The COVID-19 pandemic has had - and continues to have - an impact on the private and professional lives of Elia Group's employees. Over the past two years, the situation regarding the virus and its spread has been constantly monitored and measures were implemented in accordance with the requirements of the SARS-CoV-2 occupational health and safety regulation. In addition, all employees have been able to undertake rapid antigen tests at least twice a week since the end of February 2021. All meeting rooms at company sites were equipped with measuring devices to ensure regular ventilation.

ELIA IN BELGIUM

Our safety record for 2021 is overshadowed by a fatal accident which occurred on 29 September as one of our members of staff was carrying out maintenance activities. An investigation into the incident has been completed and a series of prevention measures are being put in place to avoid such incidents in future. The event has truly reinforced our resolve to make sure that everyone returns home safe every day.

Elia Transmission Belgium published its Global Prevention Plan 2020-2025 which outlines its health and safety strategy for the years to come. It includes a solid health and safety framework with the transformation we want to undergo, which will see all staff members demonstrating visible and exemplary safety leadership. After obtaining a Safety Culture Ladder level 3 certificate 2020, an intermediate audit of our practices in this area was carried out in 2021. The audit reconfirmed that Elia Transmission Belgium's practices are aligned with a level 3 on the Safety Culture Ladder scale, included recommendations for the organisation and indicated that the organisation was making positive progress towards a level 4 certification. The use of the Safety Culture Ladder is also being rolled out for our contractors to use and adhere to.

In addition to sector-specific risks, we also address risks related to road safety and raise employee awareness about risks and good practice as road users (motorists, cyclists and pedestrians) in professional and private settings.

We also address risks related to the wellbeing of our employees through the Care4Energy programme that ensures their wellbeing by targeting their mental, physical, emotional and personal development. A series of campaigns related to health and wellbeing management were launched throughout 2021, leading to high numbers of staff taking part in related activities.

Elia Transmission Belgium SA/NV performs psycho-social risk analyses in a structured and proactive way to understand and mitigate such risks with regard to its employees. Employees can also take part in different public sports events.

COVID-19 pulse check surveys are carried out by Elia Transmission Belgium SA/NV on a regular basis. As part of this, employees have been invited to fill out surveys related to how they have been coping with the pandemic and associated lockdowns, and how the organisation can better support them.

SOHERTZ IN GERMANY

Occupational health and safety are integrated into the corporate strategy. This is also underpinned by the health and safety guideline, which is binding for all employees. Occupational health and safety has been systematically developed in recent years as part of a continuous improvement process. In addition to creating safe and healthy workplaces, the focus was on strengthening a culture of prevention by integrating occupational safety as a corporate value. This ensures that the aspects of occupational safety are anchored in the thinking and actions of all employees and implemented in all support and core functions. As part of the annual audit plan, eight internal audits were conducted in 2021 to ensure the continuous development of the health and safety management system. The implementation of the requirements for the occupational health and safety management system (OH&S) in accordance with DIN ISO 45001:2018 was again confirmed in the reporting year in a supervisory audit by an external auditor without any non-conformities. Health protection and occupational safety topics are an integral part of weekly meetings held by senior management and Eurogrid GmbH Supervisory Board.

Furthermore, employees can participate in various public sports events. Another service made available to employees is an app that offers personalised coaching in the areas of exercise, mindfulness and nutrition (including workouts, physio sessions, meditation and recipe ideas). Since July 2021, the app has provided users with support for finding the right medical care and booking appointments for specific medical concerns.

COVID-19: All employees were offered COVID-19 vaccinations on site until June 2021. Initial and booster shots were also offered to employees from November 2021 onwards. These measures have helped to ensure that no major infection incidents occurred amongst the workforce in 2021.



5.2. Health and safety training

GRI 403-5, 403-7

The Elia group continuously trains its staff. Training for all employees who work on technical sites is compulsory; this is updated periodically. All employees are regularly instructed about workplace-specific hazards and the measures they can implement to avoid them.

The Elia group also provides training materials, training and tests for subcontractors.

ELIA IN BELGIUM

In addition to refresher trainings for our operational teams, we also ensure that such staff are continually informed about changes to procedures and working methods, and that they are able to learn from feedback.

Safety flashes are also sent out to our own staff and subcontractors on an ad hoc basis; such messaging includes good practice reminders or the identification of specific risks associated with particular tools.

Due to the nature of our activities, even during the COVID-19 pandemic, training dates and schedules could not be altered. Training sessions were therefore adapted to be delivered as webinars or delivered on work sites with appropriate protection measures in place.

50HERTZ IN GERMANY

Training for operational staff across our regional centres are delivered on six days per year. Staff who work in administrative settings are given training on at least once per year.

In cases where staff are required to wear personal protective equipment (PPE) to protect them from falls from a height, such staff must complete annual practical exercises related to the use of PPE and rescue missions from heights and depths.

The content of annual training related to overhead line pylons and transformers is determined on the basis of the rescue concept: a uniform level of knowledge is promoted amongst employees, alongside the exchange of knowledge across sites.

Training related to rescuing people in distress at sea was carried out in the reporting year. Both the rescue measures undertaken by staff and the PPE they used proved to be effective.



5.3. Inspections

GRI 403-2, GRI 403-3

Occupational health and safety protection is not limited to our own employees.

Elia group's stringent standards also apply to external subcontractors working across all of Elia group sites. During the contracting process and later, every effort is made to ensure that suppliers comply with Elia group's strict safety requirements.

Both the Safety Team and management carry out inspections on a regular basis.

ELIA IN BELGIUM

After the successful introduction of the Safety Culture Ladder certification system in 2020, an intermediate audit of our practices in this area was carried out in 2021. The audit reconfirmed that Elia Transmission Belgium's practices are aligned with a level 3 on the Safety Culture Ladder Scale, included recommendations for the organisation and indicated that the organisation was making positive progress towards a level 4 certification. The use of the Safety Culture Ladder is also being rolled out for our contractors to use and adhere to. Operational managers and the Safety Team regularly visit our sites to observe how activities are organised and carried out, both by our own teams and those of our subcontractors.

Safety-related visits of our workplaces and staff behaviour are an essential part of the dynamic risk management system. Listening to and observing management allows methods and equipment to be adapted. Moreover, management coaching allows staff to be supported to properly implement the company's methods and behaviours.

We have adapted these safety-related visits to promote specific behaviours that characterise a proactive safety culture throughout the company: Transparency and the Willingness to Learn.

In the reporting year, 1142 construction sites visits were carried out.

Besides the safety-related visits for our own personnel Elia Transmission Belgium NV/SA also has a dedicated Contractor Safety team which performs at least 175 visits per year. The visits are aligned with those performed with our own staff. The focus of the visits points out the responsibility of the work leader and is aiming to create real safety leaders.

50HERTZ IN GERMANY

50Hertz Transmission GmbH ensures that its suppliers comply with the highest safety standards by having specially trained staff carry out construction inspections.

Transparent and binding regulations for ensuring that occupational safety measures are enforced by external companies working in 50Hertz Transmission GmbH's control area are in place. Quality assurance measures related to construction sites which are used by subcontractors are included in all new contracts. The latter include clauses stipulating that 50Hertz Transmission GmbH has an unrestricted right to carry out inspections of these sites. In the reporting year, 538 construction site inspections were carried out (933 in 2020). Overall, the quality of construction site inspections was improved and their number reduced. This was achieved by introducing an IT-supported system and by concentrating inspection tasks on the work of operational quality assurance officers at each individual site.

Safety and environmental protection incidents that involved external companies working on behalf of 50Hertz Transmission GmbH were analysed with the external companies concerned in accordance with a defined process. Measures to avoid similar accidents and incidents were defined, implemented and documented following guidance of a central evaluation committee. In accordance with this process, a total of 69 environmental incidents, accidents, near-accidents and safety-related incidents were evaluated in the year under review.

In July 2021, the managing directors of all overhead line construction companies working for 50Hertz Transmission GmbH

were invited to a "Dialogue on Occupational Safety" in order to share their views about accidents and their possible causes (including difficulties linked to dealing with subcontractors, promoting a culture of safety and awareness-raising measures). Further regular events of this kind are planned in future. In addition, safety instructions from 50Hertz Transmission GmbH are due to be distributed directly to its subcontractors; moreover, its checks of subcontractors are due to increase.



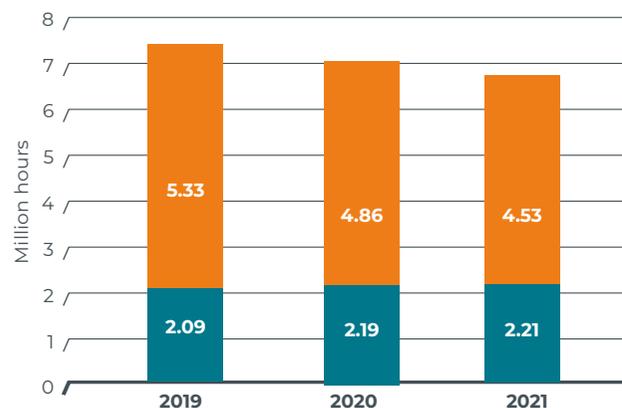
5.4. Accidents

GRI 403-9, GRI 403-10

Our goal is zero accidents for our own employees, subcontractors, distribution system operators and anyone else who works with our facilities.

ELIA IN BELGIUM

WORK PERFORMED



Number of hours performed by subcontractors (Million)
Number of hours performed by Elia employees (Million)

Safety is Elia’s number one priority; we therefore provide figures for both our employees and subcontractors.

Our safety track record for 2021 is overshadowed by a fatal accident on the 29th of September with one of our employees during maintenance activities. The incident investigation has been performed and a series of prevention measures are being implemented to avoid reoccurrence. The event has truly reinforced our resolve to make sure that everyone returns home safely every day!

50HERTZ IN GERMANY

There has been an increase in accidents involving subcontractors involved in overhead line construction from the middle of the year onwards. In response, the “Dialogue on Occupational Safety” (see 5.3 above) was launched. These subcontractor accidents include 27 accidents that caused minor injuries (involving reversible health damage; for example, minor cuts, bruises, etc.); 2 accidents that caused moderate injuries (involving probable reversible health damage, such as bone fractures); and 1 accident that caused severe injuries (involving irreversible health damage, such as the amputation of a limb).

Within the framework of ActNow, from 2022 onwards, reporting relating to accident rates will be extended to include occupational accidents experienced by subcontractors.

50HERTZ ACCIDENTS STATISTICS

	2019	2020	2021
Work-related accidents at 50Hertz (with at least two days of downtime)	0	6	8
Frequency rate*	0.6	3.9	2.6
Severity rate**	0.00	0.03	0.01
Number of accidents in contracted companies	18	12	30

* Number of occupational accidents with lost time (≥1 day) x 1,000,000/number of hours actually worked

** Number of days lost due to occupational accidents in calendar days x 1,000/number of hours actually worked

ELIA ACCIDENT STATISTICS

			2019	2020	2021
Employees	#employees injured with at least 1 missed workday	Men	4	1	7
		Women	0	0	1
	#work related fatalities	Men	0	0	1
		Women	0	0	0
	Accident rate ⁽¹⁾		1.9	0.5	3.6
	Total recordable injury (TRI) rate ⁽²⁾		5.7	5	6.8
Accident severity ⁽³⁾		0.05	0	0.14	
Fatal accidents	Nr.	0	0	1	
Contractors	#accidents (with & without lost time)	Total	41	27	48
		Accident rate ⁽¹⁾	3.4	3.9	6
	Total recordable injury rate (TRI) ⁽²⁾		7.7	5.5	10.6
	Fatal accidents	Nr.	0	0	0

(1) Number of work-related accidents with missed time (>1day) x 1,000,000/number of hours worked

(2) Number of work-related accidents x 1,000,000/number of hours worked

(3) Number of missed days due to work-related accidents in calendar days x 1,000 / number of hours worked



6 Suppliers and human rights

6.1. Management approach

SDG 12, GRI 102-9, GRI 103-2, GRI 204-1, GRI 308-1, GRI 308-2, GRI 414-1

The Elia group is required to comply with European tendering rules. Adherence to these rules and other internal guidelines ensure that every supplier receives the same non-discriminatory and transparent treatment and that the information sent to them is treated confidentially. Suppliers are selected based on an assessment of multiple criteria. Elements relating to sustainability are included in contracts and general purchasing terms and conditions, which are signed by our suppliers.

By embedding strong ethical principles into the procurement process, the Elia group seeks to have a positive impact on the wider environment in which it operates. It also aims to avoid risks arising from non-compliance with certain supply chain rules and norms. A Head of Group Procurement was hired in order to enhance this process.

In 2018, a Supplier Code of Conduct which includes internationally recognised principles regarding ethical conduct and health and safety, environmental and social considerations, was published. This code applies to each of Elia group's suppliers and is always included in documents alongside European procurement procedures.

In order to use this set of principles as a way to have a positive impact on the supply chain, we set up a risk-based approach. We assess the risks linked to all purchasing categories based on traditional supply chain risks and supply chain sustainability risks. A matrix was drawn up to prioritise supplier engagement activities. To rationalise resource and impact management, we aim to focus on those suppliers who are most relevant from that risk perspective.

In order to improve our accounting of GHG emissions related to our supply and value chain (the scope 3 of GHG emissions, please also refer to section **8.2.1. Greenhouse gas (GHG) emissions**) related to new assets and construction work, we are improving our CO₂ accounting process in order to better identify sources of emissions; this will enable us to focus our efforts on addressing and reducing them. We will also transition from using internal carbon pricing (ICP) on a case-by-case basis in our purchasing decisions to integrating ICP into all parts of the investment decision-making process. Our CO₂ Accounting Platform, which is currently being developed, aims to provide our suppliers with a tool through which they will be able to record the GHG emissions related to their goods and services, so enabling us to compare different options available.

6.2. Suppliers and expenditure in the Eurozone

GRI 201-1, GRI 203-1, GRI 203-2, GRI 204-1

ELIA IN BELGIUM

A Sustainability Supplier Self-Assessment questionnaire was developed to be used as part of the procurement process for specific purchasing categories in order to understand supplier level of engagement in terms of ethical conduct, and social, health and safety and environmental considerations.

In order to better estimate the GHG emissions related to our works, we are carrying out the Green Works Initiative, we have agreed with several of our contractors that they would gather and provide us with detailed quantitative information during the construction phase of a selection of projects.

Procurement outside of Eurozone countries is very limited (below 5%) and the large majority of such procurement is related to IT and consultancy services. The environmental impact of a supplier is also considered in the awarding criteria. Elia complies with the EU and Belgian standards in terms of environmental, social responsibility and worker wellbeing considerations.

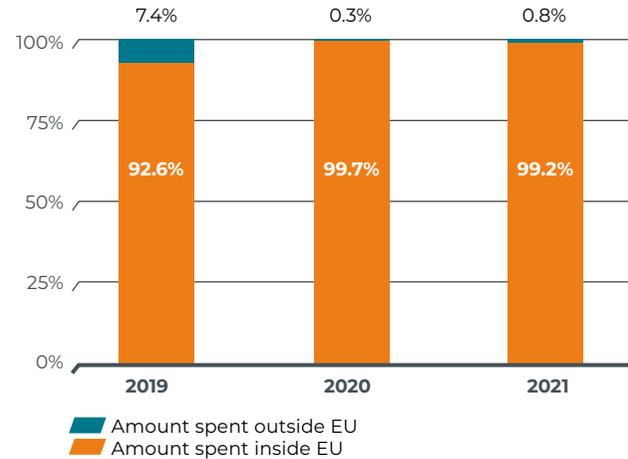
A specific evaluation of safety considerations is carried out separately since it is crucial to have suppliers on board that share the same values when it comes to the importance of this area.





50HERTZ IN GERMANY

SPLIT YEARLY SPEND EURO VS NON-EURO SUPPLIERS



As outlined in rules and regulations adopted by senior management, 50Hertz Transmission GmbH pays its taxes on time and in accordance with the law. In so doing, 50Hertz Transmission GmbH is modelling behaviour that supports the sustainable distribution of the value generated by the company. This benefits structurally weak regions located in 50Hertz Transmission GmbH's grid area.

50Hertz Transmission GmbH is committed to economic development in the region within which it operates. Indeed, in 2021, goods and services amounting to € 765 million were purchased from companies headquartered in Germany. Of this, €304 million went to companies headquartered in the 50Hertz Transmission GmbH grid area. This corresponds to a ratio of around 39.8%.

In the reporting year, 50Hertz Transmission GmbH approached the WifOR institute and asked them to carry out an input-output analysis of its contribution to Germany's gross domestic product (in terms of direct, indirect and induced economic and fiscal effects). Within the framework of above-average labour productivity and a gross value added ratio of almost 50% (average energy supply 43%), the direct value added contribution to the German GDP amounted to €710 million. The total value added amounts to €1.9 billion if indirect effects (caused by the demand for inputs) and induced effects (through the expenditure of directly and indirectly generated income) are included. In addition, almost 16,000 jobs in Germany were supported by these spillover effects. Within its grid area, 50Hertz creates about 6,000 jobs, which amounts to 35% of the jobs created by 50Hertz in Germany.

There were no legal disputes regarding tax issues in the year under review.

Due to its stable economic situation, 50Hertz Transmission GmbH has not claimed any financial support from the state related to the COVID-19 pandemic.

6.3. Human rights

GRI 414-1

The Elia group acknowledges its responsibility with respect to human rights and respects the rights of its employees, customers and consumers with regard to privacy, personal safety, freedom of expression and property rights. The Elia group also assumes responsibility for ensuring that social standards are complied with along the supply chain. For this reason, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are not only members of the United Nations Global Compact, but are also committed to the core labour standards of the International Labour Organization (ILO).

In order to ensure that our business partners also comply with internationally binding rules on human rights - such as the prohibition of forced and child labour - sustainability and ethics are essential components of our evaluation of suppliers and service providers evaluation. Elia Group suppliers commit to a common and binding Supplier Code of Conduct (SCOC), which is a key part of all Elia Group supplier contracts. Suppliers must accept the SCOC when submitting a bid and are obliged to comply with it. Human rights are also included in the clauses of the General Purchasing Conditions.

Further developments in this area are currently being discussed at Group level. For example, in the future, suppliers will be asked about their approach to sustainability, including human rights due diligence, via an external service provider; their responses will be recorded in a balanced score card. Initial proposals for this are expected during the course of 2022. In addition, Elia Group raises awareness of sustainable actions to take in regular discussions with stakeholders across the supply chain, furthering their understanding of compliance with ethical principles and guidelines related to sustainable development.

All procurement at Elia Group is undertaken in accordance with procurement guidelines. These state that procurement (> €100.000) is carried out via the Purchasing Department. A multi-level strategy prevents any misuse and increases control over all procurement-related activities. The 'four eyes principle' is guaranteed at all times. The procurement guidelines, purchasing manual and the General Purchasing Conditions form a framework which aims to prevent corruption across all of our locations.

50HERTZ IN GERMANY

Based on the human rights due diligence requirements anchored in the German National Action Plan (NAP), 50Hertz Transmission GmbH conducted an analysis of its direct and indirect supply chains. As a result, four human rights risks were identified as a priority:

- Occupational health and safety;
- Environmental protection and health;
- Employment and working conditions;
- Freedom of association and expression.

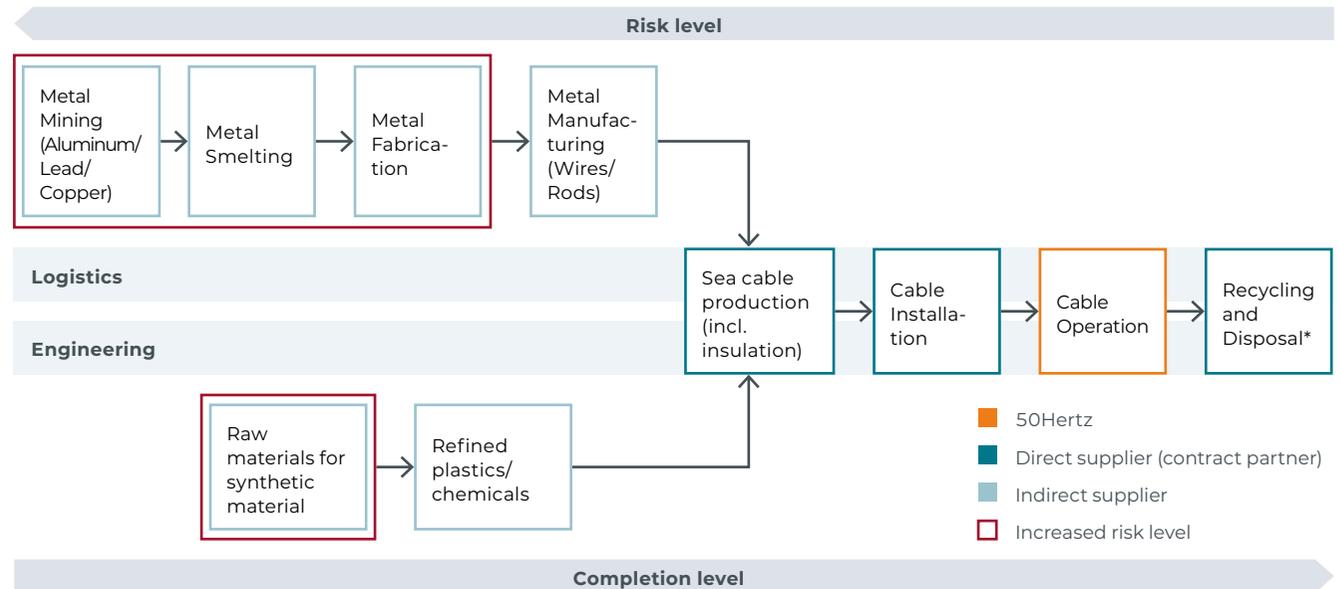
50Hertz Transmission GmbH is examining these as part of an in-depth analysis of the submarine cable value chain, which is complex. Additionally, their construction requires high levels of investment. This analysis includes interviews with 50Hertz Transmission GmbH 's direct suppliers in order to determine and track

the risk potential of steps along the value chain and to develop suitable measures to address any issues along the latter.

In the spring of 2021, an intensive stakeholder discussion about human rights in the submarine cable supply chain was held with key production and construction suppliers. Suppliers adopt a risk-based approach to mitigate the risk of human rights violations across their supply chains (these include adhering to a mandatory Code of Conduct, undertaking supplier assessments and audits, and the use of a whistleblower system). 50Hertz Transmission GmbH 's approach for determining risks in the supply chain was shared during this discussion.

Sustainability-related changes will continue to be embedded into the supply chain management process over the coming years.

SEA CABLE SUPPLY CHAIN



* Currently deprioritised due to non applicability (end of product life cycle still unknown)

7 Stakeholder engagement



7.1. Management approach

GRI 102-40, GRI 102-42, GRI 102-43, GRI 103-2, GRI 413-1

Involving stakeholders upstream helps to improve their understanding of society's need for a grid, and can optimise the associated processes. The Elia group regularly contacts and exchanges information with different stakeholder groups.

The Elia group's stakeholder environment is continuously analysed and defined. Depending on the topic, Elia and 50Hertz interact with public authorities, political parties, local citizens, civil society (including organisations that represent environmental, economic, and agricultural or other interests) and clients directly connected to their grid.

Hybrid and virtual event formats were increasingly used for discussions with internal and external stakeholders throughout 2021. Examples include the 50Hertz Transmission GmbH roundtable discussions which led to the publication of the New energy for strong industrial jobs paper and the Elia Group Stakeholders Day, during which its Roadmap to net zero study was launched. These discussions and events involved high amounts of participation (both in person and online). Furthermore, in cases where internal communication was still being disseminated via physical channels, most messaging was digitalised. For example, meetings for staff were held as hybrid or virtual events throughout 2021.

ELIA IN BELGIUM

Within Elia Transmission Belgium SA/NV, a Corporate Reputation Committee was created, presided over by the Chief External Relations Officer in order to follow up on links established by different departments with external stakeholders.

Elia Transmission Belgium SA/NV organises many stakeholder discussions and events. The method and frequency of engagement for each stakeholder group and their links to the material topics are summarised in the table below;

Elia Transmission Belgium SA/NV uses a wide range of different means to ensure the encouragement of public participation and feedback (further details are included about these in the next section). A public reference framework exists which seeks to mitigate the impacts of new infrastructure projects (further details about this are included in the next section).

Stakeholder group	Mode of Engagement	Frequency	Main topics / expectations
Employees	<ul style="list-style-type: none"> – Performance management – Intranet – Donations 	– Regular	<ul style="list-style-type: none"> – Employees - Human development – Employees - Wellbeing – Community involvement
Customers	<ul style="list-style-type: none"> – Customer satisfaction survey – Users' Group / Working Groups – Elia extranet – Annual 	– 4 to 6 times a Year	<ul style="list-style-type: none"> – Transmission services – Environment – Fair operating practices
Society	<ul style="list-style-type: none"> – Social events – Engagement via own employees 	– Regular	– Community involvement
Shareholders	<ul style="list-style-type: none"> – Shareholder meeting 	– Regular	– General corporate performance incl. the contribution to society
Regulators	<ul style="list-style-type: none"> – Reports – Communication 	– Regular	– Fair operating practices

50HERTZ IN GERMANY

Internal, project-related guidelines regulate timelines and the dissemination of information regarding project planning, approval processes, public participation and stakeholder management. These guidelines also include best practice and recommended courses of action based on past experience, enabling the company to continuously develop its standardised public participation toolbox. In addition, 50Hertz Transmission GmbH often participates in wider public discussions regarding the quality of public participation; for example, it is a founding member of the RGI and a member of the DialogGesellschaft e. V and the Bertelsmann Foundation's Alliance for Diverse Democracy.



	FINANCIAL SECTOR			ENVIRONMENT/ SOCIETY							MARKET						
	Shareholders	Investors	Rating agencies	German Federal Network Agency	Political decision-makers	Non-governmental organisations	Citizens' initiatives	Trade unions	Public	Media	Employees	Research and education	Suppliers	Generators	Distribution system operators	Major consumers	Transmission system operators
DIALOGUE																	
OWN FORMATS																	
Reports	✓	✓	✓	✓	✓	✓						✓					
Press conferences		✓								✓							
Telephone conferences		✓	✓														
Co-determination								✓			✓						
Information sessions		✓									✓		✓				
Conventions/conferences														✓	✓	✓	✓
Scientific advisory committee												✓					
Partnerships with higher education institutes												✓					
Research work												✓					
Network meetings for visitor groups					✓							✓					
Visitor groups					✓							✓			✓		✓
Cultural events									✓		✓						
Learning activities for children and teenagers									✓		✓						
Media relations work									✓		✓						
Outreach activities					✓		✓		✓		✓						
Publications							✓		✓		✓						
FOREIGN FORMATS																	
Guest lectures								✓				✓					
Committees					✓			✓									
Work and network meetings						✓		✓							✓		✓

7.2. Community relations and public acceptance

GRI 102-21, GRI 102-29, GRI 102-43, GRI 102-44, G4 EUS Stakeholder Participation

The Elia group is convinced that involving all stakeholders early on in their projects is vital for ensuring the success of the energy transition. Our approach is to contact and inform all parties of upcoming projects in order to ensure their voice can be heard, so establishing relationships of trust with them.

A transparent and consistent approach which aims to meet societal requirements and community expectations significantly improves community acceptance of our projects. Furthermore, this approach must be clearly communicated to different stakeholders from the outset of projects so that their concerns and anxieties can be addressed. To achieve this objective, the responsible departments in Belgium and Germany have developed a communication and public acceptance methodology; this ensures that stakeholder engagement and communication is embedded into the grid development process. In turn, this ensures that our costs are controlled, the timing of projects can be adhered to and we are able to deliver necessary projects which are aligned with the interests of society.

As a new project is being explored, discussions with relevant stakeholders are held during the very early stages of project planning. During the design phase of our projects, we mainly work with civil society, local municipalities and representatives from academia. Public consultations are also held regarding grid development plans. As projects become more concrete, discussions and information exchange are organised for local citizens and communities.

Against the backdrop of the COVID-19 pandemic, we have adapted how we inform citizens and local authorities of our plans: we now use more digital communication channels, including webinars and one-to-one consultations. Adapting our communication methods in this way has helped us to maintain strong ties with our stakeholders whilst complying with the relevant health and safety restrictions.

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV has made sure to involve civil society and regional experts at an early stage of its two most important projects in Wallonia and Flanders: Ventilus and Boucle du Hainaut. The objective of such stakeholder engagement is to ensure that the projects are developed in the best way possible (and so are aligned with environmental, economic and agricultural interests) through the solicitation of feedback and expertise. This stakeholder engagement is ongoing and the group of individuals and organisations involved has widened. Specific reports related to the best types of technology to use as part of the projects were delivered. For the project in Flanders, a participatory approach was undertaken; as part of this a project facilitator gathered a group of independent experts and citizen, municipality and civil society representatives together in order to answer all their questions and respond to different scenarios proposed by local communities.

Elia Transmission Belgium SA/NV communicates and cooperates transparently with its stakeholders throughout the entire project development process. In addition to holding legally required preliminary public information meetings, we also organise “info-markets”, which are information sessions for local residents. During 2021, 18 information sessions linked to the official permit process were organised. These information sessions were supplemented by invitation letters; citizen information packs; brochures; flyers; roll-ups; press conferences and press releases; digital newsletters; Facebook posts; information videos; telephone hotlines; and mailbox provision.

It is crucial for us to make sure interested stakeholders are able to find our website and the information they need. Our website includes a specific section which is dedicated to providing information about our current and future infrastructure projects [[link infra projects](#)]. Moreover, two separate websites were created to provide our stakeholders with information about our two most important projects [[boucle-du-hainaut](#) and [Ventilus](#)].

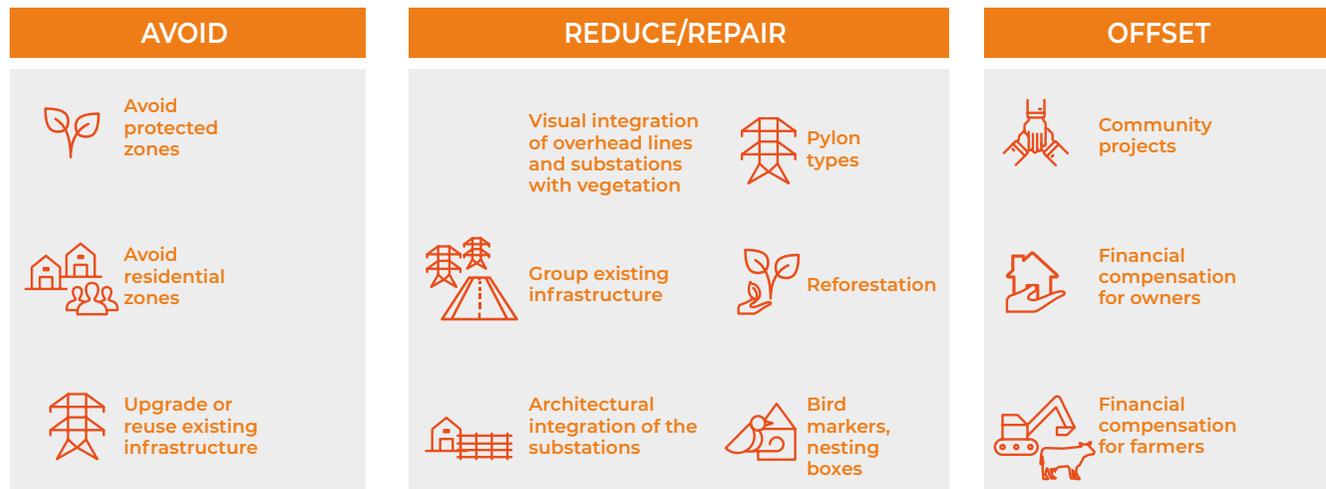


We also communicate with our stakeholders via social media: we have corporate LinkedIn and Facebook accounts and we run a Facebook page entitled 'Elia Projects' which provides information about our infrastructure projects. We have also a YouTube channel that we use to disseminate content about our activities and projects.

Moreover, Elia Transmission Belgium SA/NV strives to limit the impact of its projects on the areas we work in. In this vein, we developed a public reference framework to mitigate the impact of new infrastructure projects, preventive and compensatory measures are adopted as part of this, based on the following principles:

- transparency: the conditions are clear and available to everyone;
- non-discriminatory: the policies apply to everyone uniformly;
- proportional: the measures and compensations are proportional to the impact of the work;
- proactive: the organisation will notify individuals or organisations which are impacted by the measures or are eligible for compensation.

OUR APPROACH

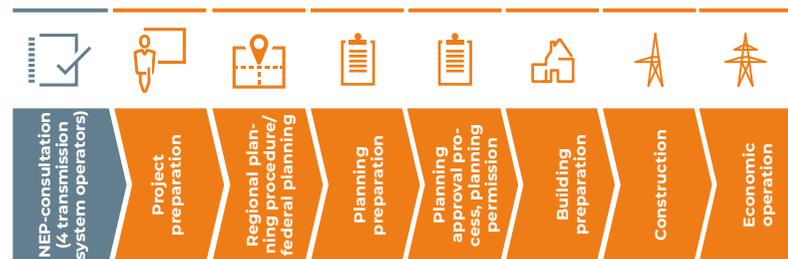


50HERTZ IN GERMANY

50Hertz Transmission GmbH follows best practice related to public participation, such as Guideline 7000 of the Association of German Engineers (2015), the quality criteria of the Alliance for Diverse Democracy (2017) and the quality criteria published by the Citizen Participation Network (2013).

When planning and implementing grid expansion projects, 50Hertz Transmission GmbH ensures that it adopts a participatory approach, undertaking regular discussions with stakeholders. This is because the involvement of relevant stakeholder groups plays an important role in sustainable grid expansion. Regional and local stakeholder groups are identified alongside any issues, questions and fears they might have regarding projects in their area. This allows a participation roadmap to be developed and implemented with stakeholders from the area; this roadmap is aligned with sound early public participation standards and with project-specific aspects. This is because the information and participation needs of citizens vary across the regions where existing capacities are reinforced or new substations and lines are being built. 50Hertz Transmission GmbH would like to take its participatory approach one step further by inviting stakeholders for discussions held where they live. It is only in this way that the organisation will be able to further improve its planning activities - such discussions will allow the organisation to take local knowledge on board and apply it during its project work.

Discussions with relevant stakeholders start at a very early stage in project planning. Stakeholders are asked to provide their feedback on the grid development plan and on grid reinforcement and expansion projects. Such stakeholder engagement takes place according to clearly defined specifications, which specify the format they must embody. Throughout the course of the COVID-19 pandemic, the company adapted the channels it used in line with the measures that were being enforced: virtual communication channels were employed and an additional space for exchange with mayors, residents and representatives of associations was created in telephone consultation hours previously announced in the local press, which was actively used. Furthermore, digital communication channels and tools which facilitate citizen participation were explored and employed, enabling the



company to maintain regular contact with existing stakeholders and reach new ones. Against this backdrop, user the company's website was evaluated in terms of its user-friendliness and the behaviour it encouraged in new users; the structure and design of the information it held was then adapted and improved in line with the findings. During the reporting year, early public participation was also used for construction activities, such as ecological construction monitoring.

Due to the COVID-19 pandemic, information tours which had been planned with the DialogMobil (a vehicle which is equipped with information material about our projects) had to be postponed during the first half of 2021. The first tour, which comprised eight stops and related to the Südharz grid connection, started at the end of June. Further information tours relating to the Mecklar-Vieselbach, SüdOstLink, Güstrow-Parchim-Süd-Perleberg and Hansa PowerBridge projects were then undertaken.



TARGET GROUPS

	PUBLIC PARTICIPATION							
Policy and administration	✓	✓	✓	✓		✓	✓	✓
Citizens' initiatives	✓			✓	✓			
Residents		✓	✓	✓	✓	✓	✓	✓
Public interest bodies	✓		✓		✓		✓	
NGOs	✓		✓	✓				✓

PARTICIPATION

World Café								
Group conferences			✓		✓			
Planning panels		✓		✓				
Dialogue mobile		✓	✓	✓	✓	✓		
1:1 discussions	✓	✓		✓				
Advisory board		✓	✓	✓	✓	✓	✓	

DIALOGUE

Work groups (across all Federal states)		✓	✓	✓	✓	✓	✓	
Information market	✓*	✓	✓		✓			
Press talks			✓		✓			
Hotline		✓	✓	✓	✓	✓	✓	✓
Launches								✓
Regional events		✓	✓	✓	✓			
Project presentations	✓	✓	✓	✓	✓			

INFORMATION

Public relations	✓		✓	✓	✓	✓	✓	✓
Newsletter			✓	✓	✓	✓	✓	✓
Printed material		✓	✓	✓	✓	✓	✓	✓
Website	✓	✓	✓	✓	✓	✓	✓	✓

*As part of the consultation on NEP, the 4 transmission system operators are holding information and dialogue events, where selected procedures, methods and used data will be presented for the 1st draft of the NEP. Subsequent to this, opinions about it can be given.

7.3. Stakeholder dialogues

GRI 102-21, GRI 102-44

Communication events

Despite the hygiene measures introduced following the COVID-19 pandemic, regular contact between the Elia group and its stakeholders continued. Communication methods and channels were adapted and expanded to include virtual and hybrid events, and appropriate social distancing measures were followed depending on the event type.

Elia Group SA/NV organised its first Capital Markets Day, a virtual event relating to the Group's offshore and sustainability strategies in April 2021.

The Elia Group Stakeholder Day was held for the second time as a hybrid event in the year under review. It included panel discussions and presentations from different speakers. The Elia group study Roadmap to net zero was presented throughout the event. The latter focused on three key topics: the energy balance (which explores how Europe will access the renewable energy it needs to reach net zero); flexibility (which explores how a well-designed renewable energy system will be able to manage fluctuations in the energy supply); and adequacy (which addresses how dispatchable capacity will be needed to cover longer phases of low renewable energy infeed). The different energy scenarios explored in the study, alongside the assumptions made as part of them, were discussed throughout the event.

The Elia group also interacts with its stakeholders via two social media platforms: Twitter and LinkedIn. The corporate LinkedIn account has over 35,000 followers, while its Twitter account has over 4,000 followers. Whilst stakeholders are able to be kept informed about company developments via these channels, stakeholders are also able to ask questions and provide the company with feedback via them.

ELIA IN BELGIUM

A series of events (including stakeholder events and press conferences) were held throughout 2021. Some of these were organised as in-person events, whilst others were digital or hybrid events.

Elia Transmission Belgium SA/NV celebrated its 20th year anniversary in November 2021, the Full of Energy event.

50HERTZ IN GERMANY

The focus of many events throughout 2021 was the *From 60 to 100 by 2032 - new energy for a strong economy initiative*, through which 50Hertz Transmission GmbH aims have 100% of the energy demand in its grid area covered by renewable energy by 2032.

Together, 50Hertz Transmission GmbH and the General Works Council and the Mining, Chemical and Energy Industrial Union (IG BCE) held a series of roundtable discussions with representatives from politics and business which culminated in a final big event at the company's headquarters and the publication of a paper entitled *New energy for strong industrial workplaces in 2021*. Stefan Kapferer, the CEO of 50Hertz Transmission GmbH, and IG BCE head Michael Vassiliadis invited several key figures to these discussions, including several minister presidents, state secretaries and ministers and senators responsible for energy across the company's grid area. The guests included Dr. Reiner Haseloff (the Minister President of Saxony-Anhalt), Bodo Ramelow (the Minister President of Thuringia) and Michael Kretschmer (the Minister President of Saxony), as well as the Federal Government's Commissioner for Eastern Germany Marco Wanderwitz. Additional guests included the heads of the Federation of German Industries (BDI), the German Association of Energy and Water Industries (BDEW), the Association of German Chambers of Industry and Commerce (DIHK), the German Renewable Energy Federation (BEE) and Germany Trade and Invest (GTAI). The series of roundtables therefore included guests from energy-intensive industries from the chemical, steel, copper, glass, paper and cement sectors in the 50Hertz Transmission GmbH control area, but also new companies that are interested in sustainable investment, such as companies from the automotive industry, battery suppliers or the owners of large data centres. Renewable producers, scientific institutes, think tanks and other associations also took part in the discussions. In a joint summary, 50Hertz Transmission GmbH and IG BCE recorded the goals and

demands that were raised during the roundtable discussions. 50Hertz Transmission GmbH CEO Stefan Kapferer summarised what politics and business will tackle together in future: 1. electricity must become cheaper; 2. the expansion of renewables and the needed grid infrastructure must be accelerated; and 3. climate protection should be given priority in permit procedures in future.

In order to further develop the strategic ambition, the initiative "Together. Faster. Climate-Neutral." was launched. Stakeholders from industry, associations and NGOs were called upon to develop a catalogue of pragmatic proposals for action. The goal was to accelerate the expansion of renewable energy and electricity grids - key factors for a successful energy transition. The initiative included a consultation and analysis phase, as well as an evaluation phase that was led by a panel of three experts (Prof. Dr. Barbara Praetorius, HTW Berlin; Dr. Felix Matthes, Öko-Institut; and 50Hertz CEO Stefan Kapferer). The catalogue of measures that was produced is intended to serve as a basis for the newly elected federal government to identify and work on action areas which aim to speed up the energy transition. In addition to 50Hertz Transmission GmbH, Aurubis, RWE Renewables, TÜV Nord Systems, TenneT, Vattenfall Wärme, Wacker Chemie and the major distribution system operators from east Germany (who joined forces as part of the Arbeitsgemeinschaft der Flächennetzbetreiber Ost, or ARGE FNB Ost), are also part of the "Together. Faster. Climate-Neutral." initiative

Over 600 guests took part in the second "Electricity Market Forum", a joint event which was held online by the four German TSOs: 50Hertz, Amprion, TenneT and TransnetBW. During this cross-sector discussion that involved representatives from industry and civil society, the challenges presented by the energy transition and possible solutions to these were discussed by different expert panels. The topics included the acceleration of the energy transition; shaping the market design so it is adapted to the new challenges; joint ways to expand renewable energy; and the building of the necessary infrastructure which will be able to transport this energy.

Customer satisfaction survey

The Elia group companies regularly measure the customer satisfaction level of their key stakeholders (including distribution system operators, grid users, producers, access responsible parties, user Groups, etc.).

The main objective of these surveys is to provide the organisation with an overview of the Key Performance Indicators (KPIs) related to the quality of services offered and the way these have changed over time.

ELIA IN BELGIUM

250 stakeholders took part in the biennial stakeholder survey. The KPIs measured by the Elia Satisfaction Index reflect how stakeholders evaluate Elia Transmission Belgium SA/NV's products and services. The Customer Effort Score reflects the ease of doing business with Elia Transmission Belgium SA/NV, whilst customer satisfaction relates to account management and image. The overall aim of the survey is to identify the organisation's strengths and weaknesses as perceived by its stakeholders in order to further optimise its relationship with them.

Elia Transmission Belgium SA/NV's Satisfaction Index was 69%, reflecting the high quality of products and services it offers. The majority of its stakeholders described collaboration with Elia Transmission Belgium SA/NV as "easy".

50HERTZ IN GERMANY

In 2020, a customer survey was carried out for the second time. A total of 1,054 customers were asked to fill out an online evaluation of the company; these customers included balancing group managers (BKV), network and metering point operators and customers who are directly connected to its grid.

Elia's User Group

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV regularly organises User Group meetings and working groups.

The User Group provides a platform that allows Elia Transmission Belgium SA/NV to maintain an ongoing dialogue with its main customers and partners. Every year, about four User Group plenary meetings are scheduled to inform market participants and stakeholders about important and strategic topics related to our business.

User'Group	Session	Link to material topic
Plenary meetings	23.02.2021 - EU Outlook - Annual network operation overview 2020	 20210223 Meeting (elia.be)
	08.06.2021 - Overview Reserves 2020/2021 – auction prices	 20210608 Meeting (elia.be)
	25.06.2021 - Adequacy and flexibility study for Belgium 2022-2023	 20210625 Meeting (elia.be)
	28.09.2021 - Load development in BE (CLIMACT)	 20210928 Meeting (elia.be)
	13.12.2021 - The roadmap to Net Zero - CRM reorganization	 20211213 Meeting (elia.be)

Three working groups support these plenary meetings.

Working Groups	Description
System Operation and European Market Design	mainly addresses topics related to the operation of the high-voltage grid and capacity calculation, as well as initiatives and developments linked to the European integration of the electricity markets
Belgian Grid	addresses issues associated with the grid and related mechanisms, products and services that are of interest to customers
Balancing	mainly addresses operational, technical and market-related issues in order to prepare for the challenges Elia Transmission Belgium SA/NV's balancing market will face in the coming years

The Balancing working group oversees two task forces. The task forces are set up on an ad hoc basis to handle specific issues when necessary.

Task Forces	Description
Implementation of Strategic Reserves	aimed at informing and consulting market players and stakeholders about all relevant issues linked to the implementation of strategic reserves
iCAROS	aims to discuss topics related to future asset coordination procedures with the relevant stakeholders

Contact centers

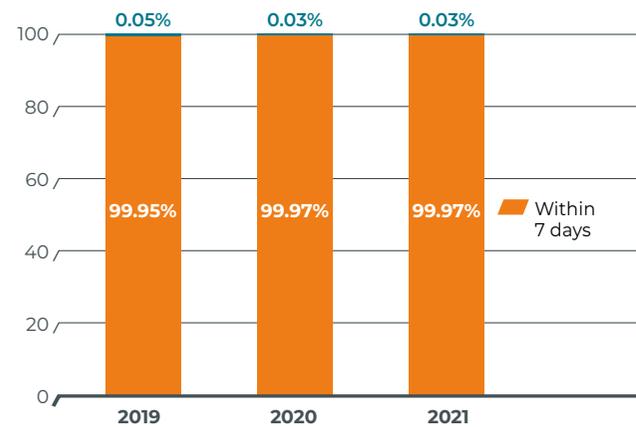
ELIA IN BELGIUM

Elia Transmission Belgium SA/NV's two contact centres receive and handle requests for information from various sources, including local residents, contractors, engineering firms, public authorities, utilities and project developers.

Because of the specific risks involved in working near a high-voltage facility, anybody wishing to carry out work close to high-voltage lines, high-voltage pylons, underground electricity cables or high-voltage substations is required to report this to Elia Transmission Belgium SA/NV. We can then provide them with maps of the relevant facilities and instructions about the safety measures to take while working near them.

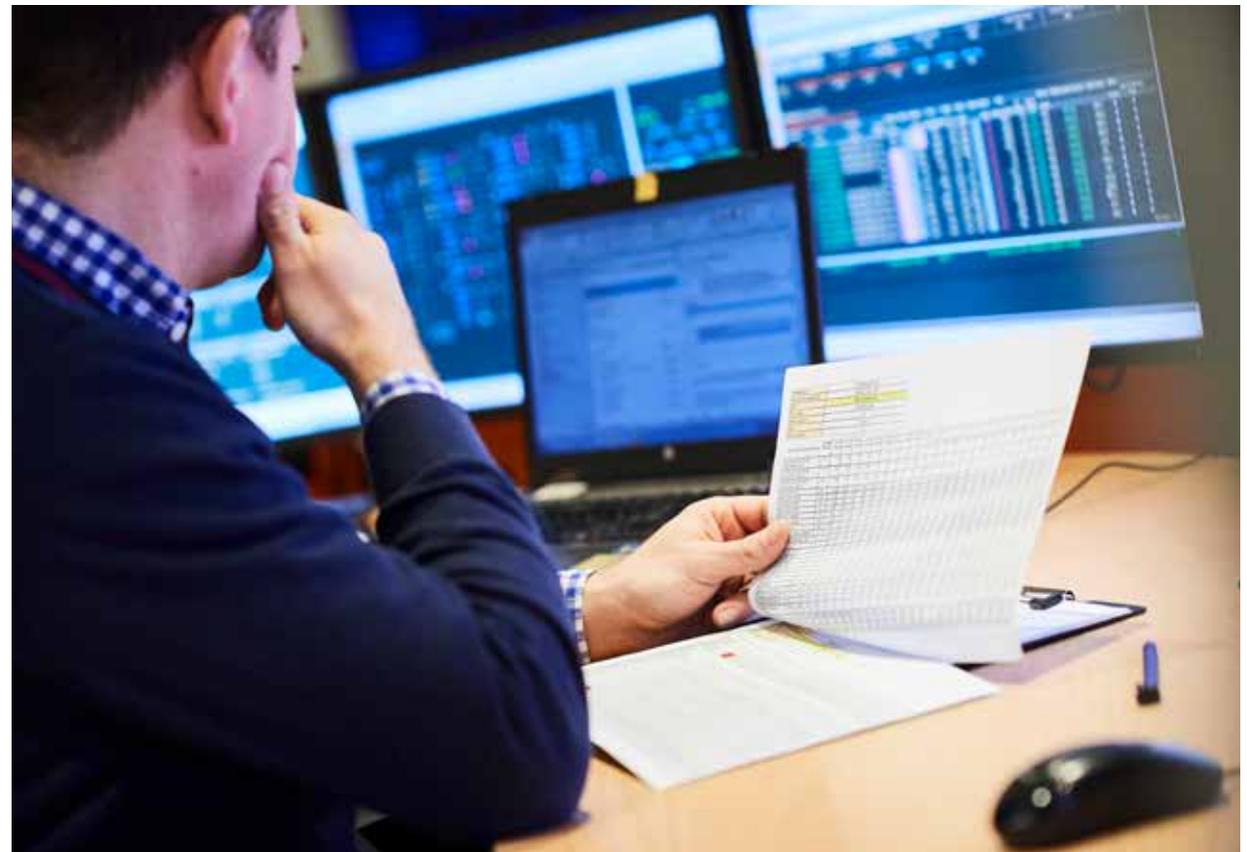
There are statutory time frames within which Elia Transmission Belgium SA/NV must answer the requests (7 working days following their receipt).

% OF REQUEST HANDLED BY OUR CONTACT CENTRE



In 2021, our contact centres received 81,796 requests.

Should the request via a contact centre arise, Elia Transmission Belgium SA/NV offers information and free electromagnetic field measurements to the owners of land and buildings located near Elia Transmission Belgium SA/NV facilities. In 2021, we performed 50 measurements in Flanders.



7.4. Cooperation and innovation

SDG 11

For the Elia group, active lead management and participation in research and development projects are an integral part of its approach to innovation. Through cooperation with academic and industry partners, the group mainly focuses on areas including new technology and digitalisation; energy markets and system security; the integration of renewable energy; the development of the electrical system; and supporting industry to decarbonise its processes.

We worked with 7 other TSOs (Terna, RTE, TenneT, Amprion, Red Eléctrica, Swissgrid and APG) to identify the main tools for decarbonising the energy system. These were outlined in a joint paper that was published in July 2021: Decarbonising the energy system – The role of Transmission System Operators

In 2021, Elia Group and Malaysian electric utility company Tenaga renewed their cooperation agreement for exchange of best practice, this agreement confirms their joint ambitions and secures their increased cooperation on issues such as grid development, asset management, renewable energy integration and market operations.

Along with various European environmental organisations and other TSOs, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are founding members of the Renewables Grid Initiative (RGI), which promotes grid expansion across Europe to support the effective integration of renewable energy and disseminates information about innovative participation practices.

Innovation

The Elia group continuously seeks solutions and new technologies which will support its teams in their daily activities, in line with its top priorities: quality, efficiency, reliability and safety.

The annual Elia Group's Open Innovation Challenge competition involves start-ups from around the world presenting solutions to the challenges system operators face.

In 2021, fifth Open Innovation Challenge focused on solutions for offshore wind integration. The challenge sought innovative solutions that would make offshore operations more safe, efficient, cost effective and sustainable. Of the 78 teams that originally applied to participate in the competition, five finalists presented their solutions and concrete projects to the international audience and panel of judges during a livestreamed event in Berlin. After five exciting pitches, the judges – which included staff from Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH and external offshore experts – selected the young start-up company TideWise from Brazil as the winning team. TideWise developed an unmanned surface vehicle with advanced sensors that collects air, surface and underwater data to perform remote inspections and surveys in near real-time. The vehicle uses artificial intelligence for optimal control and enables offshore inspections in situations where the risk and cost of deploying people on site is too high. In addition, the unmanned TideWise vehicle can carry a drone. The company received €20,000 and the opportunity to develop their project within the Elia group.

In October 2021, Elia Transmission Belgium SA/NV hosted a hackathon across the course of three days which aimed to support the development of new energy services for consumers. The hackathon involved start-ups, companies, professionals, students, NGOs and other creative minds solving one of the five proposed challenges. On the final day, a panel of judges selected a winner.

In October 2020, Elia Group SA/NV launched re.alto, its own corporate start-up which aims to accelerate the digitalisation of the energy sector. re.alto seeks to make energy data easy to access and integrate, enabling the energy industry to take a giant digital stride towards a more widespread adoption of Energy-as-a-Service business models, ultimately driving a low-carbon energy future.

In the reporting year, the Elia group Innovation Week also took place under the motto “Co-creating the future with our ecosystem”. As part of this, the most innovative projects from across the organisation related to the five ‘Moonshot’ fields (which are specific areas of focus for the Innovation Team) of system management, consumer centricity, infrastructure, asset management and offshore were presented to staff. For the first time in the Innovation Week's history, external partners were invited to take part in the event, helping to present their projects with staff from the group.

In order to promote innovative thinking even more, the Elia group has created another space, The Nest, in which innovative projects are enabled and supported through prototyping and testing of innovative ideas in an agile environment.

Given the spread of electrification, decentralisation and integration of ever-increasing amounts of renewable energy into the grid, the Elia group launched its own incubator in May 2020: The Nest. Its aim is to encourage and develop digital transformation projects in an agile manner and simplify company processes. Furthermore, The Nest strives to develop new business models and enhance the quality and efficiency of the company's activities and internal processes.

ELIA IN BELGIUM

Belgium's energy system operators teamed up with 60 companies, public bodies and academic institutions as part of Internet of Energy (IO.Energy). The ecosystem was launched in February 2019 to bridge the gap between digitalisation and sustainability and promote innovation in the energy sector. It aims to develop

new services through the exchange of data between all sector players. The focus is on end users, who will be able to tailor their generation and consumption to grid needs using a digital communication platform. In October 2020, the first project 'sandboxing' came to an end. Eight Belgian pilot projects were completed.

We are constantly on the lookout for efficiency gains and new technologies – be it in terms of system operation, grid development, infrastructure or maintenance. In line with this, a drone helicopter was used for the first time to undertake long-range power line inspections near Trois-Ponts in Wallonia, Belgium. The images these drones took of high-voltage pylons could then be analysed using artificial intelligence and compiled into a status report that points out areas for repair. This process renders inspections safer and more efficient: lines remains in service and staff are not required to climb the pylons. These beyond visual line of sight (BLVOS) drones may ultimately replace helicopter inspections.

Elia, alongside the 8 other Belgian electricity and gas system operators and their federation, Synergrid, has been awarded the title of SDG Voice 2021 by the Federal Minister for Climate, Environment, Sustainability and the Green Deal, Zakia Khattabi, and her administration, the Institute for Sustainable Development (IFDD).

50HERTZ IN GERMANY

Active consortium management and participation in research and development projects is an integral part of 50Hertz Transmission GmbH's approach to innovation. Through different partnerships with both academic and industrial partners, the organisation focuses primarily on the areas of new technologies and digitalisation, energy markets and system security, the integration of renewable energy into the system (including the development of the grid to support this) and supporting industry in the decarbonisation of its processes. Its commitment to such areas is reinforced through its Scientific Advisory & Project Board (see below) and its work with industry and the science world.



Twenty-one of Germany's most renowned scientists met twice in the year under review as part of the newly established Scientific Advisory & Project Board (SAPB). The latter addressed strategic topics including the German government's hydrogen strategy and the challenges the country will face on the path to climate neutrality. The SAPB also addressed topics including concrete applications for 50Hertz Transmission GmbH 's everyday business; these related, for example, to future energy scenarios and grid reconstruction projects in a world with more and more renewable energy. In addition, the SAPB approved two project outlines; these were developed with scientists and 50Hertz Transmission GmbH throughout the course of the year. The results are expected to be made available in the first quarter of 2022. In future, the SAPB will focus on the establishment of a consumer-centric market design.

As a further component of the *From 60 to 100 by 2032 - new energy for a strong economy* initiative, 50Hertz Transmission GmbH is contributing its expertise as an associated partner to three real laboratories for the energy transition. In addition, 50Hertz helped to construct a number of power-to-heat plants in Hamburg, Parchim, Rostock, Stralsund and Neubrandenburg (among other places) under the motto *Exploiting instead of curtailing?*. Each of these projects focus on sector coupling or the use of hydrogen.

In future, millions of electric cars are due to drive around Germany and will need to be charged regularly. In order for them to also contribute to system stability, data exchange via a smart metering infrastructure will be required. Therefore, in a joint project with Elli and Bosch.IO (which are subsidiaries of Volkswagen AG and Robert Bosch GmbH), the distribution system operator Stromnetz Berlin and 50Hertz are investigating and testing what type of data exchange will be required for this and how flexibility can be provided by a network of electric cars. For 50Hertz Transmission GmbH, this is an important part of its *From 60 to 100 by 2032* initiative.

7.5. Community engagement

GRI 413-1

The Elia group is committed to creating a sustainable future for all of its stakeholders. This also means that we take our societal responsibility seriously. That's why Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH support a wide range of projects in the fields of culture, energy and environmental education or youth and social affairs across their grid areas.

ELIA IN BELGIUM

Local added value / Supporting local initiatives

In addition to undertaking compensation and mitigation measures, an additional approach was developed to compensate local communities for any disruptions caused during works on high-impact projects (such as building new overhead lines or high-voltage substations).

Despite these measures, new infrastructure and assets do have a lasting impact on the surrounding environment. By making a financial contribution to community funds which are made available to local communities affected by infrastructure works, Elia Transmission Belgium SA/NV helps to improve the living environment of residents.

The amount set aside for community funding associated with some infrastructure projects is set at their beginning. Once the necessary permits have been obtained, Elia Transmission Belgium SA/NV replenishes the fund. Since 2017, Elia Transmission Belgium SA/NV has been collaborating with the Be Planet Foundation to develop and support local citizen initiatives which facilitate the ecological transition. Elia Transmission Belgium SA/NV has established a structural partnership with the public utility foundation Be Planet to develop and support ecological transition initiatives by citizens in municipalities where Elia infrastructure projects are underway. The organisation, which has been recognised as an organisation that works in the interest of the general public, manages the funding.

Through this partnership, we are setting up a system under which citizen projects are funded to compensate municipalities for the impacts associated with the construction of overhead lines.

The Be Planet Public Benefit Foundation is to ensure that the funding is used in line with its objectives and that the citizen projects which are chosen to receiving funding are carefully selected. Each chosen citizen project must have a positive impact on the ecological transition and must contribute to sustainable development.

We undertake a number of biodiversity measures with the ecological engineering consultant, Ecofirst (for further details, see **8.3. Biodiversity and Landscape integration**). Major achievements which were carried out with Ecofirst in 2021 include the selection of 28 projects that will be implemented with backing from the landscape/biodiversity fund aimed at the towns and cities affected by the **Boucle de l'Est** project.

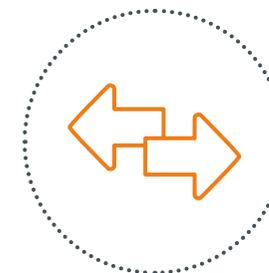
Several of our project managers had the opportunity to share their passion for technology by working with the Technical Academy of East and West Flanders, delivering classes to 10- to 12-year-old students interested in the world of technology.

Donations

In 2021, 1.63 tonnes of our hardware (including laptops, docking stations, printers, screens and carrying cases) were donated to schools and non-profit organisations.

In the aftermath of the July 2021 floods that caused a large amount of damage in the Belgian Province of Liège, Elia Transmission Belgium SA/NV provided financial and in-kind donations to two organisations which amounted to €20,000. Elia Transmission Belgium SA/NV also donated €10,000 to the Red Cross.

Given the COVID-19 pandemic, the yearly Sinterklaas party (which is usually organised by the Social Fund for Employees) has not been held for the last two years. The €50,000 budget intended to be used for the 2021 party was donated to a non-profit organisation that provides birthday presents for children living in poverty.



50HERTZ IN GERMANY

50Hertz Transmission GmbH supports numerous projects across its grid area which primarily relate to education in the fields of culture, energy and the environment and youth and social affairs. Clear management and organisational structures are in place which facilitate our involvement in community and social activities. The Communications and Public Affairs Department is responsible for overseeing this - it coordinates with senior management to set goals, coordinate activities and, if necessary, investigate possible projects to get involved in, alongside the Legal Department and the Compliance Committee. Our internal guidelines for donations and sponsorship outline the general principles staff should follow in terms of support for different activities (these include assessment criteria and the organisational process staff should follow, particularly with regard to transparency). When providing donations to organisations or sponsoring them, employees must ensure that the relevant cause(s) are aligned with our corporate values and that such support is geared towards sustainability, offers true added value for society and the general public, and is given in line with the above guidance.

50Hertz Transmission GmbH seeks to act as a good corporate citizen, particularly in terms of the area surrounding its headquarters (also known as the 50Hertz Netzquartier): it seeks to make the urban district residential and make the area attractive for its residents. For example, the Energiebündel daycare centre is open to the children of 50Hertz Transmission GmbH employees and also youngsters from the neighbourhood. In the reporting year, the organisation's partnership with the Hamburger Bahnhof Museum for Contemporary Art in Berlin was extended by three years. As part of this, outstanding work carried out by graduates from different art academies in the 50Hertz grid area are exhibited on an annual basis. In the future, the Rundgang 50Hertz exhibition (as it is known) will be held digitally.

Educating children and teenagers about the energy transition is of great importance for the organisation. An interactive exhibition called Energie gemeinsam wenden ('Changing energy together'), developed by 50Hertz Transmission GmbH and the Unabhängiges Institut für Umweltfragen e.V. (Independent Institute for Environmental Issues), teaches students about dif-

ferent aspects of the energy transition in an engaging way. Some parts of this exhibition (which are quite technical) can be used by schools in their physics and biology lessons. In the future, the exhibition will be adapted and made available in a digital format.

In addition, both partners are developing an online game related to grid development and the energy transition. The game involves young people playing different roles (such as local residents, farmers, conservationists, tourism managers, etc.) and considering different grid expansion possibilities. Using a points-based system, players can explore and discuss the different options, working together to find the best possible path for such projects. The game will be released in 2022.

50Hertz Transmission GmbH also supports selected cultural projects across its grid area. In 2021, the soprano Anna Prohaska was supported as part of the renowned "Artist in Residence" programme series organised by the Konzerthaus Berlin. From the 2022 season onwards, we will focus on supporting the digitalisation of the concert hall's activities. The Mecklenburg-Vorpommern Music Festival was again supported by us in 2021.

As in previous years, 50Hertz Transmission GmbH was actively involved in different sports-related initiatives throughout its grid area in 2021. Examples include the Rennsteig-Herbstlauf run in the Thuringian Forest, the Baltic Sea relay marathon in Dierhagen, the junior division of the BR Volleys and activities organised by a large number of local non-profit institutions.





COOPERATION WITH ECOFIRST AND BEPLANET

Elia and Ecofirst selected 28 projects to support through Elia's landscape and biodiversity fund. The projects, which are based in the municipalities and cities which are being affected by the Boucle de l'Est project, include initiatives which will focus on building resilient forests, building ponds and fish ladders, setting up nesting boxes and planting orchards. The total amount Elia will be committing to these projects is €340,000.



MUNICIPALIA

Elia sees cities and municipalities as important partners: we are highly committed to engaging in productive discussions with them. In this vein, in 2021, Elia participated in Municipalia, a fair for local authorities in Wallonia. We welcomed attendees to our information stand, giving them the opportunity to explore our projects through the use of VR glasses.



INFORMATION AND PARTICIPATION

Elia believes it is important to give children a taste of the wonderful world of technology at an early age. In 2021, we organised a number of projects to encourage this, as follows:

- In Mortsels, a playground was briefly transformed into one of our construction sites. We designed a number of signs which were tailored to the children at the playground, to give them a flavour of what one of our construction sites might look like. It was an original way to encourage them to learn!
- Schools located near one of our sites can ask to be taken on a site visit. For example, students from the Mosa-RT school visited the Massenhoven-Van Eyck project site. Our staff were on hand to deliver a fun and educational visit for them.

- Elia developed a game about the energy transition for young learners. Our ElectriCITY educational kit contains a board game and activities for students who are in primary and secondary school. More than 1,000 kits were distributed to schools across the country in 2021 - that's a whole lot of educational fun!
- Along with the Techniek Academie, a number of our project leaders visited schools in West Flanders to provide them with information about some of our projects. Our engineers were asked a lot of interesting questions that made them think hard!

8

Environmental aspects

8.1. Management approach

GRI 102-11, GRI 103-2

High-voltage transmission grids play an essential role in the energy transition and the decarbonisation of society and industry. Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are therefore developing their transmission grids in line with long-term needs. 50Hertz Transmission GmbH is a pioneer in the integration of renewable energy into the overall electrical system: in 2021, an annual average of nearly 60% of electricity consumption in the 50Hertz grid area was met by renewable energy.

The Elia group is investing large sums in the development of its onshore and offshore high-voltage grid in order to support the integration of renewable energy into the system and in the construction of interconnectors to facilitate the integration of the European energy market. One of the biggest challenges we face is maintaining and expanding this grid while ensuring that our environmental impact is minimised. When developing and building our grid, we always strive for socially acceptable and economically efficient solutions. To this end, we try to limit the construction of new infrastructure and prefer to optimise and improve existing infrastructure wherever possible. We apply the avoid-reduce-offset approach described in **7.2. Community relations and public acceptance**, which involves seeking to ensure that our corporate and construction sites have the lowest impact possible on the environment, local habitats and people. The geographical areas we operate in as transmission system operators, environmental impact assessments (EIA) are always undertaken as part of permitting requests; these are conducted in the early stages of infrastructure projects. They allow potential environmental, social, cultural and health-related impacts to be identified and analysed during both the construction and operation phases.

The planning, operation, maintenance, conversion and expansion of the transmission grid in Belgium and in the north and east of Germany are based on national and European framework conditions and regulations related to the environment and sustainability. These requirements are constantly updated

and adapted. Laws are also in place which determine emissions thresholds (such as those related to EMF or noise); these are taken into account during the permitting phase.

Moreover, we adopt the precautionary principle of reducing and avoiding possible negative impacts by conducting studies (linked to electric and magnetic fields (EMF) or noise, for example), by calculating our carbon footprint, implementing mitigation measures and, most recently, by considering climate risks in our risk management process.

The Elia group Supplier Code of Conduct contains additional principles related to environmental protection and resource conservation. The Elia group has developed a whole set of measures to be introduced and compensations measures to be granted (see **7.2. Community relations and public acceptance**, **7.4. Cooperation and innovation** and **8.3.1. Environmental aspects - Mitigation and compensation measures**)

Further details and compensation policies available on [our website](#).

The suppliers are obliged to specific quality and natural conservation measures by contract. This includes the precautionary principle of environmental protection.

The further development of operational environmental protection and energy management also includes raising awareness and actively involving employees who are motivated to act in an environmentally conscious and energy-efficient manner. To this end, environmentally relevant briefings are held annually or on an ad hoc basis in regional centres as well as in central and supporting teams such as those which work in purchasing or facility management.

The legal requirements regarding training related to waste, water protection and the transportation of hazardous goods are all met. In addition, annual training courses are held for the group's employees. Individual company departments are trained as and when they need to be.

We also work on the supporting awareness of sustainability considerations (including with regard to the environment and transport) amongst our contractors during the construction phase of a project by providing them with guidelines and specifications regarding the quality that Elia group expects on its construction sites.

The Elia group companies ensure that all relevant information and all necessary resources for the fulfilment of strategic and operational goals related to energy efficiency and environmental protection are made available where necessary.

Commitments to ecological and social sustainability, environmental and climate protection and resource conservation are integral parts of our corporate strategy. Under ActNow, the group's sustainability programme, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have set themselves clear ambitions related to climate protection, biodiversity and circularity. The Elia group is going to focus on the energy efficiency of our substations, eco-design and the enhancement of biodiversity in and around them (avoidance of herbicides).

In 2021, a project focusing on circularity in procurement was launched. Moreover, an internal carbon price (IPC) was introduced as an additional parameter which needs to be considered in the procurement process (see also **6.1. Suppliers and Human Rights – Management Approach**).

We are aiming to be ISO 14001 certified by 2022 in Germany and 2023 in Belgium.



ELIA IN BELGIUM

The Community Relations Department is responsible for the appropriate handling and implementation of all tasks relating to environmental and nature conservation issues, quality management and the management of related tasks. Within this department, the Environment & Corporate Social Responsibility Team provides advice regarding process control and ensures that the environmental and quality approaches are correctly implemented.

A team member is involved in multi-functional teams for the procurement processes for specific goods and services (e.g. waste management, transformers).

The Community Relations Department informs and guides staff about relevant environmental obligations. Ad hoc training is organised in order to communicate such changes to staff and ensure they have a solid understanding of environmental management topics (e.g. noise management, electric and magnetic fields (EMF), compensatory measures).

As the two new overhead high-voltage lines, Ventilus and Boucle du Hainaut, are being planned, Elia Transmission Belgium SA/NV undertook a comparative study regarding pylons that could be used to reduce the environmental impact (in terms of visual impacts and the impact of EMF) of our work. This study also considered the technical feasibility and costs of such pylons. The study's results confirmed that the current use of pylons is most favourable; however, it also indicated that another pylon type – the Wintrack pylon – could be considered from an environmental perspective.

50HERTZ IN GERMANY

Environmental protection activities are documented internally in our Annual Environmental Reports. The environmental report for the reporting year 2021 will be available in March 2022. Given this, some of the figures below are based on estimated values, since they have not yet been confirmed; these are clearly noted below.

The existing environmental management system is currently being aligned with the internationally recognized ISO 14001 in order to increase its level of maturity. Certification is planned for 2022.

Staff members dealing with waste, water protection and hazardous goods are all sufficiently trained. In 2021, environmental and nature conservation specialists were trained on issues relating to nature conservation during maintenance and repair work. Likewise, numerous employees were trained in the use of separator systems. The *Agreement on Quality Assurance on Construction Sites* is included in new contracts with suppliers. It includes, among other things, the precautionary principle related to environmental protection. Compliance with this agreement is regularly checked as part of IT-supported construction inspections. In the year under review, more than 500 construction inspections were carried out.

Another step towards the consistent reduction of our environmental impact is the development of the compactLine mast design. The latter is characterised by lower mast heights, narrower lines and a full-wall mast with a smaller circumference. In the future, the project should reduce the impact of overhead lines on the landscape and nature in sensitive areas. The design allows a new 380 kV line to be integrated into sections of existing 220 kV lines.

8.2. Emissions

SDG 13, SDG7, GRI 201-2, GRI 302-3

N.B.: The transmission of electricity does not release effluents or emit significant amounts of gases such as SOx and NOx. The only SOx and NOx emission sources related to our activities are associated with our fleet of vehicles, these are therefore de facto integrated into our efforts to reduce related GHG emissions.

8.2.1. Greenhouse gas (GHG) emissions

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, G4-EUS-EN15, G4-EUS-EN15, G4-EUS-EN16, G4-EUS-EN21

The Elia group supports the EU's carbon reduction targets as well as those of the Belgian and German governments, mainly by integrating large volumes of renewable energy into the system via the development of its grid.

As part of the ActNow programme, we have set ourselves four major goals which are aligned with the European Green Deal and which guide our actions.

The key role we are playing in the decarbonisation of the power sector is the best way we can contribute to meeting the Green Deal targets. We see this as our societal challenge and this is what we need to focus on. As part of our corporate challenge to reduce our own GHG emissions, we are committed to operating a carbon-neutral power grid by 2040, making our own activities carbon-neutral by 2030, assessing and reducing the carbon footprint of our supply chain and setting up an internal carbon price for our new investments.

For further details about the key performance indicators and targets which form part of our ActNow programme, please see the section entitled **'Our performance' in our 2021 Integrated Report**.

Carbon footprint: our main GHG emission sources

We assess our carbon footprint by calculating our greenhouse gas (GHG) emissions. We have identified the main sources of our emissions.

SCOPE 1- Direct greenhouse gas emissions from owned or controlled sources

These emissions are mainly caused by SF₆ gas leaks from our installations; they are also linked (to a lesser extent) to the natural gas consumption for heating and fleet fuel consumption.

Sulphur hexafluoride (SF₆) is used as insulation and switching gas in gas-insulated high-voltage switchgear. It has great electrical properties, is non-toxic and is also very chemically stable. However, the global warming potential of SF₆ is 23,500 times higher than CO₂.

There is currently no alternative to SF₆ for switchgear at 220 kV and 380 kV levels. SF₆ is therefore used in closed circuits in switchgears, meaning emissions are very limited. The pressure vessels are monitored on a regular basis to check for potential leaks. Despite this, however, some leaks due to the seal technology and the necessary gas handling cannot be avoided entirely.

Both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH fall under the loss rate to which SF₆ producers and users are voluntarily committed (0.6%).

Additionally, the use of an alternative to SF₆ is being explored: we are currently taking part in pilot projects with manufacturers as part of this. Concrete steps regarding the GHG emissions related to our fleet of vehicles have also been planned with a concomitant impact on the related SOx and NOx emissions.

Our societal challenge

Our corporate challenge

OBJECTIVE 1 Speed up decarbonization of the power sector	OBJECTIVE 2 Reach carbon neutrality in system operation by 2040	OBJECTIVE 3 Reach carbon neutrality in own activities by 2030	OBJECTIVE 4 Move towards a carbon neutral value chain for new assets and construction works
<u>Our focus:</u> - Grid dev - Market dev & system operation - Electrification	<u>Our focus:</u> - Grid losses - Balancing and redispatch	<u>Our focus:</u> - Offices and substations - SF ₆ - Mobility	<u>Our focus:</u> - Procurement and technical design
System	Scope 2	Scope 1 & 2 & 3	Scope 3

SCOPE 1

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV has developed an investment and maintenance policy to minimise the risk of SF₆ leaks. Manufacturers must guarantee a very stringent maximum percentage of SF₆ loss throughout the lifetime of the equipment they build. Our maintenance policy aims to ensure that operations involving compartments filled with SF₆ keep leaks to a minimum. The total volume of SF₆ gas installed on the grid (36 kV to 380 kV levels included, excluding the Nemo Link substation) in 2021 was 150.921 tonnes. The consumption of SF₆ gas (replacements and top-ups in the event of a leak) is closely monitored using a system that tracks each cylinder of SF₆. The SF₆ leakage rate for all facilities was 0.10% in 2021.

Research on SF₆-free high-voltage equipment (switchgear/circuit breakers) is currently being carried out: proofs of concept have been included in new framework agreements with manufacturers. The first pilot project related to this was started in the reporting year: a zero-emissions high-voltage circuit breaker was installed in the Marcourt substation in the Walloon region. Over the next three years, the performance and efficiency of the new circuit breaker will be monitored by our Asset Management and Engineering Primary Systems (EPS) staff in collaboration with Siemens Energy. Its potential deployment on a larger scale across our grid will also be considered.

A second project is also being prepared; this will involve the installation of our first gas-insulated switchgear (HV GIS) substation by 2024 using the same technology

With regard to the fleet of vehicles we use for technical interventions (small vans and trucks), we have started a testing phase for small vans and aim to implement zero-emissions cars as from 2023, designing in parallel the necessary charging infrastructure. We are closely monitoring the market for such technology for trucks, since the technology is not mature yet.

In order to mitigate GHG emissions from employee commuting, a new commuting programme called *Orange is the New Green* was set up as part of ActNow:

- This new programme aims to transform staff understanding of commuting and encourage associated behaviour changes. It is in line with the group's efforts to promote further soft mobility and adapt working practices (such as the use of public transport, cycling and working from home) and electrify our fleet of vehicles. Additionally, we have started offering mobility budgets to our exempt staff instead of a company car (if they so wish).
- The new programme aims to ensure that 75% of commuting undertaken by group staff will be low-carbon (i.e. undertaken using public transport, bicycles, electric vehicles or some form of shared mobility - or will be avoided, as staff will be working remotely) by 2025; by 2030, we aim to ensure all of our vehicles are electric.



50HERTZ IN GERMANY

50Hertz Transmission GmbH, along with 13 other companies, is sponsoring a research project at ETH Zurich. The aim of this project is to investigate the suitability of alternative gases which can replace SF₆ as insulating and switching gases in switchgear. The research programme will run for three years. In the year under review, a 123 kV switchgear with an alternative gas mixture was commissioned for the first time in the Charlottenburg substation. This reduces the greenhouse effect by 99% compared with equivalent substations that use SF₆. In addition, recycled SF₆ was placed on an equal footing with brand new SF₆ and the organisation has decided to use it in the future. In this way, 50Hertz Transmission GmbH is making an important contribution to reducing the amount of SF₆ which is actually produced. According to a voluntary commitment by SF₆ producers and users, the loss rate measured against the total stock of SF₆ may only be 0.6 per cent in Germany - at 50Hertz Transmission GmbH this rate was significantly lower at 0.14 per cent in the reporting year.

In addition to electricity consumption, our fleet of vehicles (which are crucial for being able to quickly access different parts of our grid area) also have an impact on our carbon footprint. In 2021, these vehicles produced 1,586 tonnes of CO₂. As part of ActNow, 50Hertz Transmission GmbH set itself the objective of achieving a zero-emission vehicle fleet by 2030. For this purpose, the existing fleet was analysed and a roadmap for the replacement of vehicles was developed, including supporting measures, such as the establishment of the required charging infrastructure around our administrative sites.

¹² Source: IPCC Fifth Assessment Report, 2014 (AR5)

¹³ The innovation takes the form of a cut-off chamber comprising a vacuum interrupter in a chamber containing pressurised dry synthetic air (80% nitrogen and 20% oxygen).

SCOPE 2 - Indirect greenhouse gas emissions resulting from the generation of purchased or acquired energy consumed by the organisation (technical and administrative consumption)

These emissions are mainly due to grid losses that are unavoidable when transmitting electricity and over which Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have no direct influence.

Power losses along lines and cables are an inevitable and inherent part of electricity transmission, as well as a source of CO₂ emissions related to grid operation. This will continue to be the case until power generation is completely carbon-neutral. The reduction of grid losses is not the only factor that should be considered when developing the transmission grid, since too narrow a focus can lead to adverse effects and even slow down the integration of renewable energy.

When evaluating the possible construction of new transmission infrastructure, it is important to always consider the system perspective and to take into account its impact on grid losses alongside its impact on GHG emissions.

For more information, see section [3.5. Grid Losses in our control areas](#).

SCOPE 3 - All other indirect greenhouse gas emissions (not included in scope 2) that occur along the value chain (outside the company), including both upstream and downstream emissions and which are linked to our activities through the purchase of goods and services, staff commuting, business travel, etc.

Construction work and materials were unsurprisingly identified as the main sources of emissions. Several steps were initiated in 2021 in order to improve calculations regarding these main sources and implement measures to reduce their emissions.

With respect to new assets and construction work, we are in the process of improving the CO₂ accounting process in order to better identify the sources of emissions, enabling us to focus our efforts on addressing and reducing them. In 2021, an initial screening of Scope 3 emissions was undertaken on a spend-basis, the main components were purchased goods and services,

capital goods, and upstream emissions. We will also transition from using internal carbon pricing (ICP) on a case-by-case basis in our purchasing decisions to integrating ICP into all parts of the investment decision-making process. The CO₂ Accounting Platform initiative, which is currently being developed, aims to provide our suppliers with a tool which they can use to record the emissions related to their goods and services, so enabling us to compare different options available.

We have set ourselves the goal of establishing comprehensive Scope 3 reporting by 2023 and setting Scope 3 reduction objectives by the middle of the decade.

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV began its journey of calculating the GHG emissions related to its infrastructure projects through the *Green Works Initiative*: by calculating the GHG emissions of a series of pilot projects, hot spots and reduction measures are being identified and will guide our work in this area over the coming years.

Elia Transmission Belgium SA/NV is legally required to carry out regular mobility surveys (Plan de déplacements d'entreprise) in order to report on the modes of transportation used by its employees. As part of the Orange is the New Green initiative, the organisation therefore decided to invite all of its employees to complete an online questionnaire about their commuting patterns (which included new questions about the impact of COVID-19 on their commuting patterns and which measures they think would be effective for encouraging them to switch to greener commuting). The results of this survey will help to guide the organisation as it takes decisions regarding mobility.

50HERTZ IN GERMANY

Different means of transport are used for business purposes. Air travel was responsible for 48.4 tonnes of CO₂ equivalent in the reporting year. In addition, employees used the long-distance transport services of Deutsche Bahn. According to Deutsche Bahn, long-distance transport can be considered to be CO₂ neutral. In 2021, all GHG emissions related to business-related air travel were offset for the third year running.



Carbon footprint accounting

G4-EN15, G4-EN16

ELIA IN BELGIUM

GREENHOUSE GAS EMISSIONS IN T CO₂ EQUIVALENT*

Direct (scope 1)	Share	2019	2020	2021
SF ₆ leakage	2.92%	5,875.00	5,663.00	3,403.98
Fleet (diesel)	2.84%	3,815.47	3,156.61	3,309.52
Fleet (fuel)	0.38%	349.21	324.41	447.81
Heating (natural gas)	0.77%	782.14	632.67	900.16
Heating (fuel)	0.02%	43.23	34.92	25.25
Airco	0.00%	71.46	196.20	0.00
Total direct emissions	6.93%	10,937.00	10008.00	8,086.72
Indirect (scope 2)				
Regional grid losses	81.41%	93,055.11	91,640.37	95,016.74
Electricity consumption	11.66%	13,614.93	13,614.93	13,614.93
Total indirect emissions	93.07%	106,670.04	105,255.30	108,631.67
Total Scope 1 & Scope 2 emissions	100.00%	117,607.04	115,263.30	116,718.39

*The following assumptions have been made for this calculation:

- only regional grid losses are taken into account

- the consumption of the HV substations is the result of an estimate based on metering data of 60 sample stations

The scope of Elia's carbon footprint accounting includes emissions by Elia Transmission Belgium SA/NV, Elia Asset SA/NV and Elia Engineering SA.

In the reporting year, direct (Scope 1) and indirect GHG emissions (Scope 2) were reported for the fourth time.

The total Scope 3 emissions were calculated on a spend-basis for the first time in 2021, they amounted to approximately 258 kilotonnes CO₂ equivalents for 2019.

Since 2017, Elia Transmission Belgium SA/NV has been involved in an initiative run by the CDP, an international, non-profit organisation which runs a global environmental disclosure system for

companies, investors and cities. We answer their climate change questionnaire, through which companies must outline how they handle climate-related risks and opportunities and disclose their carbon footprint.

The organisation's carbon footprint corresponds to 1.604 tonnes of CO₂ equivalents per transmitted GWh including grid losses and 0.298 tonnes of CO₂ equivalents per transmitted GWh excluding grid losses (basis: 72.75 TWh).

N.B. carbon intensity was expressed in CO₂ equivalent per GWh in last year report: 1.65 tonnes of CO₂ equivalents per GWh transmitted including grid losses and 0.34 tonnes of CO₂ equivalents per GWh transmitted excluding grid losses (basis: 69.937 TWh).

50HERTZ IN GERMANY

GREENHOUSE GAS EMISSIONS T CO₂ EQUIVALENT

Direct (scope 1)	Share	2019	2020	2021
SF ₆ - Leakage	0.60%	4,257	8,300	5,984
Mains backup system*	0.00%	7	0	0
Fleet	0.16%	1,521	1,351	1,586
Gas	0.02%	147	145	151
Total direct emissions		5,932	9,797	7,721
Indirect (scope 2)				
District heating*	0.03%	264	287	346
Electricity consumption	0.17%	1,728	1,441	1,662
Grid losses	96.84%	922,080	812,520	959,904
Energy consumption own facilities	2.18%	20,373	19,453	21,607
Total indirect emissions		944,445	833,701	983,519
Total Scope 1 & Scope 2 emissions		950,377	843,498	991,240

* The values stated are estimated values as at 31.12.2021. The following calculation bases and emission factors were used to determine the CO₂ equivalents: SF₆/IPCC 5th ARS, Fleet/direct usage fuel, Energy Electricity, District heating, Gas/Umweltbundesamt 2017 Scope 2 Guidance)

The scope of 50Hertz's carbon footprint accounting includes emissions by 50Hertz Transmission GmbH.

In the reporting year, direct (Scope 1) and indirect GHG emissions (Scope 2) were reported for the third time.

The total Scope 3 emissions were calculated on a spend-basis for the first time in 2021, they amounted to approximately 397 kilotonnes CO₂ equivalents for 2019 and to 421 kilotonnes CO₂ equivalents for 2021.

The calculated value of the carbon footprint corresponds to 9.05 tonnes of CO₂ equivalent per GWh transmitted including grid losses and 0.286 tonnes of CO₂ equivalent per GWh transmitted excluding grid losses (basis: 109.5 TWh).

N.B. carbon intensity was expressed in CO₂ equivalent per GWh in last year report: 8.73 tonnes of CO₂ equivalents per GWh transmitted including grid losses and 0.31 tonnes of CO₂ equivalents per GWh transmitted excluding grid losses (basis: 105.7 TWh).

Mitigation and compensation measures

The Elia group is committed to the principle that GHG emissions are primarily to be avoided and reduced. Offsetting should only be applied if avoidance or reduction is impossible.

For the reporting year 2021, all GHG emissions resulting from air travel were offset and the (small amount of) SF₆ losses were offset via service provider Atmosfair. The 2020 compensation payments will be used to support a photovoltaic system in Senegal. The project is in line with the UN's Sustainable Development Goals (SDGs 1, 3, 7, 8, 9, 13 and 17).

Elia Grid International SA/NV (EGI)

Elia Grid International SA, the consultancy branch of Elia group, was awarded a "CO₂-Neutral" label in 2020 by CO₂logic (this label is certified by Vinçotte).

The consulting activities of Elia Grid International SA/NV consist of providing countries and companies which operate outside of our regulated borders of Belgium and Germany with expertise relating to the optimisation of their grids, the integration of renewable sources into their energy systems and the building of interconnectors or offshore connections. A carbon assessment of its activities was conducted in order to measure its impact and reduce and offset it through support for a sustainable development project. The programme which was supported is a wind turbine project being carried out in the Karnataka, Andhra Pradesh and Tamil Nadu regions of India.

8.2.2. Energy consumption

GRI 302-1, SDG7, SDG13

The energy consumption of Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH can be subdivided into two categories, as follows:

- Core: energy used by all of the infrastructure which is directly related to its business model e.g. all substations.
- Non-core: energy used by its support services and administrative centres.

Electricity consumption represents the biggest share of consumption.

Our newest administrative centres were built following internationally recognised energy-efficiency standards.

Audits have been conducted in other buildings in order to identify optimisation potentials in line with Best Available Technology Not Entailing Excessive Costs (BATNEEC) principles. Associated measures are gradually being implemented.

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV's two most recent administrative centres, Monnoyer in Brussels and Crealys in Wallonia, are BREEAM¹⁴ certified. As required by Belgian regional regulations, energy audits were conducted of our administrative buildings and service centres.

The "Green substations project" was started in 2021, a study similar to an energy audit was conducted of our substations and a series of energy-efficiency actions were identified (changes in behaviour, remote adjustment of ventilation, installation of heat pumps and meters...). A selection of these measures have been integrated into the standards related to the construction of new assets.

	2020	
	MWh	%
Electricity Non Core - Total (green electricity)	2,73.84	3.15%
Electricity Core - Substations with meters (green electricity)	3,288.03	3.78%
Electricity Core - Substations with meters (ESTIMATE*)	77,350.00	88.98%
Heating - Natural gas	3,419.2	3.93%
Heating - Fuel	136.98	0.16%
Total	86,932.67	100.00%

N.B.: the figure related to the consumption of HV substations was calculated based on metering data collected from a sample of 60 stations.

50HERTZ IN GERMANY

50Hertz Transmission GmbH supports the goals of the European Union and the German government to reduce GHG emissions, particularly through its grid expansion activities (which enable the share of CO₂-free energy sources in the electricity system to be increased) and through the optimisation of the company-wide CO₂ balance. Since the purchase of green electricity to compensate for grid losses is by far the largest and currently most effective measure for this, we are working to undertake this in future. The focus in our administrative sites is on optimising the energy efficiency of buildings and facilities as well as the purchase of green electricity for administrative consumption.

The second external energy audit in accordance with DIN EN 16247-1 was carried out as scheduled in 2019 in order to systematically record the energy consumption of our facilities and administrative buildings. The 50Hertz Transmission GmbH Netzquartier was awarded the internationally recognised Gold Standard by the German Sustainable Building Council (DGNB) and the American Leadership in Energy and Environmental Design (LEED) standard. In new buildings, sustainable approaches to construction are planned for and implemented where possible.

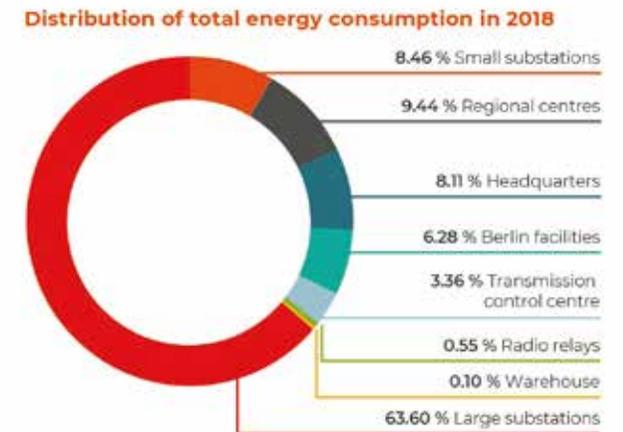
As shown in the chart below, the distribution of total GHG emissions shows the clear dominance of electricity (which occupies a share of almost 90%). A noticeable reduction in the CO₂ footprint can only be achieved in this segment. The largest share of elec-

tricity consumption (55,497.65 MWh) is accounted for by 50Hertz Transmission GmbH substations. All switching stations together, in which only electrical energy is required, account for a total share of almost 79%. The sites which carry out administrative and control tasks (such as the headquarters, the regional centres and the Control Centre), which also require thermal energy and fuels, occupy a total share of around 21%.

ENERGY CONSUMPTION

	MWH	%	t CO ₂ -EQ
Electricity	63,627.87	89.82	34,168
District heating	1,182.55	1.67	331
Fuel (petrol)	808.28	1.14	163
Fuel (diesel)	0.16	0.00	0.04
Natural gas	5,219.39	7.37	1,388
Total energy consumption	70,838.25	100.0	36,050.04

Data source: External energy audit carried out in line with DIN EN 16247-1 in 2019 for the year 2018



The energy audit revealed potential areas that could be optimised. Measures to this effect have largely been implemented or are in the process of being implemented. These include insu-

¹⁴ Building Research Establishment Environmental Assessment Method - the British standard for sustainable buildings

lation work carried out in the technical areas of the company's headquarters and in the Teufelsbruch substation; temperature adjustments to air conditioning units (switching from 21°C degrees to 26°C) in the technical rooms at the Röhrsdorf administration site; and energy-related repairs at the administration site.

8.2.3. Electric and magnetic fields

SDG 3, GRI 416-1

ELIA IN BELGIUM

Electrical transmission and distribution systems in Europe are mainly operated with alternating voltage levels and a frequency of 50 Hz. They therefore emit electric and magnetic fields (EMFs) of extremely low frequency, as is also the case for all electric devices, including domestic appliances.

Although no causal link can be established between negative effects on human health and exposure to such fields (through electricity transmission infrastructure), Elia Transmission Belgium SA/NV takes EMFs very seriously, considering each grid project carefully and supporting scientific studies that improve further understanding in this area.

Elia Transmission Belgium SA/NV continues to make annual financial contributions (amounting to €370,000) to scientific research on the subject. In this vein, it supports the Belgian Bio-ElectroMagnetics Group (BBEMG), whose scientific independence is enshrined in a cooperation agreement.

At an international level, Elia Transmission Belgium SA/NV signed a research contract with the Electric Power Research Institute (EPRI), a non-profit organisation that conducts research related to energy and the environment. This agreement grants Elia Transmission Belgium SA/NV access to the results of international research studies carried out in the area.

Elia Transmission Belgium SA/NV communicates transparently on EMFs using a number of different channels: a dedicated website; information leaflets; a brochure; newsletters; information sessions (with independent experts present where possible); and, following requests from local residents, it carries out free

measurements of electric and magnetic fields via its Contact Centre.

As projects undertaken by Elia Transmission Belgium SA/NV are assessed, this process must include an analysis of magnetic fields. In accordance with the precautionary policy established in Flanders and Brussels, Elia assesses future exposure to such fields by means of specific calculations (modelling); mitigation/reduction measures are applied where necessary.

50HERTZ IN GERMANY

Strict regulations apply to electric and magnetic fields in Germany, which are governed by the Federal Immission Control Act. 50Hertz Transmission GmbH complies with these limits. 50Hertz Transmission GmbH takes the concerns of interested parties seriously, carries out on-site measurements with them and implements associated measures if necessary.



8.2.4. Noise

SDG3

Noise can be caused by transformers in high-voltage substations, high-voltage lines, pylons and other equipment. Underground lines do not cause any noise.

Strict guidelines values apply in both control zones of the Elia group (no noise pollution).

The main source of noise pollution across the grid is associated with transformer operation. The purchase of transformers which produce a low level of noise has been part of Elia's environmental policy for many years. If necessary, soundproofing measures, such as soundproof walls, are provided for in the design phase of the project so that our (new and existing) infrastructure meets the noise standards outlined in environmental regulations.

ELIA IN BELGIUM

Elia Transmission Belgium SA/NV always carries out soundscape studies prior to the realisation of its infrastructure projects to ensure that noise levels are not exceeded. In addition, when a new substation is built or the transforming capacity of an existing substation is increased, a noise study is carried out. Based on noise measurements of existing transformers, a simulation is carried out of the situation after the construction or upgrade of a transformer in order to estimate its level of noise.

Elia Transmission Belgium SA/NV also conducts noise studies in the event of complaints (see also Contact Centres).

	unit	2019	2020	2021
Soundscape	Nr.	47	48	64

50HERTZ IN GERMANY

Just as for electromagnetic fields, strict guideline values apply in Germany for noise emissions, which are regulated in the Federal Immission Control Act. 50Hertz Transmission GmbH complies with these limits. Measurements are carried out in response to information from interested parties and associated measures are carried out where necessary.

8.3. Biodiversity and landscape

SDG 14, GRI 304-1, GRI 304-2, GRI 304-3, G4-EUS-EN12

In the planning of projects, economic efficiency, the concerns of local residents and technology are taken into account during the approval procedures in addition to the protection of flora and fauna. As part of the project approval process, environmental impact assessments (EIA) are carried early on out to minimise nature conservation conflicts at an early stage. A corridor is then identified for the exact route of the electrical line and defined in a subsequent step. At the same time, protection and compensation measures which have a positive impact on ecosystems and biodiversity are identified. All of these are carried out with external environmental planners, routing experts and, if necessary, other science and nature conservation experts. Requirements related to nature conservation efforts are included in the contractual requirements related to infrastructure projects.

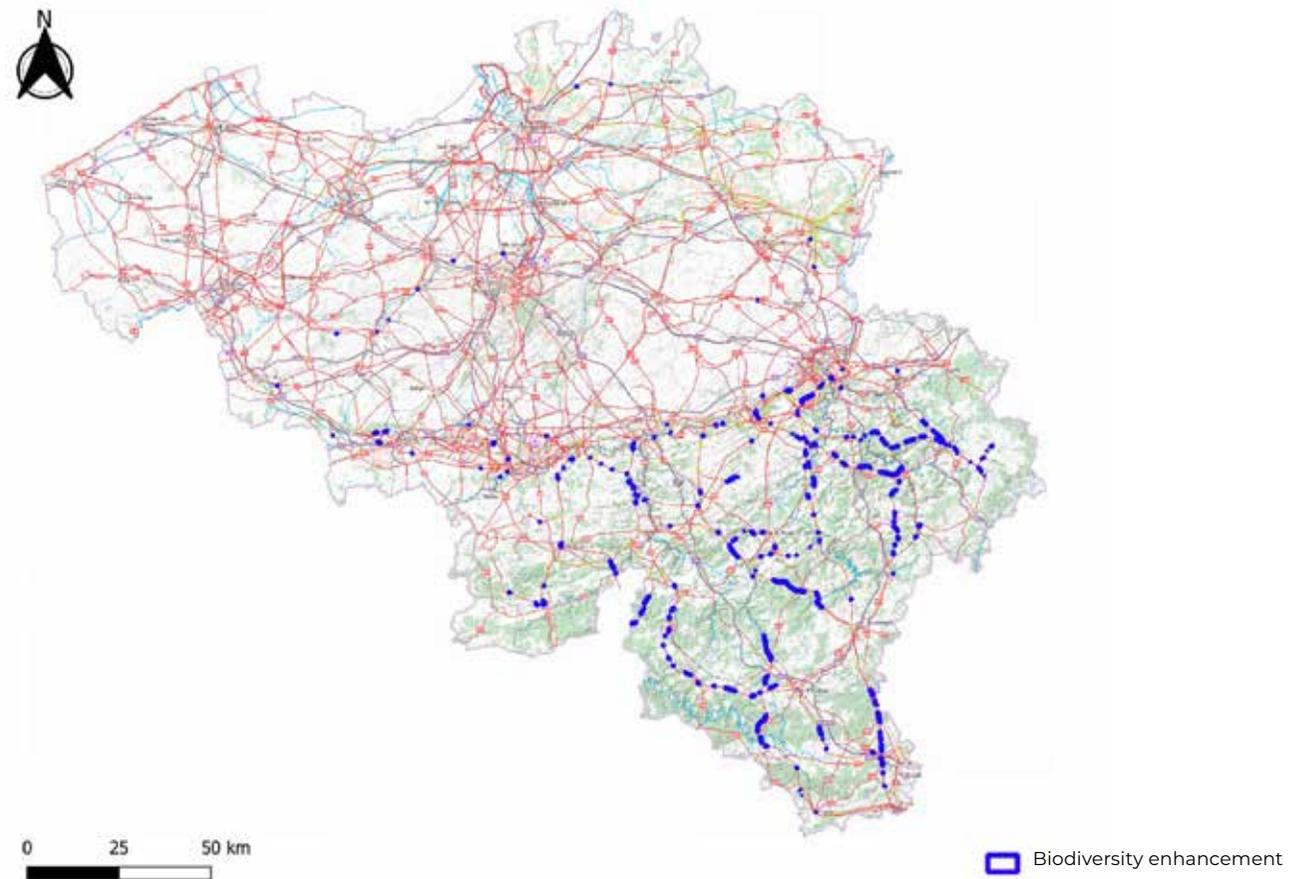
About 6% of overhead line project costs (including mandatory activities) are spent on ecological projects. From 2022 onwards, the use of herbicides will be banned across our sites, leading to a positive impact on biodiversity.

The use of wind at sea to generate electricity is enormously important and indispensable for climate protection. At the same time, the expansion of offshore wind energy and the submarine cables needed to transport such electricity require the natural environment to be disturbed. In addition to the 2019 Marine Grid Declaration co-signed by Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH (this declaration, signed by all Renewables Grid Initiative (RGI) members, sets clear standards regarding the early involvement of stakeholders and nature and species protection in offshore grid expansion projects, beyond legal requirements) – Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are committed to growing responsibility in this sensitive environment as a co-signatories of the Offshore Coalition declaration of intent.

ELIA IN BELGIUM

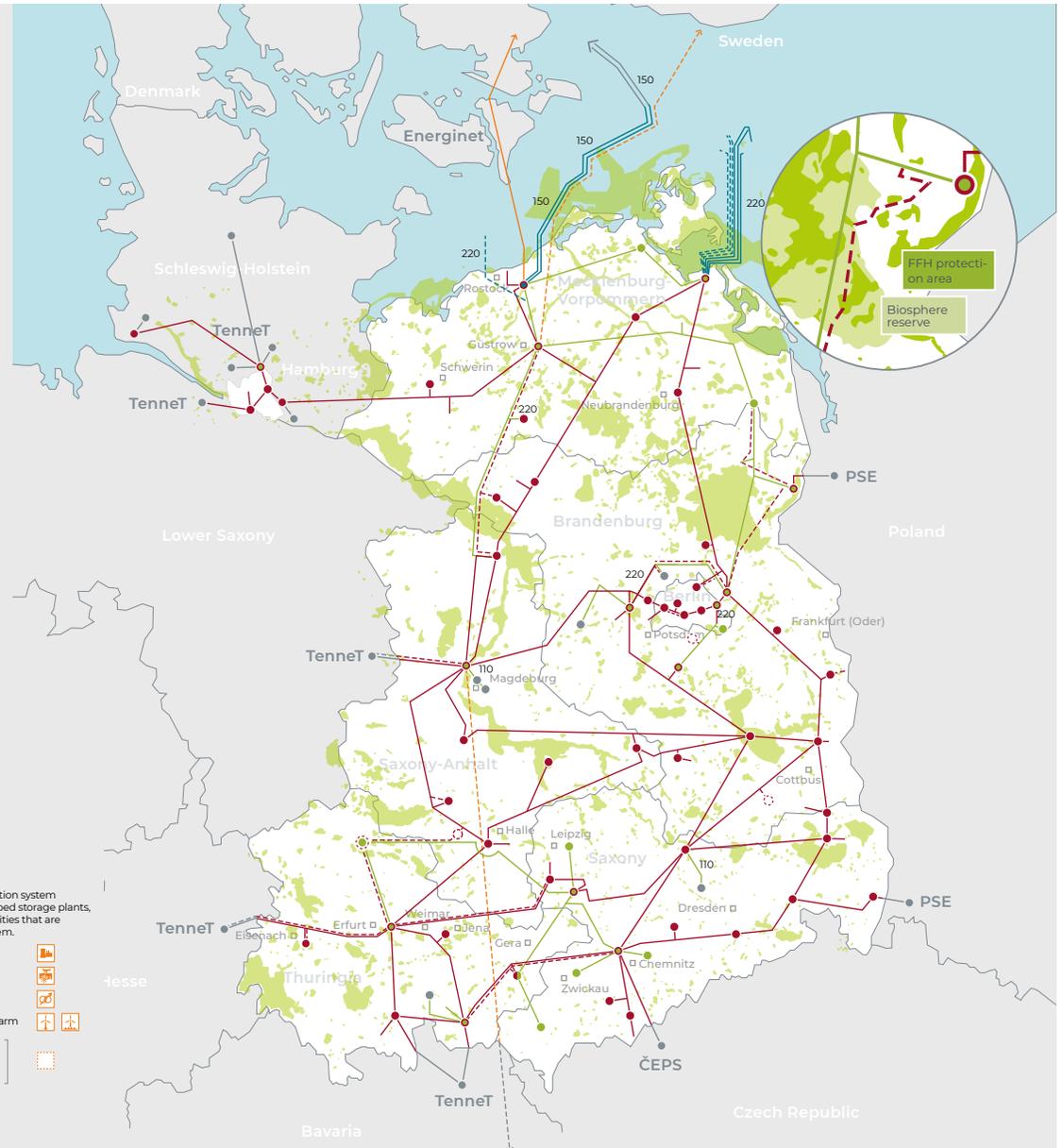
The total length of our infrastructure located in Natura 2000 areas (on land and sea) is 665 km.

MAP OF BIODIVERSITY ENHANCEMENTS AROUND ELIA'S POWER LINES (BETWEEN 2012 AND 2020)



50HERTZ IN GERMANY

In the 50Hertz Transmission GmbH grid area, many different protection zones are recorded in a cadastre; these are included in the map below.



Key

Switchgear (mostly at transition points between the 50Hertz grid and distribution system operators' grids)

- 380 kV
- 220 kV
- Transformation 380/220 kV
- Transformation 380/150 kV
- Planned/under construction
- Other companies
- 110 Operating voltage kV

④ New construction, mainly along existing route

- Line 380 kV
- Line planned/under construction 380 kV
- Line 220 kV
- HVDC/direct-current connection 400 kV
- HVDC/direct-current connection planned/under construction 300/320/525 kV
- Other companies 380/220 kV
- HDVC/back-to-back converter 380/150 kV
- HVDC/converter 400 kV
- HVDC/converter planned/under construction 300/320/525 kV
- Offshore grid connection 150/220 kV
- Offshore grid connection planned/under construction 150/220 kV

- Grid users: Our customers are regional distribution system operators and power stations, pumped storage plants, wind farms and large industrial facilities that are connected to the transmission system.
- Conventional power station
- Pumped storage plant
- Phase-shifting transformers
- Onshore wind farm/Offshore wind farm
- Onshore wind farm planned/under construction
- Offshore wind farm planned/under construction

Situation at: December 2020 VC

8.3.1. Mitigation and compensation measures

GRI 304-2, GRI 304-3

If preventive or corrective measures cannot prevent or correct our environmental impacts, then mitigation and compensatory measures are applied. These are either voluntary or legally required (in order to obtain all the legal authorisations needed prior to the execution of a project).

Depending on whether the objective is to mitigate or compensate for the impact of our projects, a wide range of existing measures exists, including:

- **landscape integration:** planting of shrubs, hedges or trees (green screens); the use of more compact types of pylons; infrastructure grouping; architectural integration into the landscape;
- **species protection:** bird markers and nests;
- **forestry:** restoration and specific management measures.



EXAMPLES OF COMPENSATION MEASURES



Planting

Planting tree aisles and rows, hedges, orchards



Forestry

Forest restructuring, first afforestation



Hydraulic engineering

Pond renaturation, restoring straightened rivers to their original condition, creating small bodies of water, renaturation of flowing and still bodies of water



Others

Cabling medium voltage lines



Demolition

Unsealing, demolition of buildings in community outdoor areas



Species protection

Building amphibian protection facilities, nesting aids, bat habitats, reptile habitats, species protection towers

ELIA IN BELGIUM

Before 2020, a set of compensation measures was developed on an ad hoc basis for each project. From 2020 onwards, we decided to establish clear and structured policies which are available on our website (see Section 7.2 Stakeholders – Community Relations and public acceptance). We have developed a framework regarding several types of compensation measures which aim to minimise our impact on the environment near our infrastructure projects: these include compensations for farmers and landscape integration.

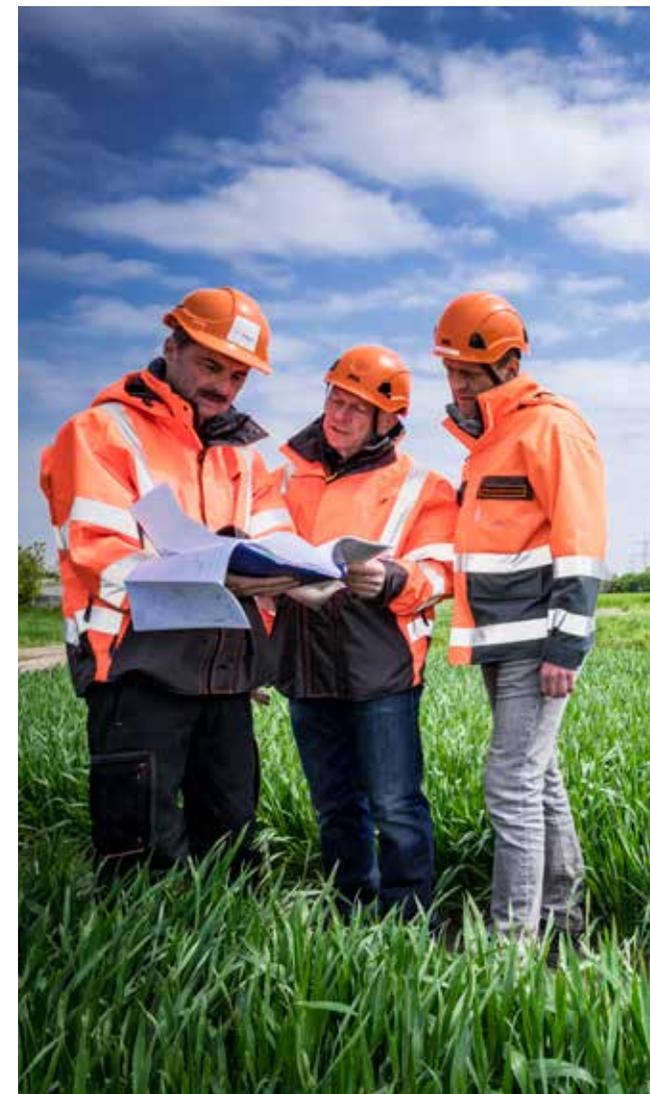
In 2021, Elia Transmission Belgium SA/NV continued the partnership it started in 2020 with the University of Liège, the ILVO¹⁵ and the Belgian professional association of farmers. This involved working on a literature review which seeks to further understanding of the impact of high-voltage infrastructure on agriculture. The study was finalised and the protocol with land owners reviewed regarding (amongst other factors) compensation, rights of way, damage caused during the construction phase, avoiding construction during farming work hours and soil damage.

For our offshore projects, mitigation measures were principally implemented during the construction phase; these aimed to reduce the impacts of such projects on marine life (for example, measures aimed at limiting the impact of any noise created and acoustic deterrents to prevent marine life from coming close to the work were employed during the laying of the foundation of our Offshore Switchyard (OSY) platform.

50HERTZ IN GERMANY

According to the Federal Nature Conservation Act (BNatSchG), there is an obligation to refrain from causing avoidable disturbances to nature and landscapes, or to ensure such disturbances are reduced to a minimum (in line with avoidance and minimisation requirements). Wherever it makes sense, power lines are combined and bundled with existing overhead lines and other infrastructure such as railway lines and motorways. In order not to unnecessarily disturb or impair the landscape, lines are adapted in line with landscape conditions. Where disturbances are unavoidable, 50Hertz Transmission GmbH implements compensation measures (see image above). For this purpose, regional eco poolings are being increasingly established. Eco poolings are contributions we make to projects led by other organisations as well as compensation payments, which enable more comprehensive measures to be taken (rather than just replacing plants, for example) and are therefore more effective, efficient and sustainable. When planning and implementing compensation measures, 50Hertz Transmission GmbH involves the affected communities, conservation agencies, interested citizens and NGOs early in the process. 50Hertz Transmission GmbH works with them as partners to develop suitable plans early on and suggest these to the authorities as part of the approval planning process. Guidelines related to targeted compensation management define the action areas which are necessary for the successful approval and implementation of these measures. An internal assessment commission meets every two months to decide on the measures that will be adopted. The selected measures are recorded in a cadastre.

Compensation measures	2019	2020	2021
In planning and realisation	170	268	153
In maintenance	218	249	371
Terminated	286	297	313
Total	674	814	837



¹⁵ Flanders Research Institute for Agriculture, Fisheries and Food

8.3.2. Ecological aisle management

GRI 304-2, GRI 304-3

Until recently, the standard maintenance policy for overhead lines involved ensuring that a corridor under our lines which measured approximately 50 meters wide was kept clear of all vegetation with a rotary slasher every eight years¹⁶.

To build an overhead line in forest areas, aisles are created. The conductor cables need sufficient clearance on either side and below them to make sure they are safe, which means trees have to be removed along certain sections and at regular intervals along these aisles. However, trees and shrubs provide habitats for numerous animals and plants. Therefore, the goal is to minimise any negative impacts on these natural areas as far as possible in the long term whilst increasing biodiversity.

Both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have been developing ecological aisle management initiatives that are in line with the EU's biodiversity strategy. The strategy, which was officially adopted in May 2020, considers ecological corridors to be part of a real trans-European nature protection network and, thus, sees them as a key obligation to improve biodiversity.

Within the ActNow programme, we have set a target related to biodiversity, by 2030, 90% of the forest corridors where our lines are located will be managed ecologically.

ELIA IN BELGIUM

Between 2012 and 2017, Elia Transmission Belgium SA/NV (which used to be Elia System Operator SA/NV until the end of 2019) was a front-runner in the implementation of the seven-year LIFE project.

Our project partner for this was the ecological engineering consultancy Ecofirst.

The first "Elia LIFE" project, for which Elia System Operator SA/NV joined forces with the French transmission system operator RTE, was partly funded by the European Commission and the Region of Wallonia. The project aimed to create green corridors which would enhance biodiversity under overhead electrical lines in forest areas. Elia System Operator SA/NV restored 427 ha stable natural environments below its lines (through peat bogs, bushes and grassland managed by grazing).

In 2018, Elia System Operator SA/NV decided to continue this project for another five years without receiving any subsidies under the name "Life2" by adding more green corridors around its lines (amounting to a total of 154 ha at the end of the 2018-2021 period). The other objective of this project was to further monitor changes to these areas and their maintenance in order to assess their impact on biodiversity. The results are highly encouraging, with 98% of evaluated sites showing conclusive outcomes.

 **Further information on these projects can be found on this website: <http://www.life-elia.eu/>**

As the project continues, the focus is on electrical lines located in Natura 2000 zones.

Besides these "Elia Life" projects, another 151 ha of ecological aisles were managed in a similar way around our lines in the Flemish region in 2021.

Elia Transmission Belgium SA/NV is currently exploring how to develop its internal geographical grid database to track all the areas where these specific management measures have been put in place.

50HERTZ IN GERMANY

For several years now, 50Hertz Transmission GmbH has been focusing on ecological route management. During the regular maintenance of routes, ecological considerations such as the removal of individual trees and the management of their health are taken into account across more than two thirds of forest corridors located across the entire grid area. Pilot activities started in recent years in ecological route management areas along existing roads (such as the creation of forest edges or the establishment of species-rich meadows and pastures) are now part of an overall strategy to increase biodiversity. Currently, a geodatabase is being created that outlines and organises all activities along lines that contribute to increasing biodiversity; this database will serve as a guide for deciding on further action. Currently, almost 100 line sections have already been recorded in this database. The geodatabase also outlines the spatial relationship between forest corridors and protected areas in the 50Hertz Transmission GmbH network area. Based on this, 50Hertz Transmission GmbH is able to contribute to the EU Biodiversity Strategy 2030. As part of ActNow, 50Hertz Transmission GmbH has set itself the goal of introducing ecological route management across 95% of suitable routes by 2030. In order to further develop our approach to biodiversity and ecological management in the future, we have started holding discussions about these specific topics with external stakeholders, such as nature conservation organisations and universities.



¹⁶ This obligation can be indirectly beneficial to specific ecosystems of great ecological value; for example, the moors (in the High Fens nature reserve, in the eastern part of Belgium) are better protected when corridors are established under overhead lines crossing them, because the rest of the moors were planted with trees for wood production and by draining these areas.

8.3.3. Bird protection

G4 EUS EN12

High-voltage lines can harm bird life. The Elia group therefore makes a huge effort to protect birds and minimise negative impacts on them.

For this reason, the Elia group is installing bird markers (in order to make the lines more visible to birds, meaning they will be able to more easily avoid them) and nests along its pylons to reduce these negative impacts and protect endangered species.

Within the ActNow programme we have set a target related to bird protection, by 2030, 100% of our lines identified as critical for birds will be equipped with bird markers.



ELIA IN BELGIUM

With the help of Belgium’s leading environmental organisations, Elia Transmission Belgium SA/NV has identified the 130 sections of its network that pose the greatest hazard to birdlife. Measuring 200 km in total, they are gradually being fitted with anti-collision devices over a ten-year period (starting in 2016). If an infrastructure maintenance project is due to take place along these sections, the installation of bird markers is planned as part of the project.

For sections without projects, we will capitalise on moments when scheduled interventions are due to occur to fit markers along conductors or earth connections.

In the reporting year, Elia Transmission Belgium SA/NV undertook several steps with the Belgian nature conservation organisations Natuurpunt and Natagora. We joined forces to make overhead lines more visible to birds in the Flemish Ghent Canal Zone and by the Walloon Eau d’Heure lakes. We also took part in monitoring sessions with Natuurpunt to compare the situation before and after the fitting of our overhead lines with bird markers.

We also set up some nesting boxes along the bottom of or the top of our pylons depending on the species we are aiming to protect.

Bird markers	2019	2020	2021
Total lines equipped (km) with bird markers	37.59	43.74	79.74

Along with various partners (transmission system operators RTE in France and REN in Portugal and several nature and bird protection organisations), Elia Transmission Belgium SA/NV has applied to receive funding from the European LIFE programme for their joint “Safelines4Birds” project, which targets specific endangered bird species which are considered to be a “priority”.

50HERTZ IN GERMANY

Over the past few years, an extensive study has been carried out with the Brandenburg State Environmental Agency. This was evaluated with experts from the Renewables Grid Initiative (RGI) and the German Nature and Biodiversity Conservation Union (NABU). The aim of the study was to identify lines which posed an increased risk to birds, in order to equip them with bird protection markers. The data from the study will be incorporated into a Germany-wide map.

In 2020, a further 30 km of transmission lines in the area of Havelländisches Luch (which is very rich in terms of bird diversity) were retrofitted with markers as part of a voluntary species protection measure. Currently, bird protection markers have been installed along around 368 km of overhead lines.

In preparation for further projects, 6 existing lines with 122 km running through ornithologically sensitive areas were checked for the technical feasibility of retrofitting bird protection markers in the year under review.

Bird markers	2019	2020	2021
Total lines equipped (km) with bird markers	300	368	368



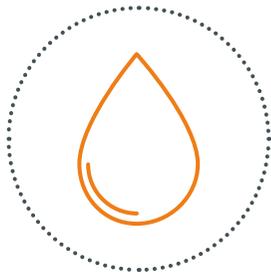
8.4. Natural Resources

GRI 306-5, SDG14

8.4.1. Water and soil

GRI 303-1, GRI 303-2

The Elia group is committed to undertaking effective water and soil conservation measures. Since the company's business activities do not result in significant water consumption or the regular release of process-linked effluents, our corporate responsibility does not primarily relate to a reduction in water consumption; instead, we must focus on water retention in the ground in grid and substation projects and prevent water and soil pollution through the use of or leaks of hazardous substances. The main potential source of pollution for soil, ground and surface water is the large volume of mineral oil in our transformers. The standard solution to combat this consists of equipping our transformers with a liquid-tight concrete tank, which, in the event of an oil spill, can contain all leaks. To ensure that rainwater that falls on the facilities can be drained without causing pollution, the tanks are fitted with a hydrocarbon separator and an additional coalescence filter with an automatic shut-off valve. The Elia group has developed an internal procedure to ensure fast and efficient decontamination. In the event of a major incident, the Elia group will contact the appropriate authorities.



ELIA IN BELGIUM

Water management at the 600 or so high-voltage substations operated by Elia Transmission Belgium SA/NV in Belgium primarily relates to rainwater that ends up on our high-voltage facilities (transformers), impermeable (roofs, asphalt roads) and permeable surfaces (gravel roads) and a limited amount of water used for sanitation. When building new substations and when expanding or renovating existing substations, the necessary investments are provided for in accordance with the principles below:

- Ensuring that rainwater that ends up on the installations (transformers) is always drained without any (oil) contamination.
- Reducing the impermeable surface. This is done by constructing roadways with reinforced gravel pits and no longer with asphalt on concrete. Drainage gutters are avoided for existing paving and natural runoff and infiltration are provided next to the road. Finally, the rainwater from the roofs is collected for reuse (sanitation) and the overflow is infiltrated on site.

In the accidental event of hazardous substance leaks, Elia Transmission Belgium SA/NV has developed processes to immediately cope with the impacts of these on the environment and employees are trained to detect early signs of these types of events.

A significant part of the Belgian soils is historically polluted as a direct result of nearby or in situ (prior use) industrial activities or backfilling with polluted soil.

Elia Transmission Belgium SA/NV has mapped the soil condition of its own land in order to plan out interventions. Several remediation activities have been undertaken across on our sites.

50HERTZ IN GERMANY

50Hertz Transmission GmbH plans to collect and evaluate how much water it uses for administrative and technical purposes and, where necessary, to design measures to address issues. The focus of this will be on water retention in the ground in line and substation projects, as well as preventing the contamination of water and soil through the use of hazardous substances. Thus, oil-filled installations, such as transformers or generators, are constantly monitored. These installations are regularly inspected and, if necessary, renovated or renewed. The handling and storage of substances which are hazardous for water is ensured through regular inspections and staff training. Waste water may only be discharged if an official permit has been obtained and it has been regularly checked to ensure that it is free of pollutants. When it comes to water protection, the Water Resources Act (WHG) and the Plant Ordinance (AWSV) are important for 50Hertz Transmission GmbH. Water protection officers monitor, advise and support the staff who are responsible for this. Our employees are regularly informed about new security regulations.

In the event that hazardous substances should leak, 50Hertz Transmission GmbH implements numerous measures to mitigate them. In addition to using the services of contracted service providers, damage prevention material is made available at all substations and administrative locations. In 2021, a standard set of materials was installed across our sites; this consists of a box and includes a natural binding agent, collection trays and various bits of collection and disposal equipment. Any deviations from existing processes as well as contaminations are recorded in an incident report by 50Hertz Transmission GmbH; following this, causes are determined and evaluated, and improvement measures are defined.

In 50Hertz Transmission GmbH's activities at sea, the protection of the Baltic Sea is ensured through a variety of measures. For example, throughout the planning stage for offshore platforms, care is taken to ensure that no hazardous substances are leaked into the sea and that equipment with biodegradable hydraulic oil is used wherever possible.

8.4.2. Waste

GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5, G4-EUS-EN23

When dealing with waste that cannot be avoided, the motto is reuse - recycle - recover - dispose. Maintenance work and infrastructure projects are the activities that generate the most waste. If facilities are newly built, converted or dismantled, specific elements (e.g. transformers that have a very long lifetime) are stored in order to be reused either in refurbished stations or in newly built ones. Those parts that are no longer needed are disposed of in as sustainable a way as possible and specific elements are recycled (e.g. metals from the cables and oil).

This is addressed by Dimension 2 of our ActNow Programme related to circular economy, We are laying the foundations for integrating circularity and eco-design into the decision-making processes for new pieces of infrastructure and we plan to further increase our recycling rate when decommissioning assets.



ELIA IN BELGIUM

Elia Transmission Belgium SA/NV has established a waste management policy for collecting, sorting and handling its waste in its local technical sites (service centres).

All types of waste generated during the maintenance of assets in this geographical zone are stored in container parks which guarantee optimal storage in dedicated locations. They are removed periodically or upon request by authorised collectors specialised in the collection, transport and recycling of hazardous and non-hazardous waste. On our construction sites, contractors must comply with environmental legislation and organise the sorting of the construction site waste they produce throughout their contract.

Elia Transmission Belgium SA/NV has decided to standardise the sorting rules and procedures it follows throughout Belgium (regardless of the site and even if regulations might differ slightly depending on the region where the site is located).

Waste is determined to be hazardous on the basis of its waste code from the European List of Waste.

Waste disposal contractors provides Elia Transmission Belgium SA/NV with information about different waste disposal methods (and necessary certificates), as legally required in Belgium. In some regions of Belgium, Elia is also required to report the yearly quantities of specific waste types it produces to the authorities.

WASTE DISPOSAL 2020

Total weight (tonne)	Non-hazardous waste	Hazardous waste
Recycled	2,434.13	23.02
Disposed of	0.00	15.46
Total	2,434.13	38.47

N.B. all the data related to the weight of waste produced on our construction sites might not have been gathered as this waste falls under the responsibility of our external contractors

50HERTZ IN GERMANY

When dealing with waste, avoidance is 50Hertz Transmission GmbH's top priority. However, the annual amount and composition of waste that is produced is highly dependent on conversion and dismantling projects and compensation and replacement measures. Since numerous grid expansion projects were undertaken in 2021, construction projects and compensation projects generated more waste overall than they did in the previous year.

WASTE DISPOSAL 2021

Waste total weight (tonne)	2019	2020	2021*
Hazardous waste	7,241	5,973	13,494
Non-hazardous waste	34,406	93,288	114,356
Waste total	41,647	99,261	127,850
recycling rate (in %)	86%	95%	90%

* preliminary values

50Hertz Transmission GmbH was able to implement the legally stipulated recycling requirement (recycling before disposal) with a recycling rate of around 90%.

Biodiversity

In order to minimise the impact of our infrastructure on the environment, we implement a wide range of mitigation and compensation measures, including those which preserve biodiversity on and around our high-voltage lines and substations.

BIRD MARKERS REDUCE BIRD CASUALTIES BY 75%

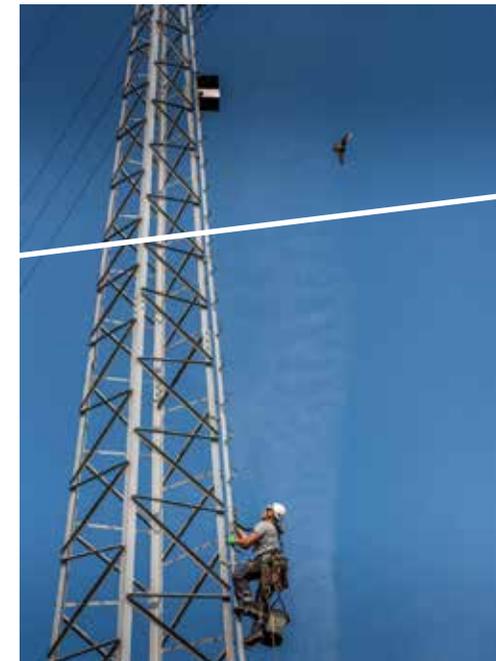
Last year, Elia made 36 km of its high voltage lines visible to birds by installing bird markers along them in areas such as Mechelen, Evergem, Kinrooi, Maaseik and the Eau d'Heure lakes. We will continue installing more bird markers along our lines throughout 2022, and hope to have installed them along 200 km of lines that pose an increased risk to birds by

2030. As demonstrated through a study undertaken by Natuurpunt, such markers are effective: by comparing the number of bird collisions which occurred along an overhead line in Noordschote before and after their installation, the number of bird casualties was noted as having reduced by between 75% to 95%.



NESTING BOXES INSTALLED ON PYLONS

Where we can, we give birds a helping hand. In Tienen, eight out of the ten the nesting boxes which we previously installed along a number of pylons were occupied again by Kestrels in 2021. Kestrels are particularly fond of such nesting boxes because they are high up and located around farmland. Farmers also benefit from their presence: crop loss is reduced because the birds of prey hunt mice and other small rodents in the surrounding fields. Over the past 15 years, more than 300 chicks have hatched in the nesting boxes on the line between Tienen and Sint-Truiden.



BEE WEEK

During Bee Week, Elia placed the precious little insects in the spotlight by putting our bee hotel, which is occupied by solitary bees, on display at our Monnoyer site. Solitary bees pollinate plants and flowers, but do not live in groups, or in large hives. BeeOdiversity is using the hotel to study the impact of the environment on solitary bees.

Elia supports other types of bees too. For example, a colony of bees that nested in the cavity wall of our high-voltage substation in Turnhout was given a new home. The insects were getting lost in our buildings, so we installed a beehive XX. One of our members of staff - Theo - is a beekeeper and he helped with the move.



NATURE MANAGEMENT

Elia has to maintain safety corridors around its high-voltage lines: tall trees can't be permitted to grow under our lines, since they could cause disruptions, which would jeopardise security of supply. This means corridors need to be created around our pylons and lines. Elia stimulates and restores biodiversity in affected areas by, for example, planting peat shrubs and creating ponds, so that natural habitats are preserved for local flora and fauna.

To create these corridors, we avoid the use of machines; instead, local animals graze the land to keep vegetation levels low. Indeed, in the Hoge Kempen National Park, a shepherd watches over his sheep as they graze under our lines, and in the Ardennes, a herd of cows takes natural care of the grass and vegetation. Moreover, in Langerbrugge near Ghent, two horses recently been grazing the pastures next to our high-voltage substation. The land is owned by Elia, but is not being used for the time being. In the meantime, therefore, the horses are keeping the vegetation levels low and safe, whilst ensuring that biodiversity is restored naturally.



NATURE DEVELOPMENT

We are not afraid of rolling up our sleeves: in 2021, we planted bushes and herbs under 20 pylons in Bilzen. This has strengthened biodiversity in the municipality and will ensure that farmland birds and other species are supported to thrive in the region of Haspengouw, which includes arable land and pastures.



Miscellaneous



PERMEABLE ROAD IN DAMME

In Damme, we achieved a first in Flanders by building the very first permeable road on top of new electricity cables. As part of this, special pavers allow rainwater to drain through to the soil. This is good for the trees which run alongside the road, cools the road down during the summer and helps combat water scarcity!



ARCHAEOLOGICAL RESEARCH IN KRUIBEKES

Caring for the environment also means caring for its history. Elia carried out an archaeological study on the site of the high-voltage substation in the municipality of Kruibeke. As part of this, our staff found artefacts from the First World War, the Iron Age, the Roman Empire and the Middle Ages! The study preceded work which had been planned for the high-voltage substation. (photographs of the archaeological study)

9 Reporting on EU Taxonomy Regulation



9.1 Context

This Chapter contains information on how and to what extent the Elia Group's activities are associated with economic activities that qualify as environmentally sustainable and has been drafted in accordance with the Taxonomy Regulation of 18 June 2020¹, the Climate Delegated Act of 4 June 2021² and the Disclosure Delegated Act of 6 July 2021³.

The Taxonomy Regulation provides a definition of environmentally sustainable economic activities. To qualify as environmentally sustainable, an economic activity:

- (i) shall contribute substantially to one or more of the six environmental objectives set out in articles 9 to 15 of the Taxonomy Regulation and in the delegated acts referred to in the aforementioned articles, and
- (ii) shall meet the specific technical screening criteria laid down in the delegated acts.

The Climate Delegated Act specifies the technical screening criteria (TSC) for the environmental objectives 'climate change mitigation' and 'climate change adaptation' which determine the conditions under which a specific economic activity qualifies as contributing substantially to 'climate change mitigation' and 'climate change adaptation'.

As the Delegated Act specifying the remaining four environmental objectives will only be applicable as from 1 January 2023, Elia Group's analysis is only based on the two environmental objectives covered by the Climate Delegated Act.

The Disclosure Delegated Act specifies the content and presentation of the information to be disclosed by Elia Group pursuant to the Taxonomy Regulation, including the methodology to be used in order to comply with it. Pursuant to this Regulation Elia Group discloses hereunder the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in the total turnover, capital expenditures (Capex) and operating expenditures (Opex) of the Elia group as well as the qualitative information relevant for this disclosure.

A taxonomy-eligible economic activity means an economic activity that is described in the Climate Delegated Act irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in that Delegated Regulation.

Further elaboration/clarifications on the sector and technical criteria supporting the sector in the future might change our current conclusion. If this would be the case Elia Group will update the results disclosed over 2021 accordingly.

This reporting 2021 should be considered as a transitional year preparing Elia Group for detailed taxonomy alignment reporting over the year 2022.

We also refer to a white paper published in 2021 : see website : <https://www.eliagroup.eu/en/publications#>



¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EUR-Lex - 32020R0852 - EN - EUR-Lex (europa.eu)).

² Commission Delegated Regulation (EU) C/2021/2800 final of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (EUR-Lex - C(2021)2800 - EN - EUR-Lex (europa.eu)).

³ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (EUR-Lex - 2021/2178 - EN - EUR-Lex (europa.eu)).

9.2 Taxonomy-eligible and taxonomy non-eligible economic activities

The eligibility assessment has been realised by verifying the economic activities performed by each company of the Elia group against the activities described in the Climate Delegated Act.

Referring to the consolidated financial statements under section §4 Segment Reporting and under chapter §7 Group structure this exercise was conducted on affiliates reported in the different segments. As general stated, the legal entities Nemo Link, JAO, HGRT, Coreso, TSCNET and EEX are excluded from the taxonomy-eligibility assessment (both nominator and denominator of KPIs), due to being qualified as Investments accounted for using the equity-method – Joint Ventures – Associates in the consolidated financial statements.

SEGMENT: ELIA TRANSMISSION BELGIUM

Entity	NACE code / description	Activity description	Climate Delegated Regulation	Decision on eligibility (yes/No)
Elia Transmission Belgium SA/ NV	35120 Transmission of electricity	Elia Transmission Belgium is the Belgian transmission system operator for high-voltage electricity (30,000–400,000 volts). Its main activities include managing grid infrastructure and electrical system as well as facilitating the market	4.9 'Transmission and distribution of electricity'	Yes
Elia Transmission Belgium SA/NV	42220 Construction of electricity and telecommunications network	Construction activities	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Elia Asset SA/NV	35120 Transmission of electricity	Elia Asset is the company that owns all the installations on the high-voltage grid and is responsible for the further development and maintenance of this grid. Elia Asset and Elia Transmission Belgium form a single economic entity and operate under the name Elia	4.9 'Transmission and distribution of electricity'	Yes
Elia Engineering SA/ NV	71121 Engineering and technical consultancy activities, except surveying activities	Engineering and technical consultancy activities	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Elia Re	65200 Reinsurance	Elia Re is an insurance captive	No perfect fit identified with the activities described in the Climate Delegated Regulation	No



SEGMENT: 50HERTZ TRANSMISSION

Entity	NACE code / description	Activity description	Climate Delegated Regulation	Decision on eligibility (yes/No)
50Hertz Transmission GmbH	35120 Transmission of electricity	50Hertz Transmission is TSO which operates the extra-high-voltage grid in northern and eastern Germany with a network grid length of around 10,325 km. The company is also responsible for maintenance and needs-based expansion as well as for maintaining the balance of generation and consumption within the balancing zone's whole electricity supply system.	4.9 'Transmission and distribution of electricity'	Yes
50Hertz Offshore GmbH	35120 Transmission of electricity	The business activities of 50Hertz Offshore comprise the planning, construction and maintenance of electricity lines as well as the associated plants and facilities for connecting offshore wind turbines/farms primarily erected in the Baltic Sea to the grid.	4.9 'Transmission and distribution of electricity'	Yes
Eurogrid GmbH	64200 Holdings	80% owned by Elia Group and comprises the activities of 50Hertz, the German TSO. The remaining 20% being held by the German state-owned Bank Kreditanstalt für Wiederaufbau («KfW»).	4.9 'Transmission and distribution of electricity'	No

SEGMENT: NON-REGULATED ACTIVITIES

Entity	NACE code / description	Activity description	Climate Delegated Regulation	Decision on eligibility (yes/No)
re.alto Energy BV/SRL	63110 Data processing, hosting and related activities	A start-up founded in August 2019 that is building a platform enabling users to exchange energy data and services.	8.2 'Data-driven solutions for GHG emissions reductions	Yes
Elia Group SA/NV	In the process of amendment	Elia Group acts as a holding company owning (i) Elia Transmission Belgium (Belgian TSO), (ii) Eurogrid International (comprising the activities of 50Hertz, the German TSO), (iii) Elia Grid International (the Group's international consultancy branch) and (iv) re.alto energy, an energy platform.	No fit identified with the activities described in the Climate Delegated Regulation	No
Eurogrid International SA/NV	70220 Business and other management consultancy activities	Eurogrid International invests in electric utility-related companies and provides support services to its customers, including its own daughter companies.	No fit identified with the activities described in the Climate Delegated Regulation	No
Elia Grid International SA/NV	70220 Business and other management consultancy activities	Power consultancy services.	No fit identified with the activities described in the Climate Delegated Regulation	No

9.3 KPIs: Turnover, Capex and Opex

The KPIs have been prepared based on the requirements outlined in the Disclosure Delegated Act.

The double counting in the allocation in the numerator of turnover, Capex and Opex across economic activities is prevented as each entity has only one economic activity. Consequently, turnover, Opex and Capex cover economic activities that are either completely taxonomy-eligible or not at all. Except for Elia Transmission Belgium which has two economic activities (one taxonomy-eligible, one not). The turnover of the non-taxonomy-eligible activity is well delineated whereas Opex is immaterial and Capex not existing for this activity.



9.3.1 Turnover

The turnover used in the KPI calculation is based on the accounting policies, mentioned in section 'Consolidated financial statements' of Elia Group's Financial Report under chapter §3.4.1 'Income' (IFRS 15 –Revenues) and the consolidated result reported under chapter § 4.5 'Reconciliation of information on reportable segments to IFRS amounts' reporting the revenues for the different segments (see above) in which the following items are considered:

	Nominator (*)	Denominator
Revenues (including grid revenues, last mile connection and other revenue)	Yes	Yes
Net income (expense) from settlement mechanism	Yes	Yes

(*) Nominator is adjusted for the legal entities / activities not qualifying as taxonomy-eligible.

Therefore, total considered revenue which is included in the denominator of Turnover KPI is € 2,724 million for the Elia Group.

9.3.2 Capex (Capital expenditures)

The Capex used in the KPI calculation is based on general accounting policies, mentioned in section 'Consolidated financial statements' of Elia Group's Financial Report under chapters §3.3.1. 'Property Plant and equipment' ("PPE") (IAS 16), § 3.3.2. 'Intangible assets' (IAS 38) and § 3.3.16 'Leases' (IFRS 16).

The movements related to these assets are disclosed under chapter § 4.5. 'Reconciliation of information on reportable segments to IFRS amounts' under caption 'capital expenditures' and are included in the calculation as follows:

	Nominator (*)	Denominator
Additions for PPE (including leases)	Yes	Yes
Additions for intangible assets (including leases)	Yes	Yes

(*) nominator is adjusted for the legal entities / activities not qualifying as eligible

The total considered Capex which is included in the denominator of Capex KPI is € 1,299.3 million

9.3.3 Opex (Operating expenditures)

For determining the Opex, we applied the definition as described in the Disclosure Delegated Act and the ESMA final Report entitled 'Advise on Article 8 of the Taxonomy Regulation' dated 26 February 2021, according to which Opex covers direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of items of property plant and equipment that are necessary to ensure the continued and effective functioning of such assets.

Total considered Opex which meets the above definition is included in the denominator of Opex KPI and no adjustments are made in the nominator as Opex identified is fully related to eligible activities.

The Opex KPI represents an amount of €118,2 million.

9.3.4 Overview KPI's

Overall Elia Group's turnover is 99.94% taxonomy-eligible, the Capex and the Opex are both 100% taxonomy eligible.

	Code	Turnover		Capex		Opex	
		Amount in million	Proportion of the group, %	Amount in million	Proportion of the group, %	Amount in million	Proportion of the group, %
A. Taxonomy eligible activities		2,722.9	99.94%	1,298.33	99.92%	118.18	100%
Transmission of electricity in Belgium	35120	1,113.3	40.86%	417.23	32.11%	64.68	54.73
Transmission of electricity in Germany	35120	1,609.3	59.07%	880.44	67.67%	53.49	45.26
Energy platform	63110	0.3	0.01%	0.66	0.05%	0.01	0.01
B. Taxonomy non-eligible activities		1.7	0.06%	0.96	0.08%	0	0%
Power Consultancy in Belgium	70220	0.89	0.03%	0.85	0.07%	0	0
Engineering and technical consultancy activities in Belgium	71121	0.17	0.01%	0	0	0	0
Construction works in Belgium	42220	0.68	0.02%	0	0	0	0
Holding activities (Elia Group)	N/A	0	0	0.11	0.01%	0	0
TOTAL (A+B)		2,724.6	100%	1,299. 29	100%	118.18	100%

10. Reference Table

10.1 GRI Content Index

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102-4	Location of operations	1.1. Elia group companies	11
102-5	Ownership and legal form	1.1. Elia group companies	9
102-6	Markets served	3.4. Energy imports and exports	37
102-7	Scale of the organisation	1.1.2. Business model; 4.2. Headcount	10, 40
102-8	Information on employees and other workers	4.2. Headcount	40
102-9	Supply chain	1.1.2. Business model; 6.1 Management approach"	10, 59
102-10	Significant changes to the organisation and its supply chain	no changes in the year reported	
102-11	Precautionary Principle or approach	1.3.6. Risk management; 8.1. Management approach	21, 77
102-12	External initiatives	1.3.1. Memberships	14
102-13	Membership of associations	1.3.1. Memberships	14
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102-17	Mechanisms for advice and concerns about ethics	1.3.2. Values, principles and standards	15

GRI number	GRI description	Chapter/Section	Page
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102-30	Effectiveness of risk management processes	1.3.6. Risk management	21
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102-33	Communicating critical concerns	1.3.3. Roles and responsibilities within the company	17
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102-44	Key topics and concerns raised	7.2. Community relations and public acceptance ; 7.3. Stakeholder dialogues	65, 68
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102-52	Reporting cycle	1 st January 2021 to 31 December 2021	
102-53	Contact point for questions regarding the Annual Report	info@elia.be	
102-54	Claims of reporting in accordance with the GRI Standards	Foreword	
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103-3	Evaluation of the management approach	1.3.3. Roles and responsibilities within the company; 2.2. ActNow	17, 31
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GRI 203: Indirect economic impacts			
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203-2	Significant indirect economic impacts, including the extent of impacts	6.2. Suppliers and expenditure in the Eurozone	59
GRI 204: Procurement practices			
204-1	Proportion of spending on local suppliers	6.1 Management approach; 6.2. Suppliers and expenditure in the Eurozone	59
GRI 205: Anti-Corruption			
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403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.2. Health and safety training	55
403-8	Workers covered by an occupational health and safety management system	5.1. Management approach	53
403-9	Work-related injuries	5.4. Accidents	57
403-10	Work-related ill health	5.4. Accidents	57
GRI 404: Training and Education			
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GRI 405: Diversity and Equal Opportunity			
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GRI 406: Non-Discrimination			
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GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programmes	7.1. Management approach; 7.5. Community engagement	63,

GRI number	GRI description	Chapter/Section	Page
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Reporting parameters

Registered offices

The registered office of Elia Transmission Belgium and Elia Asset is located at
Boulevard de l'Empereur 20
1000 Brussels, Belgium

The registered office of 50Hertz GmbH is established at
Heidestraße 2
D-10557 Berlin, Germany

The registered office of Eurogrid International is located at
Rue Joseph Stevens, 7
1000 Brussels, Belgium

The registered office of Elia Grid International is located at
Rue Joseph Stevens, 7
1000 Brussels, Belgium

Reporting period

This annual report covers the period from 1 January 2021 to 31 December 2021.

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Ce document est également disponible en français.
Dit document is ook beschikbaar in het Nederlands.



We would like to thank everyone who contributed to this annual report.

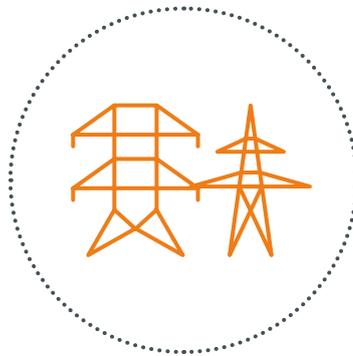


Powering the decade of electrification

FINANCIAL
REPORT
2021

1. Corporate Governance Statement





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Corporate governance report

This Corporate Governance Statement contains the main aspects of Elia Group SA/NV's corporate governance framework, including all relevant information on events affecting Elia Group SA/NV's governance during the financial year 2021.

In 2021 Elia Group SA/NV's corporate governance was based on the following pillars:

- the (Belgian) 2020 Corporate Governance Code¹, which Elia Group SA/NV has adopted as its benchmark code;
- the (Belgian) Code of Companies and Associations²;
- Elia Group SA/NV's Articles of Association.

Board of Directors



- | | |
|---------------------------|-------------------------------|
| 1 Bernard Gustin | 8 Luc Hujuel |
| 2 Claude Grégoire | 9 Roberte Kesteman |
| 3 Geert Versnick | 10 Jane Murphy |
| 4 Michel Allé | 11 Dominique Offergeld |
| 5 Luc De Temmerman | 12 Pieter De Crem |
| 6 Frank Donck | 13 Rudy Provoost |
| 7 Cécile Flandre | 14 Saskia Van Uffelen |

¹ The (Belgian) 2020 Corporate Governance Code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).
² The (Belgian) Code of Companies and Associations can be found on the website of the ministry of justice (http://www.ejustice.just.fgov.be/cgi_loi/wet.pl).

Composition of the management bodies as at 31 December 2021

Board of Directors

CHAIRPERSON

- Bernard Gustin, non-executive independent director

VICE-CHAIRPERSONS

- Claude Grégoire, non-executive director appointed upon proposal of Publi-T
- Geert Versnick, non-executive director appointed upon proposal of Publi-T

DIRECTORS

- Michel Allé, non-executive independent director
- Pieter De Crem, non-executive director appointed upon proposal of Publi-T³
- Luc De Temmerman, non-executive independent director
- Frank Donck, non-executive independent director
- Cécile Flandre, non-executive director appointed upon proposal of Publi-T
- Luc Hujoel, non-executive director appointed upon proposal of Publi-T⁴
- Roberte Kesteman, non-executive independent director
- Jane Murphy, non-executive independent director
- Dominique Offergeld, non-executive director appointed upon proposal of Publi-T
- Rudy Provoost, non-executive director appointed upon proposal of Publi-T
- Saskia Van Uffelen, non-executive independent director

Advisory Committees to the Board of Directors

NOMINATION COMMITTEE

- Luc Hujoel, Chairman⁵
- Pieter De Crem⁶
- Luc De Temmerman
- Frank Donck
- Jane Murphy

AUDIT COMMITTEE

- Michel Allé, Chairman
- Frank Donck
- Roberte Kesteman
- Dominique Offergeld
- Rudy Provoost

REMUNERATION COMMITTEE

- Luc De Temmerman, Chairman
- Pieter De Crem⁷
- Roberte Kesteman
- Dominique Offergeld
- Saskia Van Uffelen

STRATEGIC COMMITTEE

- Geert Versnick, Chairman⁸
- Michel Allé
- Claude Grégoire⁹
- Bernard Gustin
- Rudy Provoost
- Luc Hujoel, standing invitee¹⁰
- Dominique Offergeld, standing invitee¹¹

Joint auditors

- Ernst & Young Réviseurs d'Entreprises SRL, represented by Paul Eelen
- BDO Réviseurs d'Entreprises SRL, represented by Felix Fank

Executive Management Board

- Chris Peeters (Chief Executive Officer and TSO Head Elia)
- Catherine Vandendorpe (Chief Financial Officer)
- Stefan Kapferer (TSO Head 50 Hertz)
- Peter Michiels (Chief Human Resources, Internal Communication Officer and Chief Alignment Officer)
- Michael Freiherr Roeder von Diersburg (Chief Digital Officer)

Secretary-General

- Siska Vanhoudenhoven

³ Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

⁴ Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujoel, the Board of Directors, upon the proposal of Publi-T, co-opted Thibaud Wyngaard on 17 December 2021 as non-executive director with effect from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director will be proposed to the Ordinary General Meeting to be held on 17 May 2022.

⁵ Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV as of 31 December 2021 (at midnight). The Board of Directors of 17 December 2021 appointed Geert Versnick to replace Luc Hujoel as Chairman of the Nomination Committee with effect from 1 January 2022.

⁶ Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

⁷ Pieter De Crem was co-opted by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

⁸ Further to the appointment of Geert Versnick as Chairman of the Nomination Committee with effect from 1 January 2022, the Board of Directors of 17 December 2021 appointed Dominique Offergeld to replace Geert Versnick as Chairman of the Strategic Committee with effect from 1 January 2022. Geert Versnick is a standing invitee of the Strategic Committee since 1 January 2022.

⁹ Since 9 February 2021.

¹⁰ Since 9 February 2021 and until 31 December 2021

¹¹ Since 1 January 2022, Dominique Offergeld chairs the Strategic Committee.

Board of Directors

Appointment procedure and Term and expiry of directorships

Elia Group SA/NV is managed by a Board of Directors that is composed of at least ten (10) and maximum fourteen (14) members. At least three members of the Board of Directors are independent directors in the meaning of the applicable legal (article 7:87 of the Code of Companies and Association and provision 3.5 of the 2020 Corporate Governance Code) and statutory provisions.

All members are appointed by the General Meeting of shareholders and may be dismissed by it.

The independent directors are proposed for appointment by the Board of Directors to the Ordinary General Meeting based on the recommendation of the Nomination Committee. The non-independent directors are appointed by the Ordinary General Meeting upon proposal of Publi-T, in accordance with article 13.2 of the Articles of Association of Elia Group SA/NV.

For reasons of time management and practicality the Board of Directors did not propose that the 2021 Ordinary General Meeting voted separately on the proposed (re)appointment of each of the four directors and thus decided to deviate from provision 5.7 of the 2020 Corporate Governance Code. However, at the Ordinary General Meeting of 2022, Elia Group SA/NV will submit the appointment or renewal of each director separately to the General Meeting of shareholders in accordance with provision 5.7 of the 2020 Corporate Governance Code.

The directors of Elia Group SA/NV are appointed or reappointed for a maximum term of six years.

The maximum six-year term of the directorships diverges from the maximum four-year term recommended by the 2020 Corporate Governance Code. The maximum six-year term is justified in light of the technical, financial and legal specificities and complexities that apply within the group and that require a certain level of experience achieved through continuity in the composition of the Board of Directors.

Specific requirements for members of the Board of Directors

The Articles of Association stipulate that the Board of Directors is composed exclusively of non-executive directors.

In addition, in accordance with the Articles of Association, the members of the Board of Directors may not be members of the supervisory board, the board of directors or bodies that legally representing an undertaking that fulfils any of the following functions: production or supply of electricity. Nor may the members of the Board of Directors carry on any other function or activity, whether remunerated or not, in favour of an undertaking falling under the preceding sentence.

In addition to their independence (see above), the independent directors are appointed partly for their knowledge of financial management and partly for their relevant technical knowledge of the company's activities.

In accordance with the Articles of Association and the Code of Companies and Associations, at least one third (1/3) of the directors must be of the opposite sex to the remaining two thirds.

In accordance with provision 5.5 of the 2020 Corporate Governance Code, members of the Board of Directors may not accept more than five directorships in listed companies.

In accordance with the Articles of Association, at least one director must have the necessary accounting and auditing expertise.

In addition to the legal and statutory selection criteria, the Board of Directors has approved on March 2, 2021, in application of provision 5.1 of the 2020 Corporate Governance Code, additional criteria applicable to all newly appointed directors. All these criteria can be found in the Corporate Governance Charter published on the website www.elia.be (under 'Company, 'Corporate Governance', 'Document library').

The composition of the Board of Directors guarantees that decisions are taken in the

the interest of Elia Group SA/NV. This composition is based on a gender mix and on diversity in general, as well as on the complementarity of skills, experience and knowledge. When renewing the directorships of the members of the Board of Directors, care is taken to ensure that a linguistic balance is achieved and maintained within the group of directors of Belgian nationality.

Current composition of the Board of Directors

The Board of Directors is currently composed of fourteen (14) directors. Seven (7) directors are independent non-executive directors, in the meaning of article 7:87 of the Code of Companies and Associations and provision 3.5 of the 2020 Corporate Governance Code. The seven (7) other non-executive directors are non-independent directors appointed by the Ordinary General Meeting upon proposal of Publi-T, as per the current shareholder structure and article 13.2 of the Articles of Association of Elia Group SA/NV (see also the 'Shareholder structure' section on pages 16 of this statement).

Diversity within the Board of Directors

Number of directors as at 31 December 2021	Unit	2021
Men	Aged 35 < 54	1
	Aged ≥ 55	8
Women	Aged 35 < 54	2
	Aged ≥ 55	3

Changes in the composition of the Board of Directors in 2021

Kris Peeters tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. To replace Kris Peeters, the Board of Directors, upon the proposal of Publi-T, co-opted Pieter De Crem on 9 February 2021 as non-executive director as from that date. The Ordinary General Meeting held on 18 May 2021 confirmed his appointment as non-executive director.

Luc Hujuel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujuel, the Board of Directors, upon the proposal of Publi-T, co-opted Thibaud Wyngaard on 17 December 2021 as non-executive director with effect from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director will be proposed to the Ordinary General Meeting to be held on 17 May 2022.

Term and expiry of directorships

In line with the maximum six-year term of directorship, Luc De Temmerman and Saskia Van Uffelen's mandates were renewed at the Ordinary General Meeting of 2021 for a one-year term, ending immediately after the 2022 Ordinary General Meeting relating to the financial year ending on 31 December 2021. Furthermore, Frank Donck's mandate was renewed at the Ordinary General Meeting of 2021 for a six-year term, ending immediately after the 2027 Ordinary General Meeting relating to the financial year ending on 31 December 2026.

Geert Versnick and Pieter De Crem's directorships will expire immediately after the 2026 Ordinary General Meeting relating to the financial year ending 31 December 2025.

The directorships of Bernard Gustin, Cécile Flandre, Claude Grégoire, Dominique Offergeld, Roberte Kesteman and Rudy Provoost will expire immediately after the 2023 Ordinary General Meeting relating to the financial year ending 31 December 2022.

Michel Allé, Luc De Temmerman and Saskia Van Uffelen's directorships will expire immediately after the 2022 Ordinary General Meeting relating to the financial year ending 31 December 2021.

For the sake of clarity, the end of term of each director referred to above is also mentioned in the following chart:

	End of term immediately after the Ordinary General Meeting to be held in	(relating to financial year ending)
Bernard Gustin, Chairman	2023	(2022)
Geert Versnick, Vice-Chairman	2026	(2025)
Claude Grégoire, Vice-Chairman	2023	(2022)
Michel Allé	2022	(2021)
Pieter De Crem	2026	(2025)
Luc De Temmerman	2022	(2021)
Frank Donck	2027	(2026)
Cécile Flandre	2023	(2022)
Luc Hujuel ¹²	2026	(2025)
Roberte Kesteman	2023	(2022)
Jane Murphy	2023 ¹³	(2022) ¹⁴
Dominique Offergeld	2023	(2022)
Rudy Provoost	2023	(2022)
Saskia Van Uffelen	2022	(2021)
	End of term immediately after the Ordinary General Meeting to be held in	Number of directors
	2022	3
	2023	7
	2026	3
	2027	1

On 10 February 2010 Jane Murphy was appointed as non-executive independent director of Elia Group SA/NV for the first time. Consequently, on 10 February 2022 Jane Murphy will have been member of the Board of Directors for 12 years. Jane Murphy will however, in deviation of provision 3.5 of the 2020 Code of Corporate Governance, continue to seat in the Board of Directors until her replacement by the Ordinary General Meeting of 17 May 2022. The Board of Directors is of the opinion that pursuing her mandate over a very short period of time will not endanger her independence. It will also ensure continuity in the works of the Board of Directors and the advisory committees up to the Ordinary General Meeting of 17 May 2022.

¹² As stated above, Thibaut Wyngaard was co-opted as non-executive director by the Board of Directors on 17 December 2021 to replace Luc Hujuel as director with effect from 1 January 2022. It shall be proposed to the Ordinary General Meeting to be held on 17 May 2022 to confirm his appointment, ending immediately after the 2026 Ordinary General Meeting (relating to the financial year ending 31 December 2025).

¹³ However, Jane Murphy will be replaced by the Ordinary General Meeting of 17 May 2022 relating to the financial year 2021, as on 10 February 2022 Jane Murphy will have been a member of the Board of Directors for 12 years.

¹⁴ See footnote hereabove.

In accordance with the provisions of the Articles of Association, the Board of Directors is supported by four advisory committees: the Nomination Committee, the Audit Committee, the Remuneration Committee and the Strategic Committee. The Board of Directors ensures that these advisory committees operate in an efficient manner.

Competences of the Board of Directors

Elia Group SA/NV has a one-tier (“*système moniste/monistisch systeem*”) structure as governance model. The Board of Directors has, in accordance with article 17.2 of the Articles of Association, the power to perform all acts necessary or useful for achieving the statutory purpose, with the exception of those acts reserved by law or by the Articles of Association to the General Meeting. Thus, the Board of Directors has inter alia the following powers:

- 1° approval/amendment of the general strategy, financial and dividend policy of the company, including the strategic orientations or options for the company as well as the principles and problems of a general nature, in particular with regard to risk management and personnel management;
- 2° approval, follow-up and amendment of the business plan and budgets of the company;
- 3° without prejudice to other specific powers of the Board of Directors, entering into any commitment where the amount exceeds fifteen million euros (EUR 15,000,000), unless the amount as well as its main characteristics are explicitly provided for in the annual budget;
- 4° decisions on the corporate structure of the company and of the companies in which the company holds a participation, including the issue of securities;
- 5° decisions on the incorporation of companies and on the acquisition or transfer of shares (regardless of the manner in which these shares are acquired or transferred) in companies in which the company directly or indirectly holds a participating interest, insofar as the financial impact of this incorporation, acquisition or transfer exceeds two million five hundred thousand euros (EUR 2,500,000);
- 6° decisions on strategic acquisitions or alliances, significant divestments or transfers of core activities or assets of the company;
- 7° significant changes to accounting or tax policies;
- 8° significant changes in the activities;
- 9° decisions concerning the launch of or acquisition of participations in activities outside the management of electricity networks;
- 10° strategic decisions to manage and/or acquire new electricity networks outside Belgium;
- 11° in relation to (i) Elia Transmission Belgium SA/NV and Elia Asset SA/NV: monitoring their general policy as well as the decisions and matters referred to in 4°, 5°, 6°, 8°, 9° and 10° above; (ii) the key subsidiaries designated by the Board of Directors (other than Elia Transmission Belgium SA/NV and Elia Asset SA/NV): the approval and monitoring of their general policy as well as the decisions and matters referred to in 1° to 10° above; (iii) the

subsidiaries other than the key subsidiaries: the approval and monitoring of their general policy as well as the decisions and matters referred to in the 4°, 5°, 6°, 8°, 9° and 10° above;

- 12° exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order inter alia to assess whether the company's business is being conducted in a due and proper way;
- 13° the powers granted to the Board of Directors by or by virtue of the Belgian Code of Companies and Associations or the Articles of Association.

In the framework of the risk management competence of the Board of Directors, the Board of Directors approved a reference framework for internal control and risk management, established by the Executive Management Board, that is based on the COSO II framework. The Board of Directors has also appointed a Compliance Officer who is responsible for monitoring the company's compliance with laws and regulations and for applying the relevant internal guidelines. The Compliance Officer reports at least once a year to the Board of Directors on the execution of his mission.

With respect to the exercise of its supervision oversight responsibilities (see item 12° hereabove), the Board of Directors is at least responsible for the following:

- exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order to, inter alia, assess whether the company's business is being conducted in a due and proper way;
- monitoring and reviewing the effectiveness of the advisory committees of the Board of Directors;
- taking all necessary measures to ensure the integrity and timely publication of the financial statements and other significant financial and non-financial information communicated to shareholders and potential shareholders;
- approving an internal control and risk management framework, set up by the Executive Management Board and evaluating the implementation of this framework. The Board of Directors also describes in the annual report the main features of the internal control and risk management systems of the Elia Group SA/NV;
- supervising the performance of the statutory auditors and the internal audit function, taking into account the review carried out by the Audit Committee.

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors and, to the extent necessary, to any third party acting on behalf of the company.

Meetings and decision-making

The Board of Directors meets whenever required in the interests of the company and at least once (1) per quarter. It must be convened whenever the company's interests so require and whenever at least two (2) directors so request. It deliberates validly in accordance with the rules that it lays down.

The meetings of the Board of Directors can be held via video conference, conference call or using other means of remote communication, provided all the members agree and the organisational principles of the Board are adhered to. The decisions of the Board of Directors can be taken in accordance with article 7:95, second paragraph of the Code of Companies and Associations by unanimous written agreement of the directors.

The Board of Directors constitutes a collegiate body in which the members strive for consensus in their deliberations.

The deliberations of the Board of Directors are set down in minutes. These minutes are filed in a special register.

Activity report

In 2021, the Board of Directors of Elia Group SA/NV met nine (9) times.

The Board of Directors primarily focused on strategic issues, the financial and regulatory situation of the company and its subsidiaries, the business continuity of the activities in view of the COVID-19 pandemic, the progress on major investment projects, various governance matters and the follow-up of the risks.

Members who were unable to attend usually granted a proxy to another member. In accordance with article 19.4 of the Articles of Association of the company, members who are absent or unable to attend may grant a written proxy to another member of the Board of Directors to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no director can hold more than two proxies.

Attendance rate

Bernard Gustin, Chairman	9/9
Geert Versnick, Vice-chairman	7/9
Claude Grégoire, Vice-chairman	9/9
Michel Allé	8/9
Pieter De Crem ¹⁵	8/8
Luc De Temmerman	9/9
Frank Donck	9/9
Cécile Flandre	8/9
Luc Hujoel	9/9
Roberte Kesteman	9/9
Jane Murphy	9/9
Dominique Offergeld	8/9
Rudy Provoost	9/9
Saskia Van Uffelen	9/9

Conflict of interest

The directors of Elia Group SA/NV must strictly observe the provisions of article 7:96 of the Code of Companies and Associations. The procedure of article 7:96 of the Code of Companies and Associations was not applied in 2021, as there were no conflicts of interest. In accordance with the Corporate Governance Charter, outside the scope of the legal conflict of interest regime, the directors must disclose to the Board of Directors any information in their possession that may be relevant to the Board of Directors' decision-making. In the case of sensitive or confidential information, directors consult with the Chairman of the Board of Directors.

Advisory committees

As set out above, in order to carry out its tasks and responsibilities effectively, the Board of Directors is supported by four (4) advisory committees: the Remuneration Committee, the Audit Committee, the Nomination Committee and the Strategic Committee (see below).

In principle, an advisory committee makes recommendations to the Board of Directors in certain specific matters for which it has the necessary expertise. The power of decision itself rests exclusively with the Board of Directors. The role of an advisory committee is therefore limited to providing advice to the Board of Directors.

The Board of Directors monitors the effectiveness of the advisory committees.

Members of the executive and senior management may be invited to attend advisory committee meetings to provide relevant information and insights into their areas of responsibility.

Each advisory committee reports to the Board of Directors after each meeting.

Secretary to the Board of Directors

The Board of Directors appointed a Secretary General who advises the Board of Directors on all matters of governance. The Secretary General performs all administrative duties of the Board of Directors (agenda, minutes, filing, etc.) and ensures the preparation of documents necessary to carry out the tasks of the Board of Directors.

The role of the Secretary General includes:

- supporting the Board of Directors and its committees on all governance matters;
- preparing the Corporate Governance Charter and the Corporate Governance Statement;
- ensuring a good information flow within the Board of Directors and its committees and between the Executive Management Board and the Board of Directors;
- ensuring that the essence of the discussions and decisions at board meetings are accurately captured in the minutes; and
- facilitating induction and assisting with professional development as required.

Directors have individual access to the Secretary General.

¹⁵ Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

Interactions with the executive management board

The Chairman establishes a close relationship with the Chief Executive Officer and provides him with support and advice, while respecting the executive responsibility of the Chief Executive Officer.

The Chairman ensures effective interaction between the Board of Directors and the Executive Management Board.

There is a periodic, institutionalised interaction between the Board of Directors and the Executive Management Board in the form of a statutory reporting obligation on the part of the Executive Management Board to the Board of Directors.

The Chairman and Vice-Chairman of the Executive Management Board may, together or individually, participate in the meetings of the Board of Directors in an advisory capacity.

In addition, the directors remain available to give advice, also outside of board meetings.

Interactions with the shareholders

The Chairman of the Board of Directors ensures effective communication with shareholders and ensures that directors develop and maintain an understanding of the views of the shareholders and other significant stakeholders.

The Elia website also contains a calendar of periodic information and General Meetings (www.elia.be, under 'investors', 'upcoming events').

Shareholders and interested parties can always address their questions directly to the Investor Relations department (see for contact details: www.elia.be, under 'investors').

Evaluation

The Board of Directors' evaluation procedure is conducted in accordance with principle 9 of the 2020 Corporate Governance Code. The evaluation of the directors is conducted by means of a transparent and regular procedure that sees directors complete an evaluation questionnaire, then possibly undergo an individual interview with the Chairman of the Board of Directors and the Chairman of the Nomination Committee. The results are discussed by the Board of Directors and, as the case may be, appropriate actions are taken in the areas which can be improved.

Auditors

The Ordinary General Meeting of Elia Group SA/NV held on 19 May 2020 reappointed Ernst & Young Réviseurs d'Entreprises SRL and appointed BDO Réviseurs d'Entreprises SRL as auditors of the company for a period of three years. Their term of office will end immediately after the 2023 Ordinary General Meeting, relating to the financial year ending 31 December 2022. Ernst & Young Réviseurs d'Entreprises SRL is represented for the exercise of this office by Paul Eelen. BDO Réviseurs d'Entreprises SRL is represented for the exercise of this office by Felix Fank.

Significant events in 2021

Elia Group SA/NV rejoined the BEL20 index

In March 2021, Elia Group SA/NV rejoined the BEL 20 index, the benchmark index of Euronext Brussels. Elia Group SA/NV has been listed on Euronext Brussels since 2005 and was previously included in the BEL 20 between March 2012 and March 2017. Its return to the index demonstrated the market's confidence in its growth and strategy. At the end of January, Elia Group SA/NV received the BelMid Company of the Year 2020 award, in recognition of the fact that it had achieved the greatest relative growth in terms of market capitalisation in 2020 on Euronext Brussels.

EU Taxonomy case study published

As a driver of the energy transition, Elia Group SA/NV is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group SA/NV therefore published a white paper which outlines the company's eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group's implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way.

Amendments to the articles of association following implementation of the capital increase reserved for staff members

The Extraordinary General Meeting of Elia Group SA/NV of 19 May 2020 approved the proposed capital increase reserved for members of staff of the company and its Belgian subsidiaries. This capital increase has been planned to take place in two stages, in December 2020 and March 2021, for a maximum amount of €6 million (maximum of €5,000,000 in 2020 and maximum of €1,000,000 in 2021) subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favour of staff members of the company and its Belgian subsidiaries.

The issue price of the capital increase of 22 December 2020 was set at €73.74 per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 29 October 2020, reduced by 16.66%. The total value of the December 2020 capital increase (including share premium) was €4,996,401.18 and 67,757 Class B shares in Elia Group SA/NV were issued.

The issue price of the capital increase of 18 March 2021 was set at €83.14 per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 28 January 2021, reduced by 16.66%. The total value of the March 2021 capital increase (including share premium) was € 611,910.40 and 7,360 Class B shares in Elia Group SA/NV were issued.

Accordingly, articles 4.1 and 4.2 of the Articles of Association of Elia Group SA/NV relating to the share capital and the number of shares were amended on 18 March 2021. The latest version of Elia Group

SA/NV's Articles of Association is available in full on the company's website (www.eliagroup.eu, under 'About Elia Group', 'Corporate Bodies').

Other significant events

For the other significant events in 2021, [see the pages 18-19-20 of the Elia Group SA/NV Integrated Report.](#)

Remuneration Committee

Composition

The Remuneration Committee is composed of at least three (3) and maximum five (5) directors, of whom the majority are independent and at least one third non-independent.

The Remuneration Committee is currently composed of five (5) non-executive directors, of whom three (3) are independent.

Competences

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to article 7:100 of the Code of Companies and Associations and to article 16.1 of the Articles of Association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Executive Management Board and of the Board of Directors.

In particular, the Remuneration Committee exercises the following powers:

- it formulates proposals to the Board of Directors on the remuneration policy of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board and, if applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders' general meeting;
- it makes proposals to the Board of Directors on the individual remuneration of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board, including the variable remuneration (including, for the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations and the members of the Executive Management Board, exceptional remuneration in the form of bonuses) and long-term performance bonuses, whether or not linked to shares, in the form of stock options or other financial instruments, and severance payments, and, if applicable, on the proposals arising therefrom which the Board of Directors must submit to the shareholders' general meeting;
- it prepares the remuneration report which the Board of Directors attaches to the Corporate Governance Statement (that is submitted for consultative vote to the Ordinary General Meeting);
- it comments on the remuneration report at the Ordinary General Meeting.

Activity Report

The Remuneration Committee met six (6) times in 2021.

Attendance rate

Luc De Temmerman, Chairman	6/6
Pieter De Crem ¹⁶	5/5
Roberte Kesteman	6/6
Dominique Offergeld	6/6
Saskia Van Uffelen	6/6

Elia Group SA/NV evaluates its management staff on a yearly basis in accordance with its performance management policy. This policy also applies to members of the Executive Management Board. The Remuneration Committee approved the proposed collective and individual targets for the Executive Management Board for 2021. Accordingly, the Remuneration Committee evaluates the members of the Executive Management Board on the basis of a series of collective and individual targets, of both a quantitative and qualitative nature, also taking into account the feedback from internal and external stakeholders. It should be noted that the current remuneration policy concerning the variable portion of the Executive Management Board's remuneration takes into account the implementation of multi-year tariffs. Consequently, the salary scheme for members of the Executive Management Board includes, among other things, an annual variable remuneration and long term incentive (LTI) spread out over the multi-year regulation period. The annual variable remuneration, which is connected with Elia Group SA/NV's strategy, has two components: the attainment of collective quantitative targets and the individual performances, including progress on net profit, infrastructure projects, safety and culture, security of (electricity) supply and sustainability or efficiency.

In addition, the remuneration policy foresees in the allocation of exceptional cash bonuses for specific projects in specific, non-recurring cases.

During the financial year 2021, the Remuneration Committee prepared the remuneration report for consultative vote of the Ordinary General Meeting of 2021 and reviewed Elia Group SA/NV's remuneration policy which was approved by the Ordinary General Meeting of 2021. In addition, the Remuneration Committee reviewed the compensation model of the Executive Management Board of Elia Group SA/NV in view of a new remuneration policy for the Executive Management Board that will be presented to the Ordinary General Meeting for approval on 17 May 2022.

In view of provision 7.6 of the 2020 Corporate Governance Code, the Remuneration Committee examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021. The Board of Directors has followed the recommendation of the Remuneration Committee and has decided that a share based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organised in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference

¹⁶ Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

shareholding that naturally pursues fixed long-term objectives and sustainability goals. In addition (and in deviation from provision 7.9 of the 2020 Corporate Governance Code), the Board of Directors decided not to impose a minimum threshold of shares to be held by the members of the Executive Management Board. The Board of Directors is indeed of the opinion that the way in which the remuneration of the members of the Executive Management Board is structured, sufficiently contributes to the long-term interests and the sustainability of the company. Moreover, the fixed remuneration guarantees commitment in more difficult times whereas the variable remuneration and the LTI guarantee ambition in achieving the performance criteria that translate the company's strategy (see also the remuneration report for explanations as to provisions 7.6 and 7.9 of the 2020 Corporate Governance Code.)

Audit Committee

Composition

The Audit Committee is composed of at least three (3) and maximum five (5) directors, of whom two (2) shall be independent directors.

The Audit Committee is currently composed of five non-executive directors, three (3) of whom are independent.

The members of the Audit Committee have a collective expertise in the field of the company's activities.

Pursuant to article 3:6, §1, 9° of the Code of Companies and Associations, this report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. The internal rules of procedure of the Audit Committee provide that the professional experience of at least two members of the Audit Committee must be detailed in this report. The experience of Michel Allé, Chairman of the Audit Committee, and of Dominique Offergeld, member of the Audit Committee, are described in detail below.

Michel Allé (non-executive independent director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV since 17 May 2016 and Chairman of the Audit Committee) has degrees in physics civil engineering and economics (both from the Université Libre de Bruxelles (ULB)). Alongside his academic career as a professor of economics and finance (Solvay Brussels School, ULB's Ecole Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career in the service of the Prime Minister, as an advisor in the Science Policy Department. He was appointed director of the National Energy R&D Programme in 1982 and then director in charge of Innovative Companies. In 1987 he joined the Cobepa group where he held many positions, including Vice President of Mosane from 1992 to 1995. From 1995 to 2000 he was a member of the Cobepa group's Executive Committee. He then served as Chief Financial Officer of BIAC between 2001 and 2005 and as Chief Financial Officer of SNCB (Belgian Railways) between 2005 and 2015. He also has extensive experience as a director, including past and present roles at Telenet, Zetes, Eurvest

(Nicols), D'leteren, Epic Therapeutics SA, Nevasq Biotechnologies SA and Dreamjet Participations SA. He has chaired the Zetes Audit Committee.

Dominique Offergeld (non-executive director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV, appointed upon the proposal of Publi-T) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001 she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigas and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and the Audit Committee of SNCB. Between 2014 and 2016, she was director of the Minister for Mobility's Strategy Unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES since August 2016, a position she also held between 2008 and 2014.

Competences

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to article 7:99 of the Code of Companies and Associations and article 15.1 of the Articles of Association, in particular responsible for:

- examining the accounts and exercising control over the budget;
- monitoring the financial reporting process;
- monitoring the effectiveness of the company's internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit of the annual accounts, including follow-up on questions raised and recommendations made by the statutory auditors and, as the case may be, by the auditor responsible for monitoring the consolidated accounts;
- reviewing and monitoring the independence of the statutory auditors and, as the case may be, of the auditor responsible for monitoring the consolidated accounts, in particular regarding the provision of additional services to the company;
- formulating a proposal to the Board of Directors for the (re) appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment;
- as the case may be, investigating the issues giving rise to the resignation of the statutory auditors, and making recommendations regarding all appropriate actions in this respect;
- monitoring the nature and extent of the non-audit services provided by the statutory auditors;
- reviewing the effectiveness of the external audit process.

The Audit Committee makes recommendations on the selection, (re)appointment and resignation of the Head of Internal Audit.

At the beginning of each year, the Audit Committee asks the head of Internal Audit for his or her «Annual Work Plan». The Audit Committee ensures that an appropriate balance is struck between financial and operational audit work. This «Annual Work Plan» is communicated by the Head of Internal Audit to the Executive Management Board at the same time.

The Audit Committee evaluates at least once (1) a year the effectiveness of the internal control and risk management systems with the Head of Internal Audit, the external auditors and any experts whose intervention the Committee considers necessary.

The purpose of this assessment is to ensure that the main risks (including risks related to fraud and compliance with applicable laws and regulations) are properly identified, managed and reported.

The Audit Committee reviews the comments on internal control and risk management included in the Corporate Governance Statement of the company's annual report.

In addition, the Audit Committee reviews the specific arrangements in place for the company's employees to raise concerns, in confidence, about possible irregularities in financial reporting or other matters.

As from 2022, the Audit Committee will also contribute to the preparation of Elia Group SA/NV's sustainability report and will monitor the implementation of the group's sustainability policy.

The Audit Committee may investigate any matter that falls within its remit. For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

Activity Report

The Audit Committee met five (5) times in 2021.

Attendance rate

Michel Allé, Chairman	5/5
Frank Donck	5/5
Roberte Kesteman	5/5
Dominique Offergeld	5/5
Rudy Provoost	4/5

In 2021, the Audit Committee examined the 2020 annual accounts, under both Belgian GAAP and IFRS as well as the half-yearly results as at 30 June 2021 and the 2021 quarterly results, in accordance with Belgian GAAP and IFRS rules. The Audit Committee also reviewed the yearly budget process and the group Business Plan for 2022-2026.

In addition, the Audit Committee followed up the risk management activity and took note of the Internal Audits carried out and the recommendations made. The Audit Committee follows an action plan for each Internal Audit carried out, in order to improve the efficiency, traceability and awareness of the areas audited and

thereby reduce the associated risks and provide assurance that the control environment and risk management are appropriate. The Audit Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the Internal Audit department. The Audit Committee noted the strategic risks and the ad-hoc risk analyses based on the environment in which the group operates. The Audit Committee in 2021 also reviewed the Belgian GAAP valuation rules of the company, examined the proposal to enter into a liquidity agreement and followed the evolution of the legislation relating to sustainability.

Furthermore, the Audit Committee regularly examined the compliance of the non-audit services provided by the auditors with legal requirements.

Nomination Committee

Composition

The composition of the Nomination Committee respects provision 4.19 of the 2020 Corporate Governance Code but deviates from the Articles of Association of the company. Accordingly, the Nomination Committee is currently composed of five (5) directors, of whom a majority are independent.

Competences

In addition to its usual support role to the Board of Directors, the Nomination Committee is responsible for providing advice and support to the Board of Directors regarding the appointment of the directors, the Chief Executive Officer and the members of the Executive Management Board.

The Nomination Committee plans the orderly renewal of the directors. The Nomination Committee leads the process for the reappointment of retiring directors.

The Nomination Committee ensures that sufficient and regular attention is paid to the renewal of executive managers. The Nomination Committee also ensures that adequate talent development programs and diversity programs are in place.

Activity Report

The Nomination Committee met nine (9) times in 2021.

Attendance rate

Luc Hujoel, Chairman	9/9
Luc De Temmerman	9/9
Pieter De Crem ¹⁷	7/7
Frank Donck	9/9
Jane Murphy	9/9

In line with its competences under the Articles of Association, the Nomination Committee dealt in 2021 in particular with the following matters: compliance with the requirements in the area of full ownership unbundling concerning the non-executive directors (article 13.1 of the Articles of Association of Elia Group SA/NV), proposal for the (re)appointment of non-executive directors, follow up of future Board mandates to be renewed in 2022, review of the Corporate Governance Charter, report of the Compliance Officer and preparation of the 2021 Corporate Governance Statement.

Strategic Committee

Composition

The Strategic Committee is composed of not more than five (5) directors, two (2) of whom are independent.

The Strategic Committee is currently composed of five (5) directors, two (2) of whom are independent.

Two (2) directors are invited on a permanent basis to the meetings of the Strategic Committee.

Up to 9 February 2021, the Strategic Committee was composed of Geert Versnick (Chairman), Michel Allé, Bernard Gustin, Luc Hujoel and Rudy Provoost. In addition, Claude Grégoire and Dominique Offergeld were invited to attend all meetings of the Strategic Committee as "standing invitees".

The Board of Directors of 9 February 2021 decided to appoint Claude Grégoire as member of the Strategic Committee, while Luc Hujoel became a standing invitee of the Strategic Committee.

Therefore, since 9 February 2021 (and up to 31 December 2021), the Strategic Committee was composed of Geert Versnick (Chairman), Michel Allé, Claude Grégoire, Bernard Gustin and Rudy Provoost. In addition, Dominique Offergeld and Luc Hujoel were invited to attend all meetings of the Strategic Committee as "standing invitees".

Since 1 January 2022, further to the voluntary resignation of Luc Hujoel and the appointment of Geert Versnick as Chairman of the Nomination Committee, Dominique Offergeld chairs the Strategic Committee, while Geert Versnick is a standing invitee.

Competences

The Strategic Committee has an advisory role and is responsible for providing advice and recommendations to the Board of Directors on the matters entrusted to it. The Strategic Committee has no decision-making powers and has therefore no authority to decide on the strategy of the Elia Group SA/NV.

The Strategic Committee is responsible for providing advice and recommendations to the Board of Directors concerning the company's business development activities and international investment policy in the broadest sense of the term, including the method of financing.

As from 2022, the Strategic Committee will also advise the Board on the sustainability policy of Elia Group SA/NV as well as on the reporting in view of the new European taxonomy legislation.

The Strategic Committee examines the issues without prejudice to the role of the other advisory committees set up within the Board of Directors.

¹⁷ Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

Activity Report

The Strategic Committee met nine (9) times in 2021.

Attendance rate	
Geert Versnick, Chairman	9/9
Michel Allé	8/9
Claude Grégoire	8/9
Bernard Gustin	9/9
Rudy Provoost	8/9
Luc Hujuel	9/9
Dominique Offergeld	9/9



Executive Management Board

Current composition of the Executive Management Board



1



2



3



4



5

1 Chris Peeters
Chief Executive Officer and
TSO Head Elia

2 Catherine Vandendorpe
Chief Financial Officer

3 Stefan Kapferer
TSO Head 50 Hertz

4 Peter Michiels
Chief Human Resources,
Internal Communication
Officer,
Chief Alignment Officer

**5 Michael Freiherr Roeder
von Diersburg**
Chief Digital Officer

As mentioned above, Elia Group SA/NV has a one-tier structure tier (“*système moniste/monistisch system*”) as governance model. In accordance with the possibility provided for by article 7:121 of the Code of Companies and Associations, and pursuant to its Articles of

Association, the Board of Directors delegated the day-to-day management to an Executive Management Board (*Collège de gestion journalière/College van dagelijks bestuur*).

Competences of the Executive Management Board

In accordance with Article 17.3 of the Articles of Association, the Executive Management Board is responsible for, within the limits of the rules and principles of general policy and the decisions adopted by the Board of Directors of the company, all acts and decisions that do not exceed the needs of the daily management of the company, as well as those acts and decisions that do not justify the intervention of the Board of Directors for reasons of minor importance or urgency, including:

- 1° the day-to-day management of the company, including all commercial, technical, financial, regulatory and personnel matters related to this day-to-day management of the company, including, inter alia, all commitments (i) when the amount is less than or equal to 15 million euros (EUR 15,000,000) or (ii) when the amount as well as its main characteristics are explicitly provided for in the annual budget;
- 2° the regular reporting to the Board of Directors on its operational activities in the company in execution of the powers granted in accordance with article 17.3 of the Articles of Association, with due observance of the legal restrictions regarding access to commercial and other confidential data relating to net users and the processing thereof and the preparation of the decisions of the Board of Directors, including in particular: (a) timely and accurate preparation of the annual accounts and other financial information of the company in accordance with the applicable accounting standards and company policy, and the appropriate communication thereof; (b) preparation of the adequate publication of key non-financial information about the company; (c) preparation of the financial information in the half-yearly statements that will be submitted to the Audit Committee for advice to the Board of Directors as part of its general task of monitoring the financial reporting process; (d) implementation of internal controls and risk management based on the framework approved by the Board of Directors, without prejudice to the follow-up of the implementation within this framework by the Board of Directors and the investigation conducted by the Audit Committee for this purpose; (e) submitting to the Board of Directors the financial situation of the company; (f) making available the information necessary for the Board of Directors to carry out its duties, in particular by preparing proposals on the policy issues set out in article 17.2 of the Articles of Association (see the powers of the Board of Directors above);
- 3° the regular reporting to the Board of Directors on its policy in the key subsidiaries designated by the Board of Directors and the annual reporting to the Board of Directors on its policy in the other subsidiaries and on the policy in the companies in which the company directly or indirectly holds a participating interest;
- 4° all decisions relating to proceedings (both before the Supreme Administrative Court and other administrative courts, as well as before the ordinary courts of law and arbitration tribunals) and in particular for taking decisions in the name and for the account of the company to file, amend or withdraw an appeal and to engage one or more lawyers to represent the company;
- 5° all other powers delegated by the Board of Directors.

The Executive Management Board has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, without prejudice to the powers of the Board of Directors.

Meetings and decision-making

The Executive Management Board generally meets at least twice (2) a month. Executive Management Board Members who are unable to attend usually grant a proxy to another Executive Management Board Member. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined), can be given to another member of the Executive Management Board, in accordance with the internal rules of procedure of the Executive Management Board. However, no member may hold more than two proxies. In 2021, the Executive Board met on 21 occasions.

Each quarter, the Executive Management Board reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated) and reports at each meeting of the Board of Directors on all day-to-day management responsibilities, in particular the management by the group of the transmission system activities in the main Belgian and German affiliates of the group (Elia Transmission Belgium SA/NV / Elia Asset SA/NV and 50 Hertz Transmission GmbH). As part of its reporting in 2021, the Executive Management Board kept the Board of Directors informed of the company's/the group's financial situation, the follow-up of its investment programme (including the monitoring and development of major investment projects), the follow-up on the group's infrastructure (including as to maintenance and operations), the evolutions in the energy policy field (including the main decisions taken by regulators and administrations), human resources matters, safety and security issues, M&A/business development matters and the evolution of the share price. The Executive Management Board also follows-up most important group risks and their mitigation measures as well as the recommendations of the Internal Audit.

Changes in the composition of the Executive Management Board

There was no change in the composition of the Executive Management Board in 2021.

The composition of the Executive Management Board is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge. When searching for and appointing new members of the Executive Management Board, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Diversity within the Executive Management Board

Number of Executive Board Members as at 31 December 2020

Men	Aged 35 < 54	1
	Aged ≥ 55	3
Women	Aged 35 < 54	1
	Aged ≥ 55	0

Code of Conduct, Code of Ethics and Corporate Governance Charter

CODE OF CONDUCT

Following the entry into force of European Regulation No. 596/2014 on market abuse ('Market Abuse Regulation'), Elia Group SA/NV amended its Code of Conduct that aims to prevent members of key personnel and persons discharging managerial responsibilities in the group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their Elia Group SA/NV securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services. This Code of Conduct is available on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library').

CODE OF ETHICS

Elia Group SA/NV's Code of Ethics defines what Elia Group SA/NV regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees.

The Board of Directors and the Executive Management Board regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees.

CORPORATE GOVERNANCE CHARTER AND INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE BOARD'S ADVISORY COMMITTEES AND THE EXECUTIVE MANAGEMENT BOARD

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's advisory committees and the Executive Management Board can be found on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library'). The responsibilities of the Board of Directors and of the Executive Management Board are described in detail

in the Articles of Association of the company and are therefore not reiterated in the internal rules of the Board of Directors and of the Executive Management Board. In March 2021 Elia Group SA/NV has finalised a new version of its Corporate Governance Charter in order to comply with the group's new structure and governance, the changes introduced by the Code of Companies and Associations and the new 2020 Corporate Governance Code.

Disclosure obligations

TRANSPARENCY RULES – NOTIFICATIONS

Disclosure based on the act on major shareholdings of 2 may 2007

Elia Group SA/NV received no notifications in 2021 within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

In accordance with article 15 of the Act of 2 May 2007, Elia Group SA/NV published on 18 March 2021, as a result of Elia Group SA/NV's capital increase reserved for its staff and for the staff of its Belgian subsidiaries and the issuance of 7,360 new shares, that it has issued a total of 68,728,055 shares. See the press release published on www.eliagroup.eu (under 'News', 'Press releases', 'Regulated information').

Disclosure based on the act on takeover bids of 1 april 2007

On 23 November 2007 Publi-T communicated to the company that it held on 1 September 2007 more than 30% of the securities with voting rights in the company. No update of this notification was notified as of 1 September 2021.

The shareholder structure as at 31 December 2021, based on the transparency notifications received by Elia Group SA/NV up to that date, is the following:

Shareholder	Number of shares (= Denominator)	Type of shares***	% of shares	% of voting rights
Publi-T	30,806,445*	Class B & C*	44.82%	44.82%
Publipart	2,280,231	Class A & B **	3.32%	3.32%
Belfius Insurance	714,357	Class B	1.04%	1.04%
Katoen Natie Group	4,228,344	Class B	6.15%	6.15%
Interfin	2,598,143	Class B	3.78%	3.78%
Other free float	28,100,535	Class B	40.89%	40.89%
TOTAL	68,728,055		100%	100%

*Publi-T holds a total of 30,806,445 shares, of which 30,722,070 are class C shares (and 84,375 are class B shares)

**Publipart holds a total of 2,280,231 shares, of which 1,717,600 are class A shares (and 562,631 are class B shares)

***The Company's share capital amounts to € 1,714,205,819.64, represented by 68,728,055 ordinary shares. The shares are divided into three classes: 1,717,600 class A shares; 36,288,385 class B shares; and 30,722,070 class C shares. All shares have identical voting, dividend and liquidation rights, but class A and class C shares carry certain special rights regarding the nomination of candidates for appointment to the Board of Directors and voting on shareholders' resolutions.

According to the transparency notification of 30 October 2014, Publi-T and FPIM (Belfius Insurance) are acting in concert within the meaning of article 3 §1, 13° b) of the Belgian law of May 2, 2007.

ITEMS TO BE DISCLOSED PURSUANT TO ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007

In accordance with article 3:6, §2, 7° of the Code of Companies and Associations, Elia Group SA/NV discloses hereafter the items referred to under article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Total capital

€ 1,714,205,819.64

Total number of securities conferring voting rights (by class)		% of the total share capital
class A	1,717,600	2.50%
class B	36,288,385	52.80%
class C	30,722,070	44.70%
TOTAL	68,728,055	
Total number of voting rights (by class)		% of the total voting rights
class A	1,717,600	2.50%
class B	36,288,385	52.80%
class C	30,722,070	44.70%
TOTAL	68,728,055	

Class A and Class C shares are respectively held by Publipart SA/NV and Publi-T SC/CV. Pursuant to article 4.3 of the Articles of Association, all shares have the same rights irrespective of the class to which they belong, unless otherwise provided in the Articles of Association. In this context, the Articles of Association provide that certain specific rights are attached to Class A and Class C shares with respect to (i) the appointment of members of the Board of Directors (article 13.2) and (ii) the approval of decisions of the General Meeting (articles 28.2 and 33.1).

Restriction on the transfer of shares

Articles 4.3 and 4.4 of the Articles of Association provide restrictions as to shareholding by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits or if otherwise performing any of the functions of production or supply of electricity and/or natural gas.

Besides, Class A and C shares are subject to a preemptive right to the benefit, respectively of Class C and A shareholders, in accordance with article 9 of the company's Articles of Association.

Holders of securities with special control rights

See above for Class A and C shareholders rights.

Control mechanism of any employee share scheme where the control rights are not exercised directly by the employees

There is no employee share scheme with such a mechanism.

Capital structure

As at 31 December 2021, the capital of the company amounted to € 1,714,205,819.64, represented by a total of 68,728,055 shares, among which 1,717,600 Class A Shares (2,50% of the total share capital and voting rights), 36,288,385 Class B Shares (52,80% of the total share capital and voting rights) and 30,722,070 Class C Shares (44,70% of the total share capital and voting rights). All shares have no par value and are fully paid-up.

Restrictions on the exercise of voting rights

Article 4.3 of the Articles of Association provides that voting rights attached to shares held directly or indirectly by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits, respectively, are suspended. In addition, article 11.2 of the Articles of Association stipulates that the company may suspend exercise of the rights attaching to securities that are subject to joint ownership, usufruct or pledge until such time as one person has been designated as the holder of these rights vis-a-vis the company.

Shareholders' agreement

The company is not aware of provisions of a shareholders' agreement that would restrict the transfer of shares or the exercise of voting rights otherwise than as stipulated in the Articles of Association.

Appointment and replacement of directors

The appointment and replacement of directors are governed by articles 12 and 13 of the Articles of Association. Their main provisions are described above.

Amendment to the articles of association

The rules governing the amendment to the company's Articles of Association are provided by the Code of Companies and Associations as well as by article 29 of the Articles of Association. The Articles of Association may be amended by an Extraordinary General Meeting convened for that purpose. The object of the proposed amendments must be stated on the agenda. The Extraordinary General Meeting shall only validly adopt such resolution if at least

50% of the share capital is present or represented and with a majority of 75% of the votes cast, whereby abstentions are not taken into account either in the numerator or in the denominator. If the attendance quorum is not met at a first General Meeting, a second General Meeting may be convened and will decide without any attendance quorum requirement. If the amendments to the Articles of Association relate to the rights attached to a or several class(es) of shares, the quorum and majority requirements above-mentioned apply within each category of shares. For certain specific matters (e.g. amendment of the purpose of the company), higher voting majorities may apply. Pursuant to article 28.2 of the Articles of Association, as long as the Class A and/or Class C shares represent more than twenty-five per cent (25%) of the total number of shares, no decision can be adopted by the General Meeting, without prejudice to the majority provided for in the Articles of Association and the Code of Companies and Associations, unless such decision is approved by a majority of the Class A and/or Class C shares that are present or represented. If, in the case of an increase in the capital of the company, the Class A and/or Class C shares are diluted and no longer represent more than twenty-five per cent (25%) of the total number of shares, the Class A and/or the Class C shares will retain the aforementioned right as long as the Class C shares represent more than fifteen per cent (15%) of the total number of shares.

Powers of the board of directors, in particular to issue and buy back shares

With regards to the powers of the Board of Directors in general, reference is made to the section 'Competences of the Board of Directors' (see above).

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the company pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors of the company and, to the extent necessary, to any third party acting on behalf of the company. It also applies to the direct and, to the extent necessary, indirect subsidiaries of the company.

This power does not affect the possibilities of the Board of Directors, in accordance with the applicable legal provisions, to acquire own shares if no power by virtue of the Articles of Association or power by the General Meeting is required for this purpose.

Within the above framework, Elia Group SA/NV has entered into a liquidity agreement with Exane BNP Paribas providing the latter with the mandate to purchase and sale Elia Group SA/NV shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorized by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

Significant agreements that may be impacted by a change of control of the company

There are no such agreements.

Agreements between Elia group sa/nv and its directors or employees providing for compensation if the directors resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid

No specific dismissal arrangements have been agreed outside the legal framework.

Remuneration of the members of the Board of Directors and of the Executive Management Board

Introduction

This remuneration report relates to the remuneration of the members of the Board of Directors and of the Executive Management Board of Elia Group SA/NV during the financial year 2021. This remuneration report is based on the remuneration policy applicable in the company since 2021.

This remuneration policy was drafted and approved by the Board of Directors of 25 March 2021 based on a reasoned advice of the Remuneration Committee of Elia Group SA/NV on 24 March 2021, in order to submit it for approval to the Ordinary General Meeting of 18 May 2021. The Ordinary General Meeting of 18 May 2021 approved the remuneration policy.

The remuneration policy can be consulted using the following hyperlink:

<https://www.elia.be/en/investor-relations/shareholders-meetings-overview/2021-may-shareholder-meeting-details>

This remuneration policy applies within Elia Group SA/NV as from 1st January 2021.

A new remuneration policy will be submitted to the Ordinary General Meeting of Elia Group SA/NV of 17 May 2022, in accordance with Article 7:89/1 of the Belgian Code of Companies and Associations. Subject to approval by the said General Meeting, it will be applicable as from 1st January 2022.

1. Total remuneration of the members of the Board of Directors and of the Executive Management Board

1.1. TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Elia Group SA/NV is composed of 14 non executive board members. The present report gives an overview of their remuneration for all their mandates within the Elia group.

Until 18 May 2021, all members of the Board of Directors of Elia Group SA/NV were also member of the Board of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV. However, independent director Frank Donck voluntarily resigned from the Boards of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV as of 18 May 2021, so that he is now a member of the Elia Group SA/NV Board of Directors only.

1.1.1. Fixed remuneration

The remuneration of the directors consists of a base salary of €12,500 for Elia Group SA/NV, €6,250 for Elia Transmission Belgium SA/NV and €6,250 for Elia Asset SA/NV and an attendance fee per meeting of the Board of Directors of €750 for Elia Group SA/NV, €375 for Elia Transmission Belgium SA/NV and €375 for Elia Asset SA/NV, starting with the first Board meeting attended by the director. The base salary and the attendance fee are increased by 100% for the Chairman of the Board of Directors of both Elia Group SA/NV and Elia Transmission Belgium SA/NV and Elia Asset SA/NV.

The base salary for each member of the Audit Committee, the Remuneration Committee, the Nomination Committee (Elia Group SA/NV) respectively the Corporate Governance Committee (Elia Transmission Belgium SA/NV / Elia Asset SA/NV) and the Strategic Committee (which only exists in Elia Group SA/NV) is set at €3,000 per annum per committee of Elia Group SA/NV and at €1,500 per annum per committee of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV. The attendance fee, starting with the first meeting attended by the member, for each member of a committee is set at €750 per committee meeting of Elia Group SA/NV and at

€375 per committee meeting of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV. The base salary and the attendance fee are increased by 30% for each committee Chairman.

The base salaries and attendance fees are indexed each year in January according to the consumer price index for the month of January 2016.

The base salaries and attendance fees cover all expenses, with the exception of (a) expenses incurred by directors domiciled outside Belgium during the exercise of their mandate (such as transport and subsistence expenses), insofar these directors are domiciled outside Belgium at the time of their appointment or, if the directors in question change their domicile after their appointment, after approval of the Remuneration Committee, (b) of all expenses incurred by directors in the event a meeting of the Board of Directors is organized outside Belgium (e.g. in Germany) and (c) of all expenses incurred by directors during their travels abroad in the framework of their mandate, at the request of the Chairman or the Vice-Chairmen of the Board of Directors.

All costs and fees are charged to the company's operating expenses. In 2021, one meeting of the Board of Directors has been organized outside Belgium, in particular in Germany, for which the Company has paid the expenses.

All remunerations were granted in proportion to the duration of the directorship.

At the end of each first, second and third quarter an advance on the annual fees is paid to the directors. A final settlement is made in December of the current year.

The table below reflects the total fixed remuneration (including indexation) paid out to each director for all mandates within the Elia group during the financial year 2021 in execution of the rules set out above.

Directors	Fixed remuneration		Total fixed remuneration
	Base salary	Attendance fees	
Michel ALLÉ	€ 38,753.50	€ 31,668.00	€ 70,421.50
Pieter DE CREM ¹⁸	€ 40,053.00	€ 32,480.00	€ 72,533.00
Luc DE TEMMERMAN ¹⁹	€ 42,001.50	€ 42,711.20	€ 84,712.70
Frank DONCK ²⁰	€ 27,635.64	€ 27,608.00	€ 55,243.64
Cécile FLANDRE ²¹	€ 27,063.00	€ 12,992.00	€ 40,055.00
Claude GRÉGOIRE	€ 30,310.00	€ 21,112.00	€ 51,422.00
Bernard GUSTIN ²²	€ 57,373.00	€ 36,540.00	€ 93,913.00
Luc HUJOEL ²³	€ 35,506.50	€ 34,672.40	€ 70,178.90
Roberte KESTEMAN ²⁴	€ 42,066.76	€ 36,540.00	€ 78,606.76
Jane MURPHY	€ 33,558.00	€ 30,044.00	€ 63,602.00
Dominique OFFERGELD	€ 40,053.00	€ 30,856.00	€ 70,909.00
Rudy PROVOOST	€ 36,805.00	€ 27,608.00	€ 64,413.00
Saskia VAN UFFELEN ²⁵	€ 33,558.00	€ 24,360.00	€ 57,918.00
Geert VERSNICK ²⁶	€ 31,284.10	€ 18,676.00	€ 49,960.10
Total	€ 516,021.00	€ 407,867.60	€ 923,888.60

18 Director as from 9 February 2021. Peter De Crem's fees are paid to the company Ed Merc BV.

19 Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm.V.

20 Frank Donck's fees are paid to the company Ibervest NV.

21 Cécile Flandre's fees are paid to the company Publi-T SC.

22 Bernard Gustin's fees are paid to the company Bernard Gustin SRL.

23 Director until 31 December 2021 at midnight. Luc Hujoel's fees are paid to the company Interfin SCRL.

24 Roberte Kesteman's fees are paid to the company Symvouli BV.

25 Saskia Van Uffelen's fees are paid to the company Quadrature Cabinet Conseil SRL.

26 Geert Versnick's fees are paid to the company Fleming Corporation BV.

The tables below give a detailed overview of the fixed remuneration (including indexation) paid out to each director for the mandates within Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV respectively.

FIXED REMUNERATION OF THE DIRECTORS IN ELIA GROUP SA/NV

Elia Group SA/NV Directors	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee		Strategic Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 13,531.00	€ 7,308.00	€ 4,221.10	€ 5,278.00	-	-	-	-	€ 3,247.00	€ 6,496.00
Pieter DE CREM ²⁷	€ 13,531.00	€ 6,496.00	-	-	€ 3,247.00	€ 5,684.00	€ 3,247.00	€ 4,060.00	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 13,531.00	€ 7,308.00	-	-	€ 3,247.00	€ 7,308.00	€ 4,221.10	€ 6,333.60	-	-
Frank DONCK	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 4,060.00	€ 3,247.00	€ 7,308.00	-	-	-	-
Cécile FLANDRE	€ 13,531.00	€ 6,496.00	-	-	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 13,531.00	€ 7,308.00	-	-	-	-	-	-	€ 3,247.00	€ 6,496.00
Bernard GUSTIN Chairman of the Board of Directors	€ 27,062.00	€ 14,616.00	-	-	-	-	-	-	€ 3,247.00	€ 7,308.00
Luc HUJOEL ²⁸ Chairman of the Nomination Committee	€ 13,531.00	€ 7,308.00	-	-	€ 4,221.10	€ 9,500.40	-	-	-	-
Roberte KESTEMAN	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 4,060.00	-	-	€ 3,247.00	€ 4,872.00	-	-
Jane MURPHY	€ 13,531.00	€ 7,308.00	-	-	€ 3,247.00	€ 7,308.00	-	-	-	-
Dominique OFFERGELD	€ 13,531.00	€ 6,496.00	€ 3,247.00	€ 4,060.00	-	-	€ 3,247.00	€ 4,872.00	-	-
Rudy PROVOOST	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 3,248.00	-	-	-	-	€ 3,247.00	€ 6,496.00
Saskia VAN UFFELEN	€ 13,531.00	€ 7,308.00	-	-	-	-	€ 3,247.00	€ 4,872.00	-	-
Geert VERSNICK Vice-Chairman of the Board of Directors and Chairman of the Strategic Committee	€ 13,531.00	€ 5,684.00	-	-	-	-	-	-	€ 4,221.10	€ 7,308.00

²⁷ Director as from 9 February 2021

²⁸ Director until 31 December 2021 at midnight. Luc Hujuel's fees are paid to the company Interfin SCRL.

**FIXED REMUNERATION OF THE DIRECTORS OF ELIA TRANSMISSION BELGIUM SA/NV
WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV²⁹**

Elia Transmission Belgium SA/NV Directors	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 6,766.00	€ 3,654.00	€ 2,111.20	€ 2,639.00	-	-	-	-
Pieter DE CREM³⁰	€ 6,766.00	€ 3,248.00	-	-	€ 1,624.00	€ 2,842.00	€ 1,624.00	€ 2,030.00
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	€ 2,111.20	€ 3,166.80
Frank DONCK³¹	€ 2,571.08	€ 1,218.00	€ 617.12	€ 1,218.00	€ 617.12	€ 2,030.00	-	-
Cécile FLANDRE	€ 6,766.00	€ 3,248.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 6,766.00	€ 3,654.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 13,532.00	€ 7,308.00	-	-	-	-	-	-
Luc HUJOEL³² Chairman of the Corporate Governance Committee	€ 6,766.00	€ 3,654.00	-	-	€ 2,111.20	€ 5,278.00	-	-
Roberte KESTEMAN	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 2,030.00	€ 1,006.88	€ 2,030.00	€ 1,624.00	€ 2,436.00
Jane MURPHY	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	-	-
Dominique OFFERGELD	€ 6,766.00	€ 3,248.00	€ 1,624.00	€ 2,030.00	-	-	€ 1,624.00	€ 2,436.00
Rudy PROVOOST	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 1,624.00	-	-	-	-
Saskia VAN UFFELEN	€ 6,766.00	€ 3,654.00	-	-	-	-	€ 1,624.00	€ 2,436.00
Geert VERSNICK Vice-Chairman of the Board of Directors	€ 6,766.00	€ 2,842.00	-	-	-	-	-	-

²⁹ Lieve Creten is a director of Elia Transmission Belgium SA/NV, but is not a director of Elia Group SA/NV. Her remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. Please note however that her remuneration is in line with the remuneration policy and therefore in line with the remuneration of the other directors of Elia Transmission Belgium SA/NV.

³⁰ Director as from 9 February 2021

³¹ Director until 18 May 2021.

³² Director until 31 December 2021 at midnight. Luc Hujuel's fees are paid to the company Interfin SCRL.

**FIXED REMUNERATION OF THE DIRECTORS OF ELIA ASSET SA/NV
WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV³³**

Elia Asset SA/NV Directors	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 6,766.00	€ 3,654.00	€ 2,111.20	€ 2,639.00	-	-	-	-
Pieter DE CREM³⁴	€ 6,766.00	€ 3,248.00	-	-	€ 1,624.00	€ 2,842.00	€ 1,624.00	€ 2,030.00
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	€ 2,111.20	€ 3,166.80
Frank DONCK³⁵	€ 2,571.08	€ 1,218.00	€ 617.12	€ 1,218.00	€ 617.12	€ 2,030.00	-	-
Cécile FLANDRE	€ 6,766.00	€ 3,248.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 6,766.00	€ 3,654.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 13,532.00	€ 7,308.00	-	-	-	-	-	-
Luc HUJOEL³⁶ Chairman of the Corporate Governance Committee	€ 6,766.00	€ 3,654.00	-	-	€ 2,111.20	€ 5,278.00	-	-
Roberte KESTEMAN	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 2,030.00	€ 1,006.88	€ 2,030.00	€ 1,624.00	€ 2,436.00
Jane MURPHY	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	-	-
Dominique OFFERGELD	€ 6,766.00	€ 3,248.00	€ 1,624.00	€ 2,030.00	-	-	€ 1,624.00	€ 2,436.00
Rudy PROVOOST	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 1,624.00	-	-	-	-
Saskia VAN UFFELEN	€ 6,766.00	€ 3,654.00	-	-	-	-	€ 1,624.00	€ 2,436.00
Geert VERSNICK Vice-Chairman of the Board of Directors	€ 6,766.00	€ 2,842.00	-	-	-	-	-	-

³³ Lieve Creten is a director of Elia Asset SA/NV, but is not a director of Elia Group SA/NV. Her remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. Please note however that her remuneration is in line with the remuneration policy and therefore in line with the remuneration of the other directors of Elia Asset SA/NV.

³⁴ Director as from 9 February 2021.

³⁵ Director until 18 May 2021.

³⁶ Director until 31 December 2021 at midnight. Luc Hujuel's fees are paid to the company Interfin SCRL.

1.1.2. Variable remuneration

The members of the Board of Directors do not receive any variable remuneration.

1.1.3. Pension

The members of the Board of Directors do not receive any additional remuneration or contribution to finance any pension costs.

1.1.4. Other components of the remuneration

The members of the Board of Directors do not receive any remuneration other than the fixed remuneration.

1.1.5. Extraordinary items

The members of the Board of Directors have not received any non-recurring remuneration in the financial year 2021.

1.1.6. Total remuneration of the members of the Board of Directors in 2020 and in 2021

The total remuneration of the members of the Board of Directors in 2021 amounted to EUR 923,888.60 and is reflected in the table under heading 1.1.1., as no other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2021.

The total remuneration of the members of the Board of Directors in 2020 amounted to EUR 844,529.77. No other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2020.

1.2. TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

The Executive Management Board of Elia Group SA/NV is composed of 5 members.

Three of them (being Chris Peeters – the Chief Executive Officer, Catherine Vandendorre – Chief Financial Officer and Peter Michiels – Chief Human Resources & Internal Communications Officer, Chief Alignment Officer) also serve as member of the Executive Management Board of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV, one member (being Stefan Kapferer) also serve as CEO of 50Hertz Transmission GmbH and one member (being Michael Freiherr von Roeder von Diersburg) exclusively acts as member of the Executive Management Board of Elia Group SA/NV.

All the members of the Executive Management Board of Elia Group SA/NV have employee status³⁷.

1.2.1. Fixed remuneration

The table below gives an overview of the total fixed remuneration, which only consists of a base salary paid in cash, in 2021 of the members of the Executive Management Board of Elia Group SA/ NV for the services rendered by them to any company of the Elia group during the financial year 2021.

Member of the Executive Management Board	Total fixed remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	€ 474,122.06
Catherine VANDENBORRE Chief Financial Officer	€ 354,912.92
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 402,000.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 275,000.00
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 242,520.66
Total	€ 1,748,555.64

1.2.2. Variable remuneration

The table below gives an overview of the total variable remuneration in 2021 of the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2021.

Member of the Executive Management Board	Total variable remuneration paid by the Elia group	
	One-year variable ³⁸	Multi-year variable
Chris PEETERS Chief Executive Officer – Chairman	€ 300,948.05	€ 121,601.70
Catherine VANDENBORRE Chief Financial Officer	€ 134,388.11	€ 90,527.23
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 175,172.30	€ 120,600.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 103,245.12	€ 68,750.00
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 91,834.53	€ 62,174.40
Total	€ 805,588.11	€ 463,653.33

The amount of the variable remuneration reported is paid in cash or as part of an option plan.

The remuneration policy deals with the determination of an appropriate balance between fixed and variable remuneration, and between cash and deferred remuneration. In view of recommendation 7.10 of the Corporate Governance Code 2020, the variable remuneration in the short term has been capped at 75% for the

³⁷ Mr Chris Peeters, Mrs Catherine Vandendorre and Mr Peter Michiels' employment contracts are subject to Belgian law and Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg's employment contracts are subject to German law.

³⁸ The amount of the variable short-term remuneration for the members of the Executive Management Board that also serve as members of the Executive Management Board of Elia Transmission Belgium SA/NV and Elia Asset SA/NV, includes (i) a Bonus Pension Plan and (ii) an amount in cash in execution of the Collective Labour Agreement 90.

Chief Executive Officer and between 45% and 60% for the other members of the Executive Management Board of the total annual remuneration as defined by article 3:6, §3, third Alinea, 1^o, a) of the Belgian Code of Companies and Associations.

In accordance with article 17.9 of the articles of association the Board of Directors has deviated from the requirements of section 7:91, second paragraph of the Belgian Code of Companies and Associations.

1.2.3. Pension

The table below gives an overview of the total pension contributions paid for the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2021.

All pension plans for members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2021 were of the defined contribution type, with the amount paid before tax being calculated on the basis of the annual remuneration.

All pension contributions are fixed.

Member of the Executive Management Board	Total pension contributions paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	€ 123,602.19
Catherine VANDENBORRE Chief Financial Officer	€ 82,519.91
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 100,250.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	NA ³⁹
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 52,351.87
Total	€ 358,723.97

1.2.4. Other components of the remuneration

The other benefits granted to the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2021 including guaranteed income in the event of longterm illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, reduced energy prices, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other minor benefits, are in line with the regulations applying to all company executives and local market standard.

1.2.5. Extraordinary items

No non-recurring remuneration (e.g. a specific bonus in view of a certain project) been awarded in 2021.

1.2.6. The relative share of fixed and variable remuneration

The table below gives an overview of the relative share of fixed and variable remuneration in 2021 of the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group in the financial year 2021.

To determine the relative share of fixed and variable remuneration, the relative share of the fixed remuneration was obtained by dividing the sum of the fixed components (in particular: the fixed remuneration (including the other benefits) and the pension contributions) by the amount of the total remuneration, multiplied by 100. The relative share of the variable remuneration was calculated by dividing the sum of the variable components (i.e. the variable remuneration and the extraordinary items of the remuneration) by the amount of the total remuneration, multiplied by 100.

Member Executive Management Board	Relative share of fixed and variable remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	60.27% - 39.73%
Catherine VANDENBORRE Chief Financial Officer	67.69% - 32.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	64.33% - 35.67%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	62.80% - 37.20%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	68.08% - 31.92%
Average	64.08% - 35.92%

³⁹ Mr Michael Freiherr von Roeder von Diersburg did not receive pension contributions for the year 2021.

1.2.7. Total remuneration of the members of the Executive Management Board in 2021

Member of the Elia Group Executive Board	Fixed Remuneration		Variable Remuneration		Extra-ordinary items	Pension contributions	Total remuneration	Relative share of fixed and variable remuneration
	Base salary	Other benefits	One-year variable	Multi-year variable				
Chris PEETERS Chief Executive Officer – Chairman	€ 474,122.06	€ 43,324.01	€ 300,948.05	€ 121,601.70	0	€ 123,602.19	€ 1,063,598.01	60.27% - 39.73%
Catherine VANDENBORRE Chief Financial Officer	€ 354,912.92	€ 33,672.04	€ 134,388.11	€ 90,527.23	0	€ 82,519.91	€ 696,020.21	67.69% - 32.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 402,000.00	€ 31,209.00	€ 175,172.30	€ 120,600.00	0	€ 100,250.00	€ 829,231.30	64.33% - 35.67%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 275,000.00	€ 15,353.00	€ 103,245.12	€ 68,750.00	0	NA	€ 462,348.12	62.80% - 37.20%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 242,520.66	€ 33,636.49	€ 91,834.53	€ 62,174.40	0	€ 52,351.87	€ 482,517.95	68.08% - 31.92%
Total	€ 1,748,555.64	€ 157,194.54	€ 805,588.11	€ 463,653.33	0	€ 358,723.97	€ 3,533,715.59	64.08% - 35.92%

2. Share-based remuneration

BOARD OF DIRECTORS

The members of the Board of Directors do not receive any share-based remuneration.

In view of recommendation 7.6 of the Corporate Governance Code 2020, the Remuneration Committee has examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021.

The Board of Directors of November 2020 has followed the recommendation of the Remuneration Committee and has decided that today such share-based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals.

EXECUTIVE MANAGEMENT BOARD

The members of the Executive Management Board did not receive any share-based remuneration.

The members of the Executive Management Board, however, have the possibility to acquire shares either via the capital increases reserved for the staff of Elia Group SA/NV and its Belgian subsidiaries or via an offer to acquire shares for the staff of 50Hertz Transmission GmbH.

In addition, the members of the Executive Management Board are free to buy Elia Group SA/NV shares on the market.

In deviation of recommendation 7.9 of the Corporate Governance Code 2020, the Board of Directors has decided that there is no

minimum number of shares to be held by the members of the Executive Management Board.

As at 31 December 2021, the members of the Executive Management Board held the following number of shares of Elia Group SA/NV:

Elia Group SA/NV Member of the Executive Management Board	On	Number of shares
Chris PEETERS Chief Executive Officer - Chairman	31.12.2021	4,649
Catherine VANDENBORRE Chief Financial Officer	31.12.2021	1,421
Stefan KAPFERER Chief Executive Officer 50Hertz	31.12.2021	290
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	31.12.2021	174
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	31.12.2021	1,315
Total	31.12.2021	7,849

3. Severance pay

No severance payments were made in 2021.

4. Any use of the right to reclaim

Premiums paid for the previous period may be recovered in cases of proven fraud or financial statements containing significant errors.

During the financial year 2021 there was no reason to exercise this right to reclaim.

5. Information on how the remuneration complies with the remuneration policy and how performance criteria were applied

5.1. INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY

The objective of Elia Group SA/NV's remuneration policy is to attract, retain and reward the best talent so that Elia Group SA/NV can achieve its short- and long-term goals within a coherent framework. The Elia Group SA/NV Strategic Ambitions aim to (i) design, deliver and operate the future transmission grid infrastructure supporting renewable energy sources (RES) integration, (ii) further shape the (European) markets and ensure high security of supply, (iii) ensure sustainability of its activities, (iv) strengthen the position of the group through inorganic growth and expand into new business areas, (v) be a leader in health and safety and evolve its culture and talents, (vi) finance the future, (vii) realise its digital transformation, and (viii) increase efficiency, realize synergies and optimize resource allocation.

The total amount of remuneration paid out to the members of the Executive Management Board in the financial year 2021 has contributed to the long-term objectives and the sustainability of Elia Group SA/NV as the structure of the Executive Management Board's remuneration is designed to promote sustainable value creation by the company. The level of the fixed remuneration

ensured, on the one hand, that the Elia group could rely on a professional and experienced management, even in more difficult times, such as the Covid-19 crisis. The payment of the short-term bonus, on the other hand, ensured the realization of the performance criteria that translate the Elia group's strategy. The long-term success of the company was further stimulated by the long-term incentive plan, through which the members of the Executive Management Board were also rewarded in case of a.o. the realization of the energy transition.

5.2. Information on how performance criteria were applied

5.2.1. Short-term variable remuneration

The first pillar of variable remuneration is based on the achievement of a number of targets set by the Remuneration Committee at the beginning of 2021, with a maximum of 45% of variable remuneration relating to **individual targets** and a minimum of 70% to the achievement of Elia Group SA/NV's **collective targets** ('short-term incentive plan').

With regard to **individual short-term targets**, the table below gives an overview of the individual targets and their relative weight.

Member Executive Management Board	Individual targets	Relative weighting of the performance criteria
Chris PEETERS Chief Executive Officer - Chairman	Group Building	30%
	Elia Group Management Board building	20%
	Strategy Development	30%
	Develop partnership strategy	20%
Catherine VANDENBORRE Chief Financial Officer	Invest in new sources of growth	30%
	Putting sustainability at the heart of the finance function	30%
	Financing the new business model (digital transformation, inorganic)	30%
Stefan KAPFERER Chief Executive Officer 50Hertz	Implement a transformation office	10%
	Offshore growth	25%
	Digital & customer centricity	25%
	Enhanced capex delivery	25%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	Increase the relevance of the group	25%
	Drive the digital transformation	30%
	Lay the foundation for a modular business architecture and data centric business	30%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	Manage legacy cost base down	20%
	Start moving from Project to Product	20%
	Create a high performance organisation Build Offshore talent pipeline	40%
	Build a dynamic business and leadership culture Sustainability	40%
	Accelerate digital transformation	20%

In view of the fact that nearly all individual short-term targets were achieved or exceeded, the individual short-term remuneration awarded during the financial year 2021 amounts to € 96,420.27 for Mr Chris Peeters, to € 41,831.21 for Mrs Catherine Vandendorre, to € 55,476.00 for Mr Stefan Kapferer, to € 29,551.50 for Mr Michael Freiherr von Roeder von Diersburg and to € 29,256.70 for Mr Peter Michiels.

With regard to the **collective short-term targets**, the table below gives an overview of the overall collective short-term targets of the Executive Management Board members and their relative weight, as defined for the financial year 2021.

	Belgium	Relative weighting of the performance criteria	Germany	Relative weighting of the performance criteria
Financial	Net Profit (after tax) & Efficiency	20%	Net Profit (after tax)	20%
Quality	Safety & Culture	20%	Value Based Culture	20%
Capex delivery	Capex Projects (quantitative and qualitative goals)	25%	Demand driven grid development	20%
Security of supply	Security of Supply	20%	Security of Supply	20%
Sustainability/ Efficiency	Sustainability	15%	Efficiency	20%

In view of the fact that nearly all collective short-term targets were achieved or exceeded, the collective short-term remuneration awarded during the financial year 2021 amounts to € 204,527.78 for Mr Chris Peeters, to € 92,556.90 for Mrs Catherine Vandendorre, to € 62,577.83 for Mr Peter Michiels, to € 119,696.30 for Mr Stefan Kapferer and to € 73,693.62 for Mr Michael Freiherr von Roeder von Diersburg.

6. Derogations and deviations from the remuneration policy and from the procedure for its implementation

There have been no derogations nor deviations from the remuneration policy as this policy was approved in 2021.

5.2.2. Long-term variable remuneration

The second pillar of the variable remuneration is based on multi-year criteria set for four years ('long-term incentive plan'). These amounts are reviewed at the end of each year depending on the realization of the long-term criteria and according to the criteria "on time, on budget and on quality".

The table below gives an overview of the overall collective long-term targets of the Executive Management Board members for the financial year 2021 and of their relative weight.

Collective targets	Relative weighting of the performance criteria
Elia Group realization of critical investment portfolio	50%
Elia Group efficiency savings	50%

In view of the fact that all long-term targets were exceeded, the collective long-term remuneration awarded during the financial year 2021 amounts to € 121,601.70 for Mr Chris Peeters, to € 90,527.23 for Mrs Catherine Vandendorre, to € 62,174.40 for Mr Peter Michiels, to € 120,600.00 for Mr Stefan Kapferer, and to € 68,750.00 for Mr Michael Freiherr von Roeder von Diersburg. These amounts will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Management Board on 31 March 2022⁴⁰

⁴⁰ For Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg, these amounts will be paid in 2024, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2023.

7. Comparative information on the change of remuneration and the Elia group performance

The table below first gives an overview of the evolution in time over the last five years of respectively the total remuneration of the members of the Board of Directors of Elia Group SA/NV for all mandates within the Elia group and of the total remuneration of the members of the Executive Management Board of Elia Group SA/NV for all mandates within the Elia group. In this regard, one should bear in mind that, following the founding of Elia Transmission Belgium SA/NV and the conversion of Elia System Operator SA/NV into Elia Group SA/NV in 2019, the composition of the Executive Management Board has changed in 2020.

The table below further gives an overview of the evolution of the performance of the Elia group.

The average remuneration (on a full-time equivalent basis) of the employees of the Elia group in 2021 amounts to 99,196.10 EUR. The average remuneration of all employees is calculated as the total (IFRS-based) labor costs (exclusive social security contributions of the employer) divided by the number of employees on an FTE basis.

Total remuneration of the members of the Board of Directors of Elia Group SA/NV

Annual Change	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Board of directors	€ 872,583.54	1%	€ 885,128.26	-3%	€ 861,045.20	-2%	€ 844,529.77	9%	€ 923,888.60

Total remuneration of the members of the Executive Board

Annual Change	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Total	€ 3,715,740.35	11%	€ 4,115,752.83	12%	€ 4,623,753.44	-31%	€ 3,199,058.00	10 %	€ 3,533,715.59
CEO	€ 873,254.95	15%	€ 1,007,986.54	17%	€ 1,181,809.42	-20%	€ 949,206.00	12%	€ 1,063,598.01
Other members	€ 2,632,766.45	18%	€ 3,107,766.29	11%	€ 3,441,944.02	-35%	€ 2,249,852.00	10%	€ 2,470,117.58

Performance of the Elia group

Annual Change (in millions)	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Turnover	€ 867.10	123%	€ 1,931.80	20%	€ 2,319.00	7%	€ 2,473.60	16%	€ 2,859.7
EBIT	€ 324.60	55%	€ 502.60	13%	€ 569.70	2%	€ 578.50	-7%	€ 540.1
Normalized net income	€ 203.40	38%	€ 280.80	9%	€ 306.80	0%	€ 308.10	7%	€ 328,3

The ratio between the highest remuneration of a member of the Executive Management Board and the lowest remuneration of an employee of the Elia group, expressed on a full-time equivalent basis, in 2021 was 27.46.

8. Information on shareholder vote

The general meeting of shareholders of Elia Group SA/NV of 18 May 2021 approved the 2020 remuneration report of Elia Group SA/NV with a majority of 89%.

Risk management and uncertainties facing the company

GRI 102-15, GRI 102-30

What for?

The Elia group’s ambition to deliver the infrastructure of the future and enable a successful energy transition to the benefit of the consumer is formulated in a highly challenging context. The changing European energy market, large-scale deployment of renewable-based generation technologies with intermittent and harder to predict production patterns, increases in commodity prices and rises in energy bills, steadily increasing energy consumption, ageing infrastructure, resource bottlenecks, to name but a few, increase the complexity of the group’s activities and, in particular the mission of transmission system operators of Elia Transmission Belgium SA/NV and of 50Hertz Transmission GmbH. There is a need to anticipate (unwanted) events and understand their causes, consequences and likelihood. All this with the aim of making informed decisions. That is exactly what risk management is about: it allows us to manage the effect of uncertainties on the achievement of objectives. As put in a mildly provocative way by risk management expert James Lam: “The only alternative to risk management is crisis management and crisis management is much more expensive, time consuming and embarrassing.”

How does it work?

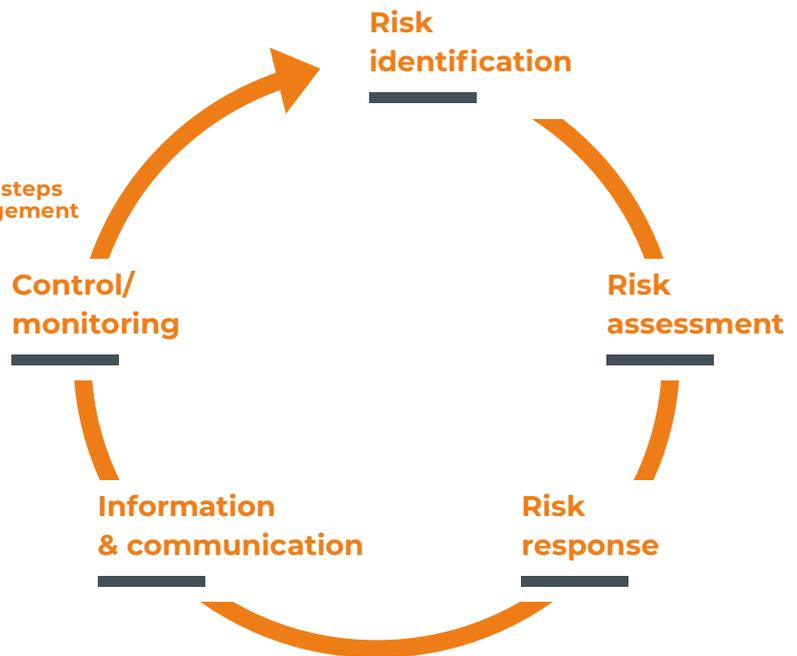
Uncertainties may generate desirable events - the opportunities - and unwanted events - the risks. Both are in the scope of risk management. Different types of objective aspects might be impacted by risks, like health and safety, continuity of supply or profitability. These are called the risk dimensions.

The Risk Management framework of Elia group is strongly linked to COSO’s framework, which gathers best practices for assessing

business risks. In line with these guidelines, risk management takes place at different levels in the organisation (strategic, business/operational, project...) and relies on Elia group’s strategy and risk appetite, the level of risk our organisation is prepared to accept in pursuit of its objectives. This risk appetite is a guidance based on 5 matrices which capture financial, reputational, health and safety and operational/societal risks and impacts. Once a risk is identified as substantive based on the corporate risk appetite, a dialogue takes place to make sure relevant contextual factors are adequately taken into account in the assessment. The most substantive risks are integrated into the risk reporting and the evaluation of the adequacy between risks and responses is then challenged up to the level of the Executive Management Board and the Board of Directors. If the (aggregated) risk is below the critical level defined by the risk appetite, the risk is assessed as medium and a cost-benefit analysis determines the use of control measures to reduce risks. For a few cases where it facilitates decision-making, the risk appetite has been translated into more operational criteria, which are used by the operational entities.

There are processes in place which aim at identifying key risks, assessing them, defining appropriate responses, communicating them to the Board of Directors and monitoring the effectiveness of mitigation actions. All the information collected by these processes is recorded in risk registers. Regular exchanges between risk managers and risk owners allow these registers to be kept up-to-date. The most important elements are summarised in risk reports, which in 2021 were presented three times to the Board of Directors and Audit Committee.

Figure 1 Illustration of the steps of the Risk management process



1 ISO 31000

2 James Lam, Enterprise Risk Management, Wiley Finance

3 COSO: Committee of Sponsoring Organisations

Contextual factors

MACROECONOMIC CONTEXT

2021 was characterised by an uncertain macroeconomic climate. The covid-19 context has highlighted vulnerabilities in global supply chains, notably for semiconductor manufacturing and advanced packaging or critical minerals and materials. The global economy recovery is hampered by the emergence of virus variants as well as higher commodity prices and shipping prices (container freight rates). These in turn lead to increases in company's production costs, followed by increases in final prices of goods and services, with ultimately an adverse impact on the inflation issue described hereunder. As well as this, interest rates remained very low in 2021, following the European Central Bank's monetary policy, but this situation may change in the future. Evolutions in long-term interest rates may affect the expected return for transmission system operators.

INFLATION

The lockdown episodes of last winter have been followed by a strong demand recovery. This has triggered raw material, energy and staffing scarcity. The consequence of this is a significant increase in commodity and shipping prices in 2021, which in turn adversely impacted the inflation rate in general. In the short term rising inflation and interest rates have no major impact on Elia group's regulated activities as they are mainly covered by the regulatory framework. The increase in raw material prices leads to higher capex cost, which are fully incorporated in the regulatory asset base and as such remunerated. Also depending on the type of opex costs (controllable / non-controllable), the regulatory framework covers the impact of inflation. Should interest rates increase, the financial charges approved by the regulator are passed through to consumers tariffs (embedded debt principle) for Elia Transmission Belgium SA/NV and partly passed through for 50Hertz Transmission GmbH (fully for offshore & for onshore new CAPEX). The impact on long terms provisions (employee benefits/dismantling) is primarily accounted through OCI (other comprehensive income) under IFRS. Capitalised borrowing costs are also higher, but depreciated over time for Elia Transmission Belgium SA/NV.

This being said, inflation may have an adverse impact on the activities of other stakeholders such as balancing responsible parties, customers, suppliers (see supplier's risk), etc, and affect end consumers. An impact on credit risk cannot be ruled out.

Increases in electricity and gas prices may also fuel discussions around the affordability of the energy transition and bring challenge on the transmission infrastructure development plans. This context may also place a greater pressure on the transmission system operators of the group to deliver new infrastructure and maintain the existing infrastructure efficiently.

COVID 19

2021 was characterised by the development of vaccination. However, access to healthcare and vaccination remains very unequal between low income and high-income countries. The existence of pockets where the immunity against the virus is far lower facilitates the emergence of virus variants and disrupts the global economy recovery.

The way in which this contextual factor influences our business is outlined in the following sections on risks and responses. Efforts are deployed towards a minimization of possible impacts on our people and operations, notably on security of supply, health and safety and projects.

PREPARING THE ENERGY TRANSITION

As outlined in the risk description, preparing the energy transition in the context of nuclear phase-out requires additional generation units being available for ensuring both the network balancing and adequacy. This in turns requires a framework in which investors will feel confident enough to invest in those generation units. The implementation of those generation units, and in particular the permitting process, is sometimes an issue. Additionally, preparing for the energy transition has a cost. Finding ways to finance them in a manner that is responsible for the future generations and in a context of inflation, with rising energy prices, potential higher interest rate and higher indebtedness is a challenge in itself.

ENERGY DEMAND & ENERGY EFFICIENCY

While global energy demand had steadily increased over the past decades, with some contraction episodes related to pandemic lockdown, energy efficiency is also one of the key measures outlined by the EU in respect of Union-wide CO₂ footprint reduction. Significant energy efficiency measures in Belgium and Germany can potentially affect power consumption and thus reduce the volumes of electricity transmitted via the group's networks. The same applies for a slowing down of the economic activities of industrial clients and a reduction of their consumption. These effects may be counterbalanced by an intensification of the use of electrical vehicles and electrification of industrial processes.

Link between opportunities, main risks, materiality topics & strategic priorities

Elia Group SA/NV closely monitors its main risks and opportunities to support informed decision-making and efficiently control their impact on our performance. The tables hereunder provide a brief explanation of the main opportunities and risks, their impact on value chain activities and their link with the 3 pillars of growth as well as the trend evolution compared to 2020. An opportunity is a positive uncertainty, likely to generate an increase in the value of the respective capital(s). Risks are negative uncertainties. Detailed information on these risks can be found hereafter.

Risk	Description	Risk category	Management of risk	Link with our pillars of growth			
				Evolution of estimated probability and impact compared with FY2020	Delivering the infrastructure of the future & developing and operating a sustainable power system	Developing new services that create value for customers in the energy system	Growing beyond our current perimeter to deliver societal value
Changing HR needs	The group's culture & skills must be aligned with our strategy. We are acting in an environment which has increased in complexity; this requires a more agile, digital and innovative mindset. Specific technical skills (in offshore, digitalisation, intellectual property...) are needed to support the achievement of our strategy - and these skills need to be acquired despite the current 'talent war'."	Strategic	<ul style="list-style-type: none"> - Culture change & leadership programs - Launch of a Digital Transformation Office - Talent management framework - Training - New Way of Working policies - Diversity & inclusion initiatives - Well-being initiatives 	=	X	X	X
Changing/new regulatory conditions	Unplanned and/or inconvenient changes to or misinterpretations of regulatory or policy mechanisms in Belgium or Germany could clash with the group's existing and envisioned strategy, causing severe financial and organisational impacts.	Regulatory	<ul style="list-style-type: none"> - Regular contact with European & national authorities - Proactive anticipation of new directives & regulations - Membership of ENTSO-E, which can provide advocacy for changes which are aligned with our strategy 	=	X		X
The COVID-19 pandemic	The pandemic could impact system operations (and, therefore, continuity of supply) if minimum staff numbers in critical departments cannot be guaranteed as a result of COVID infections or quarantine measures (this includes the impact of COVID-19 on the mental well-being of our employees and on our revenues).	Regulatory/ strategic	<ul style="list-style-type: none"> - Regular surveys which check the mental well-being of our staff - Reinforced safety and access measures in control centres - Antigen tests made available on site - Vaccinations provided at our offices in Germany - Dedicated COVID-19 taskforce in Belgium 	=	X		
Early termination of Transmission System Operator licences	An early revocation of the transmission system operator licenses belonging to Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH would have an adverse material impact on these entities and therefore on Elia Group SA/NV.	Regulatory	<ul style="list-style-type: none"> - Safeguarding security of supply and enhanced and accelerated CAPEX delivery are our top priorities - Strong governance processes in place with a focus on compliance 	=	X		
Sustainability of income	Changes to the regulatory parameters could impact the profitability of the group.	Regulatory	<ul style="list-style-type: none"> - Ensuring that our strategy is aligned with the interests of society - Maintaining and growing our asset base - Increasing efficiency in our investment and asset maintenance policies - Regular and open dialogue with our regulators 	↗	X	X	X
Balancing	The growth in the number of renewable energy units connected to distribution systems across Europe and the number of connections to large offshore wind farms creates new challenges for operational grid management, particularly in terms of the increased volatility of energy flows across our network.	Operational	<ul style="list-style-type: none"> - Grid expansion and a higher use of the grid - National and international cooperation for grid control - Reforms to market design to unlock more flexibility (such as our proposed consumer-centric market design) - Unlocking the potential held in flexible load management - Digital and customer centricity initiatives - Enabling new market players/ technologies - Preparing an integrated balancing market at EU level 	=	X	X	
Adequacy	The electrification of other sectors across society will lead to a growing electricity demand; the growth in renewable energy sources may be too slow to cover this increased demand.	Operational	<ul style="list-style-type: none"> - Adequacy and flexibility studies - Providing useful information to the authorities - Capacity remuneration mechanism in Belgium to guarantee the country's security of supply in the longer term - Dimension 1 of our ActNow programme: accelerating the decarbonisation of the power sector 	=	X	X	

Risk	Description	Risk category	Management of risk	Link with our pillars of growth			
				Evolution of estimated probability and impact compared with FY2020	Delivering the infrastructure of the future & developing and operating a sustainable power system	Developing new services that create value for customers in the energy system	Growing beyond our current perimeter to deliver societal value
Contingency events & business continuity disruption	Unforeseen events that alter the smooth operation of one or more infrastructure components are a risk; examples of such events include unfavourable weather conditions, human errors, malicious attacks, terrorism and equipment failure.	Operational	<ul style="list-style-type: none"> - Implementation of IT security measures - Security screening of critical functions - Limiting access to control rooms and data rooms - Redundancy of infrastructure - Redundancy of critical tools - Additional security layer for critical infrastructure - Risk preparedness plan for electricity sector - Business continuity and restoration plans - Asset condition monitoring 	=	X	X	X
Climate change and the energy transition	Changes to the climate and the energy transition cause uncertainties and challenges in terms of the markets, system and infrastructure.	Operational	<ul style="list-style-type: none"> - ActNow programme - Infrastructure design / stringent climate-related design conditions - Climate vulnerability assessments - Climate adaptation plan for our existing infrastructure 	↗	X	X	
Failure of information & communication technology (ICT), data security & protection measures	A failure of our ICT systems and processes or a breach of their security measures could result in losses for customers and reduced revenues for the group and its affiliates.	Operational	<ul style="list-style-type: none"> - Implementation of IT security measures (e.g.: IT segmentation, backups, failover mechanisms) - Compliance with relevant regulation (GDPR/network codes/NIS directive/ISO27000) - Employee awareness raising and training 	↗	X	X	
Permitting	The need to obtain infrastructure approvals and permits within certain time frames represents an important challenge. These approvals and permits can be challenged (in court), further delaying projects.	Operational	<ul style="list-style-type: none"> - Transparent communication and dialogue with local communities - Concrete and open stakeholder management - Working closely with local authorities towards common goals 	=	X		X
Suppliers	Given the complexity of infrastructure works, the increasing demands on the market, and the fact that factories have increasing numbers of orders to fulfil, the group may find it challenging to find enough suppliers for its projects, may end up paying more for services or may have to deal with issues surrounding the quality of products/services they purchase.	Operational	<ul style="list-style-type: none"> - Earlier placing of orders - Improved capacity forecasts - Widening the range of possible suppliers - Improved support for new suppliers - Encouraging increased transparency across the supply chain - Internal expertise related to critical technologies and tools - Regular price revisions 	↗	X		X
Health and safety accidents	Accidents, asset failure or external attacks may cause harm to people which may lead to liabilities.	Operational	<ul style="list-style-type: none"> - Promotion of a strong safety culture (safety culture ladder) - Active implementation of Health and Safety policies 	=	X	X	
Negative changes in financial markets	The ability of the organisation to access global sources of financing to cover its financing needs or repayment of its debt could be impacted by the deterioration of financial markets.	Financial	<ul style="list-style-type: none"> - Strong treasury risk monitoring - Diversified financing sources in debt instruments and good balancing of maturities of its funding- Green financing - Ring-fenced group structure with separate S&P credit rating for ETB, Elia Group and Eurogrid GmbH 	↗	X		X
Cashflow	Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues (incl. interest expenses) may have a negative short-term effect on the financial position of the group.	Financial	<ul style="list-style-type: none"> - Daily short-term liquidity management - Availability of credit lines and commercial paper programs - Improvements in forecasting (energy volumes) - Involvement in the design of regulatory mechanisms and tariffs 	=	X		X
New business developments	Any negative results from new business developments are entirely borne by the group; they represent an additional financial risk and could impact its reputation.	Financial	<ul style="list-style-type: none"> - Ring-fenced group structure - Capped liabilities in contracts - Strong governance and risk management process for decision-making regarding new business developments 	=		X	X
Legal disputes, liabilities	The outcome of legal disputes and lawsuits may negatively affect business operations and/or the organisation's financial results.	Financial	<ul style="list-style-type: none"> - Risk management process aimed at avoiding legal disputes as far as possible - Capped liabilities in contracts - Identification of appropriate legal provisions 	=	X	X	X

Opportunity	Brief description of the opportunity	Response to opportunity	Importance of opportunity compared with FY2020	Link with our pillars of growth		
				Delivering the infrastructure of the future & developing and operating a sustainable power system	Developing new services that create value for customers in the energy system	Growing beyond our current perimeter to deliver societal value
Offshore evolution	As Elia Group, we have to support the harnessing of offshore capacity by coming up with smart solutions for planning and operations, as well as the timely delivery of onshore and offshore infrastructure.	- Definition of the group's offshore strategy, so the organisation can play an active role in offshore development and help Europe to reach its targets in this area.	=	X		X
Digital transformation	The group must embed digitalisation across all of its activities in order to drive its transformation; better understand how the world will evolve; and develop its activities to operate efficiently in the interest of society."	- Digitalisation is an integral part of the group's strategy - The organisation of the group has been adapted to enable more digitalisation - Launch of a digital transformation programme and a digital transformation office	=	X	X	
Relevance role played in the energy transition leading to a sustainable future	The energy transition lies at the heart of Elia Group's vision and Elia Transmission Belgium and 50Hertz Transmission aim to play an exemplary role by integrating sustainability into their activities and be a trusted advisor for the authorities.	- The interests of society drive every decision taken - Ambitious sustainability targets included in the ActNow programme - Studies carried out to anticipate impacts (e.g. Roadmap to net zero / Vision 2050, e-mobility study) - Climate change vulnerability assessments	↗	X	X	X
CAPEX realisation	The execution of its project portfolio in a timely and effective manner forms a key part of Elia Group's strategy. The group is aware that this opportunity is closely linked to its ability to manage a much larger portfolio than it ever has before in a context of operational constraints (see risk section).	- Strong culture of high performance and delivery - Implementation of federal development plans - Risk management in infrastructure projects - Enhanced CAPEX delivery - Efficiency and simplification through use of Group behavioural standards	↗	X		X

Opportunities & responses provided

OFFSHORE EVOLUTION

The EU estimates that in the future roughly 18% or up to 450 GW of the total required generation capacity could be provided by offshore wind (see e.g. <https://windeurope.org/about-wind/reports/our-energy-our-future/>). To supply Europe's load centers with offshore wind from the North and Baltic Seas, the transmission infrastructure will have to undergo an immense expansion, for which a future-proof system planning will be critical. Over the last years, the Elia group has taken a leading role in offshore grid developments and positioned itself as a frontrunner in delivering efficient and future-proof solutions with project such as MOG, NemoLink or Kriegers Flak Combined Grid Solution. The group will continue to develop smart solutions for the uptake and integration of offshore wind energy into the grid, as well as ensure timely delivery of onshore and offshore infrastructure. Failure to do so may delay EU and Member State decarbonisation targets, as well as deprive industrial and household consumers from using green energy.

Response

Against the background of the group's strong track-record in project delivery and its leading position in shaping innovative solutions for offshore grid concepts, the group will expand its activities in the offshore industry. It is the group's target to design and deliver offshore grid projects by providing optimised solutions depending on the customers' needs and priorities. The group wants to further create value for (European) society in the context of the Green Deal and also expands its overall relevance in the industry.

DIGITAL TRANSFORMATION

Several trends are changing fundamentally the landscape in which the group operates. The world of tomorrow will be dominated by variable renewable production:

- The place of large international power flows between countries and large centers of renewable energy sources production
- As well as the place of decentralised and numerous energy exchanges among consumers and energy actors.

In order to manage increasing complexity in a decentral and renewables-based energy system, to meet the changing needs and expectations of consumers, the realization of the digital transformation it is key for success. In front of this massive transformation of how energy is produced, exchanged and consumed, the group must use digitalisation in all its activities in order to drive its transformation, better understand how the world will evolve and develop our activities to operate at the interest of society in tomorrow's energy landscape.

Response

The Elia group has recognised the importance of digitalisation and how it will transform the power system in the future. Therefore digitalisation is integral part of the strategy. The group's organisation has been adapted to enable more digitalization. Technical initiatives like "Internet of Energy" as well as cultural and HR-related ones enable the group also to better understand and match the needs of the consumers of tomorrow. A digital transformation program and a digital transformation office have also been launched.

RELEVANCE FOR THE ENERGY TRANSITION LEADING TO A SUSTAINABLE FUTURE

With the Green Deal, the European Union has set the objective to be carbon neutral by 2050. The transmission system operators have a major role to play in this transition, both to help the integration of renewable energy sources into the system and to provide the means to the consumers to decarbonised and take

advantage of the energy transition (correct market rules, access to price signals...). The energy transition lies at the heart of Elia group's vision and the transmission system operators of the group aim at playing an exemplary role to integrate sustainability in their activities as well as to be a trusted advisor for the authorities both at national (Belgium and Germany) and EU level. In that respect, the transmission system operators of the group provide support in files linked to the future of the energy system (like nuclear phase-out or development of hydrogen) in a comprehensive, well thought out and impartial manner.

Response

All the teams of the group are dedicated to deliver the best of themselves. The interest of society drives every decision made. Arguments brought to a debate are always built from internal or external studies and critically analyzed. As trusted advisors, the transmission system operators of the group strive to provide the best possible recommendations on the future energy system and for the decarbonisation of the society to authorities, resulting from careful and well thought analyses using the best expertise, data and information available. The Elia group has set ambitious internal sustainability targets through its "Act Now" program. The Elia group is committed to become a role model and to influence positively the outside world through actively shaping the energy transition for a sustainable world (in line with our purpose).

Sustainability will become a stronger compass to guide business plan decisions (and consequently resource allocations, prioritization) in order to reach the proper ambition level of projects and activities.

In November 2021, the "Roadmap to net zero" study, containing the group's vision on building a climate-neutral European energy system by 2050, was published and well received by the various stakeholders. It is available at this address: https://www.elia.be/en/news/press-releases/2021/11/20211119_elia-group-publishes-roadmap-to-net-zero.

CAPITAL EXPENDITURE (CAPEX) REALISATION

The execution of its project portfolio in a timely and effective manner is key to the Elia group strategy. Not only is it a prerequisite to the integration of further renewable energy sources and a safeguard of a reliable power system, but also an important element of the remuneration of the group, as well as an opportunity to further reinforce its reputation of high professionalism in the delivery of infrastructure. This would in turn facilitate further growth potential (e.g.: offshore). The group is aware though that this opportunity is closely linked to its ability to manage a larger portfolio than ever, under other operational constraints described in the permitting and suppliers' risks.

Responses

In a response to the above, the Elia group has launched a project with initiatives along several dimensions:

- Strong project performance and delivery culture
- Implementation of federal development plans
- Roles and responsibilities
- Methods and tools

- Risk management in infrastructure projects
- Enhanced Capex Delivery
- Efficiency & simplification through use of Group standards

For each of these dimensions, we look for measures to reach the next level maturity. The Innovation section provides further insights on Opportunities.

Strategic/regulatory risks and responses provided

CHANGING HR NEEDS

The energy transition drives us to a consumer centric model on which our strategy and ambition is based. To enable this consumer-centric model, the group culture and planned changes must be fully aligned with the group strategy. Additionally, specific technical expertise (offshore, digitalisation, IP...) is now required to support the achievement of the group strategy while it may be challenging to find these profiles on the hiring market. Also, the pandemic has highlighted the need to take extra care of our employee's well-being and pay more attention to their personal needs.

Responses

Training – Training of our staff on various fields such as technical, economical and soft skills, IT or languages skills are delivered via the Elia Academy. The Elia Group Digital Academy completes the training catalogue with a set of videos, podcasts and e-books relevant for our business and available online.

Work policies - Within the Elia group, HR initiatives, policies and processes are designed to support the implementation of our strategy and objectives. The New Way of Working policy is a good example. When supported by an adequate set of tools and technologies many employees can efficiently fulfill their role at distance. This policy provides a flexible framework, which enables homeworking to represent about half of the working time and work at premises the other half. This ensures a healthy balance between virtual and physical interactions, between work life and private life while also supporting our sustainability ambitions by limiting transport-related CO₂ emissions.

Covid - Specific task forces continuously monitor the measures taken by the public authorities in Germany and Belgium in the covid-19 context and coordinate their implementation, so that our group complies with the requirements in force at any time.

The well-being of our employees is essential for our group. It is the scope of our Care 4 Energy program. Our employees may benefit from different resources, ranging from publications providing advice on how to work in an ergonomic way at home to tailored support via a well-being officer, a dedicated platform named BloomUp (Elia Transmission Belgium SA/NV) or a dedicated app (50Hertz Transmission GmbH). The group also supports the participation of its employees in sports activities and organises regular surveys to monitor the well-being situation amongst its employees.

Culture and talent management - A reinforced focus on talent and culture led to several anticipating actions. The Talent@Elia Group initiative is one of them. It focuses on developing a leadership model and a talent management framework. This enables

the group to keep a close eye on both critical competences and critical functions. The Make a Difference program is another initiative which aims to reinforce desirable behaviors shown by our employees.

Diversity and inclusion is a priority for our Group. Our hiring processes are designed to support inclusive recruitment. Also, culture or our organization aims to foster inclusive leadership and an open and ethical company culture.

Social dialogue – The Group puts into practice social dialogue. The development of needs to adapt with the (new) realities of our employees may then be identified and considered in the evolution of our work policies.

CHANGING/NEW REGULATORY CONDITIONS

Given the specificities of its activities, the group is subject to extensive European, federal and regional legislation and regulation. Unplanned and/or inconvenient changes or misinterpretations in regulatory or policy mechanisms in Belgium or Germany could conflict with the group's existing and envisioned strategy causing severe financial and organisational impacts.

Responses

In order to minimise uncertainties, the two transmission system operators of the group strive to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law. For the year 2021 this concerned mainly the so-called "Fit-for-55 Package", striving to reach the European goals of 55% CO₂ reduction by 2030. Furthermore the Hydrogen and Decarbonised gas package deserves a particular attention, as well as the overall ambition to speed-up the role out of renewable generation and related grid infrastructure. Apart from developing own position papers, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are also members of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operators provide advocacy for evolutions in line with their strategy.

Further information

In Belgium, the regulatory and legal framework entails risks with regard to the division of powers between federal and regional entities (for instance, contradictions between the various regulations, including the grid codes, could hinder the ability to perform the group's activities). Political sensitivities are also emerging on the impact of public policies on households and company energy bills, which could materialise in the form of legislation affecting the adequate coverage of these costs. The further development of and changes to these regulations may also impact the group's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, potentially including the power to approve transmission tariffs. In order to minimise those risks, the group also strives to anticipate proactively evolution brought to national or local legislations.

PANDEMIC RISK (COVID TYPE)

The group is affected by the COVID pandemic. This has a potential impact both on its ability to carry out its activities (mainly in case the minimum occupancy in critical functions would be endangered because of contaminations and quarantine measures) and on its revenues. However, the group so far managed to minimise the impact of this crisis. Next to those direct effects, the group is aware that the covid context and the reduction in social contacts may play an adverse role on the well-being of our collaborators and increase psycho-social risks.

Responses

Business continuity plans are up to date. These include a resilience planning for critical functions. The group provided vaccination in Germany and self-tests in both countries. As explained in the HR risk description, the group has taken extra care of the well-being of his employees and developed HR policies which allow an effective homeworking for the administrative functions. The group has also integrated health-related actions for its personnel and contractors working on the field, to ensure the maintenance and the development of its infrastructure progressed as planned. The group can indeed confirm that the impact of the pandemic on the execution of the infrastructure plans has been minimal in 2021, which is also thanks to an excellent cooperation with its contractors.

Stringent measures have been maintained in control centers throughout the year.

The impact of a potential drop of energy consumption by the consumers would be limited because most of the group's tariffs are not based on the volume of energy but on the peak of power taken from the network, which remains steady.

The group has also undertaken a careful monitoring to ensure that its customer's invoices are paid on time.

EARLY TERMINATION OF TRANSMISSION SYSTEM OPERATOR LICENCE

To execute their activities of transmission system operators, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have a licence, which can be revoked earlier if they do not have, inter alia, the human, technical and/or financial resources to guarantee the continuous and reliable operation of the grid in accordance with the applicable legislation, as well as the unbundling obligations as described in Article 9 of the EU Electricity Directive. Such a revocation would have an adverse material impact on Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH and therefore on Elia Group SA/NV.

Responses

The Elia group has performed a reorganisation by the end of 2019, which enabled the ring-fencing of the Belgian regulated activities of the group from its other activities (German regulated activities or non-regulated activities). This in turn limits the risk of cross-subsidy between regulated activities or with non-regulated activities. It thereby provides the group with a suitable framework for the further development of all activities.

Further information

Elia Transmission Belgium SA/NV was confirmed as the Belgian transmission system operator with effect from December 31, 2019 by different public entities (the Federal Government for a period of 20 years, the Brussel's Government for a period of 20 years, and the Flemish regulator for a period of 4 years). The risk of early termination of its transmission system operator licences is therefore limited in the short term.

SUSTAINABILITY OF INCOMES

The remuneration of the group is almost entirely driven by the regulatory framework applicable to Elia Transmission Belgium SA/NV, 50Hertz Transmission GmbH and NemoLink. Changes to the regulatory parameters could affect the profitability of the group. A sufficient regulatory allowed remuneration allows the transmission system operators of our group to act in favor of society through maintaining a reliable transmission service to the community and enabling the development of the energy transition infrastructure. The realisation of certain parameters defined in the tariff methodologies are subject to specific uncertainties that could affect the group's financial position. In particular, the remuneration of the group depends in part on its ability to realise the needed projects and maintain the realised assets, as the current remuneration in both Belgium and Germany is subject to the Regulatory Asset Base. This depends on its ability to obtain the necessary permits and to manage potential environmental and public health risks and accommodate city planning constraints without incurring significant costs. If the group would not be able to realise or not timely/economically realise its investment programme, this could have a negative impact on the group's future profits.

Responses

In the context of the energy transition, the development needs of transmission infrastructure in Belgium and Germany require the implementation of ambitious investment programs, which indirectly contributes to increasing their Regulatory Asset Base. The group also strives to develop tariff methodologies that take into account the changes brought about by the energy transition and the decentralization of energy generation. Lastly, the group seeks to act as efficiently as possible in its investment and asset maintenance policies. This allows consumers to benefit from the scale effect of centralised grid management.

Further information

End 2019, the Belgian regulator (CREG) approved Elia Transmission Belgium SA/NV's Tariff proposal for the 2020-2023 regulatory period. CREG and Elia Transmission Belgium SA/NV have signed an agreement on 22 December 2021 on procedures for the adoption of the tariff methodology and for approval of tariff proposals and tariff changes for the 2024-2027 regulatory period.

In 2021, the German regulator (BundesNetzAgentur or BNetzA) has confirmed a decrease in the regulatory allowed return of equity for the period 2024-2028. This decline is driven by the lower interest rates on the market. It is possible that other changes in the regulatory regime may contribute to partially compensate this decrease. However, these changes and the definition of other components of the future regulatory regime still need to be clarified in the coming months.

The credit insulation of Elia Transmission Belgium SA/NV limits the risks that a change in the credit metrics of Eurogrid GmbH adversely affects Elia Transmission Belgium SA/NV's rating or vice versa.

Operational risks & responses provided

BALANCING

The production of electrical energy should be equal to the demand at any time. The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) use balancing energy to balance unplanned fluctuations in the production of electricity or the energy load. The growth in the number of renewable energy units connected to distribution systems across Europe and, the connection of large offshore wind farms, also creates new challenges for operational grid management, particularly through increased volatility of energy flows on our network.

Responses

Maintaining security of the grid with respect to balancing at reasonable costs for the society relies on a mix of measures. These involve improving the cooperation for grid control at both national and international levels, enhancing the quality of forecasts (consumption, offshore, etc.), as well as ensuring a market design that incentivises the Balancing Responsible Parties to manage their portfolio balance, whilst at the same time offering them the market arrangements which allow them to trade their imbalances as close as possible to real-time (e.g. intraday markets). In addition, market reforms have to be implemented that unlock as much flexibility as possible and that can be called upon in real-time to keep the grid balanced at the least cost. The latter market reforms are aiming to open the balancing markets to all technologies and all players, irrespective of the voltage level they are connected to.

As an illustration of the aforementioned measure, in the course of 2021, Elia group launched its Consumer Centric Market Design (CCMD) proposal, as part of a wider Consumer Centric system vision. CCMD aims at implementing market design changes enabling to move from "competition for the meter" to "competition behind the meter", thereby unlocking new/additional service provisions to end consumers and enabling them more easier valorise and market their flexibility. Subject to timely regulatory approval, Elia group's ambition is to have the CCMD vision rolled out by 2024-2025.

In addition, in the course of 2021, both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH continued to work on the implementation of the European platforms for the activation of balancing energy and to the preparation of the connection of the Belgian market and German market to these platforms in 2022. Integrating balancing markets enables, subject to available cross border capacity, to mutualise balancing energy available to each transmission system operator to balance its control block.

ADEQUACY

The federal governments in place have a key role to play in ensuring that enough capacity is available in their countries to avoid the risk of an electricity shortage and problems of supply. The transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH), for their part, provide them with useful information.

Further information

As foreseen by law, Elia Transmission Belgium SA/NV looks bi-annually at Belgium's adequacy situation in the longer term. These studies assess the adequacy between load projections and anticipated available capacity (incl. DSR, load shifting, batteries...) in Belgium and the surrounding countries. The anticipated available capacity includes politically set objectives in terms of renewable generation as well as an economic viability gap to assess if sufficiently robust signals are available to trigger investments in the market to close any potential adequacy gap as defined by the legal security of supply criteria. Elia Transmission Belgium SA/NV published such a study in June 2019 ("Adequacy & Flexibility Study 2020-2030" - hereafter the "2019 AF Study") and in June 2021 ("Adequacy & Flexibility Study 2022-2032" - hereafter the "2021 AF Study"). Both studies are available on Elia Transmission Belgium SA/NV's website, see e.g.: <https://www.elia.be/fr/marche-de-electricite-et-reseau/adequation/etudes-adequation>

Both studies concluded that as a result of the planned nuclear phase-out, Belgium would face an adequacy gap by 2025 and that there are insufficient robust investment signals to expect this gap to be filled up by the market without additional intervention. Following the 2019 AF study, in order to guarantee Belgium's security of supply in the longer term, the Belgian Parliament adopted in 2019 a modification of the Electricity Law in order to introduce a capacity remuneration mechanism (CRM). Elia Transmission Belgium SA/NV assisted the government in designing and implementing this CRM mechanism and has been appointed by the latter to operate it.

In August 2021, the European Commission approved the Belgian CRM (its compliance with State Aid Legislation) and in October 2021 Elia Transmission Belgium SA/NV ran a first CRM auction to contract capacities for delivery year 2025-2026. The Belgium CRM scheme/design foresees that for each delivery year a capacity volume to secure the by law set security of supply standards has to be procured through two distinctive auctions, one run in four years before delivery and one run one year before delivery. The aim of this split procurement is, amongst other things, to allow all kind of technologies to participate to the CRM.

The auction modalities/rules, as well as the computation of the amount of capacity to be procured, are determined by a set of legal and/or regulatory documents or decisions.

The results of the first CRM auction (Y-4 for delivery year 2025-2026) have been validated by the CREG and published on Elia Transmission Belgium SA/NV's website, conform the legally applicable prescriptions.

Due to uncertainty on the timely obtaining of environmental permit of the projects in the CRM mechanism, the government has adopted in December 2021 a draft law proposal describing alternative arrangements aiming at ensuring security of supply for delivery

year 2025-2026 in case the projects concerned would not be able to secure their environmental permit by a set deadline. The government has concretised these arrangements in March 2022.

CONTINGENCY EVENTS & BUSINESS CONTINUITY DISRUPTION

The transmission systems operated by the group are very reliable. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur and alter the smooth operation of one or more infrastructure components. In most cases, these will lead to a so-called single contingency event, and have no impact on the end customers' power supply because of the meshed structure of the grids operated by the group. Indeed, electricity can often reach end customers via a number of different connections in the system. However, in other cases, an incident in the electricity system may lead to a multiple contingencies event that could result in a local or widespread electricity outage provoking liability claims and litigation, which could negatively impact the financial position of the group.

There are causes other than unfavourable weather conditions for contingency events and business continuity disruption. Examples include human errors, malicious attacks, terrorism, equipment failures, etc. Offshore equipment particularly has our full attention, in a context where there is less of a track record with these technologies and a higher complexity for curative actions.

The probability of the occurrence of one or more of the above-mentioned events may increase if the competent authorities do not approve the necessary operational procedures, investments or full time equivalent (FTE) resources proposed by Elia Transmission Belgium SA/NV, Elia Asset SA/NV and 50Hertz Transmission GmbH.

Responses

There are several procedures in place to manage these risks, going from crisis management plans to operational procedures such as defence plans and restoration plans. All of them are regularly trained for and tested with large-scale exercises and simulator trainings so that our staff and transmission system operators, as the case may be, are ready to deal with the most unexpected and extreme situations. Also, in line with the European Directive 2019/941, a risk preparedness plan is now prepared at both national and international levels, in collaboration with Austria, Belgium, Switzerland, Germany, France, Luxembourg and the Netherlands.

In the event of an error attributable to Elia Transmission Belgium SA/NV, Elia Asset SA/NV or 50Hertz Transmission GmbH, the respective general terms and conditions of its contracts provide for appropriate liability caps for the group and the relevant affiliate, as the case may be, to a reasonable level. Each relevant insurance policy is designed to limit some of the financial repercussions if these risks were to occur. Should unfavourable circumstances occur, the transmission system operator may take any emergency measures it deems appropriate, such as disconnecting some or all electricity exports, requesting electricity-generating companies to increase or decrease their electricity production or requesting a reduction in the electricity consumption from the competent Minister in the relevant area to reduce the impact of the event. Additionally, the design and operation of offshore as well as onshore technologies takes constraints related to repair time, monitoring opportunities and grid resilience into account of a (group) crisis manage-

ment plan applies to critical infrastructure operators at European level (Article 24 of the Commission Regulation (EU) 2017/1485 calls for the implementation of Business Continuity Plans). It is the ambition of Elia group to be compliant with this regulation as the management of its Critical Infrastructures is one of its priorities.

A framework for crisis management on local/group level for managing all corporate crisis situations such as community relations issues is under development and will enter into force in 2022.

Further information

As a regulated entity, Elia Transmission Belgium SA/NV acts in accordance with the “network codes” applicable at European, federal and regional level, while network access contracts are approved by the regulator. Elia Transmission Belgium SA/NV’s exposure under the regulatory framework and these contracts is limited to an acceptable amount. These risks are generally covered by a “liability” insurance contract for the appropriate amounts. In Belgium, due to resource bottlenecks, asset replacements and capital expenditures are generally subject to arbitration, which contributes to the ageing of some asset fleets, complicates the asset management and may eventually affect the availability of some network components and the performance of protection devices. In terms of security, the screening of relevant profiles is applied and projects to improve the security of critical infrastructure are ongoing.

CLIMATE RISKS

The risks associated with climate change are especially important for the group given our ambition to deliver the infrastructure of the energy transition, which helps achieve climate targets at the same time. Climate change and energy transition bring uncertainties and challenges to transmission system operators of the group missions related to markets, system and infrastructure.

Climate risks are often classified as physical climate risks and transitional risks⁴¹.

Physical climate risks fall into two categories: chronic and acute ones. Based on the best climate scenario information available today, a vulnerability assessment of the group’s activities took place, in line with the technical screening criteria of the EU Taxonomy Delegated act. This assessment highlighted the possible harmful effect of heatwave, cold wave/winter incident, storm, drought and wildfire. All these phenomena belong to acute physical risks and lead to less favorable operating conditions for the group’s assets or even damage them. Such circumstances may trigger risk factors for contingency events and business continuity disruption.

Transitional risks are related to the transition to a lower carbon economy, which implies extensive policy, legal, technology and market changes.

Responses

The assessment of climate risks is integrated into a multi-disciplinary group-wide risk management process, where risks are identified, assessed and high priority risks closely followed-up.

The design of our infrastructure already considers stringent climate conditions. However, further enhancements may still be required in the future. Indeed, events with unprecedented incidence and intensity have already occurred and the increasing maturity of climate scenarios⁴² will continue to provide insights on less well-known extreme phenomena. This greater awareness is likely to trigger revisions of the standards specifying how structural design should be conducted in Europe, of urban planning requirements, and will lead to the introduction of new European directives, etc. Next to these regulatory changes, the Elia group has integrated the management of physical climate risks in its company-wide risk management process and in its Act Now sustainability program. Our experts identify these risks, assess them, as well as the appropriateness of our response. This may lead, amongst other things, to a revision of our specifications or the launch of dedicated projects aiming to increase the resilience of the infrastructure. Following the flooding events of July 2021, a risk analysis is ongoing. Its deliverables include an updated list of substations with flooding risks, a list of pragmatic measures aiming at increasing the resilience of both existing and future infrastructure, as well as the CAPEX impact of their implementation. This flooding risk analysis is a concrete example of how climate vulnerability assessments, may highlight needs for the infrastructure network, in order to achieve its adaptation. Other risk exercises will follow so that all acute physical risks are covered and regularly reviewed.

The ageing of infrastructure, already mentioned in the previous section, is also a key parameter to consider in the evaluation of the infrastructure resilience to climate risks. As a matter of fact, materials and structures will inevitably be affected by the effect of time, the environment, repeated mechanical and electrical loading, etc. Also, some old overhead line supports were designed according to less stringent standards with regards to climate risks. The timely replacement of this infrastructure, combined with an efficient circularity approach will help tackle climate adaptation issues all by keeping climate change risks under control.

In November 2021, the “Roadmap to Net Zero” study, containing the group’s vision on building a climate-neutral energy system by 2050, was published⁴³. This document aims to support the energy transition through providing energy system insights and defining focus points for efficient decision making. The results are relevant for Europe as a whole, the entire energy sector and policy makers.

FAILURE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT), DATA SECURITY & PROTECTION.

A failure of the ICT systems and processes used by the group or a breach of the security measures may result in losses for customers and reduced revenues for the group and its affiliates. The group and its relevant affiliates also collect and store sensitive data, their own business data and that of their suppliers and business partners. The group and its relevant affiliates are also subject to several privacy and data protection rules and regulations, including, as of 25 May 2018, the General Data Protection Regulation (EU Regulation 2016/679 of 27 April 2016) regarding personal data as well as the NIS directive (EU Directive 2016/118 of 6 July 2016 concerning measures for a high common level of security and network and infor-

⁴¹ See e.g. the recommendations of the Taskforce on Climate Related Financial Disclosures <https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>

⁴² An example of recent climate scenario publication is Intergovernmental Panel on Climate Change’s 6th assessment report, published in August 2021 available at the following address: www.ipcc.ch/assessment-report/ar6/.

⁴³ https://www.elia.be/en/news/press-releases/2021/11/20211119_elia-group-publishes-roadmap-to-net-zero

mation systems across the Union). Despite all of the precautions taken, important system hardware and software failures, failure of compliance processes, computer viruses, malware, cyber-attacks, accidents or security breaches could still occur. Any such events could impair the ability of the group and/or the ability of any of the group's relevant affiliates to provide all or part of their services and generally may result in a breach of their legal and/or contractual obligations. This could, in turn, result in legal claims or proceedings, contractual liability, liability under any other data protection laws, criminal, civil and/or administrative sanctions, a disruption of the operations of the group or the operations of the relevant affiliates of the group, or damage the reputation of the group or its relevant affiliates, and in general could adversely affect the business of the group and its relevant affiliates.

Responses

The group and each of its relevant affiliates take appropriate measures to revise, update and back up its ICT processes and hardware software and network protection (for example, failover mechanisms) on an ongoing basis to the maximum extent permitted by technical and financial considerations. Furthermore, data governance and classification, as well as data protection and information security (ISO 27001) are applied and monitoring has started. The two transmission system operators of the group also continuously adapt their processes to further ensure compliance and strengthen their resilience.

PERMITTING RISK

The changing European energy market and largescale deployment of renewable-based generation technologies also requires the further development of the infrastructure of Elia Asset SA/NV (and Elia Transmission Belgium SA/NV) and 50Hertz Transmission GmbH. Electricity grids are recognised as enabling the energy transition. The development of such infrastructure and interconnectors with other neighbouring countries are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents an important challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Responses

In order to manage uncertainties related to permitting, concrete and upfront stakeholder management takes place, as well as transparent communication to the community. Working hands in hands with authorities on a common goal (i.e. the integration of renewables while ensuring the security of supply with affordable energy prices) helps to build sustainable relations and achieve grid projects within the timeframe of climate ambitions. For instance, in spite of COVID circumstances, the group worked together with governments and local municipalities to develop and be able to go further with digital participation strategies. By having this proactive and agile approach, the group did not suffer from significant delays to progress and obtain the decisions we were waiting for in 2020 and 2021.

Further information

In Belgium, some projects are particularly important to facilitate the energy transition: the interconnection projects, the reinforce-

ment of the backbone (HTLS projects), the construction of new projects to reinforce the backbone, such as Ventilus and Boucle du Hainaut and finally the development of the second wave of offshore windfarms. Despite the common interest for the society, they also require a great deal of effort to gain community acceptance due to local impact. Further information on these projects is available in our Federal Development Plan 2020-2030: <https://www.elia.be/fr/infrastructure-et-projets/plans-investissements/plan-de-developpement-federal-2020-2030>.

In Germany, the speed of the permitting process is a general risk across all large infrastructure projects. The new German government states in its coalition agreement 2021 a clear ambition to speed up the process for approvals and permits. Further information on how this could be realised are not yet known.

SUPPLIER'S RISK

The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) rely on a limited number of key suppliers to provide them with material and realise their investment projects. Given the complexity of the infrastructure works, the increasing demand in the market, and the factories' full order books, the group may not be able to find sufficient suppliers or supply capacity for their projects. In addition, the lockdowns have been followed by a strong demand recovery, generating supply chain bottlenecks as well as raw material, energy and staffing scarcity. These elements induced a significant increase in commodity and transportation prices, which in turn adversely impacted the supply chain of our suppliers and the inflation rate in general, as explained in a following part of the document (see contextual factors). This makes the challenge yet greater for our suppliers to deliver the required number of goods or services in a timely manner and with the adequate level of quality. Any cancellation of or delay in the completion of its infrastructure works could have an adverse effect on the business and reputation of the group and its affiliates. Last, the availability of skilled HR profiles are also important to mitigate these risks and allow contractors to demonstrate a deeply embedded safety culture. Should they fail to have enough skilled profiles, this might adversely impact the group's business, including the safety of our works. In addition, the group and the relevant affiliates of the group are also exposed to the risk of public procurement claims and their respective suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations.

Responses

The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) maintain ongoing dialogue with their suppliers to enhance transparency in the supply chain and regularly perform predictive capacity analysis at market level. Targeted measures are taken to mitigate specific risks. Examples include earlier order placement for some categories, the development of more resilient purchasing strategies and diversification of their supplier portfolio. The HR initiatives aiming to increase the internal technology knowhow and skillset with respect to critical technologies and tools also contribute to limit the risk of dependencies with respect to EU and non-EU suppliers. Price revision formulas are more often used to minimise the most recent development of the supplier's risks.

HEALTH & SAFETY ACCIDENTS

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate facilities where accidents and asset failures may cause harm to people. As a result, the group and its relevant affiliates may be exposed to adverse impact on their capitals, mainly human, asset and financial. Potential liabilities may have a negative impact on their financial position, require significant financial and managerial resources, or possibly damage their respective reputations.

Responses

The safety and well-being of individuals (both the group's staff, the staff of the relevant affiliates and third parties) is a key priority and a daily concern for the group and the relevant affiliates. The group and its relevant affiliates have put a Health and Safety policy in place and system-based management tools, such as process and procedure management and unwanted event follow-up applications, proactive site visits and a supported prevention attitude.

Action is taken towards a Just Culture, which aims at creating a constructive environment to deal with safety topics in an atmosphere of trust and the encouragement of responsible behavior. Such a culture implies having safety systems designed to support and provide an appropriate response to safety risks.

A strong safety culture does not guarantee to eliminate all safety risks but it will provide an adequate environment to keep improving in this topic and will support the cultural growth.

Financial risks & responses provided

NEGATIVE CHANGES IN FINANCIAL MARKETS

The ability of the group to access global sources of financing to cover its financing needs or repayment of its debt could be affected by the deterioration of financial markets.

Fluctuations of interest rates may negatively influence the financial situation of the group. The allowed return on equity defined in the regulatory schemes can be adversely affected by the decrease of interest rates. Changes in interest rates could affect the cost of debt the group will have to incur.

In order to finance its investments and to achieve its short and long-term strategic goals, the group and its affiliates need to access debt and capital markets

To finance its investments CAPEX, the group is dependent on its ability to access the debt and capital markets in order to raise the necessary funds to repay its existing indebtedness and meet its financial needs for its future investments. Geopolitical issues and the evolution of the pandemic Covid-19 could further impact the financial markets, resulting in potential volatility, which could have a negative impact on the growth of the group and on the pursuit of its objectives.

Elia Group SA/NV, Elia Transmission Belgium SA/NV and Eurogrid GmbH are rated by S&P. There is no assurance that the rating will remain stable for any given period or that the rating will not be lowered by the rating agency if, in its judgment, circumstances in the future so warrant. A decision by a rating agency to downgrade or withdraw the company's credit rating could reduce the group's funding options and increase its cost of borrowing.

Responses

The financial risks (liquidity, funding, market risks etc.) faced by the group are described and controlled. To this end, the group has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of the group. The financial impact of these risks is limited, as Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate under the Belgian or German regulatory framework. As part of the group's efforts to mitigate the funding risk (including refinancing risk), the group aims to diversify its financing sources in debt instruments (standard or green bond), balances the maturity of its funding to the long term lifetime of its assets and assures developing strong relationships with a group of financial institutions. Additionally, as a listed company, Elia Group SA/NV also has access to the equity market.

Management of the liquidity risk ensures adequate coverage of financial needs through contracting suitable credit lines and the management of the commercial paper programme and an active management of any surplus liquidity.

CASHFLOW

The fluctuation in interest rates of the group's debt mentioned in the previous section can also have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by the group and the forecast financial costs. This could cause transitory effects on the cash position of the group.

Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues may have a short-term effect on the cash position of the group.

Existing legal rules foresee that costs linked to the public service obligations of transmission system operators are covered by tariffs (and tariff evolutions) which are approved by the regulators on a regular basis. In the framework of their respective competences, national and regional governments have taken measures to support the further development of renewable energy by introducing different support mechanisms. The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) are entitled to several of these public service obligations mechanisms. This may have an indirect impact on the group's cashflow: deviations from the expected market price (Germany) or number of sales of green certificates at a guaranteed minimum price (Belgium) or deviations from the expected volumes of infeed of renewable energy and lower end user consumption could generate short-term and mid-term significant cash expenses.

Responses

The short-term liquidity risk is managed on a daily basis with the funding needs being fully covered through the availability of credit lines and a commercial paper program. Other risk mitigation measures include being involved in the design of public service obligation mechanisms aiming to support the development of renewable energy. Once these mechanisms are in place, performing good forecasts on end-user consumption, renewable energy sourc-

es-infeed, market prices, the expected number of sales of green certificates at a guaranteed minimum price, as well as reporting and communicating issues to governments and regulators can contribute to keeping a good balance.

Further information

With the advent of Belgian laws and regulations governing decentralised or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the federal and regional governments organised the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy. The offshore green certificate public service obligation generates an increasingly large cash outflow, and will as from 2022 be compensated by state funds based on taxes put at disposal to Elia Transmission Belgium SA/NV on monthly base. This mechanism will replace the costs covering by the tariff. In order to ensure the financial position of Elia Transmission Belgium SA/NV, an effective and timely payment of those state funds has been organised by a dedicated protocol with the parties involved, to limit the risk of pre-financing of these costs by Elia Transmission Belgium SA/NV.

The EEG mechanism is prescribed by German law (AusglMechV) and is linked to the support of the production of the renewable energy sources (RES). The transmission system operators pay the RES producers the difference between market price and the price prescribed by law for their generated energy and recharges the difference to the end user applying a surcharge amount per kWh. If the RES infeed is higher than expected, or market prices are lower than estimated or end user consumption is lower than expected, the liquidity of 50Hertz Transmission GmbH can be heavily affected. Due to strongly increased market prices and pay out of the German federal subsidy grant to the transmission system operator the pressure on 50Hertz Transmission GmbH cashflow has relaxed compared to 2020. However, volatility in market prices and end user consumption could still impact the liquidity significantly. Especially as we are still confronted with the pandemic situation

NEW BUSINESS DEVELOPMENTS

Any negative results from new business developments are entirely born by Elia Group NV/SA and represent an additional financial risk.

Responses

The reorganization of the group in 2019 explained in the "Risk of early termination of transmission system operator licence" section is one of the responses provided. Concerning the group affiliate Elia Grid International SA/NV, its main revenue stream in 2021 is related to turnkey projects for the Elia group, characterised by lower risks of claims and liabilities.

LEGAL DISPUTES & LIABILITIES

The outcome of legal disputes and lawsuits may negatively affect the business operations and/or the financial results.

Responses

The group and its relevant affiliates carry out their activities in such a way as to reduce (as much as possible) the risk of legal disputes and, if necessary, the appropriate provisions are identified and implemented on a quarterly basis.

R&D (Innovation)

In line with its strategic priorities, innovation within the Elia group is tackling the challenges of increasingly complex operation of the network, higher integration of renewables and efficient infrastructure management. The selection of projects focuses on "real first" initiatives, like long distance drone flights or the use of robots in converter stations. This is fully in accordance with our willingness to continually challenge the existing. The group is even heading towards further disruptive initiatives. These are called moonshots.

The group is also working to build a large ecosystem, that is seen as an enabler for early identification of opportunities and accelerated progress. As an example, the group organises the open innovation challenge. In 2021, its focus was on Offshore Grid Integration.

The link with other risks described earlier is quite direct. Innovation works as a vehicle for cultural change. All projects are carried out in collaboration with the business, they benefit from agile methods and their outcomes serves as a revelation to new technologies. The business may also submit innovation proposals to The Nest, a dedicated risk-free working environment that allows fast prototyping of promising projects.

Features of the internal control and risk management systems

GRI 102-17, GRI 102-30

The reference framework for internal control and risk management, established by the Executive Management Board and approved by Elia Group SA/NV Board of Directors, is based on the COSO II framework. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk management, control activities, information and communication, and monitoring. The use and inclusion of these concepts in Elia Group SA/NV's various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives. The implementation of COSO II at Elia Group SA/NV is described below.

Control environment

ORGANISATION OF INTERNAL CONTROL

Pursuant to the Elia Group SA/NV Articles of Association, the Board of Directors has established an Executive Management Board as well as various committees to help it fulfil its duties: the Audit Committee, the Strategic Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee is, pursuant to Article 7:99 of the Code of Companies and Associations and the Articles of Association, responsible in particular for (ii); (iii); (iv); (v). The Board of Directors has charged the Audit Committee with the main following tasks: (i) examining the accounts and exercising control over the budget; (ii) monitoring the financial reporting process; (iii) monitoring the effectiveness of the company's internal control and risk management systems; (iv) monitoring the internal audit and its effectiveness; (v) monitoring the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (vi) reviewing and monitoring the independence of external auditors, (vii) formulating a proposal to the Board of Directors for the (re)-appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment; (viii) monitoring the nature and extent of the non-audit services provided by the statutory auditors; (ix) reviewing the effectiveness of the external audit process. The Audit Committee generally meets quarterly. The Finance Department helps the Executive Management Board by providing, in a timely manner, correct and reliable financial information to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of Elia Group SA/NV's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to listed companies. The structured approach developed by Elia Group SA/NV helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

INTEGRITY AND ETHICS

Elia Group SA/NV's integrity and ethics are a crucial aspect of its internal control environment. The Board of Directors and the Executive Management Board regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees. These rules are communicated to all new employees, and compliance with them is formally included in employment contracts. Elia Group SA/NV's Code of Conduct (the "Code of Conduct") also helps to prevent employees from breaching any Belgian legislation on the use of privileged information or market manipulation. Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts. Elia Group SA/NV's Code of Ethics (the "Code of Ethics") defines what Elia Group SA/NV regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees. Elia Group SA/NV's Code of Ethics expressly states that bribery in any form, misuse of privileged information and market manipulation is prohibited. This is confirmed by the Code of Conduct. Elia Group SA/NV and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Elia Group SA/NV. Disguising gifts or entertainment as charitable donations is also a violation of the Code of Ethics. Moreover, the Code of Ethics prohibits all forms of racism and discrimination, promotes equal opportunities for all employees, and ensures the protection and confidential use of IT systems.

All parties involved in procurement must abide by Elia Group SA/NV's Purchasing Code of Ethics and all associated regulations. Elia Group SA/NV's Purchasing Code of Ethics is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency, and avoidance of conflicts of interest. The management of the employees involved in the procurement and payment processes regularly provides opportunities for training and awareness-raising on these topics.

Elia Group SA/NV offers its employees the opportunity to express their concern about an (alleged) breach of the Code of Ethics without fear of sanctions and/or unfair treatment. In addition to the existing reporting channels, an external system EthicsAlert for reporting integrity breaches has been implemented that is compliant with the EU Whistleblowing Directive. Internal employees as well as external stakeholders can report via this platform their suspicions about possible breaches of the Code of Ethics which may harm Elia Group SA/NV's reputation and/or interests in a protected manner.

Violations of these codes can be reported to the local management or HR, directly to the Compliance Officer or by using the external system after which they will be handled objectively and confidentially in line with the whistleblowing procedure.

Internal Audit's annual programme includes a number of actions and verification audits designed to act as specific safeguards

against fraud. Any findings are systematically reported to the Audit Committee. In 2021, no relevant findings relating to financial fraud were reported in the audits making up the annual audit plan of 2021.

ROLES AND RESPONSIBILITIES

Elia Group SA/NV's internal control system relies on clearly defined roles and responsibilities at all levels of the organisation. The roles and responsibilities of the various committees established within Elia Group SA/NV are primarily identified in the legal framework applicable to Elia Group SA/NV, the Articles of Association and the Corporate Governance Charter. Under the supervision of the Chief Financial Officer, the Accounting Department is responsible for statutory financial and tax reporting and the consolidation of the Elia Group SA/NV's various subsidiaries. The Controlling Department monitors analytical accounting and reporting and assumes responsibility for all financial reporting in a regulatory context. The Investor Relations Department is responsible for specific reporting applicable to listed companies.

As regards the financial reporting process, the tasks and responsibilities of all employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect Elia Group SA/NV's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control duties are performed. An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the group. The Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate. The roles and responsibilities of all employees are clarified by providing a description of each job in line with the Business Process Excellence methodology.

COMPETENCIES

With a view to ensuring its various activities are performed reliably and effectively, Elia Group SA/NV clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them. Elia Group SA/NV has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career. Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

Risk management

Risk management is another internal control system that is crucial in helping Elia Group SA/NV to achieve its strategic objectives as defined in its mission. The Board of Directors, the Audit Committee and the Risk Manager jointly and regularly identify, analyse and assess key risks encountered by the company. The risks are identified and assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of Elia Group SA/NV's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable. As part of its responsibilities, the Executive Management Board establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to Elia Group SA/NV and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia Group SA/NV's objectives. Financial risk assessments primarily involve the identification of:

1. significant financial reporting data and its purpose;
2. major risks involved in the attainment of objectives;
3. risk control mechanisms, where possible.

Financial reporting objectives include (i) ensuring financial statements comply with widely accepted accounting principles; (ii) ensuring that the information presented in financial results is both transparent and accurate; (iii) using accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results. The activities undertaken by Elia Transmission Belgium SA/NV and 50 Hertz Transmission GmbH, as electricity transmission system operators in relation to their physical installations, contribute significantly to the group's financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations. Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the risk appetite and risk management process.

CONTINUOUS ASSESSMENT

Employing a simultaneously top-down and bottom-up approach enables Elia Group SA/NV to identify and, where possible, anticipate forthcoming events and react to any incidents occurring inside or outside the organisation which might affect the attainment of objectives.

TOP-DOWN APPROACH BASED ON STRATEGIC RISKS

Elia Group SA/NV's strategic risk assessments were reviewed in 2021 three times a year in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

BOTTOM-UP APPROACH WITH REGARD TO BUSINESS

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and the Executive Management Board remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Operational management assesses the relevant risks and puts forward action plans. The Board of Directors, upon the advice of the Audit Committee, must approve any significant changes to assessment rules. Risk Management is instrumental for Elia Group SA/NV to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia Group SA/NV's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

Control activities

MAIN CONTROL ACTIVITIES

Elia Group SA/NV has established internal control mechanisms at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include:

- (i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers;
- (ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them;
- (iii) data security and integrity through the appropriate allocation of rights;
- (iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures. Departmental managers are responsible for establishing activities to control the risks inherent to their department.

FINANCIAL REPORTING PROCEDURE

For all significant financial reporting risks, Elia Group SA/NV sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results. Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates. The combination of all these controls ensures the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality. In identifying those risks that may affect the achievement of financial reporting objectives, the Executive Management Board takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based

on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud.

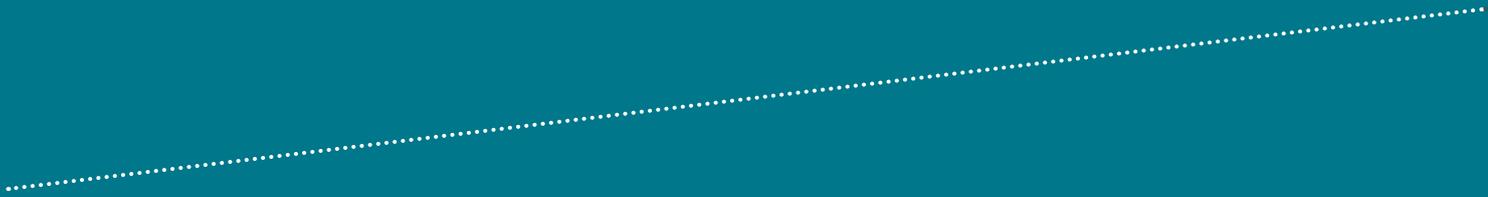
Information and communication

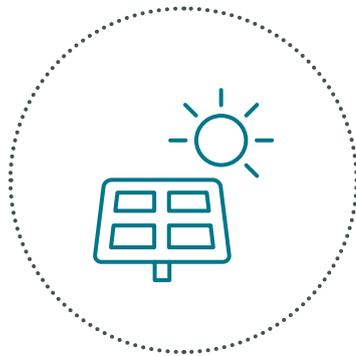
Elia Group SA/NV communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, Elia Group SA/NV records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications. Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts. At group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Executive Management Board and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

Monitoring

Elia Group SA/NV continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad hoc assessments on selected topics. Monitoring activities include (i) monthly reporting of strategic indicators to the Executive Management Board and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling. Consideration is also given to third-party feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows Elia Group SA/NV to keep on making improvements. Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to Elia Group SA/NV. The findings of those reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate financial reporting procedures. The group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. In entities that have an Audit Committee, the recommendations, action plans and their implementation are reported annually to that Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

2. Investor relations





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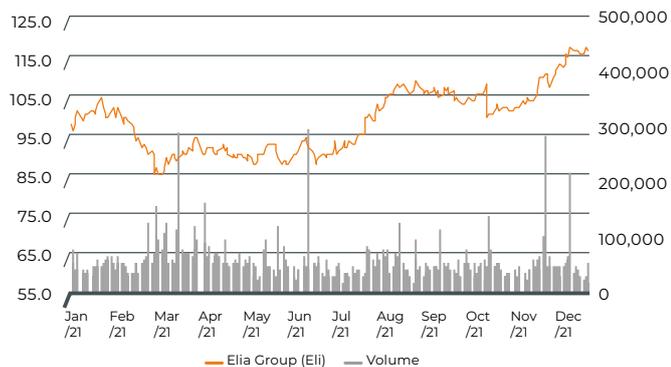
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Elia Group's share price in 2021

Elia group SA/NV on the stock exchange

Record high for the Elia Group share in 2021 despite volatile markets

EVOLUTION IN PRICE AND TRADED VOLUMES



EVOLUTION OF THE ELIA GROUP SHARE AGAINST THE BEL20 INDEX



EVOLUTION OF THE ELIA GROUP SHARE AGAINST ITS EUROPEAN COUNTERPARTS



Almost two years on from the beginning of the COVID-19 pandemic and financial markets have remained volatile and dominated by COVID-19 related news flows. Despite the continuation of this unprecedented public health crisis, most of Elia Group SA/NV's operational activities continued supported by their socio-economic importance and the group's vigorous efforts to ensure business continuity.

Driven by the highly regulated nature of our activities, Elia Group SA/NV delivered solid financial results driven by the realisation of investments in Belgium and Germany and strong a strong performance of Nemo Link.

The Elia Group share price, closed the year at a price of €115.70, up 18.67% from €97.50 at the end of 2020. On the 3 March 2021 the share price hit a low of €84.60 and recorded a high of €117.10 on 29 December 2021. The approved dividend of €1.71 for 2020 was paid, leading to a total yearly return of 15.55% inline with peers and the BEL 20 Index.

Liquidity of the Elia Group share increased to 57,532 in shares traded per day in 2021. This increase in liquidity was also supported by the re-entrance of Elia Group SA/NV in the BEL20 index

With 68,728,055 shares outstanding, the company's market capitalisation stood at €7,951,835,964 at the end of December 2021.

Information on treasury shares – liquidity agreement

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors of Elia Group SA/NV and, to the extent necessary, to any third party acting on behalf of Elia Group SA/NV.

In view of the above, Elia Group SA/NV has entered into a liquidity agreement with Exane BNP Paribas providing the latter with the mandate to purchase and sale Elia Group shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorized by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

Table I below provides an overview of the treasury shares acquired or disposed of in 2021 within the framework of the liquidity agreement. Table II below provides a more specific overview of the disposals of treasury shares in 2021.

TABLE I: EVOLUTION OF TREASURY SHARES

	Number of shares	Accounting par value	Percentage of capital	Consideration for the acquired or transferred shares (€)
Treasury shares acquired in 2021	270,331	24.94	0.39%	28,354,836
Treasury shares disposed of in 2021 ⁴⁴	-263,083	24.94	-0.38%	-27,628,488
Situation per 31/12/2021	7,248	24.94	0.01%	726,347

TABLE II: OVERVIEW OF THE DISPOSALS OF TREASURY SHARES

Date	Number of shares	Accounting par value	Percentage of capital	Average price (€)	Lowest price (€)	Highest price (€)
2021	263,083	24.94	0.38%	97.85	106.20	117.60

The voting rights of all treasury shares are suspended by law. As per 31 December 2021, Elia Group SA/NV had 7,248 treasury shares that are not entitled to dividend rights.

Dividend

On 22 February 2022, Elia Group SA/NV Board of Directors decided to propose a nominal dividend of €120.3 million, or €1.75 per share (gross) to the general meeting of shareholders of 17 May 2022, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders. This represents an increase in dividend for the sixth consecutive year and an increase of 2.34% compared to 2020. This gives a net dividend of €1.225 per share.

The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC and Belfius. Dividend pay-outs for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia Group SA/NV will pay out dividends on registered shares directly to shareholders.

Dividend policy

On 21 March 2019, the Board of Directors formally approved the policy it intends to apply when proposing dividends to the general meeting of shareholders. Under this policy, the full-year dividend growth is intended not to be lower than the increase of the Consumer Price Index ("inflation") in Belgium. The policy supports the group's long-term ambition to offer a secure dividend in real terms to the shareholders while at the same time enabling the group to sustain a strong balance sheet that is needed to fund the group's investment program.

Nevertheless, future dividends will remain dependent upon the results of the group (which are affected by a number of factors, outside the company's control) as well as the company's financial situation, financing needs (in particular, capital expenditures and investment plan) and business perspectives. The proposed dividend represents a pay-out ratio of 43.6% of the IFRS reported profit attributable to owners of ordinary shares.

⁴⁴ As the shares were disposed of on Euronext Brussels, Elia Group SA/NV has no information on the identity of the acquirers.

44.8%
CONTRIBUTION OF GERMANY
TO THE NET PROFIT
ATTRIBUTABLE TO THE ELIA GROUP

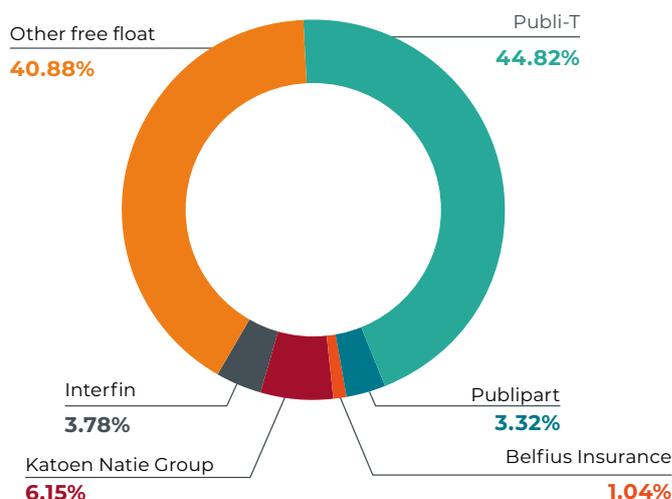
1.75€
GROSS DIVIDEND
PER SHARE

FINANCIAL CALENDAR

15 April 2022	Publication Annual Report 2021
17 May 2022	General meeting of shareholders
18 May 2021	Quarterly statement for Q1 2022
01 June 2022	Payment of 2021 dividend
27 July 2022	Publication of 2022 half-year results
25 November 2022	Quarterly statement for Q3 2022

SHAREHOLDER STRUCTURE

Based on transparency declarations received by the company (in accordance with the Act of 2 May 2007 and the Royal Decree of 14 February 2008.



INVESTORS

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Elia

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1000 Brussels, Belgium

Tel.: +32 2 546 74 29

Fax: +32 2 546 71 80

E-mail: investor.relations@elia.be

Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia Group website www.eliagroup.eu.

Key figures

(in € million)	2021	2020	2019	2018	2017 ⁴⁵	2016
Consolidated results						
Total revenue and other income	2,859.7	2,473.6	2,319.0	1,931.8	867.1	868.1
EBITDA ^(*)	1,006.9	1,005.6	930.2	750.5	455.4	425.0
Results from operating activities (EBIT) ^(*)	540.1	578.5	569.7	502.6	324.6	295.0
Net finance costs	(106.6)	(141.5)	(139.6)	(93.2)	(76.5)	(82.9)
Income tax	(105.2)	(129.1)	(121.0)	(102.2)	(39.6)	(32.0)
Adjusted net result ^{(*)46}	328.3	308.1	306.2	280.8	203.4	168.0
Reported net result	328.3	307.9	309.1	307.1	208.5	179.9
<i>Non-controlling interest</i>	33.1	38.5	35.5	25.7	0.0	0.0
<i>Hybrid securities</i>	19.2	19.3	19.3	6.2	0.0	0.0
Profit attributable to owners of ordinary shares	276.0	250.1	254.3	275.2	208.5	179.9
(in € million)	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Consolidated balance						
Total assets	18,144.3	15,165.6	13,893.4	13,754.3	6,582.3	6,241.5
Equity attributable to owners of the company	4,552.0	4,173.2	4,022.3	3,447.5	2,563.3	2,511.4
<i>Equity attributable to owners of the parent – ordinary shareholders</i>	3,850.6	3,471.8	3,320.9	2,741.3	2,563.3	2,511.4
<i>Equity attributable to owners of the parent – Hybrid securities holders</i>	701.4	701.4	701.4	706.2	0.0	0.0
Net financial debt	4,886.3	7,465.0	5,523.1	4,605.6	2,689.1	2,557.3
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Other key figures						
Regulatory Asset Base (RAB) (bn EUR) ⁴⁷	10.3	9.7	9.1	9.2	7.4	7.1
Dividend per share (EUR)	1.75	1.71	1.69	1.66	1.62	1.58
Return on Equity (%)	6.49%	6.46%	6.80%	8.16%	8.14%	7.16%
Return on Equity (adj.) ^(*)	7.56%	7.20%	7.66%	10.04%	8.14%	7.16%
Earnings per share (adj.) (EUR) ^(*)	4.02	3.64	3.91	4.52	3.42	2.95
Equity per share (EUR)	56.0	50.5	48.4	44.9	42.1	41.2
Number of shares (period-end)	68,728,055	68,720,695	68,652,938	61,015,058	60,901,019	60,753,714

(*) Detailed glossary of definitions is included in Appendix.

⁴⁵ The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated

⁴⁶ The adjusted net result has been introduced in 2019 as an Alternative Performance Measure. This represents the Normalised net result in prior years

⁴⁷ The Regulatory Asset Base includes 60% of the RAB of 50Hertz until 2017 and 80% of the RAB as from 2018. In 2019, the composition of the RAB is no longer including EEG and similar surcharges due to change in regulation

Management discussion

Management report and analysis of the 2021 results

2021 Highlights

- Grid investments totalling €376.7 million in Belgium and €850.9 million in Germany made to ensure a reliable, sustainable and affordable energy system
- Good progress on major infrastructure works with new cooperation agreements signed with other transmission system operators
- Belgium's first CRM auction organised
- Partnerships shaping the future energy market to facilitate the transition to a sustainable energy system
- Adjusted net profit up by 6.6% reaching €328.3 million, following Nemo Link's very strong performance and solid operations in Belgium which offset the reduced result in Germany, driven by increased operational expenses
- A dividend of €1.75 per share will be proposed at the General Meeting of 17 May 2022

As a system operator, we are in a privileged position: we are delivering the appropriate grid infrastructure, running a reliable power system and developing new market products to integrate more and more renewables into the system, whilst also enabling others to see what is coming. In this phase of transition, our advisory role is very important. We have access to information which allows us to provide many players with interesting insights. It is our societal responsibility to share the results of our studies and our vision with our stakeholders, engage in dialogue with them and help them understand the context of the energy transition.

Elia Group

Key figures (in € million)	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	2,859.7	2,473.6	15.6%
Equity accounted investees	49.4	9.2	437.0%
EBITDA	1,006.9	1,005.6	0.1%
EBIT	540.1	578.5	(6.6%)
<i>Adjusted items</i>	0.0	(0.3)	n.r.
<i>Adjusted EBIT</i>	540.1	578.8	(6.7%)
Net finance costs	(106.6)	(141.5)	(24.7%)
Adjusted net profit	328.3	308.1	6.6%
Net profit	328.3	307.9	6.6%
<i>Non-controlling interests</i>	33.1	38.5	n.r.
<i>Net profit attributable to the Group</i>	295.2	269.4	9.6%
<i>Hybrid securities</i>	19.2	19.3	n.r.
<i>Net profit attributable to owners of ordinary shares</i>	276.0	250.1	10.4%
Key figures of the financial position (in € million)	2021	2020	Difference (%)
Total assets	18,144.3	15,165.6	19.6%
Equity attributable to owners of the company	4,552.0	4,173.2	9.1%
Net financial debt	4,886.3	7,465.0	(34.5%)
Key figures per share	2021	2020	Difference (%)
Reported earnings per share (EUR) (Elia share)	4.02	3.64	10.4%
Return on Equity (adj.) (%) (Elia share)	7.56	7.20	4.9%
Equity attributable to owners of the company per share (EUR)	56.0	50.5	10.9%

Results

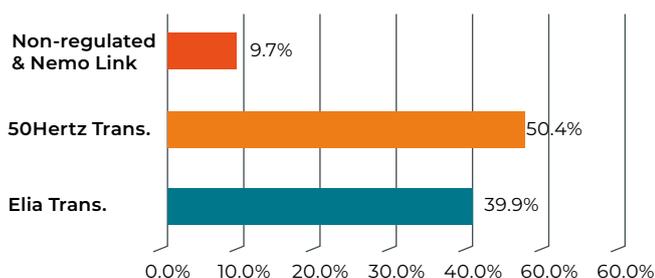
Elia Group's adjusted net profit increased by 6.6%, reaching €328.3 million, driven by the realisation of investments in Belgium and Germany and a strong performance from Nemo Link and was partially offset by the lower result of 50Hertz Transmission due to higher operational costs.

- Looking at the various segments, **Elia Transmission** (Belgium) realised solid results with an adjusted net profit of €131.0 million (+€6.2 million). The higher result was mainly due to a higher fair remuneration and a higher performance on incentives and was offset by lower capitalised borrowings and a lower contribution from employee benefits.
- In Germany, **50Hertz Transmission** (on a 100% basis) recorded a lower adjusted net profit of €165.4 million (-€27.2 million), which was driven by pressure on operational cost due to peaks in maintenance, higher IT costs following our effort to transform into a digital TSO, and higher personnel costs while we increased our talent pool; this was partially offset by one-off regulatory settlements linked to changes in regulation, higher investment remuneration following the asset growth, and higher financial result due to lower interest costs.
- The **non-regulated segment and Nemo Link** posted strong results with an adjusted net profit of €31.9 million (+€41.2 million), which were driven by the very strong performance of Nemo Link and lower regulatory settlements; these were partially offset by higher holding and business development costs. The contribution from Elia Grid International and re.alto remained limited and flat year-over-year.

No **adjusting items** were recorded over 2021.

The **net profit of Elia Group attributable to the owners of ordinary shares** (after deducting the €33.1 million in non-controlling interest and €19.2 million attributable to hybrid securities holders) was up by 10.4%, reaching €276.0 million.

COMPONENTS OF ELIA GROUP'S ADJUSTED NET PROFIT



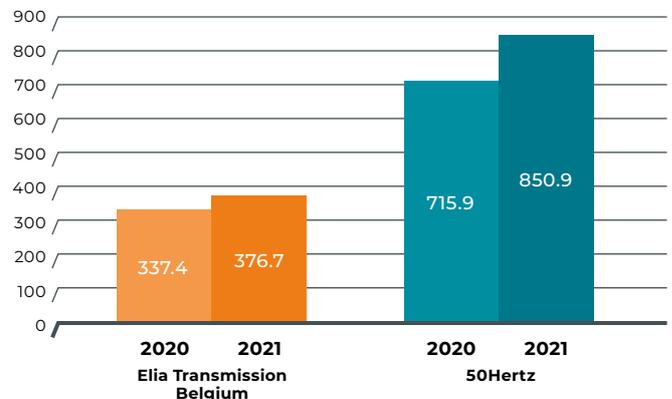
Capital expenditures

Our large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway, enabling the establishment of an integrated European energy system that includes large amounts of distributed renewable production and cross-border electricity flows. The COVID-19 measures did not impede progress on these projects. During the summer months, the flooding in Belgium caused the need for unforeseen repair work on some of our high-voltage substations. Thanks to the huge amounts of commitment demonstrated by our employees, this work was finalised in record time.

In 2021, Elia Group invested €1,227.6 million in the creation and delivery of its onshore and offshore electricity transmission infrastructure, sustainable enhancement of its operational practices,

upgrading of the market design and facilitation of the digitalisation of the power sector leading to a growth of the Regulatory Asset Base (RAB) of 6.19%.

ELIA GROUP INVESTMENTS IN 2021 TOTALS €1,227.6 M



Good progress on major infrastructure works

Strengthening the Belgian backbone

To strengthen Belgium's electricity backbone, several major infrastructure works were undertaken along both its north-south and east-west axes. Since the works were carried out on existing high-voltage lines, this required appropriate planning to avoid compromising the country's security of supply.

Of particular importance were the works carried out on the high-voltage lines of **Zandhoven-Kinrooi** and **Avelgem-Avelin**. These are being equipped with a new type of conductor (HTLS technology) that can transport more power without generating higher impact on the landscape. These projects will allow Elia to better distribute and transmit increased electricity flows throughout the country and to its neighbouring countries. The works are being undertaken in phases across several years, with the construction site shifting along the routes as each phase of work is completed. The works on the Avelgem-Avelin line will be finalised by the end of 2022.

In order to optimise Elia's grid to the east of the Province of Liège and enhance the integration of renewable energy in the area, Elia is reinforcing the **Boucle de l'Est** (70 kV to 110 kV) overhead line; as part of this, in 2021, it began dismantling the **Ans-Bressoux** (70 kV) line, paying particular attention to the protection of biodiversity as it did so.

Finally, Elia started expanding the Mercator high-voltage substation in Kruikebeke, which plays a crucial role as part of the north-south axis of Belgium's 380 kV backbone, and is related to the upcoming reinforcements which are due to be undertaken between **Liefkenshoek-Kruikebeke (Brabo III)** and **Kruikebeke-Dilbeek**.

At the **Monceau-sur-Sambre** high-voltage substation, a phase-shifting transformer (PST) was successfully commissioned. This forms an important part of Belgium's connection to France. The project has involved the upgrading of five substations and the laying of 60 km of cable, improving the supply of electricity throughout the region.

Further expansion of the German grid

Important steps were taken throughout 2021 as part of the realisation of the **Ostwind 2** project, which involves the German electricity grid being connected to two new offshore wind farms in the Baltic Sea: Arcadis Ost 1 and Baltic Eagle. The wind farms are set to be commissioned in 2023 and 2024 and will provide a total generation capacity of around 725 MW.

The first two of three 220 kV cable sections have been installed along the seabed. Work is now underway to complete the third section of the submarine cable. Land cables have also been successfully laid between the landing point (where the submarine cable meets the mainland) and the onshore Lubmin substation. To limit the environmental impact of the works, underground protective pipes were installed using horizontal drilling. Work on the Arcadis Ost 1 offshore transformation platform is also on schedule: it was transported from Gdansk (Poland) to a shipyard in Aalborg (Denmark), where assembly of the electrical equipment has started. The offshore installation phase will start in 2022.

50Hertz has started work on its **Kabeldiagonale Berlin** project, which involves laying cables along a tunnel that is around seven kilometres long and runs between two transformer stations some 20 to 30 metres underground. The 380 kV cables, which will replace an old cable system, will transmit more electricity to the central districts of Berlin.

The works on upgrading the eastern section of the 380 kV **Nordring Berlin** line (which is 75 kilometres long) can now continue after a complaint against the project was dismissed by the courts. This project will replace a 220 kV connection dating back to the 1950s with a new 380 kV line, which has a much higher capacity.

Foundation work has begun along the southern section of the **Uckermark line**. This new 115 km line 380 kV line will connect the Bertikow substation (near Prenzlau) to Neuenhagen in northern Berlin and will transport wind power from the north-east of Germany to the Berlin area. The Bundesnetzagentur, the German regulator, has given the go-ahead for the construction of the 380 kV power line between the Bertikow substation and the Pasewalk substation (in Mecklenburg-Western Pomerania). The 30 km high-voltage line will replace an existing 220 kV line and will increase the transmission capacity in the region by a factor of four.

Construction work aimed at replacing pylons and conductors has also begun on the 380 kV overhead line (150 km-long) between **Pulgar** (Saxony) and **Vieselbach** (Thuringia). In 2021, the eastern section (27 km) was built and commissioned through the use of simplified permit procedures, in accordance with the law. The reinforcement of the Pulgar-Vieselbach project should be finished by 2025. The reinforcement works will increase the current transmission capacity by about 40%.

50Hertz has opened a new substation near Altdöbern. A great deal of renewable energy is integrated into the extra-high-voltage electricity grid here. Over the next five years, 50Hertz will upgrade 19 of its substations and build three new ones.

(in € million)	2021	2020
Net debt	4,886.3	7,465.1
Leverage (D/E) (incl. NCI & hybrid)	1.6x	1.8x
Net debt / EBITDA	4.9	7.4
EBITDA / Gross interest	9.1	6.8
Average cost of debt	1.67%	1.89%
% fixed of gross debt	100.0%	100%

Net debt and credit metrics

Elia Group carried a total **net financial debt** of €4,886.3 million (-€2,578.7 million) at the end of 2021.

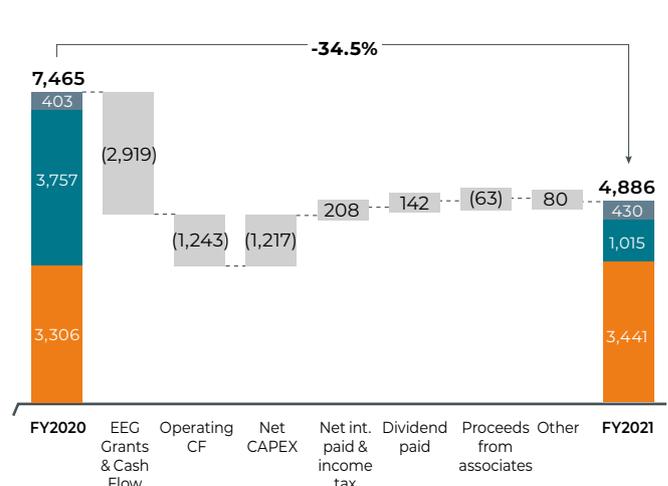
The decrease was entirely attributable to **Germany** (-€2,741.7 million), as 50Hertz benefitted from three federal compensation payments (€2,160.0 million) to pay back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020. Additionally, it benefitted from a very high EEG cash in (+€758.9 million) which resulted from the very high energy market prices, while the investment programme was mainly financed from operating cash flow.

In **Belgium**, Elia's net debt rose slightly (+€135.4 million) with organic growth financed by cash flow from operating activities and the drawing of commercial paper (€60 million).

Elia Group had access to diversified sources of finance and tapped into the debt capital market to strengthen and secure its liquidity position for the further expansion of its grid. In April, Eurogrid GmbH took advantage of favourable market conditions to issue a €500 million senior bond and a coupon of 0.741%, thus securing part of the liquidity for its upcoming investment programme. Following this transaction, Elia Group's average costs of debt decreased to 1.67% (down 22 bps), mainly to the benefit of society.

Standard & Poor's credit rating of Elia Group remained BBB+ with a stable outlook. The Group further progressed on its sustainable finance journey: after the green bond debut of Eurogrid GmbH and the sustainability-linked RCF of Elia Transmission Belgium in 2020, the latter published its Green Finance Framework at the end of 2021, paving the way for future green financing in Belgium.

2021 NET DEBT EVOLUTION



Elia Transmission in Belgium

Elia Transmission Belgium key figures (in € million)	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,199.5	1,004.7	19.4%
<i>Revenues</i>	1,009.8	858.1	17.7%
<i>Other income</i>	68.3	57.5	18.8%
<i>Net income (expense) from settlement mechanism</i>	121.4	89.1	36.3%
Equity accounted investees	2.3	1.9	21.1%
EBITDA	432.2	425.8	1.5%
EBIT	227.1	237.5	(4.4%)
<i>Adjusted items</i>	0.0	0.0	n.r.
<i>Adjusted EBIT</i>	227.1	237.5	(4.4%)
Net finance costs	(63.1)	(66.4)	(5.0%)
Income tax expenses	(32.9)	(46.3)	(28.9%)
Net profit	131.0	124.8	5.0%
<i>Adjusted items</i>	0.0	0.0	n.r.
<i>Adjusted net profit</i>	131.0	124.8	5.0%
Key figures of the financial position (in € million)	2021	2020	Difference (%)
Total assets	7,153.5	7,008.4	2.1%
Total equity	2,445.5	2,265.2	8.0%
Net financial debt	3,441.0	3,305.6	4.1%
Free cash flow	(117.6)	(260.8)	(54.9%)

Elia Transmission's revenue was up 19.4% compared with 2020, increasing from €1,004.7 million to €1,199.5 million. This revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, driven by the high gas prices and an energy mix characterised by a high nuclear base load and more onshore wind and solar generation. This was partially offset by lower financial costs which were driven in 2020 by the refinancing of a shareholder loan, costs for unwinding the interest rate swap and lower taxes due to higher Innovation Income Deduction, which were all passed through into revenue.

EBITDA rose slightly to €432.2 million (+1.5%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and was offset by lower financial costs and income tax that are all passed through into revenue. The decrease in **EBIT** (-4.4%) was driven by depreciations of assets not covered by tariffs being the intangible assets expensed during the previous regulatory period and activated under IFRS (€7.4 million), leasing contracts (€7.9 million) and capitalised borrowing costs (€2.4 million). The contribution of equity-accounted investments rose slightly to €2.3 million due to a higher contribution from HGRT.

Net finance cost decreased by €3.3 million (-5.0%) compared to the previous year, mainly driven by the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (€5.2 million) in 2020 and costs for setting up a sustainability-linked RCF (€1.5 million) in 2020. This was partially offset by higher interest costs following last year's Eurobond issue (€800 million) in April and a lower activation of borrowing costs (€3.4 million) since some major commissioning in 2020. Elia Transmission Belgium has a well-balanced debt maturity profile with no upcoming near-term

maturities. The average cost of debt was 1.91% at the end of 2021 compared to 1.93% at the end of 2020, benefitting consumers.

Elia Transmission achieved solid results, with an **adjusted net profit** that increased by 5.0% to €131.0 million, mainly driven by:

- A higher **fair remuneration** (+€6.2 million) due to asset growth and higher equity.
- An increase in **incentives** (+€5.1 million), reflecting a strong operational performance and efficiency primarily with respect to incentives linked to interconnection capacity, the availability of the grid, the timely commissioning of projects, innovation and controllable costs. This was partly offset by lower performance on data quality incentive and balancing. Additionally, the average tax rate decreased due to a higher innovation income deduction, leading to a higher net contribution from incentives.
- Lower **capitalised borrowing costs** due to a lower level of assets under construction and lower average cost of debt (-€3.8 million).
- Less **major damage to electrical installations** compared to the previous year (+€3.7 million).
- **Employee and tax provisions** (-€8.8 million), which were mainly driven by a lower contribution from employee benefits to plan assets. Additionally, last year's provision benefited from a one-off change in plan assets of a defined benefit plan (€3.9 million) and the reversal of a tax provision (€1.6 million).
- A lower **depreciation of software** acquired prior to 2020 (+1.6 million), as some of the assets acquired during the previous regulatory period and covered by its regulatory methodology were written off.

Other (+€2.3 million): this was primarily due to the depreciation of issuance costs linked to the previous year's Eurobond issue while fully covered by tariffs (-€2.3 million) and offset by lower share-based payment expenses for a capital increase in favour of the members of the personnel (+€1.4 million) and deferred tax effects (+€3.1 million).

Total assets rose by €145.1 million to €7,153.5 million, mainly due to execution of the investment programme. The **net financial debt** increased to €3,441.0 million (+4.1%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and

the drawing of commercial paper (€60 million). The sustainability-linked RCF (€650 million) is fully undrawn while a significant portion of the commercial paper programme (€240 million) remains unused. Elia Transmission Belgium is rated BBB+ with a stable outlook by Standard & Poor's.

Equity increased to €2,445.5 million (+€180.3 million), mainly due to the reservation of the 2021 profit (+€131.0 million), the revaluation of post-employment benefit obligations linked to an increase of the discount rate (+€18.1 million) and a lower allocation of equity towards Nemo Link (+€30.4 million).

50Hertz Transmission in Germany

50Hertz Transmission key figures (in € million)	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,716.9	1,454.9	18.0%
<i>Revenue</i>	1,569.9	1,353.6	16.0%
<i>Other income</i>	95.1	90.1	5.5%
<i>Net income (expense) from settlement mechanism</i>	51.9	11.2	n.r.
Equity accounted investees	0.0	0.0	
EBITDA	534.0	578.6	(7.7%)
EBIT	272.9	340.1	(19.8%)
<i>Adjusted items</i>	0.0	0.0	n.r.
<i>Adjusted EBIT</i>	272.9	340.1	(19.8%)
Net finance costs	(34.7)	(62.5)	(44.5%)
Income tax expenses	(72.8)	(84.9)	(14.3%)
Net profit	165.4	192.6	(14.1%)
<i>Of which attributable to Elia Group</i>	132.3	154.1	(14.1%)
<i>Adjusted items</i>	0.0	0.0	n.r.
Adjusted net profit	165.4	192.6	(14.1%)
Key figures of the financial position (in € million)	2021	2020	Difference (%)
Total assets	9,941.3	7,028.4	41.4%
Total equity	1,928.7	1,631.4	18.2%
Net financial debt	1,014.9	3,756.6	(73.0%)
Free cash flow	2,889.4	(1,526.4)	(289.3%)

50Hertz Transmission's total revenues and other income was up compared to the previous year (+18.0%) growing from €1,454.9 million to €1,716.9 million. The two main drivers of this increase are the revenue from incentive regulation (+€109.5 million) and the energy revenues (+€108.1 million), due to the soaring energy prices in the second half of 2021.

EBITDA decreased to €534.0 million (-7.7%). The growing asset base benefitted the investment remuneration (+€13.6 million), but the business expansion led to pressure on the operating expenses. Onshore maintenance costs increased (-€12.3 million), driven by a peak in the maintenance cycle. As the grid was expanded and reinforced, old onshore assets were taken out of operation and decommissioned, leading to higher losses from sale and disposal (-€7.7 million). Furthermore, personnel costs rose, as we kept expanding our talent pool to deliver on the energy transition and manage the increasing complexity of system operations (-€19.9 million). In order to efficiently manage this growing complexity,

the digitalisation of the business is progressing, as reflected by higher IT expenses (-€4.2 million). After the COVID-19 measures in 2020, the company returned to full speed in 2021. Consequently, operational expenses for areas such as consulting, external services and travelling increased (-€13.9 million). Furthermore, 2020 included revenues from a penalty payment (-€6.8 million). Finally, EBITDA benefitted from one-off revenues from the regulatory settlement and related provisions amounting to €42.4 million (+€5.1 million); €10.5 million of this originated from the settlement for the year 2018 and €31.7 million originated from the refund of clawback amounts ("Abzugsbeträge"). The clawback payments are part of the regulatory "Investment Measures" mechanism, which will be phased out as of 2024 and replaced by the Capital Cost Adjustment model. As part of the transition, the ordinance includes a partial refund of historical clawback amounts, which was accrued in 2021.

There was a more pronounced decrease in **EBIT** (-€67.2 million) due to increasing depreciations (-€15.1 million) following the com-

missioning of projects, such as the Kriegers Flak Combined Grid Solution. Furthermore, the change in operating provisions was lower than for the previous year (-€7.5 million). No adjusted items occurred in 2021.

The **adjusted net profit** declined to €165.4 million (-14.1%) as a result of:

- Higher onshore OPEX and other costs (-€35.3 million), driven by the expansion and digitalisation of the business, a peak in the maintenance cycle and losses from asset disposal.
- Higher personnel costs (-€14.0 million), mainly from increases in staff numbers.
- Increased depreciations (-€10.6 million), driven by the commissioning of projects.
- These effects were partially compensated by:
- Higher regulatory settlements and related provisions (+€3.6 million).
- Higher investment remuneration (+€9.6 million) following the growth of the asset base.
- Higher financial results (+€19.5 million), as a high interest rate bond was refinanced with more favourable conditions (+€6.0 million). Additionally, forward interest rates increased, leading to lower interest costs on provisions (+€13.5 million).

Total assets rose by €2,912.9 million compared to 2020 mainly due to a favorable development of the EEG business and further progress on the investment programme. The free cash flow totalled €2,889.4 million and was heavily affected by the high cash inflow for the EEG account (+€2,918.9 million). In 2021, 50Hertz received three federal payments (€2,160.0 million) to cover the cash deficit build up in 2020 and pay back the revolving credit facilities (€700 million) contracted at the end of last year to cover this EEG deficit. The EEG cash flow was further uplifted by the strong increase in energy prices during the second half of 2021, leading to higher cash-in than expected.

The total equity increased by €297.3 to €1,928.7 million. Due to a change in accounting policy, hedge accounting is applied, as of 2021, to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, taking place in a context of strong energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income. However, as the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

Non-regulated activities & Nemo Link

Non-regulated activities and Nemo Link Key figures (in € million)	2021	2020	Difference (%)
Total revenues and other income	36.8	34.7	6.1%
Equity accounted investees	47.1	7.4	536.5%
EBITDA	40.8	1.1	3609.1%
EBIT	40.3	0.9	4377.8%
<i>Adjusted items</i>	0.0	(0.3)	(100.0%)
<i>Adjusted EBIT</i>	40.3	1.2	3294.4%
Net finance costs	(8.9)	(12.6)	(29.4%)
Income tax expenses	0.5	2.2	n.r.
Net profit	31.9	(9.5)	(435.8%)
<i>Of which attributable to the Elia Group</i>	31.9	(9.5)	(435.8%)
<i>Adjusted items on net profit</i>	0.0	(0.2)	(100.0%)
Adjusted net profit	31.9	(9.3)	(443.6%)
Key figures of the financial position (in € million)	2021	2020	Difference (%)
Total assets	1,654.0	1,766.7	(6.4%)
Total equity	1,142.9	1,187.7	(3.8%)
Net financial debt	430.4	402.9	6.8%

Non-regulated revenue increased by 6.1% to €36.8 million compared to 2020. This is the result of lower revenues generated by Elia Grid International ('EGI') (-€7.3 million), as the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a delay in projects and offset by higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz.

Equity-accounted investments contributed €47.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**.

With an availability rate of 99.1%, Nemo Link continues to be one of the highest performing assets of its kind. Strong nuclear availability in continental Europe, increased gas and carbon prices and general scarcity in the UK positively affected market price-spread, at the benefit of the congestion market, main revenue stream of the asset. Nemo Link performed strongly, leading to a total net profit of €94.0 million and a contribution of €47.0 million to Elia Group's net profit.

Adjusted EBIT rose to €40.3 million (+€39.1 million). This increase was entirely due to the higher contribution from Nemo Link (+€39.7 million), a lower operating loss for re.alto due to lower development costs and the generation of initial fee income (+€0.5 million); it was partially offset by higher operating costs at the holding linked to the pursuit of inorganic growth ambitions (-€0.9 million). Despite the drop in revenues, EGI's EBIT remained flat, reflecting the cost control measures in COVID times.

Net finance cost fell to €8.9 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The previous year's financial costs were mainly impacted by regulatory settlements which amounted to €3.4 million.

Adjusted net profit increased strongly by €41.2 million to €31.9 million, mainly as a result of:

- Higher contribution from Nemo Link (+€39.7 million).
- Lower regulatory settlements for 2020 (+€2.2 million).
- Lower loss of re.alto (+€0.4 million), due to lower costs and initial fee income.
- Higher holding costs driven by business development activities (-€1.0 million).
- Other items (-€0.1million) driven by lower other non-regulated costs while EGI remained flat year-over-year.

Total assets dropped slightly to €1,654.0 million (-6.4%) and the net financial debt increased to €430.4 million (+6.8%), driven by the use of liquidity by Elia Group SA to pay for last year's dividend; it was partially offset by the yearly reimbursement of the Nemo Link amortising loan.

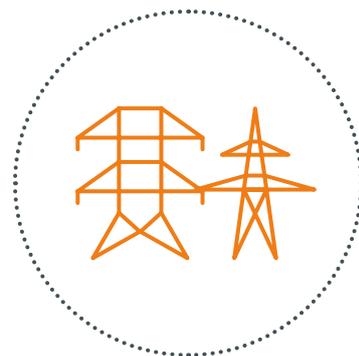
Adjusting items - reconciliation table

(in € million) - Period ended 31 December 2021	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	0.0	0.0	0.0	0.0	0.0
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	0.0	0.0	0.0	0.0	0.0

(in € million) - Period ended 31 December 2020	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	0.0	0.0	(0.3)	0.0	(0.3)
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – adjusted items	0.0	0.0	(0.2)	0.0	(0.2)

3. Consolidated financial statements





DECLARATION BY RESPONSIBLE PERSONS

The undersigned declare that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting policies for financial statements, give a true and fair view of the assets, the financial position and results of Elia and of its subsidiaries included in the consolidation;
- the annual report gives a true and fair view of the evolution and the results of the Company and of the situation of Elia and of its subsidiaries included in the consolidation, as well as a description of the most significant risks and uncertainties they are facing.

Brussels, 31 March 2021

Catherine Vandendorpe
Chief Financial Officer

Chris Peeters
Chairman of the Management Committee
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) – Year ended 31 December	Notes	2021	2020
Revenue	(5.1)	2,551.3	2,209.6
Raw materials, consumables and goods for resale	(5.2)	(83.1)	(86.2)
Other income	(5.1)	135.1	163.6
Net income (expense) from settlement mechanism	(5.1)	173.3	100.3
Services and other goods	(5.2)	(1,443.6)	(1,051.7)
Personnel expenses	(5.2)	(334.1)	(307.2)
Depreciation, amortisation and impairment	(5.2)	(467.5)	(432.5)
Changes in provisions	(5.2)	0.7	5.5
Other expenses	(5.2)	(41.4)	(32.1)
Results from operating activities		490.7	569.3
Share of profit of equity accounted investees (net of tax)	(6.4)	49.4	9.2
Earnings before interest and tax (EBIT)		540.1	578.5
Net finance costs	(5.3)	(106.6)	(141.5)
Finance income		3.9	6.6
Finance costs		(110.5)	(148.1)
Profit before income tax		433.5	437.0
Income tax expense	(5.4)	(105.2)	(129.1)
Profit for the period		328.3	307.9
Profit attributable to:			
Equity holders of the parent - equity holders of ordinary shares		276.0	250.1
Equity holders of the parent - hybrid securities		19.3	19.3
Non-controlling interest		33.1	38.5
Profit for the period		328.3	307.9
Earnings per share (in €)	(5.5)		
Basic earnings per share		4.02	3.64
Diluted earnings per share		4.02	3.64

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of profit or loss and comprehensive income

(in € million) — Year ended 31 December	Notes	2021	2020
Profit for the period		328.3	307.9
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedges	(5.6)	356.2	5.0
Related tax		(105.8)	(1.3)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.13)	27.4	(8.1)
Net changes in fair value of investments	(5.6)	0.0	15.0
Related tax		(7.0)	2.2
Other comprehensive income for the period, net of tax		270.8	12.8
Total comprehensive income for the period		599.1	320.7
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		496.3	260.4
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		83.5	41.0
Total comprehensive income for the period		599.1	320.7

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of financial position

(in € million) – Year ended 31 December	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS		13,867.5	13,044.0
Property, plant and equipment	(6.1)	10,859.5	10,094.4
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	148.6	105.4
Equity-accounted investees	(6.4)	309.6	323.1
Other financial assets	(6.5)	136.3	104.5
Trade and other receivables non-current		0.5	0.5
Deferred tax assets	(6.6)	1.9	5.0
CURRENT ASSETS		4,276.8	2,121.6
Inventories	(6.7)	21.6	39.0
Trade and other receivables	(6.8)	861.3	1,475.4
Current tax assets	(6.9)	10.1	3.4
Other financial assets	(6.5)	316.2	0.0
Cash and cash equivalents	(6.10)	3,049.5	590.1
Deferred charges and accrued revenues	(6.8)	18.1	13.7
Total assets		18,144.3	15,165.6
EQUITY AND LIABILITIES			
EQUITY		4,938.4	4,500.0
Equity attributable to owners of the Company	(6.11)	4,552.0	4,173.1
Equity attributable to ordinary shares:		3,850.6	3,471.7
Share capital		1,709.2	1,709.1
Share premium		262.9	262.4
Reserves		173.0	173.0
Hedging reserve		197.1	(3.3)
Treasury shares		(0.8)	0.0
Retained earnings		1,509.2	1,330.5
Equity attributable to hybrid securities holders	(6.11)	701.4	701.4
Non-controlling interest		386.4	326.9
NON-CURRENT LIABILITIES		8,471.3	7,823.6
Loans and borrowings	(6.12)	7,741.7	7,249.6
Employee benefits	(6.13)	104.9	130.1
Provisions	(6.14)	125.6	133.3
Deferred tax liabilities	(6.6)	209.7	89.5
Other liabilities	(6.15)	289.5	221.1
CURRENT LIABILITIES		4,734.6	2,842.0
Loans and borrowings	(6.12)	194.0	805.5
Provisions	(6.14)	7.7	7.4
Trade and other payables	(6.16)	3,696.4	1,009.1
Current tax liabilities	(6.9)	26.8	13.6
Accruals and deferred income	(6.19)	809.8	1,006.4
Total equity and liabilities		18,144.3	15,165.6

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Reserves	Treasury shares	Retained earnings	Equity attributable to ordinary shares	Equity attributable to hybrid securities	Equity attributable to the owners of the company	Non-controlling interests	Total equity
Balance at 1 January 2020	1,705.8	259.2	(7.0)	173.0		1,189.8	3,320.8	701.4	4,022.2	309.9	4,332.1
Profit for the period						269.4	269.4		269.4	38.5	307.9
Other comprehensive income			3.8			6.6	10.3		10.3	2.5	12.8
Total comprehensive income for the period			3.8			276.0	279.7		279.7	41.0	320.7
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	1.8	3.2					5.0		5.0		5.0
Share-based payment expenses	1.4						1.4		1.4		1.4
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(116.0)	(116.0)		(116.0)		(116.0)
Total contributions and distributions	3.2	3.2				(135.3)	(128.8)		(128.8)	(24.0)	(152.8)
Total transactions with owners	3.2	3.2				(135.3)	(128.8)		(128.8)	(24.0)	(152.8)
Balance at 31 December 2020	1,709.1	262.4	(3.3)	173.0		1,330.5	3,471.7	701.4	4,173.1	326.9	4,500.0
Balance at 1 January 2021	1,709.1	262.4	(3.3)	173.0		1,330.5	3,471.7	701.4	4,173.1	326.9	4,500.0
Profit for the period						295.2	295.2		295.2	33.1	328.3
Other comprehensive income			200.4			20.0	220.3		220.3	50.4	270.8
Total comprehensive income for the period			200.4			315.2	515.6		515.6	83.5	599.1
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	0.2	0.4					0.6		0.6		0.6
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(0.8)		(0.8)		(0.8)		(0.8)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(117.5)	(117.5)		(117.5)		(117.5)
Other						0.3	0.3		0.3		0.3
Total contributions and distributions	0.2	0.4				(0.8)	(136.5)	(136.7)	0.0	(136.7)	(160.7)
Total transactions with owners	0.2	0.4				(0.8)	(136.5)	(136.7)	0.0	(136.7)	(160.7)
Balance at 31 December 2021	1,709.3	262.8	197.1	173.0	(0.8)	1,509.2	3,850.6	701.4	4,552.0	386.4	4,938.4

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of cash flows

(in € million) – Year ended 31 December	Notes	2021	2020
Cash flows from operating activities			
Profit for the period		328.3	307.9
Adjustments for:			
Net finance costs	(5.3)	106.6	141.6
Other non-cash items		2.1	2.0
Current income tax expense	(5.4)	94.7	127.3
Profit or loss of equity accounted investees, net of tax		(49.4)	(9.2)
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	467.5	432.4
Loss on sale of property, plant and equipment and intangible assets		17.5	8.6
Impairment losses of current assets		0.8	1.4
Change in provisions		1.5	(4.8)
Change in deferred taxes	(6.6)	10.5	0.8
Changes in fair value of financial assets through profit or loss		0.0	0.0
Cash flow from operating activities		980.1	1,008.0
Change in inventories		17.0	(14.9)
Change in trade and other receivables		639.9	(1,060.8)
Change in other current assets		(0.7)	(0.5)
Change in trade and other payables		2,645.0	(258.6)
Change in other current liabilities		(119.8)	(106.3)
Changes in working capital		3,181.4	(1,441.3)
Interest paid	(6.12)	(124.9)	(143.2)
Interest received		3.7	4.5
Income tax paid		(87.0)	(164.4)
Net cash from operating activities		3,953.3	(736.4)
Cash flows from investing activities			
Acquisition of intangible assets		(59.8)	(32.4)
Acquisition of property, plant and equipment		(1,160.5)	(1,049.9)
Acquisition of equity-accounted investees	(6.4)	0.0	(0.4)
Proceeds from sale of property, plant and equipment		3.5	2.8
Proceeds from sales of investments		1.6	1.6
Proceeds from capital decrease from equity accounted investees		30.5	15.3
Dividend received		31.8	13.8
Loans and long term receivables		(0.5)	0.0
Net cash used in investing activities		(1,153.4)	(1,049.2)
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.11)	0.6	5.0
Purchase of own shares	(6.11)	(0.7)	0.0
Dividend paid	(6.11)	(117.5)	(116.0)
Hybrid coupon paid	(6.11)	(19.3)	(19.3)
Dividends to non-controlling parties		(24.0)	(24.0)
Repayment of borrowings	(6.12)	(737.7)	(1,319.5)
Proceeds from withdrawal of borrowings	(6.12)	558.0	2,874.5
Net cash flow from (used in) financing activities		(340.6)	1,400.7
Net increase (decrease) in cash and cash equivalents		2,459.3	(384.9)
Cash & Cash equivalents at 1 January		590.1	975.0
Cash & Cash equivalents at 31 December		3,049.5	590.1
Net variations in cash & cash equivalents		2,459.3	(384.9)

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

The registered office of Elia Group SA/NV (hereafter referred to as the 'Company'), which was established in Belgium, is located at 20 Boulevard de l'Empereur, 1000 Brussels. The consolidated financial statements for the financial year 2021 include those of Elia Group SA/NV and its subsidiaries (collectively referred to as 'the group' or 'Elia group') and the group's interest in joint ventures and associates.

Elia Group SA/NV is a limited liability company, with its shares listed on Euronext Brussels, under the symbol ELI.

The Elia group comprises two electricity transmission system operators (TSOs): Elia Transmission Belgium SA/NV in Belgium and 50Hertz Transmission GmbH, in which the Elia group holds an 80% stake. 50Hertz Transmission GmbH is one of Germany's four transmission system operators; it operates in the north and east of the country.

The group also has a 50% stake in Nemo Link Ltd, which constructed an electrical interconnector between the UK and Belgium: the Nemo Link interconnector. Nemo Link Ltd is a joint venture between Elia Transmission Belgium SA/NV and National Grid Ventures (from the UK). It began its commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

With around 2,750 employees and a transmission system that comprises some 18,990 km of high-voltage connections and serves 30 million end consumers, the Elia group is one of Europe's top five TSOs. It efficiently, reliably and securely transports electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its transmission activities in Belgium and Germany, the Elia group offers businesses a range of consultancy and engineering services. The group operates under the legal entity Elia Group SA/NV, which is a listed company whose reference shareholder is municipal holding company Publi-T SC.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the European Union. The group has applied all new and revised standards and interpretations published by International Accounting Standards Board (IASB), including those which came into effect for the financial year starting on 1 January 2021, which are applicable to the group's activities.

New and amended standards and interpretations

The standards, amendments and interpretations listed below came into effect in 2021, with little or limited impact on the group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform phase 2;
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1 April 2021 but not yet endorsed in the EU).

The following **standards, amendments and interpretations** had not yet taken effect in by 2021. The changes to the standards, amendments and interpretations listed below are not expected to have a material impact on the annual accounts and are therefore not outlined in any great detail:

- Amendments to IAS 16 Property, Plant and Equipment - Prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts – Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU);
- Amendments to IFRS 3 Business Combinations - updating a reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IFRS 4 Insurance contracts – Expiry date of the deferral approach (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 12 Income Taxes: implementation of a comprehensive balance sheet method of accounting for income taxes (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU).

2.2 Functional and presentation currency

These consolidated financial statements are presented in millions of euro, rounded to the nearest hundred thousand, unless stated otherwise.

2.3 Basis of measurement

In general, these consolidated financial statements were prepared on a historical cost basis. However, reporting related to the following categories deviate from this general rule:

- Equity accounted investees: the equity method was applied to determine the value of a shareholding over which the group has a significant influence;
- Other shareholdings: entities in which the group has a shareholding but over which it does not have a significant influence were valued at fair value through other comprehensive income (OCI);
- Current and non-current receivables were valued at the lowest of the carrying amount and the recoverable amount;
- Employee benefits were valued at the present value of the defined benefit obligations, minus the fair value of the plan assets (see also Note 6.13);
- Derivative financial instruments were measured at fair value through OCI or profit and loss (P&L), depending on whether the derivative can be designated as a hedging instrument (see also Note 8.1);
- Decommissioning provisions were valued at present value.

2.4 Going concern

The directors re-assessed the going concern assumption of the Company and, at the time of approving the financial statements, held a reasonable expectation that the group had adequate resources to continue in operational existence for the foreseeable future. The directors will therefore continue to adopt the going concern basis of accounting in the preparation of the financial statements.

In the context of the COVID-19 crisis, the group paid particular attention to adequately reflect the current and expected impact of the situation on the financial position, performance and cash flows of the company, applying the IFRS accounting principles in a consistent manner. In general, since Elia is acting in accordance with the regulatory framework in Belgium and Germany, the profitability and the financial position of the group have not been affected.

2.5 Use of estimates and judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances: the results of these estimates and assumptions form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could therefore differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either: in the period during which the estimate is revised if the revision only affects this period; or in the period during which the estimate is revised and throughout future periods if the revision affects both current and future periods.

The following points include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for the group's role as TSO in the Belgian and German segments is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation or CREG) and the German federal regulator (the Federal Network Agency or BNetzA) respectively. The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of professional judgement needs to be applied. More disclosures are provided in Notes 6.19, 9.1.4 and 9.2.3.
- Entities in which the group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.4).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making a judgement on this, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.6).
- Credit risk related to customers: management closely reviews the outstanding trade receivables, including by considering ageing, payment history and credit risk coverage (see Note 8.1).
- Employee benefits including reimbursement rights – see Note 6.13:
 - The group has defined benefit plans and defined contribution plans which are disclosed in Note 6.13. The calculation of the

liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also affect the present value of future pension liabilities.

- In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.
- Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. The resulting discount rate therefore reflects both the current interest rate environment and the plan's distinct liability characteristics.
- Provisions for environmental remediation costs: at each year-end, an estimate is made regarding future expenses with respect to soil remediation, based on the expert advice. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.14).
- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated process/procedures (see Note 6.14).
- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in euro with at least an AA rating or above as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the dismantling obligation. A sensitivity analysis is performed to measure the impact of a differing discount rate.
- Goodwill impairment testing: the group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indications that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).
- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a certain level of professional judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.17).
- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory frameworks in Belgium and Germany, which are considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)
- The group makes use of practical expedients when applying IFRS 16 (Leasing):
 - The group applies a single discount rate per type of contracts, summarised per their duration. Those leases are assumed to have similar characteristics. The discount rate used is the group's best estimate of the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years, etc.) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group SA/NV in the same sector with a similar duration. The interest rate is fixed over the lifetime of the lease contract.
 - The group assesses the non-cancellable period of each of the contracts falling within the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain that they will exercise that option. Certainly, where it relates to office rent contracts, the group makes its best estimate of the non-cancellable period based on all information at its disposal (see Note 6.18).
- The impacts of the COVID-19 crisis and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance. In general, as Elia is acting in accordance with regulatory frameworks in Belgium and Germany, its profitability was not significantly affected in 2020 or 2021. In 2021, the COVID-19 pandemic did not impede progress made on onshore and offshore infrastructure projects in either Belgium or Germany. The COVID-19 crisis did have an impact on the 2020 load (particularly during the period running from March to August). The gradual release of the COVID-19 lockdown measures generated a recovery of the load in 2021; this meant that the group was able to progressively return to full speed in 2021; the only exception to this was Elia Grid International's activities, since the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a drop in its revenues. This situation was nevertheless offset by cost control measures in COVID times. Effects on macro-economic metrics, such as the interest rate, discount rate, etc. - were taken into account.

In light of the COVID-19 pandemic, the group assessed whether its non-financial assets might be impaired: it carried out an analysis of potential impairment indicators, in accordance with the provisions of IAS 36 – Impairment of Assets. The impairment test was carried out based on the last business plan; this identified no impairment risks as per 31 December 2021.

The COVID-19 crisis and, in 2021, the strong increase of electricity prices could result in a potentially increased credit risk and may therefore affect the amount of impairment losses to be recognised with respect to expected credit losses. The group has since monitored payment receipts and counterparty risk more closely, noting no significant deterioration.

We refer to the following notes for more information: 6.3, 6.8, 6.18 and 8.1.

2.6 Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 24 March 2022.

3. Significant accounting policies

3.1 Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date this control commences until the date that it ceases. The accounting policies of subsidiaries are changed when necessary, in order to align them with the policies adopted by the group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in a deficit balance of the non-controlling interests. Changes to the group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions.

ASSOCIATES

Associates are those companies over which the Company exerts significant influence, but not control, in terms of their financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are initially recognised in the consolidated statement of financial position at cost, with all transaction costs incurred with the acquisition included, and are adjusted thereafter to reflect the group's share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that it ceases. When the group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of an associate.

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement under which the group has joint control and has rights to the net assets of the arrangement, as opposed to joint operations, under which the group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost price, with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that it ceases. When the group's share of the losses exceeds its interest in joint ventures, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of a joint venture.

NON-CONTROLLING INTERESTS

Non-controlling interests are measured in line with their proportional share of the acquiree's identifiable net assets at the acquisition date.

LOSS OF CONTROL

Upon the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of other comprehensive income related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATION AND GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs incurred by the group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2 Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity whose activities are based or conducted in a country or currency other than those of the reporting entity.

The financial statements of all group entities that have a functional currency which differ from the group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the exchange rate at the reporting date;
- Income and expenses are translated at the average exchange rate of the year.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint ventures and associates at closing exchange rates are included in shareholder's equity under OCI. Upon the (partial) disposal of foreign subsidiaries, joint ventures and associates, (partial) cumulative translation adjustments are recognised in the profit or loss as part of the gain or loss on the sale.

3.3. Statement of financial position

3.3.1. Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see Section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, direct labour and, where relevant, the initial estimate of the costs of dismantling and removing the assets and restoring the site on which the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalized as part of the cost of that asset.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs of replacing part of such an item when that cost is incurred, but only when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repair and maintenance costs, are recognised in profit or loss as and when they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages can be found in the bullet points below.

Depreciation methods, remaining useful lives and residual values of property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

• Administrative buildings	1.67 – 2.00%
• Industrial buildings	2.00 – 4.00%
• Overhead lines	2.00 – 4.00%
• Underground cables	2.00 – 5.00%
• Substations (facilities and machines)	2.50 – 6.67%
• Remote control	3.00 – 12.50%
• Dispatching	4.00 – 10.00%
• Other PPE (fitting out rented buildings)	contractual period
• Vehicles	6.67 – 20.00%
• Tools and office furniture	6.67 – 20.00%
• Hardware	25.00 – 33.00%
• Right of use assets	contractual period

Decommissioning an asset

In accordance with IAS 16, when the entity has a present, legal or constructive obligation to dismantle the item or restore the site, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision for this obligation is recorded for the amount of the asset component (the dismantling asset) and depreciated over the asset's entire useful life (see also 3.3.13 Provisions).

Derecognition

An asset is no longer recognised when it is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2. Intangible assets

Computer software

Software licences acquired by the group are stated at cost, less accumulated amortisation (see below) and impairment losses (see Section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the group is recognised in profit or loss as expenditure as incurred. Expenditure on the development phase of software developed within the group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the group plans – and has sufficient resources – to complete development;
- the group plans to use the software.

The capitalised expenditure includes the cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as incurred.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as expenditure as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

• Licences	20.00%
• Concessions	contractual period
• Computer software	20.00 – 25.00%

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

Derecognition

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.3.3 Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see Section 3.3.7 'Impairment of non-financial assets'). In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

3.3.4 Trade and other receivables

Contract assets

Revenue arising from third party services (see Note 3.4.1) and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

The contract assets primarily relate to the group's rights to consideration for work completed but not billed at the reporting date on project work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the group issues an invoice to the customer. Contract assets are included in trade and other receivables.

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in respect of these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding (deficit) are reported as a trade and other receivable.

In this process, as the TSO's are agents, the Group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.4.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the group applies a simplified approach when calculating the Expected Credit Losses (ECLs). The group therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience as its best proxy for future credit losses to be incurred.

See Note 8.1. 'Credit risk', for a detailed description of the model.

3.3.5 Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.

Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7 Impairment of non-financial assets

The carrying amount of the group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.

An impairment loss is recognised whenever the carrying amount of such an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal and their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the group administers its goodwill and gathers the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss with respect to goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8 Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the group's business model for managing them. The group initially measures a financial asset at its fair value plus transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets measured at fair value through OCI (equity instruments)
- Financial assets measured at fair value through profit and loss

Financial assets at amortised cost

Financial assets at amortised cost are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments FVOCI)

Upon initial recognition, the group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the group does not have significant influence and the assets are not held for trading. This classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

The group has elected to irrevocably classify non-listed equity investments over which the group does not have significant influence in this category.

Financial assets measured at fair value through profit and loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1 'Credit risk', for a detailed description of the approach.

3.3.9 Derivative financial instruments and hedge accounting

Derivative financial instruments

The group sometimes uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity prices risks arising from operating, financing and investment activities. In accordance with its treasury policy, the group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.

Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, the reflection of any resulting gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties and the group. The fair value of forward exchange contracts is their quoted market price at the end of the reporting period, i.e. the present value of the quoted forward price.

Derivatives used as hedging instruments

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss.

The group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The group designates only the spot element of forward contracts as a hedged risk. The forward element is considered the cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the

carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI, provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign currency gains and losses.

3.3.10 Equity

Share capital – transaction costs

Transaction costs related to the issuing of capital are deducted from the capital received.

Share capital – share-based payment expenses

Share-based payment expenses are added to the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.11.1).

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the group in an insolvency hierarchy. Hybrid securities are perpetual instruments and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to ordinary shareholders).

The holders of hybrid securities have limited influence on the outcome of a bankruptcy proceeding or restructuring outside bankruptcy. Consequently, the holders cannot oblige the group to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are deducted from equity. The amount of treasury shares held is disclosed in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Share-based payments

The cost of share-based payment transactions is reflected in the income statement. The stock options are valued at grant date, based on the share price at grant date, business evolution, exercise price and interest rates. Stock option plan cost is taken into result on a straight-line basis from the grant date until the end of the vesting period.

3.3.11 Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.3.12. Employee benefits

Defined-contribution plans

In Belgium, contribution based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 1 January 2016, the legal minimum return was 3.75% on employee contributions, 3.25% on employer contributions and 0% for inactive plan participants.

From 1 January 2016 onwards, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on 1 January each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As of 1 January 2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for inactive plan participants.

As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).

The employer needs to finance the deficits related to the "Law on Supplementary Pensions (LSP) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.

For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit Credit (PUC) method. The plan formula (backloaded or not) determines whether the premiums are projected.

In Germany, the defined-contribution plan comprises a fixed pension to be paid to an employee upon retirement, which is usually based on one or more factors such as the employee's age, years of service and salary.

In both countries, the calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, which exist in both Belgium and Germany, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the PUC method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined-benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined-benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights (Belgium)

Reimbursement rights are recognised as a separate asset when, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle the corresponding benefit obligation. Reimbursement rights are presented as non-current assets under other financial assets and are measured at fair value. These rights are handled the same way as the corresponding defined-benefit obligation. When the changes in the period result from changes in financial assumptions or from experience adjustments or changes in demographic assumptions, then the asset is adjusted through OCI. The components of the defined-benefit cost are recognised net of amounts relating to changes in the carrying amount of the rights to reimbursement.

Other long-term employee benefits

The group's net obligation regarding long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the PUC method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the group has a legal or constructive obligation to pay this amount as a result of the employee's past service and the obligation can be reliably estimated.

3.3.13 Provisions

A provision is recognised in the balance sheet when the group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

The group's main long-term provisions are provisions for dismantling obligations. The present value of the obligation at the time of commissioning represents the initial amount of the provision for dismantling with, as the counterpart, an asset for the same amount, which is included in the carrying amount of the related property, plant and equipment and is depreciated over the asset's entire useful life.

Factors having a significant influence on the amount of provisions include:

- cost estimates
- the timing of expenditure ; and
- the discount rate applied to cash flows.

These factors are based on information and estimates deemed by the group to be the most appropriate as of today.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.3.14 Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in accordance with these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding (surplus) are reported as a trade and other payable.

In this process, as the TSO's are agents, the group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.14.

3.3.15 Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the group will receive such grants and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the statement of profit or loss on a systematic basis over the expected useful life of the asset in question. Grants related to expense items are recognised in the statement of profit or loss in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the statement of profit or loss.

Contract liabilities – last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recognised over the life time of the underlying asset. The amounts to be released in future are reflected in this section. See also Note 3.4.1.

3.3.16 Leases

Upon the inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease included in IFRS 16.

The group as a lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis and discounted using the group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The group applies a single discount rate per group of similar contracts, summarised per their duration.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or services (initial direct costs, prepayments) are excluded from the lease price.

Right of use assets are subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability. These assets are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects the fact that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option not to be exercised.

The group presents right-of-use assets within 'property, plant and equipment' and lease liabilities within 'loans and borrowings' (current and non-current) in the statement of financial position.

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group as a lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases.

All other leases that do not transfer all such risks and rewards are recognised as operating leases. As a lessor, the group has only operating lease contracts. The lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17 Regulatory deferral accounts

The group operates in a regulated environment in which tariffs are meant to realise total revenue/income consisting of:

- a reasonable return on invested capital;
- all reasonable costs which are incurred by the group.

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to end consumers should have been lower or higher respectively (and vice versa). This surplus or deficit is therefore reported in the regulatory deferral account.

The release of the regulatory deferral account will impact future tariffs: incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets will increase future tariffs.

In the absence of an IFRS standard which specifically applies to the treatment of these regulatory deferral accounts, Elia management referred to the requirements of IFRS 14 and the Conceptual Framework for Financial Reporting alongside the latest evolutions of the IASB project on Rate-regulated Activities to develop the following accounting policy:

- a liability is recognised in the statement of financial position and presented as part of "accruals and deferred income" with respect to the Elia group's obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated (regulatory liability);
- an asset is recognised in the statement of financial position with respect to the Elia group's right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item "net regulatory income (expense)".

The amount in the regulatory deferral accounts is reported on an annual basis and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15), other income and the net income (expense) from settlement mechanism is also presented as a subtotal headed "Revenue, other income and net income (expense) from settlement mechanism", as in substance it represents the revenue that is economically earned during the period taking into account the regulated environment in which the Elia group operates. The effect of discounting is reflected in the financial result. See Note 9.

3.4. Items in the statement of profit or loss

3.4.1 Income

Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. These are the five steps to consider for each customer contract:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations;
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The group's main revenues are realised by TSOs which operate in accordance with regulatory frameworks and which have de facto/legal monopolies in their respective control zones. The frameworks which apply in the group's main countries of activity are detailed in Note 9 'Regulatory framework and tariffs'.

With regard to the regulated business, each service is based on a standard contract with the customer, mostly with a predefined regulated tariff (unit price multiplied by the volume (injection or offtake) or the reserved capacity (depending on the type of service)), so pricing is not variable. The allocation of the transaction price over the different performance obligations is therefore straightforward (one-to-one relationship). Most of these contracts are concluded for an indefinite period and have general payment terms of 15-30 days.

Considering the business of the Elia group, there are no relevant right-of-return and warranty obligations.

For all services provided by the group, Elia is the sole and primary party responsible for executing the service and is thus the principal.

However, in its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to public service obligations imposed by the government/regulation mechanisms. These obligations mainly relate to financial support for the development of renewable energy. TSOs act as agents for these activities, and since the expense/income streams are fully covered by tariffs, they have no impact on the statement of profit and loss. See section "Levies" of Note 3.3.14 for more information on the accounting treatment.

The group's main performance obligations/contract types, their pricing and the revenue recognition method for 2021 can be summarised as follows:

Revenue by category for Elia Transmission Belgium

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	<p>Technical studies conducted at the request of grid users, connected directly to the grid with a view to having a new connection built or an existing connection altered.</p> <p>The revenue is recognised at the point in time when the study is delivered.</p>	<p>Contract and tariff approved by regulator.</p> <p>Fixed amount per type of study.</p>
	<p>Last-mile connection is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, known as a last-mile connection, to connect the customer's facility to Elia's grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash.</p> <p>Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts.</p> <p>As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date.</p> <p>This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.</p>	<p>Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.</p>
	<p>The fees charged to grid users/distribution system operators (DSOs) cover the maintenance and operating costs relating to the dedicated connection facilities.</p> <p>The revenue is recognised over time, as this service is performed continuously throughout the contractual term.</p>	<p>Contract and tariff approved by regulator.</p> <p>Tariff is set per asset type (e.g. bay, km of cable).</p>
	<p>This component of the access contract signed with access holders/DSOs covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission.</p> <p>The revenue is recognised over time, as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.</p>	<p>Contract and tariff approved by regulator.</p> <p>EUR per kW/KVA for yearly/monthly peak and power available at access point.</p>
Management and development of grid infrastructure	<p>This component of the access contract signed with access holders/DSOs covers the management and operation of the electricity system and the offtake of additional reactive energy relating to Elia's grid (different from the connection assets).</p> <p>The revenue is recognised over time, as these services are performed</p>	<p>Contract and tariff approved by regulator.</p> <p>EUR per kW/ kVARh at access point.</p>
Management of the electricity system	<p>This component is part of the access contract signed with access holders/DSOs, and covers (i) services to facilitate the energy market; (ii) services to develop and enhance the integration of an effective and efficient electricity market; (iii) the management of interconnections and coordination with neighbouring countries and the European authorities; and (iv) the publication of data, as required by transparency obligations.</p> <p>The revenue is recognised over time, as these services are performed continuously throughout the contractual term.</p>	<p>Contract and tariff approved by regulator.</p> <p>EUR per kW at access point.</p>
Market integration	<p>As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance caused by a BRP, Elia has to activate the ancillary services, which are then invoiced to the BRP.</p> <p>The revenue is recognised at the point in time when an imbalance occurs.</p>	<p>Contract and tariff/mechanism approved by regulator.</p> <p>Based on market prices, EUR per kW imbalance at access point.</p>
Compensation for imbalances	<p>Grid use on individual borders is organised through half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and the regulators decide which auctions are conducted on individual borders. Auctions are organised through an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are ultimately shared between neighbouring TSOs based on the volumes imported/exported on the border.</p> <p>The revenue is recognised at the point in time when an import/export activity occurs.</p>	<p>Framework agreement with parties and auction office.</p> <p>Price is set based on price difference in cross-border market prices.</p>
International revenues		

Revenue by category for 50 Hertz Transmission

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
	<p>The 'grid use fee' is charged to grid users/DSOs connected to the grid for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users.</p> <p>The revenue is recognised over time, as this service is performed continuously throughout the contractual term.</p>	Standard contract and grid tariffs defined by regulator.
Revenues from incentive regulation	<p>Last-mile connection is a component of the 'grid use fee' contract. At the request of a future grid user, Elia constructs a dedicated/physical connection, known as a last-mile connection, to create an interface point to the grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash.</p> <p>Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts.</p> <p>As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date.</p> <p>This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.</p>	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
Revenues from offshore regulation	<p>This component comprises tariffs charged to grid users/DSOs to cover grid connection costs for offshore wind farms.</p> <p>The revenue is recognised over time, as this service is performed continuously throughout the contractual term</p>	Contract and tariffs predefined in regulatory mechanism.
	<p>This revenue stream consists of different components</p> <p>Congestion management and redispatch fees are paid by market participants for use of the capacity made available by 50Hertz on specific lines (including use of cross-border assets). This allocation mechanism is governed by transparent, market-oriented procedures.</p> <p>The revenue is recognised at the point in time when it is generated</p>	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
Energy revenues	<p>Compensation for imbalances</p> <p>Market participants (BRPs) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred.</p> <p>The revenue is recognised at the point in time when an imbalance occurs.</p>	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	<p>Horizontal reimbursement of lignite back-up costs</p> <p>In its role as a TSO, 50Hertz charges fees to other TSOs for services related to the reserve power required by the legal framework.</p> <p>The revenue is recognised over time, as this service is performed continuously throughout the contractual term.</p>	

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Other revenues		
Others	This mainly covers other services than those described above. The revenue is recognised at the point in time when the service is complete.	

Consequently, all revenue components contain revenue from contracts with customers, i.e. parties that have contracted with Elia to obtain services resulting from Elia's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations arise.

Net regulatory income (expense) from settlement mechanism

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting is agreed with the regulator) to cover all the system operator's reasonable costs, including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been lower or higher. This surplus or deficit is therefore reported in the settlement mechanism deferral account.

The release of this deferral account will impact future tariffs: where regulatory liabilities are incurred, future tariffs will be lower, and where regulatory assets are incurred, future tariffs will be higher. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss in the line 'Net income (expense) from settlement mechanism'. See also Note 3.3.17.

3.4.2. Expenses

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally on 1 January of the year in question). However, these costs, which are considered non-controllable costs under the regulatory framework, are recorded as revenue through the settlement mechanism for the same amount, resulting in zero impact in terms of profit or loss.

Finance income and expenses

Finance expenses comprise interest payable on borrowings (calculated using the effective interest rate method), interest on lease liabilities, foreign-exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest-rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as being for trading purposes and impairment losses on financial assets as well as any losses from hedge ineffectiveness.

Finance income includes interest receivables on bank deposits, which are recognised in profit or loss using the effective interest rate method as they accrue.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income taxes

Income taxes comprise current and deferred tax. Income tax expense is recognised in profit or loss, except where it relates to items recognised directly in equity. Taxes on hybrid coupons are recognised in the statement of profit and loss as these are a tax on profits whereas the hybrid coupon itself is recognised directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised, using the balance sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5 Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this approach, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1. Basis for segment reporting

The group has opted for a segment reporting in conformity with the different regulatory frameworks that currently exist within the group. This reporting approach closely reflects the group's operational activities and is also in line with the group's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess the group's performance and activities in a transparent way.

Pursuant to IFRS 8, the group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Re SA, HGRT SAS and Coreso SA/NV, whose activities are directly linked to the role of Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities based on the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
 - Elia Group SA/NV, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment;
 - Eurogrid International SA/NV;
 - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up – see Section 9.3 for more details;
 - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of TSO – see Section 9.1;
 - EGI (Elia Grid International SA/NV, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Saudi Arabia), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments;
 - Re.Alto-Energy BV/SRL and Re.Alto-Energy GmbH, a start-up founded in August 2019 which is building a platform to facilitate users to exchange energy data and services.

The CODM has been identified by the group as the Boards of Directors, CEOs and Management Committees of each segment. The CODM periodically reviews the performance of the group's segments using various indicators such as revenue, EBITDA and operating profit.

The information presented to the CODM follows the group's IFRS accounting policies, so no reconciling items have to be disclosed.

4.2. Elia Transmission (Belgium)

The table below shows the 2021 consolidated results for Elia Transmission (Belgium)

Results Elia Transmission (in € million) – Period ended 31 December	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,199.5	1,004.7	19.4%
<i>Revenues</i>	<i>1,009.8</i>	<i>858.1</i>	<i>17.7%</i>
<i>Other income</i>	<i>68.3</i>	<i>57.5</i>	<i>18.8%</i>
<i>Net income (expense) from settlement mechanism</i>	<i>121.4</i>	<i>89.1</i>	<i>36.3%</i>
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(188.3)	8.9%
Results from operating activities	224.8	235.6	(4.6%)
Equity accounted investees	2.3	1.9	21.1%
EBIT	227.1	237.5	(4.4%)
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
<i>Adjusted EBIT</i>	<i>227.1</i>	<i>237.5</i>	<i>(4.4%)</i>
EBITDA	432.2	425.8	1.5%
Finance income	1.7	2.3	(26.1%)
Finance costs	(64.8)	(68.7)	(5.7%)
Income tax expenses	(32.9)	(46.3)	(28.9%)
Net profit	131.0	124.8	5.0%
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
Adjusted net profit	131.0	124.8	5.0%
Consolidated statement of financial position (in € million)	31 December 2021	31 December 2020	Difference (%)
Total assets	7,153.5	7,008.4	2.1%
Capital expenditures	417.2	365.6	14.1%
Net financial debt	3,441.0	3,305.6	4.1%

The tariff methodology approved by the regulator CREG on 7 November 2019 came into force in 2020. The methodology is applicable for a four-year period (2020 – 2023). See Note 9.1 for more information about the new regulated framework.

Financial

Elia Transmission's revenue was up 19.4% compared with 2020, increasing from €1,004.7 million to €1,199.5 million. This revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, driven by the high gas prices and an energy mix characterised by a high nuclear base load and more onshore wind and solar generation. This was partially offset by lower financial costs which were driven in 2020 by the refinancing of a shareholder loan and lower taxes due to higher Innovation Income Deduction, which were all passed through into revenue.

The table below provides more details on the changes in the various revenue components:

(in € million)	2021	2020	Difference (%)
Grid revenue:	1,006.0	848.2	18.6%
Grid connection	45.1	46.4	(2.8%)
Management and development of grid infrastructure	480.6	484.8	(0.9%)
Management of the electrical system	149.0	129.6	15.0%
Compensation for imbalances	220.6	131.2	68.2%
Market integration	23.2	22.1	5.0%
International revenue	87.5	34.2	156.1%
Last mile connection	2.9	2.8	5.4%
Other revenue	0.8	7.1	(88.2%)
Subtotal revenue	1,009.8	858.1	17.7%
Other income	68.3	57.5	18.7%
Net income (expense) from settlement mechanism	121.4	89.1	36.3%
Total revenue and other income	1,199.5	1,004.7	19.4%

Revenues from the **management and development of grid infrastructure, market integration and grid connection revenues** remained flat compared to 2020.

Services rendered in the context of energy management and individual balancing of balancing groups are paid under **revenues from compensation for imbalances**. These revenues, which increased from €131.2 million to €220.6 million (+68.2%), were largely due to the tariff for maintaining and restoring the residual balance of individual access responsible parties (+€80.0 million). First, there were the higher balance activation costs due to the increase in prices that were mainly caused by the maintenance of the COO plant in the second quarter of 2021. Moreover, the imbalance volume increased because of the increase in the share occupied by renewables in the generation mix (offshore wind in particular). Finally, the imbalance prices increased in 2021 due to high activation costs. The increase in the net grid offtake (+€2.6 million), which demonstrated recovery from the COVID-19 crisis, and the higher nuclear availability in 2021 which increased the net grid injection (+€6.9 million) are additional drivers of the compensation for imbalances revenue increases.

Revenues from the management of the electrical system increased from €129.6 million to €149.0 million (+15.0%), caused by the increase in the net grid offtake (+€7.2 million) and the introduction of a new tariff for additional reactive energy by zone for distribution system operator (+€10.9 million).

International revenue increased to €87.5 million (+156.1%), mainly due to high congestion income generated by the combination of high prices and frequent high price spreads in the Central Western European (CWE) region, mainly on the French borders in the last quarter of 2021.

The **last mile connection (previously called transfer of asset from customers)** was down slightly compared to the previous year, while **other revenue** dropped by €6.3 million, mainly due to a decrease in works delivered to third parties.

The **settlement mechanism** increased from €89.1 million in 2020 to €121.4 million in 2021 and encompassed both deviations in the current year from the budget approved by the regulator (+€39.9 million) and the settlement of net surpluses from the previous tariff period (+€81.4 million). The operating deficit (+€39.9 million), with respect to budgeted costs and revenue authorised by the regulator, will be recovered from consumers in a future tariff period. The deficit was primarily the result of higher costs for ancillary services (€67.4 million), higher influencable costs (€91.1 million) and a higher net profit (+€14.8 million) and was partially offset by an increase in tariff sales (+€99.3 million), which was mainly driven by imbalance compensations, higher international sales (+€32.4 million) and lower taxes (€5.2 million).

EBITDA rose slightly to €432.2 million (+1.5%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and was offset by lower financial costs and income tax that are all passed through into revenue. The decrease in **EBIT** (-4.4%) was driven by depreciations of assets not covered by tariffs like the intangible assets acquired during the previous regulatory period and activated under IFRS (€7.4 million), leasing contracts (€7.9 million) and capitalised borrowing costs (€2.4 million). The contribution of equity-accounted investments rose slightly to €2.3 million due to a higher contribution from HGRT.

Net finance cost decreased by €3.3 million (-5.0%) compared to the previous year, mainly driven by the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (€5.2 million) in 2020 and costs for setting up a sustainability-linked RCF (€1.5 million) in 2020. This was partially offset by higher interest costs following last year's Eurobond issue (€800 million) in April and a lower activation of borrowing costs (€3.4 million) since some major commissioning in 2020. Elia Transmission Belgium has a well-balanced debt maturity profile with no upcoming near-term maturities. The average cost of debt was 1.91% at the end of 2021 compared to 1.93% at the end of 2020, benefitting consumers.

Adjusted net profit increased by 5.0% to €131.0 million, mainly due to the following:

- A higher fair remuneration (+€6.2 million) due to asset growth and higher quality.
- An increase in **incentives** (+€5.1 million), reflecting a strong operational performance and efficiency primarily with respect to incentives linked to interconnection capacity, the availability of the grid, the timely commissioning of projects, innovation and controllable costs. This was partly offset by lower performance on data quality incentive and balancing. Additionally, the average tax rate decreased due to a higher innovation income deduction, leading to a higher net contribution from incentives.
- Lower **capitalised borrowing costs** due to a lower level of assets under construction and lower average cost of debt (-€3.8 million).
- Less **major damage to electrical installations** compared to the previous year (+€3.7 million).
- **Employee and tax provisions** (-€8.8 million), which were mainly driven by a lower contribution from employee benefits to plan assets. Additionally, last year's provision benefited from a one-off change in plan assets of a defined benefit plan (€3.9 million) and the reversal of a tax provision (€1.6 million).
- A lower **depreciation of software** acquired prior to 2020 (+1.6 million), as some of the assets acquired during the previous regulatory period and covered by its regulatory methodology were written off.
- Other (+€2.3 million): this was primarily due to the depreciation of issuance costs linked to the previous year's Eurobond issue while fully covered by tariffs (-€2.3 million) and offset by lower share-based payment expenses for a capital increase in favour of the members of the personnel (+€1.4 million) and deferred tax effects (+€3.1 million).

Total assets rose by €145.1 million to €7,153.5 million, mainly due to execution of the investment programme. The net financial debt increased to €3,441.0 million (+4.1%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and the drawing of commercial paper (€60 million). The sustainability-linked RCF (€650 million) is fully undrawn while a significant portion of the commercial paper programme (€240 million) remains unused. Elia Transmission Belgium is rated BBB+ with a stable outlook by Standard & Poor's.

4.3. 50Hertz Transmission (Germany)

The table below shows the 2021 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany.

Results 50Hertz Transmission (Germany) (in € million) – Period ended 31 December	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,716.9	1,454.9	17.9%
<i>Revenues</i>	<i>1,569.9</i>	<i>1,353.6</i>	<i>16.0%</i>
<i>Other income</i>	<i>95.1</i>	<i>90.1</i>	<i>5.5%</i>
<i>Net income (expense) from settlement mechanism</i>	<i>51.9</i>	<i>11.2</i>	<i>n.r.</i>
Depreciation, amortisation, impairment and changes in provisions	(261.2)	(238.6)	9.5%
Results from operating activities	272.9	340.1	(19.8%)
EBIT	272.9	340.1	(19.8%)
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
<i>Adjusted EBIT</i>	<i>272.9</i>	<i>340.1</i>	<i>(19.8%)</i>
EBITDA	534.0	578.6	(7.7%)
Finance income	2.1	4.1	(48.8%)
Finance costs	(36.9)	(66.7)	(44.7%)
Income tax expenses	(72.8)	(84.9)	(14.3%)
Net profit	165.4	192.6	(14.1%)
<i>Of which attributable to the Elia Group</i>	<i>132.3</i>	<i>154.1</i>	<i>(14.1%)</i>
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
Adjusted net profit	165.4	192.6	(14.1%)
Consolidated statement of financial position (in € million)	31 December 2021	31 December 2020	Difference (%)
Total assets	9,941.3	7,028.4	41.4%
Capital expenditures	880.4	715.9	23.0%
Net financial debt	1,014.9	3,756.6	(73.0%)

50Hertz Transmission's total revenue and other income was up on the previous year (+7.0%).

Total revenues are detailed in the table below.

(in € million)	2021	2020	Difference (%)
Grid revenue:	1,561.3	1,349.1	15.7%
Revenue from incentive regulation	911.8	802.3	13.6%
Revenue from offshore regulation	294.7	300.0	(1.8%)
Energy revenue	354.9	246.8	43.8%
Other revenue (incl. last mile connection)	8.6	4.5	91.3%
Subtotal revenue	1,569.9	1,353.6	16.0%
Other income	95.1	90.1	5.5%
Net income (expense) from settlement mechanism	51.9	11.2	362.7%
Total revenue and other income	1,716.9	1,454.9	18.0%

Revenues from incentive regulation consist of grid tariffs before the settlement mechanism and are driven primarily by the regulatory remuneration for onshore activities (revenue cap).

Revenues from incentive regulation rose by +€109.5 million, as the allowance for onshore investments increased (+€34.3 million). The compensation of pass-through energy costs went up as well (+€60.4 million), mainly due to a higher allowance for redispatching costs. The infeed of renewable energy into the distribution grid was lower than expected, leading to higher volumes in the transmission grid. Consequently, the volume effect was higher than in previous years (+€98.6 million), which included lower volumes due to the impact of COVID-19. These effects were partly offset by a higher payback for old regulatory balances via the regulatory account (-€20.5 million). Furthermore, pass-through paybacks related to the old regulatory offshore mechanism increased (-€62.2 million).

Revenues from offshore surcharge include all revenues derived from the offshore grid surcharge. This includes regulatory remuneration for the connection of offshore wind farms, reimbursement of offshore liability payments and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

The offshore surcharge revenues slightly decreased compared to the previous year (-€5.3 million). While the remuneration of 50Hertz's own offshore grid connection costs increased (+€7.3 million), driven by the ongoing CAPEX programme (mainly Ostwind 2) and higher maintenance costs (cost-plus regulation), the pass-through costs charged to 50Hertz by third parties fell compared to the same period last year (-€12.6 million).

Energy revenues include all revenues related to system operation and are mostly corresponding costs charged on to third parties, such as redispatch measures, costs for reserve power plants or control power costs. Revenues generated from auctioning interconnector capacity are also included in this section.

Energy revenues increased strongly compared to the previous year (+€108.1 million), due to the soaring energy prices in the second half of 2021. The charges to other TSOs for redispatch measures increased (+€27.1 million), as did revenues from the compensation of involuntary exchange at the grid's borders (+€14.7 million). Furthermore, higher control power costs were charged to the balancing groups (+€19.8 million) and revenues from the auctioning of interconnector capacities benefitted from the price developments (+€26.1 million).

Other revenues (including last-mile connection) rose (+€4.1 million), mainly due to higher revenues received from the "Inter-Transmission System Operator Compensation" (ITC). The ITC mechanism is based on an EU regulation and compensates TSOs for the costs of hosting cross-border electricity flows on their networks. TSOs contribute/receive funds based on electricity flows onto/from their national transmission systems.

Other income rose (+€5.0 million) as own work capitalised increased due to the staffing to execute and manage the investment programme (+€2.7 million). Furthermore, revenues from subsidies and grants increased (+€2.0 million), due to the amortisation of EU subsidies for the Kriegers Flak Combined Grid Solution interconnector as of July 2021.

The **net regulatory income (expense) from settlement mechanism** neutralises regulatory time lags. It consists of two components: firstly, the neutralisation of differences between cost allowances in the tariffs and the actual costs incurred for the current year (-€9.7 million); secondly, the balancing of said differences from prior years (+€61.6 million).

EBITDA decreased to €534.0 million (-7.7%). The growing asset base benefitted the investment remuneration (+€13.6 million), but the business expansion led to pressure on the operating expenses. Onshore maintenance costs increased (-€12.3 million), driven by a peak in the maintenance cycle. As the grid was expanded and reinforced, old onshore assets were taken out of operation and decommissioned, leading to higher losses from sale and disposal (-€7.7 million). Furthermore, personnel costs rose, as we kept expanding our talent pool to deliver on the energy transition and manage the increasing complexity of system operations (-€19.9 million). In order to efficiently manage this growing complexity, the digitalisation of the business is progressing, as reflected by higher IT expenses (-€4.2 million). After the COVID-19 measures in 2020, the company returned to full speed in 2021. Consequently, operational expenses for areas such as consulting, external services and travelling increased (-€13.9 million). Furthermore, 2020 included revenues from a penalty payment (-€6.8 million). Finally, EBITDA benefitted from one-off revenues from the regulatory settlement and related provisions amounting to €42.4 million (+€5.1 million); €10.5 million of this originated from the settlement for the year 2018 and €31.7 million originated from the refund of clawback amounts ("Abzugsbeträge"). The clawback payments are part of the regulatory "Investment Measures" mechanism, which will be phased out as of 2024 and replaced by the Capital Cost Adjustment model. As part of the transition, the ordinance includes a partial refund of historical clawback amounts, which was accrued in 2021.

There was a more pronounced decrease in **EBIT** (-€67.2 million) due to increasing depreciations (-€15.1 million) following the commissioning of projects, such as the Kriegers Flak Combined Grid Solution. Furthermore, the change in operating provisions was lower than for the previous year (-€7.5 million). No adjusted items occurred in 2021.

Adjusted net profit declined to €165.4 million (-14.1%) as a result of:

- Higher onshore OPEX and other costs (-€35.3 million), driven by the expansion and digitalisation of the business, a peak in the maintenance cycle and losses from asset disposal.
- Higher personnel costs (-€14.0 million), mainly from increases in staff numbers.
- Increased depreciations (-€10.6 million), driven by the commissioning of projects.

These effects were partially compensated by:

- Higher regulatory settlements and related provisions (+€3.6 million).
- Higher investment remuneration (+9.6 million) following the growth of the asset base.
- Higher financial results (+€19.5 million), as a high interest rate bond was refinanced with more favourable conditions (+€6.0 million). Additionally, forward interest rates increased, leading to lower interest costs on provisions (+€13.5 million).

Total assets rose by €2,912.9 million compared to 2020 mainly due to a favorable development of the EEG business and further progress on the investment programme. The **free cash flow** totalled €2,889.4 million and was heavily affected by the high cash inflow for the EEG account (+€2,918.9 million). In 2021, 50Hertz received three federal payments (€2,160.0 million) to cover the cash deficit build up in 2020 and pay back the revolving credit facilities (€700 million) contracted at the end of last year to cover this EEG deficit. The EEG cash flow was further uplifted by the strong increase in energy prices during the second half of 2021, leading to higher cash-in than expected.

The investment programme was mostly financed from the operating cash flow and a €500 million senior bond with a 12-year tenor and a fixed interest rate of 0.741% was issued in April. Taking into account the EEG position, the **Net financial debt** dropped by €2,741.7 million. The EEG cash position as of December 2021 amounted to €2,110.0 million.

4.4. Non-regulated activities and Nemo Link

The table below shows the 2021 consolidated results for the 'Non-regulated activities and Nemo Link' segment.

Results Non-regulated activities and Nemo Link (in € million) – Period ended 31 December	2021	2020	Difference (%)
Total revenues	28.7	5.1	463.4%
Other income	8.1	29.6	(72.5%)
Depreciation, amortisation, impairment and changes in provisions	(0.5)	(0.2)	150.0%
Results from operating activities	(6.8)	(6.5)	4.6%
Share of profit of equity accounted investees (net of income tax)	47.1	7.4	n.r.
EBIT	40.3	0.9	4377.8%
<i>Adjusted items</i>	<i>0.0</i>	<i>(0.3)</i>	<i>(100.0%)</i>
<i>Adjusted EBIT</i>	<i>40.3</i>	<i>1.2</i>	<i>3258.3%</i>
EBITDA	40.8	1.1	3609.1%
Finance income	0.1	0.1	0.0%
Finance costs	(9.0)	(12.7)	(29.1%)
Income tax expenses	0.5	2.2	n.r.
Net profit	31.9	(9.5)	n.r.
<i>Of which attributable to the Elia Group</i>	<i>31.9</i>	<i>(9.5)</i>	<i>n.r.</i>
<i>Adjusted items</i>	<i>0.0</i>	<i>(0.2)</i>	<i>n.r.</i>
Adjusted net profit	31.9	(9.3)	n.r.
Consolidated statement of financial position (in € million)	31 December 2021	31 December 2020	Difference (%)
Total assets	1,654.0	1,766.7	(6.4%)
Capital expenditures	1.6	0.9	n.r.
Net financial debt	430.4	402.9	6.8%

Non-regulated revenue increased by 6.1% to €36.8 million compared to 2020. This is the result of lower revenues generated by Elia Grid International ('EGI') (-€7.3 million), as the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a delay in projects and offset by higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz. The effect of these intersegment transactions is disclosed in 'Note 4.5. Segment reconciliation'.

Equity-accounted investments contributed €47.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**. With an availability rate of 99.1%, Nemo Link continues to be one of the highest performing assets of its kind. Strong nuclear availability in continental Europe, increased gas and carbon prices and general scarcity in the UK positively affected market price-spread, at the benefit of the congestion market, main revenue stream of the asset. Nemo Link performed strongly, leading to a total net profit of €94.0 million and a contribution of €47.0 million to Elia Group's net profit.

Adjusted EBIT rose to €40.3 million (+€39.1 million). This increase was entirely due to the higher contribution from Nemo Link (+€39.7 million), a lower operating loss for re.alto due to lower development costs and the generation of initial fee income (+€0.5 million); it was partially offset by higher operating costs at the holding linked to the pursuit of inorganic growth ambitions (-€0.9 million). Despite the drop in revenues, EGI's EBIT remained flat, reflecting the cost control measures in COVID times.

Net finance cost fell to €8.9 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The previous year's financial costs were mainly impacted by regulatory settlements which amounted to €3.4 million.

Adjusted net profit increased strongly by €41.2 million to €31.9 million, mainly as a result of:

- Higher contribution from Nemo Link (+€39.7 million).
- Lower regulatory settlements for 2020 (+€2.2 million).
- Lower loss of re.alto (+€0.4 million), due to lower costs and initial fee income.
- Higher holding costs driven by business development activities (-€1.0 million).
- Other items (-€0.1million) driven by lower other non-regulated costs while EGI remained flat year-over-year.

Total assets dropped slightly to €1,654.0 million (-6.4%) and the net financial debt increased to €430.4 million (+6.8%), driven by the use of liquidity by Elia Group SA to pay for last year's dividend; it was partially offset by the yearly reimbursement of the Nemo Link amortising loan.

4.5. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) – Year ended 31 December	2021		2021		2021	
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group	
	(a)	(b)	(c)	(d)	(a) + (b) + (c) + (d)	
Revenue	1,009.8	1,569.9	28.7	(57.1)	2,551.2	
Other income	68.3	95.1	8.1	(36.4)	135.1	
Net income (expense) from settlement mechanism	121.4	51.9	0.0	0.0	173.3	
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(261.2)	(0.5)	0.0	(466.8)	
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7	
Share of profit of equity accounted investees, net of tax	2.3	0.0	47.1	0.0	49.3	
Earnings before interest and tax (EBIT)	227.1	272.9	40.3	(0.2)	540.1	
Earnings before depreciation, amortisation, interest and tax (EBITDA)	432.2	534.0	40.8	(0.2)	1,006.9	
Finance income	1.7	2.1	0.1	0.0	3.9	
Finance costs	(64.8)	(36.9)	(9.0)	0.2	(110.5)	
Income tax expenses	(32.9)	(72.8)	0.5	0.0	(105.1)	
Profit attributable to the owners of the company	131.0	132.3	31.9	0.0	295.2	
Consolidated statement of financial position (in € million)	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021	
Total assets	7,153.5	9,941.3	1,654.0	(604.4)	18,144.4	
Capital expenditures	417.2	880.4	1.6	0.0	1,299.2	
Net financial debt	3,441.0	1,014.9	430.4	0.0	4,886.3	
Consolidated results (in € million) – Year ended 31 December	2020		2020		2020	
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group	
	(a)	(b)	(c)	(d)	(a) + (b) + (c) + (d)	
Revenue	858.1	1,353.6	5.1	(7.2)	2,209.6	
Other income	57.5	90.1	29.6	(13.5)	163.6	
Net income (expense) from settlement mechanism	89.1	11.2	0.0	0.0	100.3	
Depreciation, amortisation, impairment and changes in provisions	(188.3)	(238.6)	(0.2)	0.0	(427.1)	
Results from operating activities	235.6	340.1	(6.5)	(0.0)	569.2	
Share of profit of equity accounted investees, net of tax	1.9	0.0	7.4	0.0	9.3	
Earnings before interest and tax (EBIT)	237.5	340.1	0.9	(0.0)	578.4	
Earnings before depreciation, amortisation, interest and tax (EBITDA)	425.8	578.6	1.1	(0.0)	1,005.5	
Finance income	2.3	4.1	0.1	0.0	6.5	
Finance costs	(68.7)	(66.7)	(12.7)	0.0	(148.1)	
Income tax expenses	(46.3)	(84.9)	2.2	0.0	(129.0)	
Profit attributable to the owners of the company	124.8	154.1	(9.5)	(0.0)	269.4	
Consolidated statement of financial position (in € million)	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2020	
Total assets	7,008.4	7,028.4	1,766.7	(637.9)	15,165.6	
Capital expenditures	365.6	715.9	0.9	0.0	1,082.4	
Net financial debt	3,305.6	3,756.6	402.9	0.0	7,465.1	

There are no significant intersegment transactions.

The Group has no concentration of customers in either of the operating segments.

4.6. Adjusted items – reconciliation table

(in € million) – Period ended 31 December 2021	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	0.0	0.0	0.0	0.0	0.0
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	0.0	0.0	0.0	0.0	0.0
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	0.0	0.0	(0.3)	0.0	(0.3)
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – adjusted items	0.0	0.0	(0.2)	0.0	(0.2)

5. Items in the consolidated statement of profit or loss and other comprehensive income

There were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

5.1. Revenue, net income (expense) from settlement mechanism and other income

(in € million)	2021	2020
Revenue, excluding net income from settlement mechanism	2,724.6	2,309.9
Grid revenue:	2,711.1	2,286.2
Last mile connection	4.3	4.3
Other revenue	9.3	19.4
Net income (expense) from settlement mechanism	173.3	100.3
Other income	135.1	163.6
Services and technical expertise	(2.2)	(3.1)
Own production	82.1	72.8
Optimal use of assets	15.8	17.2
Other	37.8	76.2
Gain on sale PPE	1.5	0.6

We refer to the segment reports for a detailed analysis of the group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,199.5 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €1,716.9 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €36.8 million (Note 4.4). The reported revenues and other income amount to €2,859.7 million.

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which substantially corresponds to the segments mentioned above.

The group's own production relates to time spent on investment projects by group employees.

The group recognised €5.7 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million). Additional information is provided in Note 6.15. The group did not recognise any substantial revenues in the reporting period with respect to performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2021	2020
Raw materials, consumables and goods for resale	83.1	86.2
Purchase of ancillary services	1,067.7	654.5
Services and other goods (excl. purchase of ancillary services)	375.9	397.2
Total	1,526.7	1,137.9

The group's costs for 'Raw materials, consumables and goods for resale' decreased to €83.1 million for financial year 2021. In 2021, the costs are attributable to the Belgian segment for €5.2 million (€6.5 million in 2020), the German segment for €77.9 million (€66.1 million) and EGI for €5.9 million (€13.5 million in 2020).

'Purchase of ancillary services' includes the costs for services which enable the group to balance generation with demand, maintain constant voltage levels and manage congestion on its grids. The cost incurred in 2021 by Elia Transmission (Belgium) increased to €294.0 million (from €139.0 million in 2020) mainly because of increased prices to cover electricity losses and increased activations to balance the grid in a context of strong energy prices. 50Hertz Transmission (Germany) incurred increased costs of €773.1 million in 2021 compared to €515.4 million in 2020 also because of higher electricity prices.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others. The cost decreased by €21.3 million to €375.9 million. The decrease was driven by the German segment, whose costs for this category amounted to €124.5 million in 2021 compared to €143.5 million in 2020.

PERSONNEL EXPENSES

(in € million)	2021	2020
Salaries and wages	242.2	219.6
Social security contributions	50.8	48.0
Pension costs	22.6	27.5
Other personnel expenses	5.9	5.2
Share-based payments expenses	0.2	1.4
Employee benefits (excl. pensions)	12.4	5.5
Total	334.1	307.2

The second tranche of the 2020 capital increase for Elia employees was completed in March 2021. The capital increase resulted in the creation of 7,360 additional shares without nominal value. The group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €35.8 thousands reduction overall.

Personnel expenses for Elia Transmission (Belgium) amounted to €166.5 in 2021, up from €162.3 million in 2020. 50Hertz Transmission (Germany) accounted for €151.4 million of the group's personnel expenses for 2021 (previous year: €131.5 million) and the non-regulated activities and Nemo Link accounted for €16.2 million (previous year: €13.4 million). All three segments saw an increase as a consequence of a continued growth in headcount.

See Note 6.13 'Employee benefits' for more information about pension costs and employee benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	2021	2020
Amortisation of intangible assets	24.5	23.0
Depreciation of property, plant and equipment	443.1	409.4
Total depreciation and amortisation	467.5	432.5
Impairment of inventories	0.6	0.1
Total impairment	0.6	0.1
Provisions for litigations	(0.5)	(5.1)
Environmental provisions	(0.2)	(0.4)
Changes in provisions	(0.8)	(5.5)
Depreciation, amortisation, impairment and changes in provisions	467.4	427.1

The total 'depreciation, amortisation, impairment and changes in provisions' increased from €427.1 million in 2020 to €467.4 million in 2021, mainly because of an increase in depreciation of property, plant and equipment due to increasing fixed assets.

A detailed description and movement schedule is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.14).

OTHER EXPENSES

(in € million)	2021	2020
Taxes other than income tax	14.0	14.5
Loss on disposal/sale of property, plant and equipment	19.1	10.9
Impairment on receivables	0.5	1.2
Other	7.7	5.5
Total	41.4	32.1

In 2021, the share of Elia Transmission (Belgium) in the group's other expenses was €21.6 million (€22.1 million in 2020), 50Hertz Transmission (Germany)'s total share amounted to €19.7 million (€9.8 million in 2020) and the share of the non-regulated activities and Nemo Link segment accounted for €0.1 million (€0.2 million in 2020).

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €9.0 million for Elia Transmission (Belgium), compared with €9.1 million the previous year. 50Hertz Transmission (Germany) recorded €10.1 million of losses on disposal for property, plant and equipment in 2021, from €1.8 million in 2020. In 2021, significant replacement projects and inventory measures were carried out.

The amount of impairment on trade receivables is explained in Note 8.1 'Financial risk and derivative management'.

5.3. Net finance costs

(in € million)	2021	2020
Finance income	3.9	6.6
Interest income on cash and cash equivalents and granted loans	1.1	2.3
Other financial income	2.8	4.2
Finance costs	(110.5)	(148.1)
Interest expense on eurobonds and other bank borrowings	(110.4)	(113.3)
Interest expense on derivatives	(0.6)	(5.2)
Interest cost on leasing	(1.8)	(1.8)
Other financial costs	2.3	(27.8)
Net finance costs	(106.6)	(141.5)

Finance income decreased from €6.6 million in 2020 to €3.9 million in 2021. 50Hertz Transmission (Germany)'s contribution to finance income amounted to €2.1 million, Elia Transmission (Belgium)'s contribution to €1.7 million and the non-regulated activities and Nemo Link segment's contribution to €0.1 million for 2021.

The interest expenses on Eurobonds and other bank borrowings decreased by €2.9 million compared to the previous year. See Note 6.12 for more details regarding the loans outstanding and the interest paid in 2021.

The interest expense incurred in 2020 was related to the settlement of two loans in June 2020 (the loan from Synatom for €453.6 million and the loan from Publi-Part (€42.1 million). In settling these, a one-off interest expense on derivatives of €4.4 million was incurred.

The interest cost on leasing remained stable in comparison with the previous year.

Other financial costs decreased from €27.8 million in 2020 to -€2.3 million in 2021. This was mainly related to the net interest on regulatory issues booked in Germany which amounts to -€6.5 million (credit) compared to €11.9 million (debit) in 2020. This variation is driven by a change in the interest rate applicable to revenue for congestion management. The remaining impact is mainly explained by the non-recurrent items recorded in 2020 relating to regulatory settlements in Belgium (€3.4 million) and costs for setting up a sustainability-linked RCF (€1.5 million).

We refer to Note 6.12 for more details about net debt and loans.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2021	2020
Current year	98.8	124.7
Adjustments for prior years	(4.1)	2.5
Total current income tax expenses	94.7	127.2
Origination from and reversal of temporary differences	10.5	1.9
Total deferred taxes expenses	10.5	1.9
Total income taxes and deferred taxes recognised in profit and loss	105.2	129.1

Total income tax expenses were lower in 2020 than in 2021. The decrease in tax expenses was mainly driven by higher Innovation Income Deduction.

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies:

(in € million)	2021	2020
Profit before income tax	433.5	437.0
Domestic corporate income tax	25%	25%
Income tax, using the domestic corporate tax rate	(108.4)	(109.3)
Effect of the foreign tax rate	(11.6)	(13.0)
Share of profit of equity accounted investees, net of tax	12.3	2.3
Non-deductible expenses	(10.6)	(4.4)
Adjustments for prior years	4.4	(2.2)
Tax credits and other tax reductions	5.6	0.4
Effect of unrecognized deferred tax assets on tax loss carry-forwards	(1.9)	(1.1)
Tax on hybrid securities	4.8	4.8
Corporate interest restriction	0.0	(6.1)
Other	0.1	(0.6)
Total income taxes and deferred taxes recognised in profit and loss	(105.2)	(129.1)

* The income tax rate in Germany amounts to 29.72% in 2021 and 29.65% in 2020

In 2021, the income tax expense was lower than the theoretical income tax expense (calculated using the nominal tax rate) mainly due to the impact of the Innovation Income Deduction for a total of €9.6 million reported under "Adjustment for prior years" and "Tax credits and other tax reductions".

Deferred income taxes are discussed further in Note 6.6.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders (after adjustment for the distribution on hybrid securities) (€276.0 million) by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to equity holders of ordinary shares	276.0	250.1
Effect of dilutive potential ordinary shares	0	
Earnings for the purposes of diluted earnings per share	276.0	250.1
Ordinary shares issued on 1 January	68,720,695	68,652,938
Treasury shares as at 1 January	0	
Ordinary shares issued in December 2020		67,757
Ordinary shares issued in March 2021	7,360	
Treasury shares - net movement for the year	-7,248	
Outstanding ordinary shares as at 31 December	68,720,807	68,720,695
Weighted average of outstanding ordinary shares (basic)	68,722,476	68,654,980
Effect of dilutive potential ordinary shares	0	0
Weighted average number of outstanding ordinary shares (diluted)	68,722,476	68,654,980
Basic earnings per share (in €)	4.02	3.64
Diluted earnings per share (in €)	4.02	3.64

DILUTED EPS

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and convertible bonds.

Diluted earnings per share are equal to basic earnings per share, since there are no share options or convertible bonds.

5.6. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and other comprehensive income recognised in equity. 'Other comprehensive income' includes all changes in equity other than owner-related changes, which are reported in the statement of changes in equity.

The total other comprehensive income for 2021 amounts to €270.8 million positive impact, representing a significant increase compared with the previous year (€12.8 million positive impact). The most important drivers are described below.

Cash flow hedges

The fair value change of the cash flow hedges had a positive impact of €250.4 million on other comprehensive income. Due to a change in accounting policy, hedge accounting is applied, as of 2021, to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, which occurred against a background of high energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income.

Financial assets measured at fair value through other comprehensive income

The measurement at fair value of the participation of EEX, in which 50Hertz Transmission holds a 5.4% stake, remains stable, resulting in no impact as of 31 December 2021 (€14.9 million as of 31 December 2020).

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a positive impact of €27.4 million. This impact is mainly explained by changes in the discount rate and the positive return of the plan assets. See Note 6.13 for more details.

The related tax on these elements amounts to €7.0 million.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construction	Total
ACQUISITION VALUE							
Balance at 1 January 2020	428.4	10,419.3	310.2	27.1	107.2	1,501.3	12,793.4
Additions	3.7	254.0	30.1	0.2	10.2	772.1	1,070.3
Disposals	(3.0)	(41.4)	(3.2)	0.0	(0.4)	(0.4)	(48.4)
Transfers	1.7	547.6	6.7	4.2	0.0	(559.9)	0.2
Balance at 31 December 2020	430.8	11,179.4	343.8	31.5	117.0	1,713.0	13,815.6
Balance at 1 January 2021	430.8	11,179.4	343.8	31.5	117.0	1,713.0	13,815.6
Additions	10.6	179.8	36.0	0.9	49.6	956.0	1,232.8
Disposals	(3.3)	(87.1)	(42.6)	(0.2)	(0.4)	0.0	(133.6)
Transfers	27.6	503.0	35.1	2.9	0.0	(570.1)	(1.5)
Balance at 31 December 2021	465.8	11,775.0	372.3	35.1	166.1	2,098.8	14,913.2
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2020	(32.0)	(3,098.4)	(173.7)	(24.5)	(19.1)	0.0	(3,347.7)
Depreciation	(5.8)	(351.7)	(35.2)	(1.6)	(15.2)		(409.4)
Disposals	1.7	31.0	3.1	0.0	0.1		36.0
Transfers	0.0	3.0	0.0	(3.0)	0.0		0.0
Balance at 31 December 2020	(36.1)	(3,416.0)	(205.7)	(29.2)	(34.2)	0.0	(3,721.2)
Balance at 1 January 2021	(36.1)	(3,416.0)	(205.7)	(29.2)	(34.2)	0.0	(3,721.2)
Depreciation	(6.6)	(381.5)	(39.7)	(1.1)	(14.8)		(443.6)
Disposals	2.2	68.6	39.7	0.1	0.4		111.1
Transfers	0.0	2.3	0.0	(2.3)	0.0		0.0
Balance at 31 December 2021	(40.5)	(3,726.6)	(205.7)	(32.4)	(48.6)	0.0	(4,053.7)
CARRYING AMOUNT							
Balance at 1 January 2020	396.3	7,320.8	136.5	2.6	88.4	1,501.3	9,446.0
Balance at 31 December 2020	394.7	7,763.3	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 1 January 2021	394.7	7,763.4	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 31 December 2021	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5

Large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway, enabling the establishment of an integrated European energy system that includes large amounts of distributed renewable production and cross-border electricity flows. The COVID-19 measures did not impede progress on these projects.

In Belgium, Elia Transmission made investments totalling €381.9 million in property, plant and equipment. Of particular importance were the investments in its onshore and offshore grid infrastructure to facilitate the integration of large volumes of renewable generation into the grid, in order to sustainably electrify our society. This included the upgrade of the Massenhoven-Van Eyck corridor (€35.6 million) and reinforcement works undertaken along the 380 kV backbone between Mercator and France via Horta-Avelgem (€13.6 million). In order to increase the interconnection capacity between Belgium and the Netherlands, reinforcement works also took place at the Zandvliet 380 kV substation (€ 13.1 million) and at the 150 kV grid in the port of Antwerp (Brabo project, €26.7 million).

In Germany, 50Hertz Transmission invested €836.5 million in property, plant and equipment. The most significant onshore investments comprised the DC SuedOstLink line (€66.9 million); the upgrading of high-voltage pylons to boost operational safety (€51.5 million); the Northing line close to Berlin (€45.7 million); the overhead line in the southern Uckermark region (€40.3 million); and the 380 kV cable in Berlin (€33.1 million). Offshore investments mainly focused on the Ostwind 2 project (€278.9 million), with good progress on being made on the next offshore wind farm connection (Ostwind 3; €18.4 million). Furthermore, replacement CAPEX was invested in the Kontek interconnector cable to Denmark (€17.3 million).

During 2021, €18.0 million of borrowing costs were capitalised on assets under construction. An amount of €4.3 million based on an average interest rate of 1.92% originates from the Elia Transmission Belgium segment (€7.8 million at 2.03% in 2020). An amount of €13.5 million based on an average interest rate of 0.98% was accounted for in the 50Hertz Transmission segment (€11.4 million at 1.13% in 2020).

There were no mortgages, pledges or similar securities on PP&E relating to loans.

Outstanding capital expenditure commitments are described in Note 8.2. The analysis of lease liabilities is presented in note 6.18.

6.2. Intangible assets

(in € million)	Development costs of software	Licenses/concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 1 January 2020	180.1	26.4	0.0	206.5
Additions	29.2	3.1	0.0	32.3
Disposals	(0.0)	(0.0)	0.0	(0.0)
Transfers	(0.2)	0.0	0.0	(0.2)
Balance at 31 December 2020	209.0	29.6	0.0	238.5
Balance at 1 January 2021	209.0	29.6	0.0	238.5
Additions	61.5	4.9	0.0	66.4
Disposals	(2.7)	0.0	0.0	(2.7)
Transfers	0.6	0.0	0.9	1.5
Balance at 31 December 2021	268.4	34.5	0.9	303.8
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2020	(104.4)	(5.7)	0.0	(110.1)
Depreciation	(20.9)	(2.1)	0.0	(23.0)
Balance at 31 December 2020	(125.4)	(7.8)	0.0	(133.1)
Balance at 1 January 2021	(125.4)	(7.8)	0.0	(133.1)
Depreciation	(21.4)	(2.9)	(0.2)	(24.5)
Disposals	2.5	(0.2)	0.0	2.4
Balance at 31 December 2021	(144.2)	(10.8)	(0.2)	(155.2)
CARRYING AMOUNT				
Balance at 1 January 2020	75.6	20.7	0.0	96.4
Balance at 31 December 2020	83.6	21.8	0.0	105.4
Balance at 1 January 2021	83.6	21.8	0.0	105.4
Balance at 31 December 2021	124.2	23.6	0.8	148.6

Software comprises both IT applications developed by the Company for operating the grid and software for the Group's normal business operations.

The group invested a total amount of €66.4 million, of which €35.3 million in Elia Transmission Belgium, €30.4 million in 50Hertz Transmission and €0.7 million in the non-regulated activities and Nemo Link segment.

During 2021, €0.3 million in borrowing costs were capitalised on software in development (compared with €0.2 million in 2020) in the Elia Transmission Belgium segment, based on an average interest rate of 1.92% (2.03% in 2020). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

The group does not hold individual intangible asset that is material to its financial statements, except capacity entitlements in the Kontek cable (Denmark) for €16.5 million (with a remaining useful life of 11 years (until 2033)).

6.3. Goodwill

There were no changes in goodwill during the years 2020-2021. The carrying amount is the following:

CARRYING AMOUNT	
Balance at 1 January 2020	2,411.1
Balance at 31 December 2020	2,411.1
Balance at 1 January 2021	2,411.1
Balance at 31 December 2021	2,411.1

The goodwill relates to the following business combinations and is allocated to the cash generating unit (CGU) Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in € million)	2021
Acquisition Elia Asset – 2002	1,700.1
Acquisition Elia Engineering – 2004	7.7
Acquisition Eurogrid International – 2018	703.4
Total	2,411.1

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment on at least an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the CGUs Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

The recoverable amount of CGUs is determined by reference to a value in use that is calculated based on different methods (Discounted Cash Flow and Discounted Dividend Model) using **cash flow projections** drawn up on the basis of the 2021 reforecast and the 2022-2026 business plan, as approved by the Management Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.

The forecasts and projections included in the reference scenario were determined on the basis of the estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share and margin evolution. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods.

The **discount rates** used correspond to the weighted average cost of capital, which is adjusted in order to reflect the business, market, country and currency risk relating to each goodwill CGU reviewed. The discount rates used are consistent with available external information sources..

The **growth rates** associated with the terminal values do not exceed the inflation rate or the long-term average growth rate for the market to which the CGU is dedicated.

More details are provided below by CGU.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as it owns the whole of extra-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and, the difference could not therefore be allocated to specific assets and was considered unallocated. This difference has consequently been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in

particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered one CGU.

As a result, the group assigned the carrying amount of the goodwill to one unit, namely the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in the recognition of any impairment losses.

The impairment test was conducted by an independent expert. This impairment test is based on the value in use and uses two main valuation methods to estimate the recoverable amount, 1) a discounted cash flows method (DCF) and 2) a dividend discount model (DDM), both of which are further detailed in valuation variants depending on the terminal value calculation.

Future cash flows and future dividends are based on a business plan for the period 2021-2030. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around 1) a fair remuneration of the regulated asset base and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulated asset base consistent with market expectations, the estimated regulated asset base for the last forecast year can be considered an indication of the terminal value. This approach does not take account of potential cash flows generated by meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, the most important are outlined below.

1. Discounting of future cash flows (DCF-models):

- Discount rate:
 - Cost of Equity of 6.9%;
 - Risk-free-rate: 0.0%
 - Beta 0.83
 - Equity market risk premium 5.5%
 - Country risk premium 0.6%
 - Small firm premium 1.8%
 - Pre-tax Cost of Debt of 1.4%;
 - Corporate tax rate of 25%;
 - Target gearing (D/(D+E)): 60%;
 - Post-tax WACC: 3.4%.
- Terminal value based on two variants:
 - Terminal value based on a 1.17x RAB multiple in 2030
NB: as such, the RAB itself does not take into account the contribution that the incentive remuneration makes to the value creation process.
 - Terminal value based on a perpetual growth rate of 1.5% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

2. Discounting of future dividends (DDM-models):

- Discount rate:
 - Cost of Equity of 6.9%
- Terminal value based on two variants:
 - Terminal value based on 1.17x RAB multiple in 2030.
NB: as such, the RAB itself does not take account of the contribution of the incentive remuneration to the value creation process.
 - Terminal value based on a perpetual growth rate of 1.5%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY30 most likely does not yet reflect the (positive) impact of the investments planned in FY25-FY30.

Conclusion:

- Neither the independent analysis, which was based on a (€3,004 million) midpoint of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.
- As the median and the average of the different methods presented above were relatively far apart (€2.335 million and €3.674 million respectively), mainly due to differences in assumptions for the terminal value, the expert's mid-point is based on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of incentive remuneration on the terminal value (see above for more details).
- Given the regulated nature of the businesses grouped within the CGU, a reasonable change in any of the valuation inputs would not result in impairment losses.

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the group for €988.7 million resulted in a goodwill of €703.4 million, being the difference between the acquisition value of this stake and the proportional carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the CGU 50Hertz Transmission, since it comprises all income and expenses generated thereof.
- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods, 1) a discounted cash flows (DCF) method and 2) a dividend discount model (DDM). Both of these are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2021-2031 (two regulatory periods). As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the next two regulatory periods.

The valuation methods are subject to different assumptions, most importantly:

1. Discounting of future cash flows (DCF-models):
 - Discount rate:
 - Cost of Equity: 6.3%;
 - Risk-free-rate: 0.0%
 - Beta 0.83
 - Equity market risk premium 5.5%
 - Country risk premium 0.0%
 - Small firm premium 1.8%
 - Pre-tax Cost of Debt: 1.4%;
 - Corporate tax rate: 30%;
 - Target gearing (D/(D+E)): 60%;
 - WACC: 3.1%.
 - Terminal value based on three variants:
 - Terminal value based on a 1.17x RAB multiple in 2031;
 - Terminal value based on a value driver approach, assuming any new CAPEX after 2031 will generate a return equal to the WACC of 3.1%;
 - Terminal value based on a perpetual growth rate of 1.5%.
2. Discounting of future dividends (DDM-models):
 - Discount rate:
 - Cost of Equity: 6.3%
 - Terminal value based on two variants:
 - Terminal value based on 1.17x RAB multiple in 2031;
 - Terminal value based on a perpetual growth rate of 1.5%.

Conclusion:

- Neither the independent analysis, which was based on a (€2,682 million) midpoint of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.
- The median of the different methods presented above were relatively close (€2,682 million and €2,946 million respectively), as the assumptions for the terminal value were similar. Neither the independent analysis based on a median of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021.
- Given the regulated nature of the businesses grouped within the CGU, a reasonable change in any of the valuation inputs would not result in impairment losses.

6.4. Equity-accounted investees

The movements in the equity-accounted investees are summarised as follows:

(in € million)	2021	2020
Equity accounted investees (opening balance)	323.1	342.8
Profit for the year	49.4	9.2
Dividends received by the Group	(30.9)	(13.7)
Capital repayment of equity accounted investee	(30.5)	(15.3)
Investment in equity accounted investee		0.4
Sale of equity accounted investee	(1.5)	(0.5)
Equity accounted investees (closing balance)	309.6	323.1
<i>Of which joint ventures</i>	292.1	304.6
<i>Of which associates</i>	17.5	18.5

Details are given in the subchapters below.

6.4.1. Joint ventures

Nemo Link Ltd

On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector between Belgium and the UK. This project consists of subsea and underground cables connected to a converter station and an electricity substation in each country, allows electricity to flow in either direction between the two countries and give the UK and Belgium improved reliability and access to electricity and sustainable generation. Each shareholder holds a 50% stake in Nemo Link Ltd, a UK company. The interconnection was commissioned in late January 2019.

To finance the project both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis). In June 2019, the loans were incorporated in the share capital (loan swap to equity).

In 2021, Nemo Link Ltd reduced its share capital by €61.0 million. In addition to these capital reduction rounds, dividends totalling €58.0 million were paid out to its shareholders.

The following table summarises the financial information of the joint venture, based on its IFRS financial statements and reconciliation with the carrying amount for the group's interest in the consolidated financial statements.

(in € million)	2021	2020
Percentage ownership interest	50.0%	50.0%
Non-current assets	617.4	643.3
Current assets	19.5	27.5
Non-current liabilities	41.0	42.3
Current liabilities	11.6	19.2
Equity	584.2	609.2
Group's carrying amount for the interest	292.1	304.6
Revenues and other income	151.1	69.2
Total depreciation and amortisation	(27.0)	(27.0)
Other operating expenses	(7.7)	(14.5)
Net finance costs	(1.0)	(0.2)
Profit before income tax	115.3	27.5
Income tax expense	(21.2)	(12.7)
Profit for the year	94.0	14.7
Total comprehensive income for the year	94.0	14.7
Group's share of profit for the year	47.0	7.4
Dividends received by the Group	29.0	12.0

6.4.2. Associates

As of 31 December 2021, the group has 2 associates, both being equity-accounted investees.

- The group has a 22.2% stake in Coreso SA/NV. Coreso SA/NV is a company that provides coordination services aimed at facilitating the secure operation of the high-voltage grid in several European countries.
- The group holds a 17.0% stake in HGRT SAS. HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. As one of the founding partners of HGRT, the group has a 'golden share', giving it a minimum number of representatives on HGRT's Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2021, the group received a dividend of €1.9 million from HGRT (€1.7 million in 2020).

None of these companies are listed on any public exchange.

The following scope changes are to be reported:

- The investment in Enervalis NV (16,5%), a start-up that develops innovative software for smart control of energy sources, was sold in April 2021 resulting in a gain of €0.15 million
- In August 2020, the group sold its 20.5% stake in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and DSOs.

The following table illustrates the summarised financial information of the group's investment in these companies, based on their respective financial statements prepared in accordance with IFRS.

(in € million)	Enervalis 2020	Ampacimon 2020	Coreso 2020	HGRT 2020
Percentage ownership interest	16.5%		22.2%	17.0%
Non-current assets			9.0	94.3
Current assets	9.1		4.4	1.0
Non-current liabilities			0.0	0.0
Current liabilities			9.7	0.0
Equity	9.1		3.7	95.3
Group's carrying amount for the interest	1.5		0.8	16.2
Revenue			20.1	0.0
Other operating expenses			(19.2)	11.1
Profit before income tax		(0.5)	0.9	11.1
Income tax expense			(0.3)	(0.1)
Profit for the year		(0.5)	0.6	11.0
Total comprehensive income for the year		(0.5)	0.6	11.0
Group's share of profit for the year		(0.1)	0.1	1.9
Dividends received by the Group				1.7

(in € million)	Coreso 2021	HGRT 2021
Percentage ownership interest	22.2%	17.0%
Non-current assets	8.2	96.5
Current assets	4.5	0.8
Current liabilities	8.2	0.0
Equity	4.5	97.3
Group's carrying amount for the interest	1.0	16.5
Revenue	25.7	0.0
Other operating expenses	(24.6)	13.2
Profit before income tax	1.1	13.2
Income tax expense	(0.4)	(0.1)
Profit for the year	0.7	13.1
Total comprehensive income for the year	0.7	13.1
Group's share of profit for the year	0.2	2.2
Dividends received by the Group		1.9

6.5. Other financial assets

(in € million)	2021	2020
<i>Immediately claimable deposits</i>	7.0	7.0
<i>Reimbursement rights</i>	46.2	53.8
<i>Other shareholdings</i>	43.8	43.8
<i>Non-current derivatives</i>	39.4	0.0
Other financial assets (non-current)	136.3	104.5
Current derivatives	316.2	0.0
Other financial assets (current)	316.2	0.0
Provisions for risks liabilities and charges	452.5	104.5

The total other financial assets increased by €348.0 million compared with the previous year. In 2021, 50Hertz began applying hedge accounting on future contracts for grid losses. The fair value of these derivatives is dependent on the energy prices which knew a strong increase at year end. This change in accounting policy resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021, including €39.4 million classified in long-term and €316 million classified in short-term. See Note 8.1 for more info on these derivatives.

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1.

The reimbursement rights are linked to the obligations regarding (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan) and for (ii) health plan and reduced energy pricing plans for retired staff members. See Note 6.13: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and reduced energy pricing plans for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The increase in the carrying value of this asset is disclosed in Note 6.13: 'Employee benefits'. Considering the nature (regulatory asset) of these financial assets, they are not considered to be at risk of impairment.

The group holds 5.3% (at 100%) of the shares in European Energy Exchange (EEX), Leipzig, Germany, of a total value of €42.7 million as of the reporting date. These shares are disclosed under Other shareholdings in addition to an 8.0% (at 100%) shareholding in JAO Joint Allocation Office SA, a 6.7% (at 100%) shareholding in TSCNET Services GmbH (Munich, Germany) and a 10.4% (at 100%) shareholding in the foundation Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters foundation (Berlin, Germany). Other investments are measured at fair value. At each reporting date, a re-measurement is performed to re-evaluate these investments. Any deviation from the previous period is recorded under other comprehensive income.

6.6. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2021		2020	
	Assets	Liability	Assets	Liability
Property, plant and equipment	25.2	(245.8)	4.3	(215.0)
Intangible assets		(15.4)	0.0	(6.3)
Non-current trade and other receivables	1.3	(0.0)	1.1	(0.3)
Interest-bearing loans and other non-current financial liabilities	41.8	(5.6)	33.5	(6.0)
Employee benefits	26.7	(11.8)	32.5	(13.5)
Provisions	30.2		46.8	
Deferred revenue	25.9	(1.5)	24.5	(2.0)
Regulatory liabilities	22.3		22.7	
Deferred tax on investment grants		(1.0)		(1.0)
Losses carried forward	14.0		0.8	
Other items	0.7	(8.9)	1.0	(7.4)
Tax asset/liability before offsetting	188.1	(395.8)	167.0	(251.5)
Offsetting of tax	(186.2)	186.2	(162.0)	162.0
Net tax asset/(liability)	1.9	(209.7)	5.0	(89.5)

The changes in deferred tax assets and liabilities can be presented as follows:

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES RESULTING FROM MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

(in € million)	Net tax asset/(liability)	Recognised in income statement	Recognised in comprehensive income	Other	Total
2020					
Property, plant and equipment	(208.4)	(2.2)			(210.6)
Intangible assets	(8.6)	2.3			(6.3)
Non-current trade and other receivables	1.2	(0.4)			0.8
Interest-bearing loans and other non-current financial liabilities	22.1	(2.8)	(1.4)	9.6	27.6
Employee benefits	16.3	0.5	2.2		19.0
Provisions	47.4	(0.6)			46.8
Deferred revenue	29.3	3.0		(9.9)	22.5
Regulatory liabilities	25.3	(2.7)			22.6
Deferred tax on investment grants	(1.1)	0.0			(1.1)
Losses carried forward	0.4	0.4			0.8
Other items	(7.2)	0.4		0.3	(6.5)
Total	(83.3)	(2.0)	0.9		(84.5)

2021				
Property, plant and equipment	(210.6)	(10.4)		(221.0)
Intangible assets	(6.3)	(9.1)		(15.4)
Financial assets			(105.7)	(105.7)
Non-current trade and other receivables	0.8	0.3		1.1
Interest-bearing loans and other non-current financial liabilities	27.6	18.9	(0.2)	46.3
Employee benefits	19.0	2.9	(7.0)	14.9
Provisions	46.8	(2.2)		44.6
Deferred revenue	22.5	(7.8)		14.6
Regulatory liabilities	22.6	(0.4)		22.2
Deferred tax on investment grants	(1.1)		0.1	(1.0)
Losses carried forward	0.8	0.2		1.0
Other items	(6.5)	(2.8)		(9.3)
Total	(84.5)	(10.5)	(112.8)	(207.8)

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under 'Property, plant and equipment', whilst the deferred tax asset on finance lease liability is shown under 'Interest-bearing loans and other non-current financial liabilities'.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2021, there is an unrecognised deferred tax asset of €12.3 million and €2.7 million relating to non-deductible interests carried forward (Corporate Interest Restriction rule) and Dividend Received Deduction carried forward at Elia Group SA/NV level, respectively.

EGI SA/NV has also an unrecognised deferred tax asset of €0.1 million and €0.5 million relating to losses carried forward and Dividend Received Deduction carried forward, respectively.

There is also an unrecognised deferred tax asset of €0.1 million Dividend Received Deduction carried forward at Eurogrid International SA/NV level.

These unused tax losses carried forward, Dividend Received Deduction carried forward and non-deductible interests carried forward (Corporate Interest Restriction rule) have no expiry date. An assessment is conducted each year to determine the probability that these fiscal deductions could be used in the future to lower the tax base.

6.7. Inventories

(in € million)	2021	2020
Raw materials and consumables	35.6	34.6
Work in progress	1.9	19.8
Write-downs	(15.9)	(15.4)
Total	21.6	39.0

The warehouse primarily stores replacement and spare parts for maintenance and repair work along the group's high-voltage substations, overhead lines and underground cables. It also consists of work-in-progress balances. These work-in-progress balances decreased by €17.8 million with the final commissioning of the Altdöbern substation at Elia Grid International GmbH. Other inventories increased slightly by €0.9 million.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2020.

6.8. Current trade and other receivables, deferred charges and accrued revenues

(in € million)	2021	2020
Contract assets	2.9	9.5
Trade receivables	716.5	435.2
Advance payments	1.0	3.5
Levies	36.6	948.8
VAT and other taxes	79.1	44.3
Other	25.1	34.1
Trade and other receivables	861.3	1,475.4
Deferred charges	18.1	13.7
Deferred charges and accrued revenues	18.1	13.7
Total	879.4	1,489.1

The total current trade and other receivables, deferred charges and accrued revenues decreased by €609.7 million compared with the previous year. This is mainly explained by the significant variation observed in the levies (-€912.2 million), partly offset by an increase of trade receivables (€283.1 million).

Contract assets are mainly related to EGI's business and transmission system operations. The position decreased from €9.5 million in the previous year to €2.9 million at year-end.

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days. The increase is driven by both Belgian and German segments against a background of high activity and a significant increase in energy prices.

The decrease in the levies is mainly attributable to Germany, where the EEG deficit was settled in January 2021 with three federal compensation payments to pay back the revolving credit facilities that were temporarily contracted to finance the EEG deficit at the end of 2020. Only the offshore contribution was in a receivable position (€20.9 million) at year end in 2021 in Germany (booked within 'Other'). In Belgium the levies decreased from €144.3 million to €36.6 million due to lower volumes of purchased green certificates.

'Other receivables' mainly relate to other regulatory assets of the German segments.

The group's exposure to credit and currency risks, and impairment losses related to trade receivables are shown in Note 8.1.

At 31 December, the ageing analysis of trade receivables is as follows:

(in € million)	2021	2020
Not past due	687.4	409.1
Past due 0-30 days	15.1	22.3
Past due 31-60 days	2.4	0.3
Past due 61 days - one year	11.1	2.8
Past due one year - two years	2.1	2.0
Total (excl. impairment)	718.1	436.6
Doubtful amounts	201.4	201.6
Amounts write-offs	(200.8)	(201.0)
Allowance for expected credit losses	(2.1)	(1.9)
Total	716.5	435.2

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

Considering the nature (as regulatory assets) and/or the risk profile of the counterparties (Belgian/German state) of the most significant other receivables, they are not subject to impairment risk and no specific provision is recorded in relation to these amounts.

6.9. Current tax assets and liabilities

(in € million)	2021	2020
Tax receivables	10.1	3.4
Tax liabilities	(26.8)	(13.6)
Net tax asset/(liability)	(16.7)	(10.2)

Tax receivables increased compared with the previous year. The €10.1 million income tax receivables recorded on 31 December 2021 mainly relates to advances on corporate tax to be recovered in the financial year 2022. Income tax liabilities increased from €13.6 million to €26.8 million in 2021.

6.10. Cash and cash equivalents

(in € million)	2021	2020
Short-term deposits	2,486.2	222.0
Balance at bank	563.2	368.1
Total	3,049.5	590.1

Cash and cash equivalents have increased by €2,459.3 million. This increase was mainly due a higher contribution of 50Hz Transmission (Germany) explained by a significant change in EEG, KWK and StromNEV (levies) position, from a €737.2 million receivable to a €2,132.1 million payable position.

Short-term deposits are invested for periods varying from a few days or weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for short-term deposits.

Bank account balances earn or pay interest in line with the variable rates of interest on the basis of daily bank deposit interest rates. The group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 8.2.

The cash and cash equivalents disclosed above and in the statement of cash flows include €34.7 million held by Elia RE of which €1.0 million is restricted in use.

6.11. Shareholders' equity

6.11.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2021	2020
Outstanding on 1 January	68,720,695	68,652,938
Issued against cash payment	7,360	67,757
Number of issued shares at the end of the year	68,728,055	68,720,695
Number of treasury shares at the end of the year	7,248	0
Number of outstanding shares at the end of the year	68,720,807	68,720,695

The extraordinary shareholder' meeting held on 19 May 2020 decided to execute a capital increase in two steps/periods (one in 2020 for a maximum of €5.0 million and the other in 2021 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2020. The transaction resulted in the creation of 67,757 new shares for a total amount of €5.0 million, consisting of €1.7 million capital increase and a €3.3 million increase in share premium.

The second tranche of the 2020 capital increase for Elia employees was completed in March 2021. The capital increase resulted in the creation of 7,360 additional shares without nominal value for a total amount of 0.2 million capital increase and a €0.4 million increase in share premium.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. As at 31 December 2021 the Group's legal reserve amounts to €173.0 million and represents 10% of the capital.

The Board of Directors can propose the pay-out of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ending on 31 December 2021. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments with regard to hedged transactions that have not yet occurred.

The increase in 2021 is explained by a change in accounting policy. As of 2021, hedge accounting is applied to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, taking place against a background of high energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income. However, as the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

TREASURY SHARES

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the group. On 31 December 2021, the group held 7.248 of the Company's shares.

Number of treasury shares	2021	2020
On 1 January	0.0	
Repurchased during the year	270,331	
Sold during the year	-263,083	
Number of treasury shares at the end of the year	7,248	0.0

SHARE-BASED PAYMENTS

At 31 May 2021, Eurogrid International SA/NV has granted 1,640 stock options to employees of RealTo BV/SRL and RealTo GmbH at a strike price of €100 per stock option at exercise date 31 March 2024. In total, 1,620 stock options have been accepted, worth €1.0 million. The share-based payments cost amounted to €0.2 million in 2021. As the stock option plan concerns shares in RealTo BV/SRL and the parent company Elia Group SA/NV, the share-based payments are not presented separately in the statement of equity.

DIVIDEND

After the reporting date, the Board of Directors will put forward the dividend proposal indicated below.

Dividend (in €)	2021	2020
Per ordinary share entitled to dividend	1.75	1.71

It was proposed and approved, at the Shareholders' Meeting convened to approve the Elia Group SA/NV financial statements for the year ended 31 December 2020 to pay a dividend of €1.71 per share, representing a total payout of €117.5 million.

The Board of Directors meeting on 24 March 2022 proposed a gross dividend of €1.75 per share in respect of 2021. This dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2022 and is not included as a liability in the Group's consolidated financial statements.

The total dividend, calculated based on the number of shares outstanding on 24 March 2022 corresponds to a total of €120.3 million.

6.11.2. Hybrid securities

In September 2018, the group issued hybrid securities to finance the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in a €700 million increase in the group's equity.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2021, the unpaid cumulative dividend amounted to €1.4 million. (2020: €1.4 million). A coupon of €19.3 million was paid to the holders of hybrid securities in December 2021.

The hybrid securities have an initial call date in December 2023 with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all senior debt and are recorded as equity in the group's accounts pursuant to IFRS.

6.12. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2021	2020
Non-current borrowings	7,658.2	7,177.2
Lease liabilities – non-current	83.7	72.4
Subtotal non-current borrowings	7,741.7	7,249.6
Current borrowings	82.3	722.7
Lease liabilities – current	35.1	11.8
Accrued interest	76.4	71.0
Subtotal current loans and borrowings	194.0	805.5
Total	7,935.7	8,055.1

The tables below show the changes in the group's liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes.

(in € million)	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Total
Balance at 1 January 2020	1,119.2	5,378.9	6,498.1
Cash flow: repayment of borrowings	(1,073.0)	(246.5)	(1,319.5)
Cash flow: proceeds from withdrawal borrowings	725.0	2,149.5	2,874.5
Accrued interest	8.2	0.0	8.2
Other	26.1	(32.3)	(6.2)
Balance at 31 December 2020	805.5	7,249.6	8,055.1
Balance at 1 January 2021	805.5	7,249.6	8,055.1
Cash flow: repayment of borrowings	(722.3)	(15.4)	(737.7)
Cash flow: proceeds from withdrawal borrowings	60.0	498.0	558.0
Accrued interest	5.4		5.4
Other	45.4	9.5	54.9
Balance at 31 December 2021	193.9	7,741.7	7,935.7

During the year, the group (Eurogrid GmbH) paid back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020.

Elia Group has issued an Eurobond of €500.0 million with maturity date 2033 and an interest rate of 0.88% respectively. The group also issued commercial papers for total amount of €60.0 million with maturity date 2022 and an interest rate of -0.15% under its commercial paper program of €300.0 million.

Movements in 'Other' in the financial year 2021 mainly relates to reclassifications of long-term debt to short-term debt based on when instruments become due in 2022.

Information on the terms and conditions of outstanding interest-bearing loans and borrowings is given below:

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	547.7	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.2	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.2	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.1	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.2	1.38%
Senior bond 2018/10 years	2028	At maturity	297.9	1.50%
Eurobond issues 2019/7 years	2026	At maturity	498.6	1.38%
Eurobond issues 2020/10 years	2030	At maturity	789.7	0.88%
Amortising term loan	2033	Linear	181.7	1.80%
Amortising bond - 7,7 years	2028	Linear	58.7	1.56%
Amortising bond - 23,7 years	2044	Linear	132.3	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	60.0	-0.15%
Bond as part of Debt Issuance Programme 2015	2025	At maturity	498.6	1.88%
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.4	1.63%
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.3	2.63%
Bond as part of Debt Issuance Programme 2016	2028	At maturity	747.7	1.50%
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.4	1.11%
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.4	0.88%
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.1	0.88%
Registered bond 2014	2044	At maturity	50.0	3.00%
Loan with KfW	2026	At maturity	150.0	0.90%
Total			7,740.5	
Lease debts			118.8	
Accrued interests			76.4	
Total Loans and Borrowings (Current and Non-current)			7,935.7	

6.13. Employee benefits

The group has various legal and constructive defined benefit obligations linked to its Belgian and German operations.

The total net liability for employee-benefit obligations is as follows:

(in € million)	2021			2020		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined benefit plans	28.6	34.0	62.6	17.9	32.9	50.8
Post-employment benefits other than pensions	36.2	7.9	44.0	73.9	7.3	81.2
Total provisions for employee benefits	64.8	41.8	106.6	91.8	40.2	132.0

Of the €106.6 million in employee benefit provisions recognised at the end of financial year 2021, €104.9 million is presented in the long term and €1.7 million in the short term (see Note 6.14).

BELGIUM

DEFINED-CONTRIBUTION PLANS

Employees remunerated based on a salary scale and recruited after 1 June 2002, as well as management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel):

- The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.
- The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee's salary.

The new law regarding occupational pension plans, published at the end of 2015, made various changes to the guaranteed return on defined-contribution plans. For payments made after 1 January 2016, the law requires employers to guarantee an average annual return of at least 1.75% (up to 3.75% depending on who contributes) over the course of the career.

For insured plans the minimum guaranteed return until 31 December 2015 still needs to be equivalent to at least 3.25% for the employer's contribution and 3.75% for the employee's contribution, with any shortfall being covered by the employer.

As a result of the above change and as mentioned in the accounting policies, all defined-contribution pension plans under Belgian pension legislation are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer, which represents a plan amendment. They are accounted for with the Projected Unit Credit method (PUC-method). For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any), hence no application of IAS 19 § 115. In addition, with the exception of Enerbel, the defined-contributions (DC) plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. The main objective of these plans is to guarantee for every subscriber a minimum guaranteed return of 3.25% on the acquired reserves until retirement age.

Both employee' and employer' contributions are paid on a monthly basis for the base plans. The employee' contribution is deducted from the salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide 'pension supplements' based on the annual salary and an employee's career within a company (partially revertible to the inheritor in case of early death of the employee). The benefits granted are linked to Elia's operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined-benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. As this guarantee is an obligation by the employer, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to energy prices, as well as other long-term benefits (seniority payments). Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

GERMANY

DEFINED CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- Pension obligations for executives (agreement with staff representatives from 2003 onwards): individual contractual pension obligations based on an agreement with representatives;
- Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards): individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- Collective bargaining agreement on the company pension scheme: obligations based on the collective bargaining agreement on 50Hertz Transmission's company pension scheme, concluded on 28 November 2007
- Direct insurance: direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;
- Individual commitments: individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined-benefit plans entitle employees to make direct pension claims against 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined-benefit plans exist in Germany:

- Group works agreement on the company pension scheme

In accordance with the group works agreement on the company pension scheme, employees are granted a company pension plan on the basis of a defined-contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits upon reaching the statutory retirement age, upon taking early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined-benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The group's net liability for employee benefit obligations is as follows:

(in € million)	Pensions		Other	
	2021	2020	2021	2020
Present value of funded defined-benefit obligation	(298.9)	(292.3)	(100.1)	(110.8)
Fair value of plan assets	236.3	241.4	56.1	29.6
Net employee benefit liability	(62.6)	(50.8)	(44.0)	(81.2)

The net employee benefit liability decreased in total by €25.4 million, of which €27.0 million on Belgian level partly offset by €1.6 million increase on German level.

In Belgium, the impact is mainly explained by the decrease in discount rate compared with 2020 and the higher return on plan assets.

In Germany, despite the decrease in the discount rate, the net variation is an increase mainly due to the continuing increase in full time equivalents for which employee benefits are to be paid.

Movement in the present value of the defined benefit obligation (in € million)	Pensions		Other	
	2021	2020	2021	2020
At the beginning of the period	(292.3)	(278.1)	(110.8)	(98.5)
Current service cost	(15.2)	(12.8)	(10.4)	(8.0)
Interest cost/income	(1.7)	(2.1)	(0.6)	(1.0)
Contributions from plan participants	(0.9)	(1.2)	0.0	0.0
Including rereasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
1) Changes in demographic assumptions	0.0	(1.1)	0.0	(1.1)
2) Changes in financial assumptions	17.7	(10.7)	3.7	(3.8)
3) Changes from experience adjustments	(5.3)	5.1	(0.3)	(0.9)
Past service cost	0.1	0.0	0.0	(6.3)
Payments from the plan	16.8	14.7	2.8	2.7
Transfers	(18.2)	(6.1)	15.5	6.1
At the end of the period	(298.9)	(292.3)	(100.1)	(110.8)

Movement in the fair value of the plan assets (in € million)	Pensions		Other	
	2021	2020	2021	2020
At the beginning of the period	241.4	231.0	29.6	25.9
Interest income	1.0	1.7	0.1	0.0
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	12.0	(0.1)	3.7	2.5
Contributions from employer	10.2	19.2	9.7	6.4
Contributions from plan participants	0.9	1.2	0.0	0.0
Transfers	(13.1)	2.6	15.8	(2.6)
Benefit payments	(16.2)	(14.1)	(2.7)	(2.7)
At the end of the period	236.3	241.4	56.1	29.6

Amounts recognised in comprehensive income (in € million)	Pensions		Other	
	2021	2020	2021	2020
Service cost				
Current service cost	(15.2)	(12.8)	(4.1)	(4.1)
Past service cost	0.1	0.0	0.0	(6.3)
Settlements	0.6	0.6	0.1	0.0
Net interest on the net defined-benefit liability/(asset)	(0.7)	(0.4)	(0.5)	(1.0)
Interest cost on defined-benefit obligation	(1.7)	(2.1)	(0.6)	(1.0)
Interest income on plan assets	1.0	1.7	0.1	0.0
Other	(0.0)	(0.0)	0.3	2.1
Defined-benefit costs recognised in profit or loss	(15.1)	(12.6)	(4.2)	(9.2)
Actuarial gains/(losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	(1.1)	0.0	(0.8)
2) Changes in financial assumptions	17.7	(10.7)	3.1	(3.4)
3) Changes from experience adjustments	(5.3)	5.1	(0.1)	(1.2)
Return on plan assets (excluding interest income on plan assets)	12.0	(0.1)	3.7	(0.1)
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	24.5	(6.8)	6.6	(5.5)
Total	9.4	(19.4)	2.4	(14.7)

Considering the actuarial gains or losses recognized in other comprehensive income for the reimbursement rights (€3.8 million for 2021 - see hereafter), the net impact of the remeasurement of post employments benefit obligations amounts to €27.4 million.

(in € million)	2021	2020
Breakdown of defined-benefit obligation by type of plan participants	(399.0)	(403.1)
Active plan participants	(314.9)	(311.3)
Terminated plan participants with def.-benefit entitlements	(24.8)	(21.6)
Retired plan participants and beneficiaries	(59.3)	(70.2)
Breakdown of defined-benefit obligation by type of benefits	(399.0)	(403.1)
Retirement and death benefits	(288.2)	(299.5)
Other post-employment benefits	(57.3)	(87.3)
Seniority payments	(53.6)	(16.2)

When determining the appropriate discount rate, the group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined benefit lump sum is financed by the employer through a recurrent allowance expressed as a percentage of the total payroll of the participants. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing involves smoothing future costs over the remaining period of the plan. The costs are estimated on a projected basis (taking into account salary growth and inflation). The assumptions related to salary increase, inflation, employee turnover and age term are defined on the basis of historical data from the Company. The mortality tables used are those corresponding to the observed experience within the financing vehicle and take into consideration expected changes in mortality. The group calculates the net interest on the net defined benefit liability (asset) using the same high-quality bond discount rate (see above) used to measure the defined benefit obligation (net interest approach). These assumptions are challenged on a regular basis.

Exceptional events (such as modification of the plan, change of assumptions and overly short coverage terms) can eventually lead to outstanding payments from the sponsor.

The defined benefit plans expose the Company to actuarial risks such as investment risk, interest-rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined based on high-quality corporate bonds. The difference between the actual return on assets and the interest income on plan assets is included in the remeasurements component (OCI). Currently the plan has a relatively balanced range of investments, as shown below:

(in € million)	2021	2020
Investments quoted in an active market	71.02%	72.53%
Shares - Eurozone	13.99%	13.99%
Shares - outside Eurozone	17.98%	18.36%
Government bonds - Eurozone	1.31%	1.26%
Other bonds - Eurozone	24.85%	25.78%
Other bonds - outside Eurozone	12.89%	13.14%
Unquoted investments	28.98%	27.47%
Qualifying insurance contracts	10.91%	9.41%
Property	2.50%	2.41%
Cash and cash equivalents	2.82%	2.73%
Other	12.76%	12.92%
Total (in %)	100.00%	100.00%

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund. In Germany, all plan assets are invested in insurance agreements.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's assets, of which approximately 95% is now invested in pension funds with an expected return of 3.12%.

Longevity risk

The present value of the defined benefit plan liability is calculated based on the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE are used in Belgium and the 2018 Heubeck tables are used in Germany.

Salary risk

The present value of the defined benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	Belgium		Germany	
	2021	2020	2021	2020
Discount rate				
- Pensions - defined benefit plans and cash balance - best off plans	0.83%	0.36%	1.26%	0.97%
- Pensions - defined contribution plans	1.12%	0.66%	-	-
- Other	1.14%	0.70%	1.26%	0.97%
Expected average salary increase (excluding inflation)	1.00%	1.00%	2.15%	2.00%
Expected inflation	1.75%	1.75%	2.00%	2.00%
Expected increase in health benefits (including inflation)	2.75%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	1.75%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65 year old male	19.9	19.9	20.5	20.4
Life expectancy for a 65 year old female	23.6	23.6	24.0	23.9

*Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany

(in years)	Belgium		Germany	
	2021	2020	2021	2020
Weighted average duration of the defined benefit obligation	8.5	8.8	28.7	28.5
Weighted average duration of the defined contribution plans	9.7	9.7	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.2	13.4	14.0	13.8

In Germany, the liability of the defined contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated.

The actual return on plan assets in percentage terms for 2021 was in the range of 2.7% to 12.0% (compared with a range of 0.9% to 2.8% in 2020).

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(4.0)	(17.7)	(21.3)
Other	(2.0)	(9.0)	(10.6)
Total (in € million)	(6.0)	(26.7)	(31.9)

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- Differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- The expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- Future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in € million)	Belgium Increase (+) / Decrease (-)	Germany Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	20.1	7.0
Average salary increase - excl. inflation (0.5% movement)	(9.7)	(2.8)
Inflation (0.25% movement)	(5.9)	(0.4)
Increase of healthcare care benefits (1.0% movement)	(0.6)	n.r.
Life expectancy of pensions (1 year)	(3.4)	(1.6)

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.5, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights (in € million)	Pensions		Other	
	2021	2020	2021	2020
At the beginning of the period	(22.6)	(23.1)	(31.2)	(30.0)
Current service costs				
Interest cost/income	(0.1)	(0.1)	(0.2)	(0.3)
Actuarial gains/(losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	0.7	(0.5)	2.2	(1.8)
3) Changes from experience adjustments	0.4	(1.6)	0.5	(0.2)
Payments from the plan	2.5	2.8	1.6	1.1
At the end of the period	(19.0)	(22.6)	(27.2)	(31.2)

The sum of 'Pensions' (€19.0 million) and 'Other' (€27.2 million) reimbursement rights amounted to €46.2 million in 2021 (2020: € 53.8 million), which reconciles with the reimbursement rights listed in Note 6.5.

6.14. Provisions

(in € million)	Environment	Elia Re	Easement provision	Dismantling Obligations	Employee benefits	Other	Total
Balance at 1 January 2020	12.0	3.3	6.0	108.2	1.5	7.0	137.9
Increase	1.4	6.8	0.0	7.6	0.5	2.4	18.7
Reversals	(1.0)	(2.7)	(5.9)	(1.4)	0.0	(3.0)	(14.0)
Utilisation	(0.9)	(2.0)	(0.1)	0.0	(0.0)	(0.8)	(3.8)
Discounting of provisions	0.0	0.0	0.0	1.8	0.0	0.0	1.8
Balance at 31 December 2020	11.5	5.4	(0.0)	116.3	1.9	5.6	140.7
Long-term portion	9.3	5.4	0.0	116.3	0.0	2.4	133.3
Short-term portion	2.2	0.0	0.0	0.0	1.9	3.3	7.4
Balance at 1 January 2021	11.5	5.4	(0.0)	116.3	1.9	5.6	140.7
Increase	0.3	1.0	0.0	2.1	(0.1)	1.9	5.2
Reversals	(0.4)	(2.0)	0.0	(9.6)	0.0	(0.8)	(12.9)
Utilisation	(0.1)	(0.4)	0.0	0.0	(0.1)	(0.7)	(1.2)
Discounting of provisions	(0.0)	0.0	0.0	1.4	0.0	0.0	1.4
Balance at 31 December 2021	11.2	4.1	(0.0)	110.1	1.7	6.1	133.2
Long-term portion	9.1	4.1	0.0	110.1	0.0	2.2	125.6
Short-term portion	2.1	0.0	0.0	0.0	1.7	3.9	7.7

The group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €11.2 million provision mainly relates to the Belgian segment, with only a €2.2 million provision relating to the German segment. There were no significant movements in the environmental provisions in 2021.

More specifically for the Belgian segment, Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, Elia also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, Elia has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €4.1 million is included at year-end for Elia Re, a captive reinsurance company. €0.7 million of this is linked to claims for overhead lines, and €3.4 million to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Easement provisions: The easement provision relates to payments likely to be made to landowners as a compensation for overland lines crossing their property. These easement rights were recognised within the German segment for overland lines built by the former owners of 50Hertz Transmission, with exposure resulting from section 9 of the German Land Register Amendment Act (GBBerG.). The estimates are based on the value of claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the claim filed. A re-assessment of the remaining expected payments in 2020 led to a complete reversal of the provision through profit and loss in 2020.

Dismantling provisions: As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations; most of which are related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2021 was €110.1 million. The decrease is mainly due to the higher discount rate for discounting of the provisions. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Elia Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2021 were in the range of 1.08% to 1.26% depending on the lifetime of the asset to dismantle. Should the discount rate fall to 0% the dismantling provisions would increase by €24.3 million.

Employee benefits: See Note 6.14, for more details of these short-term employee benefits.

'Other' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.15. Other non-current liabilities

(in € million)	2021	2020
Investment grants	147.2	82.8
Non-current deferred income	140.5	137.3
Other	1.8	1.0
Total	289.5	221.1

Of the total investment grants, €143.9 million relates to 50Hertz Transmission (Germany). The investment grants are spread over several assets. The two largest items are SuedOstLink and Kriegers Flak Combined Grid Solution. Both were subsidized by the European Union. The grants are released in profit and loss based on the useful lives of the assets to which they relate. Terms and conditions of the grants were monitored and met as per 31 December 2021.

Contract liabilities remained stable. They relate to upfront payment for last mile connection. At the end of 2021, a liability of €103.8 million was recognised within Elia Transmission (Belgium) and a liability of €36.7 million within 50Hertz Transmission (Germany). The income is released over the lifetime of the asset where the last mile connection relates to. As already disclosed in note 5.1, the group has recognised €5.7 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million), including €4.3 million from non-current contract liabilities.

6.16. Trade and other payables

(in € million)	2021	2020
Trade debts	905.3	648.8
VAT and other taxes	21.1	14.9
Remuneration and social security	40.9	34.1
Dividends payable	1.2	1.2
Levies	2,177.6	121.9
Other	536.0	131.0
Accrued liabilities	14.2	57.2
Total	3,696.4	1,009.0

The trade debts increased by €256.5 million against a background of increased activity levels and significant increase in energy prices in the second half of 2021.

The amount for levies can be split into levies related to 50Hertz Transmission (€2,153.0 million) and levies related to Elia Transmission (€24.6 million).

The levies for Elia Transmission decreased compared with the previous year (€52.8 million). The levies include federal levies, which totalled €6.2 million at 31 December 2021 (€24.3 million in 2020). Levies for the Walloon government decreased to €17.0 million, (€26.3 million in 2020). The remaining balance mainly consists of strategic reserves (€1.0 million).

The levies for 50Hertz Transmission decreased compared to previous year (€538.1 million) due to the significant increase of the EEG balance. The 2020 levies mainly include EEG (€2,093.4 million), KWK (€23.4 million), §19StromNEV (€32.4 million).

The other payables mainly related to margin calls on derivatives hedging grid losses of the German segment (€356 million as of 31 December 2021 compared to €16.8 million last year) and other regulatory liabilities.

6.17. Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

(in € million)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 31 December 2020									
Other financial assets	7.0	43.7	53.8		104.5	7.0		43.7	50.7
<i>Equity instruments at fair value through other comprehensive income</i>		43.7			43.7			43.7	43.7
<i>Equity instruments at fair value through income</i>	7.0				7.0	7.0			7.0
<i>Regulatory assets</i>			53.8		53.8				
Trade and other receivables (Current and Non-current)			1,475.9		1,475.9				
Cash and cash equivalents			590.1		590.1				
Loans and borrowings (Current and Non-Current)									
<i>Unsecured bond issues</i>				(8,055.1)	(8,055.1)	(8,633.5)			(8,633.5)
<i>Unsecured financial bank loans and other loans</i>				(6,753.6)	(6,753.6)	(7,487.1)			(7,487.1)
<i>Lease liabilities</i>				(1,146.4)	(1,146.4)	(1,146.4)			(1,146.4)
<i>Accrued interests</i>				(84.2)	(84.2)				
<i>Accrued interests</i>				(71.0)	(71.0)				
Trade and other payables				(1,009.0)	(1,009.0)				
Total	7.0	43.7	2,119.8	(9,064.1)	(6,893.7)	n.r.	n.r.	n.r.	n.r.
Balance at 31 December 2021									
Other financial assets	7.0	399.4	46.2		452.5	362.6		43.8	406.4
<i>Equity instruments at fair value through other comprehensive income</i>		43.8			43.8			43.8	43.8
<i>Equity instruments at fair value through income</i>	7.0				7.0	7.0			7.0
<i>Derivatives</i>		355.6			355.6	355.6			355.6
<i>Regulatory assets</i>			46.2		46.2				
Trade and other receivables (Current and Non-current)			861.8		861.8				
Cash and cash equivalents			3,049.5		3,049.5				
Loans and borrowings (Current and Non-Current)									
<i>Unsecured bond issues</i>				(7,935.7)	(7,935.7)	(7,968.8)		(247.8)	(8,216.6)
<i>Unsecured financial bank loans and other loans</i>				(7,248.5)	(7,248.5)	(7,476.8)		(247.8)	(7,724.6)
<i>Lease liabilities</i>				(492.0)	(492.0)	(492.0)			(492.0)
<i>Lease liabilities</i>				(118.8)	(118.8)				
<i>Accrued interests</i>				(76.4)	(76.4)				
Trade and other payables				(3,696.4)	(3,696.4)				
Total	7.0	399.4	3,957.5	(11,632.0)	(7,268.2)	n.r.	n.r.	n.r.	n.r.

The above tables do not include fair value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, trade and other receivables, and trade and other payables, as their carrying amount is a reasonable approximation of fair value. The fair value of finance lease liabilities is not required to be disclosed.

FAIR VALUE HIERARCHY

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the statement of financial position at fair value and for financial instruments measured at amortised cost for which the fair value has been disclosed, the disclosure of fair value measurements by level in the following fair value measurement hierarchy:

- **Level 1:** The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where these are available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3. The fair value amount included under 'Other financial assets' has been determined by referring to either (i) recent transaction prices, known by the group, for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of other financial assets increased by €355.7 million compared to previous year. The increase mainly results from the fair value of the future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses (€355.6 million). Due to a change in accounting policy, hedge accounting is applied, as of 2021, to those contracts. The fair value of the Sicav and the group's stake in EEX remain stable.

The fair value of the bank loans and bond issues decreased by €417.9 million, due to the lower nominal value and a lower pricing on the market.

The fair value of sicavs falls into level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

The derivative from the price hedge for grid loss procurement, which is measured at fair value in OCI without affecting profit or loss, falls under level 1 of the measurement hierarchy. Its value is determined on the basis of the reporting date valuation of the existing futures contracts, which are fully contracted via the EEX electricity exchange and quoted there. Credit and default risks are avoided with this form of price hedging via exchange transactions. The group recognizes derivatives for an amount of EUR 355.6m. The futures contracts were concluded during the fiscal year at prices between € 40 and € 145 per MWh. As of the balance sheet date, the futures were quoted on the EEX at € 220 per MWh, resulting in a correspondingly high positive derivative value. As of the balance sheet date, the group had already price-hedged a volume of 3.2 TWh for its expected physical demand for grid loss energy in subsequent years.

The fair value of the bonds is €7.724.6 million (prior year: €7.487,1 million). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy). The fair value of the registered bond is €64.0 million as of 31 December 2021 and was determined by reference to third party information, such as pricing services (classified as level 3 in the fair value hierarchy). The fair value of the private placement amounts to EUR 183.8m (classified as level 3 in the fair value hierarchy).

The fair value of other bank loans approximates to their carrying amounts largely due to the short-term maturities of these instruments.

6.18. Leasing

THE GROUP AS A LESSEE

The group mainly leases buildings, cars and optical fibres. It also has some rights to use (portions) of land and overhead lines. The valuation period used is based on the contractual term. Where a fixed term has not been set and an ongoing extension is subject to the contract, the relevant department has assumed a termination date. In the event that the lease contract contains a lease extension option, the group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

The COVID-19 pandemic did not affect the contractual clauses of Elia Group's lease contracts and there were no indications leading to changes in the assessment (which was used in previous reporting period) related to the extension of the contracts.

Information about leases for which the group is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment' and can be broken down in the table below, with the discounted lease liability for comparison. The split between current and non-current lease liabilities also provided:

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2020	40.7	26.3	12.3	6.7	2.1	88.1
Additions and remeasurements	0.5	1.8	7.4	1.0	1.1	11.7
Depreciation	(1.2)	(3.0)	(5.3)	(3.9)	(1.9)	(15.2)
Derecognition of right-of-use assets	0.0	(1.5)	(0.4)	0.0	0.0	(1.9)
As of 31 December 2020	40.0	23.6	14.1	3.7	1.4	82.8

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2021	40.0	23.6	14.1	3.7	1.4	82.8
Additions and remeasurements	3.4	16.7	6.1	23.4	0.0	49.6
Depreciation	(1.2)	(5.3)	(5.5)	(2.6)	(0.2)	(14.8)
As of 31 December 2021	42.1	35.0	14.7	24.5	1.2	117.5

The right-of-use assets are briefly described below:

- The use of land and overhead lines constitutes a right for the group to use a well identified piece of land to build on someone's property. Only the contracts where the group has the full right to control the use of the identified asset are in scope.
- The group leases buildings and offices in which corporate functions are performed.
- The group has car leasing contracts which are used by employees for business and private activities.
- The group leases optical fibres to transmit data. Only cables that are clearly identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to maintain a balance on the grid

The group only has lease contracts with fixed lease payments and assesses whether it is reasonable to extend a lease contract. If so, the lease contract is valued as if the extension were exercised.

Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is given below:

Maturity analysis - contractual undiscounted cash flows		
(in € million)	2021	2020
< 1 year	32.9	12.6
1-5 years	30.2	30.0
> 5 years	58.0	62.4
Total undiscounted lease liabilities at 31 December	121.1	105.1
Lease liabilities in the statement of financial position at 31 December	118.8	84.1
Current	35.1	11.6
Non-current	83.7	72.5

The discount rate used to discount the lease liabilities is the group's best estimate of the weighted average incremental borrowing rate and ranges from 0.26% to 2.94%. The group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The group has assessed the extension options concluded in the lease contracts and considers it reasonably likely that these extension options will be executed. The Group has therefore considered the lease contract as if the extension option is exercised in the lease liability.

The group has no lease contracts with variable payments nor residual value guarantees. The group did not commit to any lease that has not yet commenced. The group has no contracts which include contingent rental payments nor include any escalation clauses or restrictions that are significant regarding the use of the asset in question.

In 2021, an optical fibre lease contract coming to maturity was prolonged and a purchase option for a value of €22.0 million was added. The purchase option came to maturity end of February 2022. It is very likely that the group will exercise the option, as a result the purchase price has been added to the right of use asset and lease liability.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in € million)	2021	2020
Depreciation expense of right-of-use assets	14.7	15.2
Interest on lease liabilities	1.8	1.8
Expenses relating to short-term leases	0.7	0.0
Expenses relating to low-value assets	0.5	0.2
Total recognised in profit and loss	17.8	17.2

A total of €17.8 million in lease expenses was recognised in the statement of profit or loss in 2021. There were no variable lease payments included in the measurement of lease liabilities.

The total cash outflow for leases amounted to €15.4 million in 2021 (€15.2 million in 2020). This amount is included in the "Repayment of borrowings" of the cash flow statement.

THE GROUP AS A LESSOR

The group leases out optical fibres, land and buildings presented as part of 'Property, plant and equipment'. Leasing is only an ancillary business. Rental income is presented under 'Other income'.

Contracts that do not relate to separately identifiable assets or under which the customer cannot directly the use of the asset or does not obtain substantially all the economic benefits associated with the use of the asset do not constitute a lease. The new lease definition led to the exclusion of some telecommunication equipment

The group has classified these leases as operating leases as they do not substantially transfer all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date and considering the best estimate of the contractual term:

(in € million)	2021	2020
Within 1 year	12.9	14.6
1 to 2 years	12.2	0.9
2 to 3 years	12.1	0.7
3 to 4 years	12.0	0.6
4 to 5 years	11.9	0.6
More than 5 years	308.6	6.8
Total	369.8	24.2

The COVID-19 pandemic did not affect the contractual clauses of Elia Group's contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The group recognised €15.0 million in rental income in 2021 (2020: €16.0 million).

6.19. Accruals and deferred income

(in € million)	2021	2020
Accruals and deferred income	11.4	29.1
Deferral account from settlement mechanism Belgian regulatory framework	353.5	474.0
Deferral account from settlement mechanism German regulatory framework	444.9	503.2
Total	809.8	1,006.3

The movements in deferral account from settlement mechanism are as follows:

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2021	51.3	(1,028.5)	(977.3)
Increase	64.0	(148.0)	(84.0)
Reversals	(22.3)	201.5	179.1
Utilisation	0.0	81.5	81.5
Other (e.g. discounting)	0.0	2.3	2.3
Balance at 31 December 2021	92.9	(891.3)	(798.4)

In the **Elia Transmission segment**, the deferral account from settlement mechanism (€353.5 million) decreased compared with year end 2020 (€474.0 million). The decrease in deferral account from settlement mechanism encompasses the settlement of net surpluses from the prior tariff period (-€81.5 million), the review of the regulator on previous year' settlement mechanism (+€4.1 million) and deviations in the current year from the budget approved by the regulator (-€43.1 million). Any operating excess, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to the consumers and therefore does not form part of the revenues.

In 2021, there was an operational deficit (€ 50.5 million), which is offset against the outstanding regulatory obligation. The operating deficit compared to the budget is primarily a result of the higher regulated net profit (€22.1 million) and higher net operating costs against a background of a significant increase in energy prices during the second half of 2021 (net impact of €84.9 million). This was partly offset by increased cross-border revenues (€32.4 million) and higher tariff sales (€18.4 million).

In the **50Hertz Transmission segment**, the deferral accounts from settlement mechanism (€444.9 million) is the nominal amount of €447.1 million (€498.2 million as of 31 December 2021) less an interest effect of €2.2 million. The net position decreased compared to year end 2020 (€503.2 million). This is mainly due to significant reversals of prior years regulatory positions (€61.3 million) partly offset by additional net liabilities (€9.7 million).

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognised on a yearly basis and the release depends on the source of the deferral, some are released in T+1, whilst others are released in T+2 and some are released after a longer period of time.

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2021):

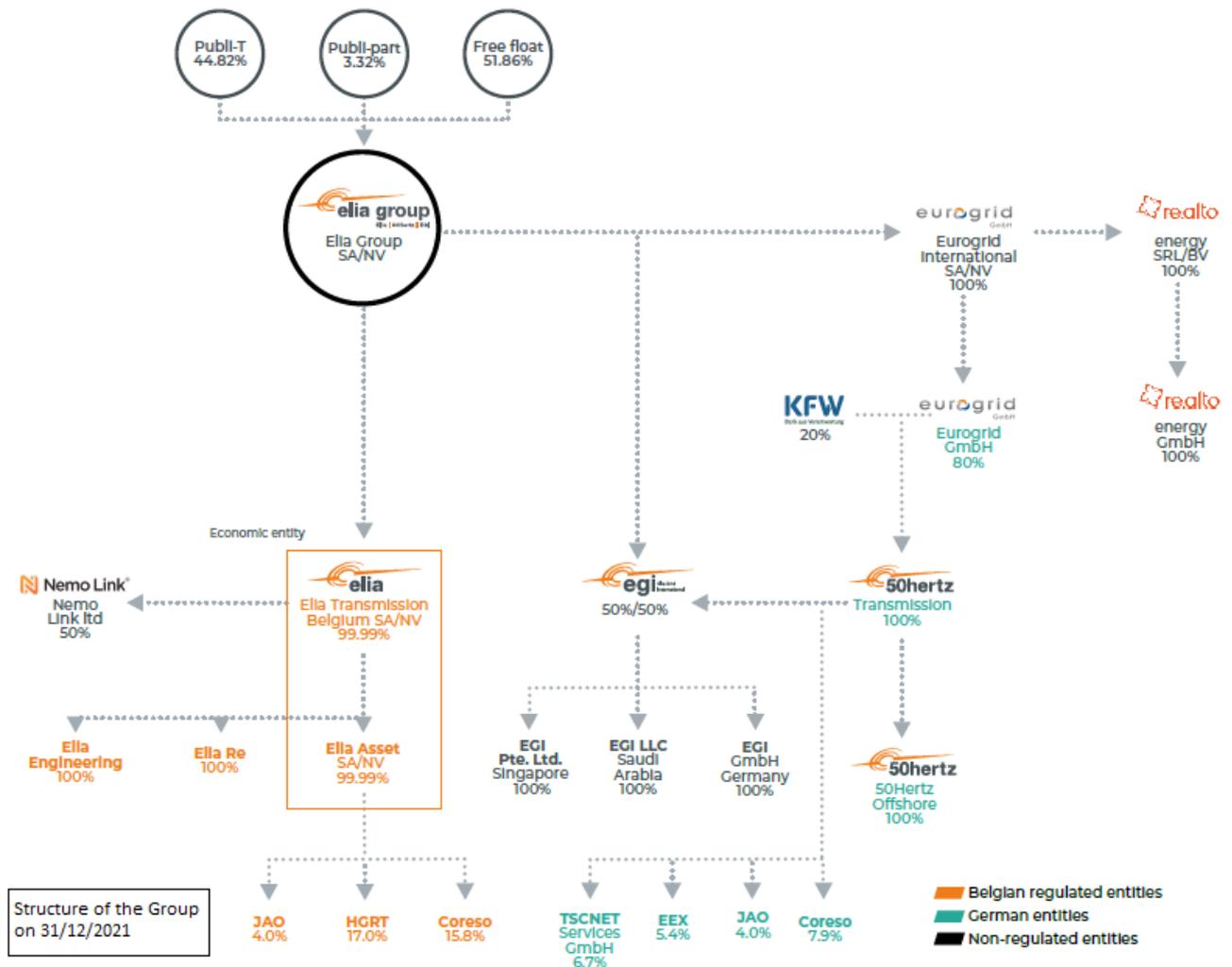
(in € million)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period	282.4	252.1
To be refunded to the tariffs in the next regulatory period (or after)	63.9	192.8
Other regulatory transfer	7.3	
Total regulatory deferral account	353.5	444.9

*Belgium: from 2020 to 2023 ;Germany: from 2019 to 2023

The other regulatory transfer relates to a revenue from incentive regulation which is subject to uncertainty in the particular context of strong increase of energy prices and for which the calculation method should be further assessed with the Belgian regulator.

7. Group structure

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia Group SA/NV has direct and indirect control of the subsidiaries listed below.

Re.Alto-Energy BV/SRL set up a second office in Düsseldorf in 2020 (Re.Alto-Energy GmbH) in order to be closer to the German market. It is a direct subsidiary of Re.Alto-Energy BV/SRL and has developed a platform which enables users to exchange energy data and services.

The stake in Ampacimon, which offers grid-monitoring solutions, was sold in August 2020. The stake in Enervalis NV, a start-up that develops innovative software for the smart control of energy sources, was sold in April 2021.

Elia Grid International LLC (Qatar) ceased operations in October 2020. Elia Grid International SA/NV set up an office in Riyadh (Elia Grid International LLC Saudi Arabia) in 2021, to coordinate the activities of Elia Grid International in the Middle-East.

All the entities keep their accounts in euros and have the same reporting date as Elia Group SA/NV.

Name	Country of establishment	Headquarters	Stake %	
			2021	2020
Subsidiaries				
Elia Transmission Belgium SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Asset SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmbH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Saudi Arabia	Al Akaria Plaza Olaya Street, Al Olaya Riyadh 11622	90.00	-
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	90.00	90.00
Eurogrid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Re.Alto-Energy GmbH	Germany	Ratingstraße 9, 40213 Dusseldorf	100.00	100.00
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso SA/NV	Belgium	Avenue de Cortenberg 71, 1000 Brussels	22.16	22.16
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	-	16.52
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	7.20
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	5.36
Kurt-Sanderling-Akademie des Konzerthausorchester Berlin	Germany	Gendarmenmarkt, 10117 Berlin	8.32	8.32

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results. The Risk Management Department defines the risk management strategy, monitors risk analyses and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

MARKET RISK

The market risk takes into account negative effects on the financial position and cash flows of the group arising as a result of price changes on the market which cannot be avoided otherwise. The activities of the group extend to the electricity market – in particular as part of selling the electricity generated from renewable energies as well as procurement of energy to cover grid energy losses – as well as to the market for short-term deposits. In Germany, the group counteracts the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX electricity exchange

Foreign currency risk

The group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than euro.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As at 31 December 2021, no interest-rate swaps were outstanding. The interest rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans.

See Note 6.12 for a summary of the outstanding loans with their respective interest rates.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the group in relation to lending, hedging, settlement and other financial activities. The group is exposed to credit risk from its operating activities and treasury activities. With regards to its operating activities, the group has a credit policy in place, which takes into account customer's risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guarantees from the counterparty for some major contracts.

At the end of the reporting period there were no significant concentrations of credit risks. The maximum credit risk is the carrying amount for each financial asset, including derivative financial instruments.

(in € million)	Note	2021	2020
<i>Immediately claimable deposits</i>		7.0	7.0
<i>Reimbursement rights</i>		46.2	53.8
<i>Other shareholdings</i>		43.8	43.8
<i>Derivatives (Current and Non-current)</i>		355.6	0.0
Other financial assets (Current and Non-current)	(6.5)	452.5	104.5
Non-current trade and other receivables		0.5	0.5
Trade and other receivables	(6.8)	861.3	1,475.4
Current tax assets	(6.9)	10.1	3.4
Cash and cash equivalents	(6.10)	3,049.5	590.1
Deferred charges	(6.8)	18.1	13.7
Total		4,392.0	2,187.6

The movement in the allowance for expected credit losses with respect to trade receivables during the year was as outlined in the table below:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2020	199.6	(199.1)	0.5
Changes during the year	1.9	(1.9)	0.0
Balance at 31 December 2020	201.5	(201.0)	0.5
Balance at 1 January 2021	201.5	(201.0)	0.4
Changes during the year	(0.1)	0.2	0.1
Balance at 31 December 2021	201.4	(200.8)	0.5

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If a debtor bankrupt, 50Hertz Transmission is compensated by the regulator for the loss incurred.

The group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including customers' underlying credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. No segmentation of customers is performed as all customers show similar loss patterns. Intercompany trade receivables are excluded as there is no credit risk. In addition, trade receivables connected with a pending commercial dispute are excluded to avoid double provisioning (provision for risks and charges).

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2021 and the corresponding historical credit losses experienced within this period. As the sales and payment profile of the Group's customers has remained very stable over the years, the group considers historical credit losses to be a good proxy for future (expected) credit losses. Moreover, Elia Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the COVID-19 crisis in 2020 nor in 2021 and does not expect any major impact related to the pandemic to arise in the coming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. The total outstanding amount of trade receivables covered by a bank guarantee totals €97.1 million. The loss given default is multiplied by the outstanding trade receivables.

On that basis, the loss allowance at 31 December 2020 and 2021 for trade receivables was determined as outlined in the table below:

Balance at 31 December 2020	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.3%	2.7%	14.0%	73.7%	91.4%	
Carrying amount - trade receivables	409.1	22.3	0.3	2.8	1.2	0.8	436.6
Loss given default	86.5%	86.5%	86.5%	86.5%	86.5%	86.5%	
Loss allowance	0.1	0.1	0.0	0.3	0.8	0.6	1.9

Balance at 31 December 2021	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.3%	5.9%	12.3%	90.1%	32.6%	
Carrying amount - trade receivables	690.3	15.7	0.7	9.3	0.8	1.3	718.1
Loss given default	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	
Loss allowance	0.1	0.0	0.0	1.0	0.6	0.4	2.2

This simplified approach is deemed relevant, especially since the group operates in a regulated and quite predictable business, with a limited number of clients and few changes in the client portfolio. This is supported by a good track records as the group did not incur significant write-offs over the past 3 years. Furthermore, any losses would be recoverable through the tariffs.

The model is applied to the trade receivables, all other financial assets being not assessed at risk of impairment considering their nature (regulatory assets, amounts recoverable through future tariffs in compliance with the regulatory frameworks), risk profile (reliable counterparty being for the levies the Belgian/German state) or measurement method (at fair value). More details are provided in the different notes.

LIQUIDITY RISK

Liquidity risk is the risk that the group may be unable to meet its financial obligations. The group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit-line facilities available.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper programmes, etc. For medium- to long-term funding, the group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Bond issuances realised in 2020 and loan contracts signed with EIB and other banks in 2020 prove that the group has access to different sources of funding.

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	9,016.4	8,980.0	(9,885.3)	(1,826.6)	(25.4)	(143.2)	(2,242.4)	(5,647.7)
Unsecured bond issues	6,790.0	6,753.6	(7,689.8)	(99.0)	(23.6)	(123.5)	(2,084.3)	(5,359.3)
Unsecured financial bank loans and interest accruals	1,217.4	1,217.4	(1,186.5)	(718.5)	(1.8)	(19.8)	(158.1)	(288.4)
Trade and other payables	1,009.0	1,009.0	(1,009.0)	(1,009.0)	0.0	0.0	0.0	0.0
Total at 31 December 2020	9,016.4	8,980.0	(9,885.3)	(1,826.6)	(25.4)	(143.2)	(2,242.4)	(5,647.7)

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	11,546.5	11,513.3	(12,352.6)	(3,878.3)	(25.6)	(897.5)	(2,128.6)	(5,422.6)
Unsecured bond issues	7,281.7	7,248.5	(8,124.1)	(103.6)	(23.6)	(877.1)	(1,820.6)	(5,299.2)
Unsecured financial bank loans and interest accruals	568.4	568.4	(532.1)	(78.4)	(2.0)	(20.4)	(308.0)	(123.4)
Trade and other payables	3,696.4	3,696.4	(3,696.4)	(3,696.4)	0.0	0.0	0.0	0.0
Total at 31 December 2021	11,546.5	11,513.3	(12,352.6)	(3,878.3)	(25.6)	(897.5)	(2,128.6)	(5,422.6)

Details of the used and unused back-up credit facilities are set out below:

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Sustainable Revolving Credit Facility	10/12/2023	650.0	Euribor + 0.325%	0.0	650.0
Confirmed credit line	2/26/2025	750.0	Euribor + 0.275%	0.0	750.0
Confirmed credit line	12/14/2026	150.0	Euribor + 0.275%	150.0	0.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	unlimited	35.0	Euribor + 0.2%	0.0	35.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Total		1,737.5		150.0	1,587.5

In 2020, the group incurred increased current outstanding receivables related to levies (see Note 6.9) which were financed using the back-up facilities mentioned here above. Despite the COVID-19 pandemic, the group managed to set up a sustainable credit facility for € 650 million for 3 years, with the potential to renew this for one additional year twice and further strengthened its liquidity position by contracting three RCFs, one €400 million facility and two other facilities of €150 million each to finance its EEG deficit. The EEG cash position as of December was in deficit at -€806.2 million.

The EEG deficit was settled in January 2021 with the payment of a federal grant allowing the pay-back of all external facilities. Two additional grant payments are planned in May and October 2021. Generally, any deficits from the EEG mechanism are temporary and are settled with the surcharge revenues of the following year as are the corresponding costs.

The high volume of futures contracts contracted by 50Hertz Transmission (Germany) also has an impact on the Group's liquidity management. The daily cash settlement of futures contracts with the exchange can have short-term effects on liquidity, which largely follow the general price trend on the electricity market.

HEDGING ACTIVITIES AND DERIVATIVES

The group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the statement of profit or loss, and if the IFRS 9 criteria are met, the group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The group had no derivatives which were not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the € 300 million senior bond. The group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. Upon the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7 million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2021, an amount of €0.6 million was recycled into profit and loss.

Three interest rate swaps for a total nominal value of €300 million were concluded for the loan with Publi-Part (€42.1 million) and for loans with third parties ('Other loans', €453.6 million) to hedge the Euribor interest rate risk on these loans. All three interest rate swaps are designated as cash flow hedges under IFRS 9. These interest rate swaps were unwinded at the end of June 2020 with the repayment of both loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the Group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

CAPITAL RISK MANAGEMENT

The purpose of the group's capital-structure management is to ensure that the debt and equity ratios related to the regulated activities are as closely aligned as possible with the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the group's strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

SUSTAINABILITY

Sustainability lies at the heart of Elia strategy with the ActNow program, which sets out the long-term sustainability objectives of the group. These are guided by the UN Sustainable Development Goals (SDGs) and have been translated into KPIs which are reported to the market and grouped under the following five dimensions: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion; and Governance, Ethics and Compliance.

Furthermore, as a driver of the energy transition, Elia Group is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group therefore published in 2021 a white paper which outlines the company's eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group's implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way.

We refer to our Integrated Report, the Elia Group EU Taxonomy Case Study issued on 24 November 2021 and our Sustainability Report for further information.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2021, the group had a commitment of €2,068.4 million (€1,987.5 million in 2020) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2021, the group had a commitment of €263.5 million (€217.4 million in 2020) relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest conducted several auctions.

At the end of each period (30 June 2020, 30 June 2021 and 30 June 2022 respectively), any unsold certificates will be bought back by Elia. Due to these auctions, Elia did not have to buy back any certificates at the end of June 2020, nor end of June 2021. At reporting date, the outstanding balance is +/- 1.4 million of green certificates coming to maturity June 2022 (+/- € 91.8 million). Solar chest announced a new auction in February 2022. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost of and any expense incurred by repurchasing non-marketable certificates may be recovered fully through the tariffs for levies, and as a consequence the potential repurchase by Elia will have no impact on the Company's financial performance.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €176.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by the AwAC from 2022 onwards, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies.

In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions with the AwAC in 2019, 2020 or 2021.

In Germany, offshore expenses between 50Hertz and TenneT TSO arising from the horizontal settlement has given rise to financial obligations for 50Hertz in future periods. The total amount of these future cumulative amounts comes to €3.9 million (prior year: €10.5 million) and will be reflected in 50Hertz's network user charge calculations over the coming years following the corresponding billing by TenneT TSO.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and this remained unchanged from 2020. Other than the yearly dividend payment, no transactions occurred with the core shareholder in 2021.

The shareholder structure of the group can be found in the present report p.16.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee, both of which have a significant influence across the entire Elia Group.

At 50Hertz Transmission (Germany), key management personnel include Eurogrid International SA/NV's Board of Directors, who are responsible for monitoring the activities of 50Hertz Transmission (Germany). Key management personnel also include the Board of Management of 50Hertz Transmission and the Supervisory Board, which was established in the German segment.

The members of Elia's Board of Directors are not employees of the group. The remuneration for their mandate is detailed in the Corporate Governance Statement forming part of this Annual Report (see the remuneration report). The members of Eurogrid International SA/NV's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management personnel are included in the Corporate Governance report.

Key management personnel did not receive stock options, special loans or other advances from the group throughout the year.

(in € million)	2021	2020
Short-term employee benefits	2.5	2.6
Basic remuneration	1.7	1.6
Variable remuneration	0.8	1.1
Long-term employee benefits	0.5	0.0
Post-employment benefits	0.4	0.4
Other variable remuneration	0.2	0.1
Total gross remuneration	3.5	3.1
Number of persons (in units)	5	5
Average gross remuneration per person	0.7	0.6
Number of shares (in units) held as at 31 December 2021	7,849	7,393

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore are not recognised in this note.

Transactions with joint ventures and associates (as defined in Note 7.1.) were not eliminated, so details of these transactions are shown below:

(in € million)	2021	2020
Transactions with joint ventures and associates	(4.5)	(2.1)
Sales of goods	0.1	2.4
Purchases of goods	(4.6)	(4.4)
Outstanding balances with joint ventures and associates	(0.9)	0.2
Trade debtors	(0.7)	0.6
Trade debts	(0.2)	(0.4)

In 2021, entities of the Elia Group had transactions with Nemo Link Ltd. and Coreso SA/NV. The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also note 6.18). Purchases of goods mostly relates to services rendered by Coreso SA/NV to the group.

TRANSACTIONS WITH SHAREHOLDERS

There were no transactions with shareholders in 2021, except for the dividend payment.

TRANSACTIONS WITH RELATED PARTIES

Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-chair of the Management Committee, etc.).

There were some significant transactions in 2021 in which the key management personnel of the group has a significant influence. All these transactions took place in the normal course of Elia's business activities. The total value of realised sales was €0.6 million and related to regulated sales contracts with prices that had been predefined by the regulator. The total value of expenses amounted to €0.7 million. As at 31 December 2021, there were no outstanding trade-receivable position nor outstanding trade-debt positions with related parties.

8.4. Subsequent events

There are no significant events to report after 31 December 2021.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that outlines the terms of future cooperation between both parties after 1 January 2021 (the official date on which the UK left the EU). According to this agreement, the UK left the Internal Energy Market (IEM).

One year after Brexit, no impacts on the business of Nemo Link Ltd. had been felt; Nemo Link remained in operation as before. The profitability of the investment was also largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company's cash flows over a 25-year time period. There are no import duties on the transport of electricity.

Other than the risk identified above, Brexit has a very limited effect on the consolidated financial statements.

8.6. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors BDO Bedrijfsrevisoren BV (represented by Mr. Felix Fank) and Ernst & Young Bedrijfsrevisoren BV (represented by Mr. Paul Eelen) for the audit of the consolidated financial statements of Elia Group SA/NV and Elia Transmission Belgium SA/NV and the audit of the statutory financial statements of Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Grid International SA/NV, Eurogrid International SA/NV and Re.Alto BV/SRL.

50Hertz Transmission (Germany) appointed BDO AG Wirtschaftsprüfungsgesellschaft for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2021:

in €	Belgium	Germany	Total
Statutory audit and review of consolidated and parent company financial statements	280,745	224,000	504,745
Non-audit services, of which:	115,717	158,675	274,392
<i>Services related to legal and regulatory requirements</i>	15,625		15,625
<i>Other audit services</i>	72,290	158,675	230,965
<i>Tax services</i>	27,802		27,802
Total	396,462	382,675	779,137

9. Regulatory framework and tariffs

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia's activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the third package of European directives. These changes ensure that the Electricity Act:

- sets out the unbundling of transmission operations from generation, distribution and supply activities;
- sets out in greater detail the rules for operating and accessing the transmission system;
- redefines the transmission system operator's legal mission, mainly by expanding it to the offshore areas over which Belgium has jurisdiction; and
- strengthens the role of the regulatory authority, particularly with regards to the determination of the transmission tariffs.

A number of royal decrees provide more details relating to the regulatory framework that applies to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the CREG supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less on their respective territory. The regional regulators are in charge of the non-tariff aspects of local transmission-system regulation, while setting and monitoring tariffs falls under federal jurisdiction.

The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the third European package applying to them. The regional decrees have been supplemented by various other rules and regulations on matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

9.1.3. Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR

CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at federal level: the connection contract, the access contract and the ARP contract;
- approving the capacity allocation system at the borders between Belgium and neighbouring countries;
- approving the appointment of the independent members of the Board of Directors;
- determining the tariff methodology to be observed by the system operator when calculating the various tariffs which apply to grid users;
- certifying that the system operator actually owns the infrastructure it operates and that it meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS

The operation of electricity networks with voltages of 70 kV or less falls under the jurisdiction of the regional regulators. Each of these may require any operator (including Elia if it operates such networks) to abide by any specific provision of the regional electricity rules on pain of administrative fines or other sanctions. However, the regional regulators do not have the power to set tariffs for electricity transmission systems, as tariff-setting falls under the exclusive remit of CREG for these networks.

9.1.4. Tariff setting

A new tariff methodology came into force in early 2020. This methodology is again applicable for a period of four years (2020-2023).

TARIFF REGULATIONS

On 28 June 2018, the CREG issued a decision which set the tariff methodology for the electricity transmission system (including the offshore system) and the electricity networks which have transmission functions during the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework in accordance with which transmission tariffs are set for these four years. Elia has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by the CREG on 7 November 2019 (Decision (B)658E/62).

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of networks which have transmission functions (covering the transmission system and the local and regional transmission networks in Belgium), Elia generates most of its income from the regulated tariffs charged for use of these networks (tariff income), which are approved in advance by the CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs that were set for four-year periods, barring specific circumstances.

The tariff mechanism is based on amounts recognised in accordance with Belgian accounting regulations (BE GAAP). The tariffs are based on budgeted costs minus a number of sources of non-tariff income. These costs are then divided based on an estimate of the

volumes of electricity taken off the grid and, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by the CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid based on the Capital Asset Pricing Model (**CAPM**). It is based on the average annual value of the regulated asset base (RAB), which is calculated annually, taking into account new investments, divestments, depreciations and changes in working capital.

As of 1 January 2020, the formula has changed compared to the previous tariff methodology with regard to the level of leverage and the OLO interest rate for risk free investment: (i) the regulatory leverage has been increased from 33% to 40%, and (ii) the OLO has been set at 2.4% for the period 2020-2023, instead of taking the average of the year, each year. In the event of a major change in the Belgian macro-economic situation and/or in its market circumstances, the CREG and Elia can agree on a modification of the fixed OLO rate.

The formula for the calculation of fair remuneration is as follows:

A: $[S \text{ (if less than or equal to 40\%)} \times \text{average RAB} \times [(1 + \alpha) \times [(\text{OLO} (n) + (\beta \times \text{risk premium})]]]$
plus
B: $[(S \text{ (if above 40\%)} - 40\%) \times \text{average RAB} \times (\text{OLO} (n) + 70 \text{ base points})]$

Where:

- OLO (n) has been fixed at 2.4% and is no longer the average rate of Belgian ten-year linear bonds for the year in question (subject to modification agreed between CREG and the Issuer as set out above);
- $\text{RAB} (n) = \text{RAB} (n-1) + \text{investments} (n) - \text{depreciation} (n) - \text{divestments} (n) - \text{decommissioning} (n) \pm \text{change in working capital need}$;
- S = the consolidated average capital and reserves/average RAB, in accordance with Belgian GAAP;
- Alpha (α) = the illiquidity premium set at 10%;
- Beta (β) = calculated over a historical three-year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5%;
- In respect of A: The rate of remuneration (in %) as set by the CREG for year n is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5%. The CREG encourages the Elia to keep its actual capital and reserves as close as possible to 40%, this ratio being used to calculate a reference value of capital and reserves; and-
- In respect of B: If the Elia's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: $[(\text{OLO} (n) + 70 \text{ base points})]$.
- Assets related to the MOG are linked to the RABMOG, for which a premium remuneration is applicable in addition to the above. This is based on the following formula: $[S \text{ (less than or equal to 40\%)} \times \text{average RABMOG} \times 1.4\%]$.

Non-controllable costs and revenues

The category of costs and revenues that are outside Elia's direct control are not subject to incentive mechanisms offered by the CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The most important non-controllable costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which qualify as influenceable costs), costs related to line relocation imposed by a public authority, and taxes, partially compensated by revenues from non-tariff activities (e.g. cross border congestion revenues). In this new tariff period, certain exceptional costs specific to offshore assets (e.g. the MOG) have been added to the list of non-controllable costs. This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement which may occur during the regulatory period. The sharing factor is 50%. Therefore, Elia is encouraged to control a defined category of its costs and revenue. Any savings with respect to the allowed (adjusted) budget positively impacts the net profit of the Elia by 50% of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared to the previous tariff methodology, except for certain non-recurrent but controllable costs specific to offshore assets (e.g. the MOG) that can be added to the cost allowance for a given regulatory period.

Influenceable costs

The reservation costs for ancillary services, except for black start, and costs of energy to compensate for grid losses are qualified as influenceable costs, meaning that efficiency gains create a positive incentive, insofar as they are not caused by a certain list of external factors. 20% of the difference in expenses between Y-1 and Y constitutes a profit (pre-tax) for the Elia, with a cap of +€6 million. For each of the two categories of influenceable costs (power reserves and grid losses), the incentive cannot be less than €0.

Other incentives

The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. If Elia does not perform in line with the targets for these incentives, as set by the regulator, the amount of the incentive allocated to Elia will decrease. The impact is reflected in the deferred revenues which will generate future tariff decreases, see the description of the settlement mechanism below (all amounts are pre-tax).

- **Market integration:** This incentive consists of three elements in the previous regulatory framework: (i) increase of import capacity, (ii) increase in market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare is no longer offered, whereas the one on import capacity has been replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive has been created concerning the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Elia's profit (from €0 to €16 million for cross-border capacity, from €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which CREG has accepted as being part of the RAB, is allocated as follows: 40% is allocated to future tariff reductions and 60% is allocated to Elia's profit).
- **Investment programme:** This incentive is broadened and is defined as follows: (i) if the average interruption time (AIT) reaches a target predefined by CREG, Elia's net profit (pre-tax) could be impacted positively with a maximum of €4.8 million, (ii) should the availability of the MOG align with the level set by CREG, the incentive can contribute to the Elia's profit from €0 to €2.53 million and (iii) Elia could benefit from €0 to €2 million if the predefined portfolio of maintained and redeployed investments is realised in time and on budget.
- **Innovation and grants:** The content and the remuneration of this incentive has changed and covers (i) the realisation of innovative projects which could contribute to the Elia's remuneration for €0 to €3.7 million (pre-tax) and (ii) the subsidies granted on innovative projects which could impact the Elia's profit with a maximum of €0 to €1 million.
- **Quality of customer related services:** This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the establishment of new grid connections which can generate a profit for Elia of €0 to €1.35 million, (ii) the level of client satisfaction for the full client base which would contribute €0 to €2.53 million to Elia's profit and (iii) the quality of the data that Elia publishes on a regular basis, which can generate remuneration for Elia of €0 to €5 million.
- **Enhancement of balance system:** This incentive is similar to the discretionary incentive in the previous regulatory framework, through which Elia is rewarded for implementing certain projects related to system balancing as defined by CREG. This incentive can generate remuneration between €0 and €2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

The CREG has amended the 2016-2019 tariff methodology to create specific rules applicable to investment in the MOG. A formal consultation took place in the first weeks of 2018 between CREG and the issuer, and CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters are (i) a specific risk premium to be applied to this investment (resulting in an additional net return of 1.4%); (ii) a special depreciation rate applicable to MOG assets; (iii) certain costs specific to the MOG to bear another qualification compared to the costs for onshore activities; (iv) the cost level defined based on the characteristics of the MOG assets; and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described above, except for the risk premium, which has been applied since 1 January 2020 on a target equity/debt ratio of 40/60.

Regulatory deferral account: deviations from budgeted values

Over the course of a year, the actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs. These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated and will be taken into account when the tariffs are set for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariff-setting (fair remuneration, non-controllable elements, controllable elements, influenceable costs, incentive components, cost and revenue allocation between regulated and non-regulated activities) and the actual incurred costs or revenues related to these parameters, the CREG takes the final decision each year as to whether the incurred costs/revenue can reasonably be borne by the tariffs. This decision may result in the rejection of incurred elements. In the event that any incurred elements are rejected, the relevant amount will not be taken into account when the tariffs are set for the next period. Although Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact on Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that Elia's financial participation in other companies not considered part of the RAB by the CREG (e.g. stakes in regulated or non-regulated activities outside Belgium) has a neutral impact on Belgian grid users.

Public service obligations

In its role as a TSO, Elia is subject to various public service obligations imposed by the government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as the promotion of renewable energy, green certificates, strategic reserves, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by the TSO with respect to these obligations are fully covered by the tariff 'levies' as approved by the regulator. The amounts outstanding are reported as levies (see Note 6.9 for other receivables and Note 6.17 for other payables).

9.2. Regulatory framework in Germany

9.2.1. Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz*, EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is complemented by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current system of incentive regulation, accounting methods and grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung*, StromNEV)), which establishes, among other things, the principles and methods for the grid-tariff calculations and other obligations applying to system operators;
- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzzugangsverordnung*, StromNZV)), which, among other things, sets out further details of how to grant access to the transmission systems (and other types of networks) by way of establishing the balancing groups, the scheduling of electricity deliveries, control energy and other general obligations, e.g. congestion management (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the balancing amount system for renewable energy;
- the Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze* (*Anreizregulierungsverordnung*, ARegV)), which sets out the basic rules for incentive regulation for TSOs and other system operators (as outlined in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine inefficiency and how this translates into yearly targets for efficiency growth.

9.2.2. Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the *Bundesnetzagentur* (BNetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, among other things, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz Transmission and 50Hertz Offshore are subject to the authority of the Federal Network Agency.

9.2.3. Tariff setting in Germany

The current regulation mechanism is established in Germany by the ARegV. Under the ARegV, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is essentially based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. System operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the third regulatory period starting on 1st January 2019 and ending on 31 December 2023. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid asset). The Federal Network Agency has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a system operator fall into two categories as follows:

- Permanently non-influenceable costs (PNIC): These costs are fully integrated into the 'revenue cap' and are fully recovered through the grid tariffs, albeit some of them with a two-year time lag.
 - One cost position amongst the PNIC refers to investment measures, meaning costs resulting from new investments in onshore grid infrastructure. They include return on equity, imputed trade tax, cost of debt, depreciation and operational costs (currently at a fixed rate of 0.8% of the capitalised investment costs of the respective onshore investments or 0.2 % for assets under construction within projects approved as of 2019). The cost of debt related to investment measures is reflected in the interest rate based on acquired debt for the TSO activity. Since 2012, the costs associated with these investment measures have been based on forecast values. The differences between the forecast values and the actual values are reflected in the settlement mechanism deferral account.
 - In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and costs from congestion management. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) of the ARegV. The regulation process for costs relating to ancillary services, congestion management and grid losses gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Moreover, costs resulting from European projects of common interest (PCI) to which Germany is contributing can be included as PNIC, albeit with a two-year time lag.
- Temporarily non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses and are subject to an incentive mechanism set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed to be inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable.

As for the return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulated asset base and the PNIC for assets approved in investment measures. In 2021, the BNetzA determined the return on equity applicable to the fourth and coming regulatory period (2024-2028); the values were significantly down from the third regulatory period, namely to 3.51% (instead of 5.12% in the third period) for investments made before 2006 and 5.07% (instead of 6.91% in the third period) for investments made since 2006. The return on equity is calculated before corporate tax and after imputed trade tax.

Separately from the revenue cap, 50Hertz is compensated for costs incurred in connection with its renewable energy obligations, including EEG and CHP/KWKG obligations and offshore liabilities and offshore grid connection. To this end, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

In 2021, a revision of the ARegV entered into force implementing various relevant changes. The revised ARegV changes several aspects which are relevant to PNIC, such as an implementation of a collective 4-TSO corridor model as an incentive instrument on congestion management costs and the recognition of costs incurred for joint network operator coordination projects (Connect+) was extended by Section 34 (15) ARegV. These costs will be recognized as PNIC until 2023. Moreover, the revised ARegV contains a new financing model for investment measures, which was formerly only in place for distribution system operators. The capital cost adjustment model will be used for TSOs in the fourth regulatory period. In order to avoid distortion effects in the cost base, a transitional arrangement will come into effect. It includes an extensive grandfathering of existing investment measures during the fourth regulatory period, the elimination and an extensive repayment of the clawback for expired investment measures, as well as a transitional base for replacement investments in the period of incentive regulation (2007 to the end of 2021).

As of 31st December 2021, 50Hertz had received 92 approvals for an investment volume of approximately € 9.6 billion for the 103 active applications for approval of investment measures submitted since 2008.

TARIFFS

Grid access tariffs for 2021 were calculated based on the respective revenue cap and published in December 2020. They have increased by an average of 7% from 2020. One key driver for lower tariffs was the third stage of the gradual harmonization of network tariffs of the German TSOs (see below). However, the increase in tariffs is mainly due to higher investments in the necessary network expansion.

In recent years, the grid access tariffs of the four German TSOs have developed differently. This has mainly been driven by the different volumes of renewable energy sources (RES) installed across the control areas, leading to significantly higher tariffs in those control areas with higher levels of renewable energy. The Act for Modernisation of Grid Tariffs (*Netzentgeltmodernisierungsgesetz*, NEMoG) came into force in July 2017. It envisages the gradual harmonisation of the four German TSOs' grid access tariffs from 2019 onwards, culminating in uniform transmission tariffs in 2023. Moreover, the NEMoG eliminates 'avoided grid fees' (vNNE) for volatile RES generation and creates a new system for offshore grid connections, shifting the related costs from the revenue-cap tariffs to an offshore revenue based on a fully fledged pass-through mechanism from 2019 onward.

9.3. Regulatory framework for the Nemo Link interconnector

The key features of the NemoLink Ltd. regulatory framework can be summarised as follows:

- A specific regulatory framework is applicable to the Nemo Link interconnector since the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014, updated on 5 March 2020 (Cap & Floor final levels), by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators in the UK and Belgium (OFGEM and the CREG respectively) determined the levels of the cap and floor ex-ante and these remain largely fixed (in real term) for the duration of the regime. Consequently, investors will have certainty about the regulatory framework throughout the lifetime of the interconnector.
- The cap and floor regime is applicable since 30 January 2019. Every five years the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. If a revenue earned above the cap, it will be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs will then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor then the interconnector owners will be compensated by the TSOs. The TSOs will in turn recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.
- Each five-year period is considered separately. Cap and floor adjustments in one period will not affect adjustments for future periods, and total revenue earned in one period is not taken into account in future periods.
- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark had been applied to costs to set the floor, and an equity return benchmark was applied to set the cap.
Assessment period (assessing whether interconnector revenues are above/below the cap/floor)	Every five years, with within-period adjustments if needed and justified by the operator. Within-period adjustments will let operators recover revenue during the assessment period if revenue is below the floor (or above the cap) but will still be subject to true-up at the end of the five-year assessment period.
Mechanism	If revenue is between the cap and floor at the end of the 5-year period, no adjustment is required. Revenue above the cap is returned to end customers and any shortfall in revenue below the floor requires payment from grid users (via grid charges).

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

BDO Bedrijfsrevisoren BV
The Corporate Village
Da Vincilaan 9 – Box E.6
Elsinore Building
B-1930 Zaventem

EY Bedrijfsrevisoren BV
De Kleetlaan 2
B-1831 Diegem

Joint auditors' report to the general meeting of Elia Group NV/SA for the year ended 31 December 2021

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2021 and the notes (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as joint statutory auditors by the shareholders meeting of 19 May 2020, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers' council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2022. The audit of the Consolidated Financial Statements of the Group was performed during respectively 20 consecutive years for EY Bedrijfsrevisoren BV and 2 consecutive years for BDO Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2021 and the notes, which show a consolidated balance sheet total of € 18.144,3 million and of which the consolidated income statement shows a profit for the period of € 328,3 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2021, as well as its consolidated results and its consolidated cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Calculation of net result

Description

As described in the notes 3.3.17. 'Regulatory deferral accounts', 6.19 'Accruals and deferred income', 9.1.4 'Tariff Setting' and 9.2.3 'Tariff Setting in Germany' of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") and the German federal

**Audit report dated 14 April 2022 on the Consolidated Financial Statements
of Elia Group NV/SA as of and
for the year ended 31 December 2021 (continued)**

regulator, the Federal Network Agency (the “BNetzA”) (together the “Tariff Mechanisms”).

Those tariff mechanisms are based on calculation methods that are complex and require the use of parameters (the Beta of Elia’s share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure (“CAPEX”), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

Both Tariff Mechanisms make a distinction between income and expenses based on the control that the Group has over the expenses and income. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under- and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group’s net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulator. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group’s net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.19, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, the Group has very significant investment projects ongoing to connect these new productions sites on the Group’s network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 ‘PPE’ and in Note 4 ‘Segment reporting’ of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment (“PP&E”), with a total capital expenditure of € 1,232.8 million in 2021 and a net book value of € 10,859.5 million as at 31 December 2021 or 59,8% of total balance sheet.

The accounting policies describe that all maintenance expenses are considered to be operating expenses (“OPEX”) and all new project or replacement investments are considered capital expenditure “CAPEX”. As network projects can include both maintenance and investments, the classification as either OPEX or CAPEX requires judgement from management. Given this judgement, the importance of the amount of PP&E on the total balance sheet, and its relevance to the users of the financial statements as well as the prominence in the Group’s communication in press releases and in investor presentations on the progress on new projects, this matter is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls, including management review controls, over (i) the appropriate authorization of capitalization, (ii) the compliance of capitalization criteria used with the accounting policies and (iii) the correct classification of expenditure as CAPEX or OPEX;
- Assessing relevant IT application controls with the support of our IT specialists;
- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by

**Audit report dated 14 April 2022 on the Consolidated Financial Statements
of Elia Group NV/SA as of and
for the year ended 31 December 2021 (continued)**

the regulator at the level of asset classes and projects;

- Testing a selection of additions to PP&E, including those under construction, and assessing whether the expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group's accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;
- Assessing the adequacy of note 4 and 6.1 of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

When executing our audit, we respect the legal, regulatory and normative framework applicable for the

audit of the consolidated financial statements in Belgium. However, a statutory audit does not guarantee the future viability of the Group, neither the efficiency and effectiveness of the management of the Group by the administrative body. Our responsibilities regarding the continuity assumption applied by the administrative body are described below.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the

**Audit report dated 14 April 2022 on the Consolidated Financial Statements
of Elia Group NV/SA as of and
for the year ended 31 December 2021 (continued)**

underlying transactions and events in a true and fair view; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the joint auditors

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, based on specific work performed on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements for the same financial year and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

The non-financial information required by article 3:32 §2 of the Code of companies and associations is included in the chapter Sustainability reporting of the

annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards ("GRI"). In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the Global Reporting Initiative Standards mentioned in the board of directors' annual report on the consolidated financial statements.

Independence matters

We, and our respective networks, have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 3:65 of the Code of companies and associations have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

European single electronic format ("ESEF")

In accordance with the standard on the audit of the conformity of the financial statements with the European single electronic format (hereinafter "ESEF"), we have carried out the audit of the compliance of the ESEF format with the regulatory technical standards set by the European Delegated Regulation No 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the

**Audit report dated 14 April 2022 on the Consolidated Financial Statements
of Elia Group NV/SA as of and
for the year ended 31 December 2021 (continued)**

consolidated financial statements in the form of an electronic file in ESEF format (hereinafter 'the digital consolidated financial statements') included in the annual financial report available on the portal of the FSMA (<https://www.fsma.be/eng/data-portal>).

It is our responsibility to obtain sufficient and appropriate supporting evidence to conclude that the format and markup language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work performed by us, we conclude that the format and tagging of information in the digital consolidated financial statements included in the annual financial report available on the portal of the FSMA (<https://www.fsma.be/eng/data-portal>) of Elia Group NV/SA per 31 December 2021 are, in all material respects, in accordance with the ESEF requirements under the Delegated Regulation.

Other communication

This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 14 April 2022

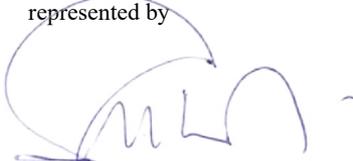
The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by



Paul Eelen*
Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren BV
represented by



Felix Fank*
Partner
*Acting on behalf of a BV

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Group SA/NV, drawn up in accordance with Belgian accounting standards, are provided hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website and can be obtained on request from Elia Group SA/NV, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in € million)	2021	2020
FIXED ASSETS	3,318.1	3,317.5
Financial fixed assets	3,318.1	3,317.5
Affiliated companies	3,318.1	3,317.5
Participating interests	3,318.1	3,317.5
Other financial assets	0.0	0.0
CURRENT ASSETS	47.1	92.3
Inventories and contracts in progress	3.1	3.1
Contracts in progress	3.1	3.1
Amounts receivable within one year	2.2	3.1
Trade debtors	1.7	1.9
Other amounts receivable	0.5	1.2
Own shares	0.8	0.0
Cash at bank and in hand	37.2	81.7
Deferred charges and accrued income	3.8	4.4
TOTAL ASSETS	3,365.2	3,409.8

EQUITY AND LIABILITIES (in € million)	2021	2020
CAPITAL AND RESERVES	2,235.5	2,282.8
Capital	1,714.2	1,714.0
Issued capital	1,714.2	1,714.0
Share premium account	262.9	262.4
Reserves	176.2	175.4
Legal reserve	173.0	173.0
Repurchase own shares	0.8	0.0
Untaxed reserve	1.6	1.6
Available reserves	0.7	0.8
Profit carried forward	82.2	130.9
LIABILITIES	1,129.7	1,127.0
Amounts payable after one year	998.7	998.5
Financial debts	998.7	998.5
Subordinated debentures	700.0	700.0
Unsubordinated debentures	298.7	298.5
Amounts payable within one year	128.0	125.7
Trade debts	2.0	3.0
Suppliers	2.0	3.0
Advances received on contracts in progress	3.6	3.4
Amounts payable regarding taxes, remuneration and social security costs	0.7	0.5
Taxes	0.0	0.0
Remuneration and social security	0.7	0.5
Other amounts payable	121.7	118.7
Accrued charges and deferred income	3.0	2.8
TOTAL EQUITY AND LIABILITIES	3,365.2	3,409.8

Statement of profit or loss

(in € million)	2021	2020
OPERATING INCOME	1.0	7.1
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.0	0.6
Other operating income	1.0	6.5
OPERATING CHARGES	(6.4)	(11.7)
Services and other goods	(5.0)	(10.6)
Remuneration, social security costs and pensions	(1.4)	(1.0)
Other operating charges	0.0	0.0
OPERATING PROFIT	(5.4)	(4.5)
Financial income	102.9	113.9
Income from financial fixed assets	102.8	113.9
Income from current assets	0.0	0.0
Non-recurring financial income	0.1	0.0
Financial charges	(25.1)	(25.0)
Debt charges	(24.5)	(24.5)
Other financial charges	(0.6)	(0.5)
PROFIT FOR THE PERIOD BEFORE TAXES	72.4	84.4
Income taxes	0.0	0.0
PROFIT FOR THE PERIOD	72.4	84.4
Transfer to untaxed reserves	0.0	0.8
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	72.4	85.2

Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in this document.

The following APM's appearing in the Annual Report are explained in this appendix:

- Adjusted items
- Adjusted EBIT
- Adjusted net profit
- Capex (Capital Expenditures)
- EBIT
- EBITDA
- Equity attributable to the owners of the company
- Free cash flow
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)
- Return on Equity (adj) (%)

Adjusted items

Adjusted items are those items that are considered by management not to relate to items in the ordinary course of activities of the Group. They are presented separately as they are important for the understanding of users of the consolidated financial statements of the performance of the Group and this compared to the returns defined in the regulatory frameworks applicable to the Group and its subsidiaries. Adjusted items relate to:

- Income and expenses resulting from a single material transaction not linked to current business activities (e.g. change in control in a subsidiary)
- changes to the measurement of contingent considerations in the context of business combinations;
- Restructuring costs linked to the corporate reorganisation of the Group (i.e. reorganisation project to isolate and ring-fence the regulated activities of Elia in Belgium from the non-regulated activities and regulated activities outside Belgium)

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.

EBIT (Earnings Before Interest and Taxes) = adjusted result from operating activities, which is used to compare the operational performance of the Group over the years.

The adjusted EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortisations and impairments, changes in provisions and other operating expense and plus the share of equity accounted investees – net and plus or minus adjusted items.

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBIT	227.1	272.9	40.3	(0.2)	540.1
Deduct:					
Adjusted EBIT	227.1	272.9	40.3	(0.2)	540.1

There are no adjusted items in 2021

(in € million) – Year ended 31 December	2020				Elia Group
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0.0	9.2
EBIT	237.5	340.1	0.9	0.0	578.5
Deduct:					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	237.5	340.1	1.2	0.0	578.8

Adjusted net profit

Adjusted net profit is defined as net profit excluding the adjusted items. The adjusted net profit is used to compare the performance of the Group over the years.

(in € million) – Year ended 31 December	2021			Elia Group
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	
Profit for the period	131.0	165.4	31.9	328.3
Deduct:				
Adjusted net profit	131.0	165.4	31.9	328.3

There are no adjusted items in 2021

(in € million) – Year ended 31 December	2020			Elia Group
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	
Profit for the period	124.8	192.6	(9.5)	307.9
Deduct:				
Corporate reorganisation	0.0	0.0	(0.3)	(0.3)
Tax impact	0.0	0.0	0.1	0.1
Adjusted net profit	124.8	192.6	(9.3)	308.1

CAPEX (Capital Expenditures)

CAPEX (Capital Expenditures) = Acquisitions property, plant and equipment and intangible assets minus proceeds from sale of such items. Capital expenditures, or CAPEX, are investments realised by the Group to acquire, upgrade, and maintain physical assets (such as property, buildings, an industrial plant, technology, or equipment) and intangible assets. CAPEX is an important metric for the Group as it affects its Regulated Asset Base (RAB) that serves as basis for its regulatory remuneration.

EBIT

EBIT (Earnings Before Interest and Taxes) = result from operating activities, which is used for the operational performance of the Group. The EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortisations and impairments, changes in provision and other operating expense and plus the share of equity accounted investees.

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0	49.4
EBIT	227.1	272.9	40.3	(0.2)	540.1

(in € million) – Year ended 31 December	2020				
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0	9.2
EBIT	237.5	340.1	0.9	0.0	578.5

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisations) = results from operating activities plus depreciations, amortisation and impairment plus changes in provisions plus share of profit of equity accounted investees. EBITDA is used as a measure for the operational performance of the Group, thereby extracting the effect of depreciations, amortisation and changes in provisions of the Group. EBITDA excludes the cost of capital investments like property, plant, and equipment.

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Add:					
Depreciation, amortisation and impairment	206.8	260.3	0.5	0.0	467.5
Changes in provisions	(1.7)	0.9	0.0	0.0	(0.7)
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBITDA	432.2	534.0	40.8	(0.2)	1,006.9

(in € million) – Year ended 31 December	2020				
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Add:					
Depreciation, amortisation and impairment	187.3	245.1	0.2	0.0	432.6
Changes in provisions	1.1	(6.6)	0.0	0.0	(5.5)
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0.0	9.2
EBITDA	425.8	578.6	1.1	0.0	1,005.6

Free cash flow

Free cash flow = Cash flows from operating activities minus cash flows from investment activities. Free cash flow provides an indication of the cash flows generated by the Group.

(in € million) – Year ended 31 December	2021			Elia Group
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	
Net cash from operating activities	262.3	3,720.7	(29.8)	3,953.1
Deduct:				
Net cash used in investing activities	379.9	831.4	(153.3)	1,057.9
Free cash flow	(117.6)	2,889.4	123.6	2,895.2

(in € million) – Year ended 31 December	2020			Elia Group
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	
Net cash from operating activities	84.5	(796.3)	(24.6)	(736.6)
Deduct:				
Net cash used in investing activities	345.4	730.1	(134.2)	941.3
Free cash flow	(260.8)	(1,526.4)	109.6	(1,677.8)

Net finance costs

Represents the net financial result (finance costs minus finance income) of the company.

Net financial debt

Net Financial Debt = Non-current and current interest-bearing loans and borrowings (incl. lease liability under IFRS 16) minus cash and cash equivalents. Net financial debt is an indicator of the amount of interest-bearing debt of the Group that would remain if readily available cash or cash instruments were used to repay existing debt.

(in € million) – Year ended 31 December	2021				2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total
Non-current liabilities:								
Loans and borrowings	3,421.9	3,838.6	481.3	7,741.7	3,433.6	3,327.2	488.8	7,249.6
Add:								
Current Liabilities:								
Loans and borrowings	147.6	33.5	12.9	194.0	67.7	725.9	11.9	805.5
Deduct:								
Current Assets:								
Cash and cash equivalents	128.5	2,857.2	63.8	3,049.4	195.7	296.6	97.8	590.1
Net financial debt	3,441.0	1,014.9	430.4	4,886.3	3,305.6	3,756.6	402.9	7,465.0
EEG surplus (levies)		2,110.0		2,110.0				
EEG deficit (levies)						808.9		808.9
Net financial debt, excl. EEG position	3,441.0	3,124.8	430.4	6,996.3	3,305.6	2,496.7	3,305.6	6,656.2

Regulated Asset Base (RAB)

Regulated asset base (RAB) is a regulatory concept and an important driver to determine the return on the invested capital in the TSO through regulatory schemes. The RAB is determined as follows: RAB_t (initial RAB determined by regulator at a certain point in time) and evolves with new investments, depreciations, divestments and changes in working capital on a yearly basis using the local gaap accounting principles applicable in the regulatory schemes. In Belgium when setting the initial RAB, a certain amount of revaluation value (i.e. goodwill) was taken into account which evolves from year to year based on divestments and/or depreciations.

Return on Equity (adj.) (%)

Return on Equity (RoE adj.) = Net profit attributable to ordinary shareholders divided by equity attributable to ordinary shareholders. The return on equity is adjusted to exclude the accounting impact of hybrid securities in IFRS (i.e. exclude the hybrid security from equity and consider the interest costs as part of comprehensive income). The RoE adj. provides an indication of the ability of the Group to generate profits relative to its invested equity.

(in € million) – Year ended 31 December	2021	2020
Profit for the period	328.3	307.9
Deduct:		
Profit attributable to holders of hybrid securities	19.2	19.3
Profit attributable to non-controlling interests	33.1	38.5
Profit attributable to equity holders of ordinary shares (A)	276.0	250.1
Divided by:		
Equity attributable to ordinary shares	3,850.6	3,471.7
Deduct:		
Hedging reserve in equity	199.9	
Adjusted equity attributable to ordinary shares (B)	3,650.7	3,471.7
Return on Equity (adj.) (%) = (A) / (B)	7.56%	7.20%