ANNUAL REPORT 2021

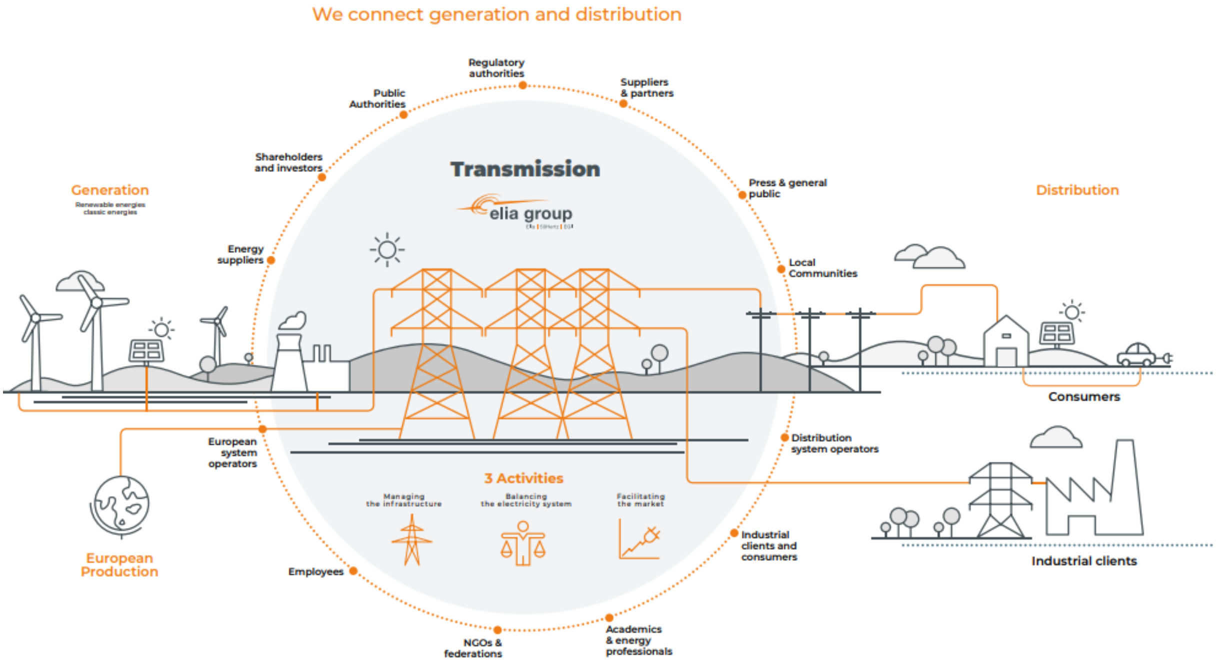
Powering the decade of elec-trification

Elia Transmission Belgium SA/NV

Contents

About this report

The annual report explains who we are and what we do, the context in which we operate, and includes the risks and opportunities. It outlines our strategy and the progress we have made towards achieving our goals. It also covers our approach to corporate governance and provides an introductory analysis of our 2021 results.



Introduction

Elia Group

Elia Group acts as a holding company owning Elia Transmission Belgium (Belgian TSO), Eurogrid International (comprising the activities of 50Hertz, the German TSO) and Elia Grid International (the Group's international consultancy branch). Its main shareholder is the municipal holding Publi-T. In March 2021, Elia Group rejoined the BEL 20 index, the benchmark index of Euronext Brussels. Elia Group 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.

Elia Transmission Belgium SA/NV (ETB)

Elia Group holds a direct stake in Elia Transmission Belgium SA/NV (fully owned). Elia Transmission Belgium SA/NV (ETB) is the Belgian transmission system operator for high-voltage electricity (30,000–400,000 volts). Its main activities include managing grid infrastructure (maintaining and developing high voltage high-voltage installations) and electrical system (monitoring flows, maintaining the balance between electricity consumption and generation 24/7, importing and exporting to and from neighbouring countries) as well as facilitating the market (developing services and mechanisms with a view to developing the electricity market at national and European level).

Looking back at 2021[1]

All major infrastructure works carried out as scheduled

Our large-scale (onshore and offshore) infrastructure projects in Belgium are underway, enabling the establishment of an 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, we made huge steps forward. Very positive moves towards internationalisation, digitalisation and the further shaping of our organisation were made. Without exception, progression on all our projects was secured. I am very proud of the resilience that our employees have shown in the face of COVID-19 and the flooding in Wallonia. During the summer holidays, our staff volunteered of their own accord to rebuild the damaged high-voltage substations. This shows that we have a strong corporate culture which leads our staff to feel very responsible for Elia Group's societal mission as a grid operator."

Chris Peeters, CEO Elia Group

[1] For further information on the identification of the assets & liabilities, important events after the end of the financial year and the regulatory framework, please refer to the section Group Structure, section Subsequent Events and section Regulatory Framework and Tariffs respectively of Elia Transmission Belgium Consolidated Financial Statements.

Strengthening the Belgian electricity 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-voltages 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 Kruibeke, 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-Kruibeke (Brabo III) and Kruibeke-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.

Belgium's grid of the future

Triton Link interconnector launched

In November 2021, 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 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. Triton Link will give Belgium direct access to the large volume of renewable energy that it needs to decarbonise its energy-intensive industry and to meet European climate targets. The construction of Triton Link will take approximately four years and is due to be completed in 2030.

Green light given for Belgium's first energy island

In December 2021, 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 decision 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 is sufficiently connected to other countries (which will facilitate the country's move towards decarbonisation). In 2022, Elia will continue planning the design of the artificial island and will begin the tendering process for its construction. The island will be the first step in the development of an integrated offshore grid in the North Sea and further underlines Belgium's status as a pioneer in offshore electricity. In accordance with the Federal Government's requirements, the project will accommodate connection facilities for 3.5 GW of power generation as well as new interconnectors linking Belgium to other countries.

Sustainability & finance

ActNow: Elia´s compass for a sustainable future

Sustainability lies at the heart of our strategy and our ActNow programme, which was presented to Elia Group's first Capital Markets Day in 2021, sets out our long-term sustainability objectives. These are guided by the UN Sustainable Development Goals (SDGs), demonstrating that our organisational goals are explicitly linked to global goals, and are implemented through our business roadmaps and plans. Our sustainability objectives have been translated into KPIs, each of which are included in the table below. The KPIs are grouped under the five different dimensions of our ActNow programme: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion; and Governance, Ethics and Compliance.

Elia's first Green Finance Framework

Elia's Green Finance Framework outlines how its financing strategy is being aligned with its goal of accelerating the energy transition. It describes how Elia is gearing its investments towards projects with clear environmental benefits, in line with the Group's ActNow sustainability action plan. It is the first time that Elia has developed such a plan.

Low ESG risk score for Elia

In October 2021, Elia received an environmental, social and governance (ESG) Risk Rating of 9.9 and was assessed by Sustainalytics to be at negligible risk of experiencing material financial impacts from ESG factors.
This excellent score puts Elia right at the top of public utilities and shows that the Group's ActNow sustainability programme has inspired confidence from the financial markets.

Market Facilitation

Belgium's first CRM auction organised

In late October, Elia announced the results of the first Capacity Remuneration Mechanism (CRM) auction for the 2025-26 delivery year. Market players offered sufficient capacity as part of a competitive auction. 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. A pre-qualification phase was launched in May 2021 for each generation unit that had a capacity of 1 MW or more which was not benefiting from any other subsidy mechanism, as well as for other technologies such as demand management. The capacities which passed this phase were allowed to submit their bids between 16 and 30 September 2021.

Two new customer platforms launched by Elia

In July, Elia launched its Portal Interface for Customers (EPIC) and Open Data Platform. These offer Elia's customers and stakeholders a suite of innovative services which address gaps in Elia's provision of private and public data relating to its grid. In line with Elia's commitment to transparency and digitalisation, these services will facilitate high quality insights and the development of energy services for consumers. Providing its customers and stakeholders with easy access to all of this data will allow them to analyse and use it as part of their business development processes.

Partnerships

Smart buildings partnership with BESIX

Elia is working with BESIX, the construction company, to make buildings more energy-efficient and energy-smart. Smart buildings will become increasing relevant, since they enable flexible energy management: the energy consumption of buildings can be matched with the variable generation of energy produced from renewable sources. Joining forces and sharing knowledge about smart buildings and electrical system operations are concrete steps towards achieving a climate-neutral society by 2050.

Agreement between Elia and Red Eléctrica to enhance asset management

Elia and its Spanish counterpart, Red Eléctrica de España (REE), signed a collaboration agreement which will involve both companies working on innovative solutions that will help to transform the management of their respective electricity grids. The agreement includes the establishment of an Asset Management Expertise Centre. This unique hub will allow Elia and REE to share knowledge, resources and experience to develop innovative tools and solutions in asset management. The two companies have also agreed to work on the development of the SAGA platform, which was developed by REE and which both companies now co-own. SAGA is an innovative platform which allows electricity transmission and distribution companies to move away from using traditional periodic maintenance models to using risk-based maintenance models for their assets and the electricity system as a whole.

At the interest of society

Adequacy and Flexibility Study for Belgium

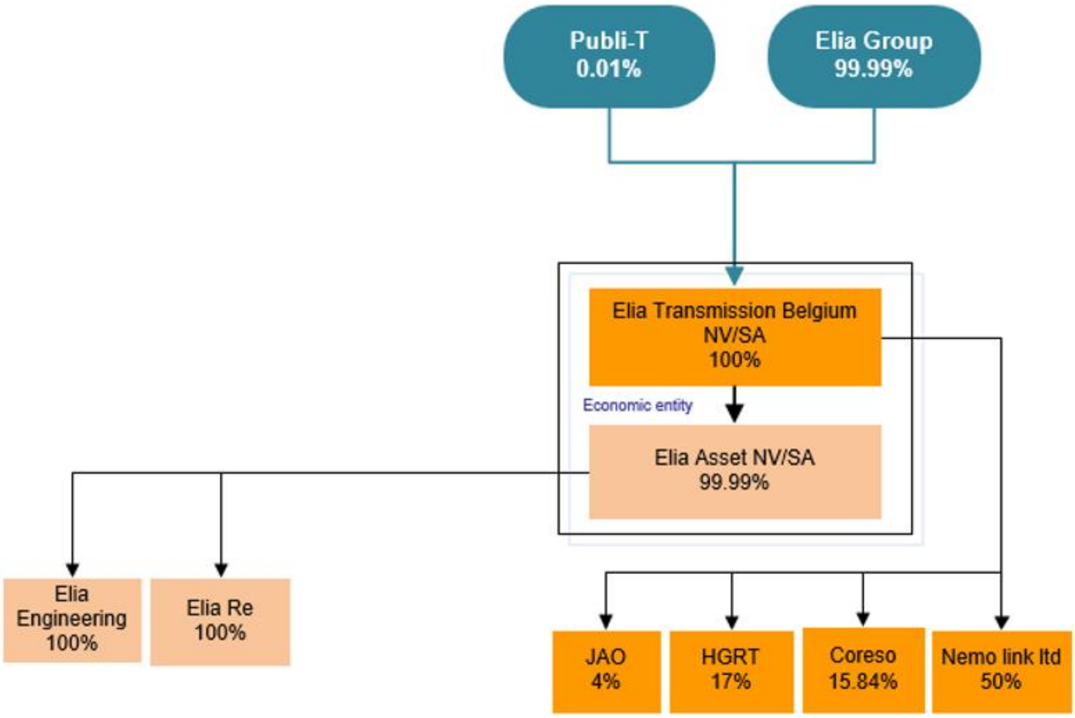
In line with the Belgian Electricity Act, Elia is required to calculate, every two years, the country's adequacy and flexibility needs for the coming decade. To maintain security of supply in the period 2022-2032, special attention must be paid to the impact of the country's nuclear exit and the changes brought about by the European Green Deal. The study contains three key messages: there is an urgent need for new capacity; there is a need for a support mechanism in Belgium; and the country must prepare for climate neutrality. The calculations included in the study are based on the latest European methodologies and include input from different stakeholders.

Awards

Elia named Top Employer for fifth year in a row

For the fifth year in a row, Elia was named one of the best employers in Belgium. The Top Employer label is awarded to companies committed to providing an excellent working environment for their employees. A total of 73 Belgian companies received the recognition for 2021. Elia stood out in particular in the area of talent acquisition and for the work it has carried out on its corporate values.

Legal structure



Elia Transmission Belgium SA/NV is the main shareholder of :
— **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;

The company in which Elia Transmission Belgium SA/NV has a holding is the following:
— **Nemo Link Limited**. On 27 February 2015, Elia System Operator entered into a joint venture agreement with National Grid to build the Nemo Link Interconnector; each shareholder owns 50% of Nemo Link Limited, a UK-based company;

The minority holdings are:
— **JAO (Joint Allocation Office)**: is responsible for daily, monthly and annual auctions of border capacity at 27 borders in Europe. JAO was founded in 2015 through the merger of CAO Central Allocation Office GmbH and CASC.EU S.A.;
— **Coreso**: a coordination centre that enhances the security of transmission networks in selected European regions by developing predictive analyses of electricity flows in the networks and by monitoring transmission networks continuously in real time ;
— **HGRT** a holding company of several European transmission system operators which holds a stake in the French energy exchange Powernext;
— **Elia Engineering,** consultancy and engineering office active in the field of design and management of infrastructure projects related to the high-voltage and extra-high-voltage electricity network. It works almost exclusively for Elia Asset;
— **Elia Re**, a Luxembourg-based reinsurance company, established to optimise insurance policy

Due to this restructuring of the group, a comparison in the 2020 income statement to 2019 is not a relevant analysis.

1. Corporate Governance Statement

Elia Transmission Belgium SA/NV satisfies specific obligations in terms of transparency, neutrality and non-discrimination towards all stakeholders involved in its activities. At Elia Transmission Belgium SA/NV, corporate governance in 2021 was based on its Articles of Association, the (Belgian) Code of Companies and Associations as well as the Act of 29 April 1999 on the organisation of the electricity market and the Royal Decree of 3 May 1999 on the management of the electricity transmission system.

Composition of the management bodies as at 31 December 2020

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

— Lieve Creten, non-executive independent director[2]

— Pieter De Crem, non-executive director appointed upon proposal of Publi-T[3]

— Luc De Temmerman, 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-T[4]

— 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

REPRESENTATIVES OF THE FEDERAL GOVERNMENT WITH AN ADVISORY ROLE

[2] After having taken note of the voluntary resignation of Frank Donck (independent director) with effect as from 18 May 2021, the Ordinary General Meeting of the same date appointed Lieve Creten as independent director.

[3] Pieter De Crem was coopted 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 Transmission Belgium SA/NV as 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 Transmission Belgium 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. It is proposed to the Ordinary General Meeting of 17 May 2022 to appoint the Intercommunal Association in the form of a Cooperative Society Interfin, permanently represented by mister Thibaud Wyngaard, as a non-independent director. In case this proposed decision is approved, the mandate of mister Thibaud Wyngaard as co-opted non-independent director will end at the end of the Ordinary General Meeting of Shareholders of 17 May 2022.

— Nele Roobrouck[5]

— Maxime Saliez[6]

Advisory Committees of the Board of Directors

CORPORATE GOVERNANCE COMMITTEE

— Luc Hujoel, Chairman[7]

— Pieter De Crem[8]

— Luc De Temmerman

— Roberte Kesteman[9]

— Jane Murphy

AUDIT COMMITTEE

— Michel Allé, Chairman

— Lieve Creten[10]

— Roberte Kesteman

— Dominique Offergeld

— Rudy Provoost

REMUNERATION COMMITTEE

— Luc De Temmerman, Chairman

— Pieter De Crem[11]

— Roberte Kesteman

— Dominique Offergeld

— Saskia Van Uffelen

[5] Nele Roobrouck is the representative of the Government for the Dutch linguistic role. She has an advisory role to the Board of Directors of Elia Transmission Belgium SA/NV as prescribed in the Act of 29 April 1999 on the organisation of the electricity market.

[6] Since 8 February 2021, and by Ministerial Decree, Maxime Saliez has been appointed as representative of the Government for the francophone linguistic role. He has an advisory role to the Board of Directors of Elia Transmission Belgium SA/NV as prescribed in the Act of 29 April 1999 on the organisation of the electricity market.

[7] 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 Corporate Governance Committee with effect from 1 January 2022.

[8] Pieter De Crem was coopted 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 Transmission Belgium SA/NV as from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

[9] As from 18 May 2021.

[10] After having taken note of the voluntary resignation of Frank Donck (independent director) with effect as from 18 May 2021, the Ordinary General Meeting of the same date appointed Lieve Creten as independent director.

[11] Pieter De Crem was coopted 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 Transmission Belgium as from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

AUDITORS

— BDO Réviseurs d'Entreprises SCRL, represented by Félix Fank

— Ernst & Young Réviseurs d'Entreprises SCCRL, represented by Paul Eelen

EXECUTIVE MANAGEMENT BOARD

— Chris Peeters, Chairman and Chief Executive Officer

— Markus Berger, Chief Infrastructure Officer

— Patrick De Leener, Chief Assets Officer

— Frédéric Dunon, Customers, Markets & System Officer

— Pascale Fonck, Chief External Relations Officer

— Peter Michiels, Chief Human Resources & Internal Communication Officer

— Ilse Tant, Chief Community Relations Officer

— Catherine Vandenborre, Chief Financial Officer

SECRETARY GENERAL

— Siska Vanhoudenhoven

Board of Directors

The Boards of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV consist of 14 members, none of whom perform an executive role within either of those two companies.

The same directors sit on the Boards of both companies.

Half of the directors are independent directors, satisfying the conditions set out in Article 7:87 of the Code of Companies and Associations, Article 2(30) of the Act of 29 April 1999 on the organisation of the electricity market and in the articles of association, and having received a positive opinion ("avis conforme"/"eensluidend advies") by the CREG on their independence. The other half are non-independent directors appointed by the General Meeting in accordance with the statutory provisions on proposal of Publi-T, as per the current shareholder structure.

In accordance with provisions stipulated by legislation and the Articles of Association, these Boards of Directors are supported by three committees – the Corporate Governance Committee, the Audit Committee and the Remuneration Committee – which are the same for Elia Transmission Belgium SA/NV and Elia Asset SA/NV. The Boards of Directors ensure that these committees operate in an efficient manner.

Diversity within the Board of Directors

Number of directors Transmission Belgium SA/NV as at 31 December 2021		
Men	35 - 54 ans	1
	≥ 55 ans	7
Women	35 - 54 ans	2
	≥ 55 ans	4

In accordance with the Act of 29 April 1999 on the organisation of the electricity market, the Code of Companies and Associations and the Articles of Association of Elia Transmission Belgium SA/NV and Elias Asset SA/NV, at least one third (1/3) of the 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 based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge and on a language balance - in accordance with the Act of 29 April 1999 on the organisation of the electricity market, the Code of Companies and Associations and the Articles of Association and the internal rules of the Board of Directors.

Audit Committee competencies

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 Dominique Offergeld, member of the Audit Committee, is 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 École Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career in the service of the Belgian 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 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'Ieteren Epic Therapeutics SA, Neuvasq Biotechnologies SA and Dreamjet Participations SA. He has chaired the Zetes Audit Committee.

Dominique Offergeld (non-executive non-independent director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV) 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.

Diversity within the Executive Management Board

Number of Executive Management Board of members of Elia Transmission Belgium SA/NV as at 31 December 2021		
Men	35 - 54 ans	1
	≥ 55 ans	4
Women	35 - 54 ans	3
	≥ 55 ans	0

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 and on a language balance.

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.

Shareholder structure at the closing date

	Shares	% Shares	% Voting rights
Elia Group SA/NV	206,133,121	100.00	100.00
Publi-T SC/CV	1	0.00	0.00
Total	206,133,122	**100.00**	**100.00**

2. Risk management and uncertainties facing the company

2.1. Contextual factors

2.1.1. Macroeconomic context

2021 was characterized 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. 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 Transmission Belgium SA/NV'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. The impact on long terms provisions (employee benefits/dismantling) is primarily accounted through OCI (other comprehensive income) under IFRS. Capitalized borrowing costs are also higher, but depreciated over time.

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 Elia Transmission Belgium SA/NV to deliver new infrastructure and maintain the existing infrastructure efficiently.

COVID 19

2021 was characterized 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 description of risks and responses hereunder. Efforts are deployed towards a minimization of possible impacts on our people and operations, notably on security of supply, health and safety and projects..

2.1.2. 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 turn 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.

2.1.3. 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 can potentially affect power consumption and thus reduce the volumes of electricity transmitted via Elia Transmission Belgium SA/NV's network. 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.

2.2. Strategic/regulatory risks and responses provided

2.2.1. 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, Elia Transmission Belgium SA/NV's culture and planned changes must be fully aligned with the Elia group strategy. Additionally, specific technical expertise (offshore, digitalisation, IP...) is now required to support the achievement of the 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 employees' 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 language skills are delivered via the Elia Academy. A 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 Elia Transmission Belgium SA/NV , 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 – A specific task force continuously monitors the measures taken by the public authorities - in the covid-19 context and coordinates their implementation, so that Elia Transmission Belgium SA/NV complies with the requirements in force at any time.

The well-being of our employees is essential for Elia Transmission Belgium SA/NV . 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 or a dedicated platform named BloomUp. Elia Transmission Belgium SA/NV also supports the participation of its employees in sports activities and organizes 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 Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV. Our hiring processes are designed to support inclusive recruitment. Also, the culture of our organization aims to foster inclusive leadership and an open and ethical company culture.

Social dialogue – Elia Transmission Belgium SA/NV puts into practice social dialogue. The development of needs to adapt to the (new) realities of our employees may then be identified and considered in the evolution of our work policies.

2.2.2. Changing/New regulatory conditions

Given the specificities of its activities, Elia Transmission Belgium SA/NV 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 could conflict with Elia Transmission Belgium SA/NV's existing and envisioned strategy causing severe financial and organisational impacts.

Responses

In order to minimise uncertainties, Elia Transmission Belgium SA/NV strives to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian law. For the year 2021 this concerned mainly the so-called "Fit-for-55 Package", striving to reach the European goals of 55% CO_2 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 is also member of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operator provides advocacy for evolutions in line with its 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 activities). Political sensitivities are also emerging on the impact of public policies on households and company energy bills, which could materialize in the form of legislation affecting the adequate coverage of these costs. The further development of and changes to these regulations may also impact Elia Transmission Belgium SA/NV'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 minimize those risks, Elia Transmission Belgium SA/NV also strives to anticipate proactively evolution brought to national or local legislations.

2.2.3. Pandemic risk (COVID type)

Elia Transmission Belgium SA/NV 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, Elia Transmission Belgium SA/NV so far managed to minimise the impact of this crisis. Next to those direct effects, Elia Transmission Belgium SA/NV 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. Elia Transmission Belgium SA/NV provided self-tests for its employees. As explained in the HR risk description, Elia Transmission Belgium SA/NV has taken extra care of the wellbeing of his employees and developed HR policies which allow an effective homeworking for the administrative functions. Elia Transmission Belgium SA/NV 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. Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV's tariffs are not based on the volume of energy but on the peak of power taken from the network, which remains steady.

Elia Transmission Belgium SA/NV has also undertaken a careful monitoring to ensure that its customer's invoices are paid on time.

2.2.4. Early termination of transmission system operator licence

To execute its activities of transmission system operator, Elia Transmission Belgium SA/NV has three licences (see below), which can be revoked earlier if it does 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.

Responses

A reorganisation was performed in 2019, which enabled the ring-fencing of the Belgian regulated activities from any 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 Elia Transmission Belgium SA/NV 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.

2.2.5. Sustainability of incomes

The remuneration of Elia Transmission Belgium SA/NV is almost entirely driven by the applicable regulatory framework. Changes to the regulatory parameters could affect the profitability of Elia Transmission Belgium SA/NV. A sufficient regulatory allowed remuneration allows Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV's financial position. In particular, the remuneration of Elia Transmission Belgium SA/NV depends in part on its ability to realise the needed projects and maintain the realised assets, as the current remuneration in Belgium is based on 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 Elia Transmission Belgium SA/NV would not be able to realise or not timely/ economically realise its investment programme, this could have a negative impact on Elia Transmission Belgium SA/NV's future profits.

Responses

In the context of the energy transition, the development needs of transmission infrastructure in Belgium require the implementation of ambitious investment programs, which indirectly contributes to increasing the Regulatory Asset Base. Elia Transmission Belgium SA/NV also strives to develop a tariff methodology that takes into account the changes brought about by the energy transition and the decentralization of energy generation. Lastly, Elia Transmission Belgium SA/NV 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.

2.3. Operational risks & responses provided

2.3.1. Balancing

The production of electrical energy should be equal to the demand at any time. Elia Transmission Belgium SA/NV uses 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, the Consumer Centric Market Design (CCMD) proposal was launched, as part of a wider Consumer Centric system vision.

In addition, in the course of 2021, Elia Transmission Belgium SA/NV 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 to these platforms in 2022. Integrating balancing markets enables, subject to available cross border capacity, to mutualize balancing energy available to each transmission system operator to balance its control block.

2.3.2. Adequacy

The federal government has a key role to play in ensuring that enough capacity is available to avoid the risk of an electricity shortage and problems of supply. Elia Transmission Belgium SA/NV, provides the government 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 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 an environmental permit for 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.

2.3.3. Contingency events & business continuity disruption

The transmission system operated by Elia Transmission Belgium SA/NV is 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 Elia Transmission Belgium SA/NV. 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 Elia Transmission Belgium SA/NV.

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 and Elia Asset SA/NV.

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 operator, 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 or Elia Asset SA/NV, the respective general terms and conditions of its contracts provide for appropriate liability caps for Elia Transmission Belgium SA/NV 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.

The requirement of a crisis management 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 Transmission Belgium SA/NV to be compliant with this regulation as the management of its Critical Infrastructures is one of its priorities.
A framework for crisis management 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.

2.3.4. Climate risks

The risks associated with climate change are especially important for Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV’s missions related to markets, system and infrastructure.

Climate risks are often classified as physical climate risks and transitional risks.

Physical climate risks fall into two categories: chronic and acute ones. Based on the best climate scenario information available today, a vulnerability assessment of Elia Transmission Belgium SA/NV '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 Elia Transmission Belgium SA/NV'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 company-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 scenarios[1] 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 Transmission Belgium SA/NV 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 our vision on building a climate-neutral energy system by 2050, was published . 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.

2.3.5. Failure of information and communication technology (ICT), Data security & protection

A failure of the ICT systems and processes used by Elia Transmission Belgium SA/NV or a breach of the security measures may result in losses for customers and reduced revenues. Elia Transmission Belgium SA/NV also collects and stores sensitive data, its own business data and that of its suppliers and business partners. Elia Transmission Belgium SA/NV is 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 information 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 Elia Transmission Belgium SA/NV to provide all or part of their services and generally may result in a breach of its 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 Elia Transmission Belgium SA/NV's operations, or damage the reputation of Elia Transmission Belgium SA/NVand in general could adversely affect its business.

Responses

Elia Transmission Belgium SA/NV takes 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 measures are applied and monitoring is performed. Elia Transmission Belgium SA/NV also continuously adapts its processes to further ensure compliance and strengthen its resilience.

2.3.6. 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). Electricity grids are recognized 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, Elia Transmission Belgium SA/NV 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, Elia Transmission Belgium SA/NV 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 reinforcement 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.

2.3.7. Suppliers risk

Elia Transmission Belgium SA/NVrelies on a limited number of key suppliers to provide material and realise its investment projects. Given the complexity of the infrastructure works, the increasing demand in the market, and the factories' full order books, Elia Transmission Belgium SA/NV 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 the macroeconomic context. 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 Elia Transmission Belgium SA/NV. 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 Elia Transmission Belgium SA/NV's business, including the safety of our works. In addition, Elia Transmission Belgium SA/NV is also exposed to the risk of public procurement claims and its suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations.

Responses

Elia Transmission Belgium SA/NV maintains ongoing dialogue with its 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 minimize the most recent development of the supplier's risks.

2.3.8. Health & safety accidents

Elia Transmission Belgium SA/NV operates facilities where accidents and asset failures may cause harm to people. As a result, Elia Transmission Belgium SA/NV may be exposed to adverse impact on its capitals, mainly human, asset and financial. Potential liabilities may have a negative impact on its financial position, require significant financial and managerial resources, or possibly damage its reputation.

Responses

The safety and well-being of individuals (both Elia Transmission Belgium SA/NV's staff and the staff of third parties) is a key priority and a daily concern for Elia Transmission Belgium SA/NV. The company has 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.
In addition, we follow up on both leading and lagging indicators to measure our performance.

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.

2.4. Financial risks & responses provided

2.4.1. Negative changes in financial markets

The ability of Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV. 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 Elia Transmission Belgium SA/NV will have to incur.

In order to finance its investments and to achieve its short and long-term strategic goals, Elia Transmission Belgium SA/NV needs to access debt and capital markets.

To finance its investments CAPEX, Elia Transmission Belgium SA/NV is dependent on its ability to access, directly or via Elia Group SA/NV, 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 Elia Transmission Belgium SA/NV and on the pursuit of its objectives.

Elia Transmission Belgium SA/NV is 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 its funding options and increase its borrowing costs.

Responses

The financial risks (liquidity, funding, market risks etc.) faced by Elia Transmission Belgium SA/NV are described and controlled. To this end, Elia Transmission Belgium SA/NV 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 Elia Transmission Belgium SA/NV . The financial impact of these risks is limited, as Elia Transmission Belgium SA/NV operates under the Belgian regulatory framework. As part of Elia Transmission Belgium SA/NV's efforts to mitigate the funding risk (including refinancing risk), it 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 develops strong relationships with a group of financial institutions.
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.

2.4.2. Cashflow

The fluctuation in interest rates of Elia Transmission Belgium SA/NV'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 Elia Transmission Belgium SA/NV and the forecasted financial costs. This could cause transitory effects on the cash position of Elia Transmission Belgium SA/NV.
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 Elia Transmission Belgium SA/NV. 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 regulator 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. Elia Transmission Belgium SA/NV was still in 2021 (see below) entitled to several of these public service obligations mechanisms. This may have an indirect impact on Elia Transmission Belgium SA/NV's cashflow: deviations from the number of sales of green certificates at a guaranteed minimum price 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 sources-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

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 organized the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy. The producers have the option to sell some or all of the certificates to the (Local) Transmission System Operator (TSO) at guaranteed minimum price; the (L)TSO is then obliged to buy these certificates which become useless.

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 covered 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 organized between parties by a dedicated protocol (signed in January 2022), to limit the risk of pre-financing of these costs by Elia Transmission Belgium SA/NV. This protocol also covers the effective and timely payment of the state funds in the frame of the public service obligation for the Capacity Remuneration Mechanism (CRM).

In terms of the regional public service obligations, a growing imbalance between demand and supply in the market of Flemish cogeneration certificates generates a risk for an important tariff increase in the coming years. The recurrent and substantial oversupply of certificates could as expected during the coming years imply an important sale price decrease and unsold certificates in the auctions organized by Elia Transmission Belgium SA/NV with the risk of a temporary pre-financing period for Elia Transmission Belgium SA/NV. Direct consequence of these effects could result in a much higher residual cost to be financed by the tariff to be approved by the regulator.

For what concerns the Walloon Public Service Obligation for Green Certificates, as from 2022, the green certificate granting to small Photovoltaic (PV) producers should gradually phase out which entails that the sales to Elia Transmission Belgium SA/NV will decline and so limit the risk on further financial imbalance. However, the market stock of green certificates is breaking records (about a year of quotas) which could put further pressure on the future certificates sales to Elia Transmission Belgium SA/NV. The effective combined impact of these two phenomena on the sales of certificates to Elia Transmission Belgium SA/NV remains uncertain at this time.

Besides these market aspects, the reservation mechanism by Solar Chest will stop by end of June 2022, a last auction will be organized by Solar Chest in February 2022. There is a risk that this auction would be unsuccessful, implying Elia Transmission Belgium SA/NV to be obliged to buy a large amount of the green certificates from Solar Chest according to the provisions of the Walloon Electricity Act. A new temporization operation – to be organized by the Walloon region – could be necessary in 2022 in order to (partially) finance the purchase from Solar Chest and so to maintain the financial balance.

2.4.3. Legal disputes & liabilities

The outcome of legal disputes and lawsuits may negatively affect the business operations and/or the financial results.

Responses

Elia Transmission Belgium SA/NV carries out its 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.

2.5. R&D (Innovation)

In line with its strategic priorities, innovation within the Elia Transmission Belgium SA/NV 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. Elia Transmission Belgium SA/NV is even heading towards further disruptive initiatives. These are called moonshots.

Elia Transmission Belgium SA/NV is also working to build a large ecosystem, that is seen as an enabler for early identification of opportunities and accelerated progress.

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 serve 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.

3. Features of the internal control and risk management systems

The reference framework for internal control and risk management, established by the Executive Management Board and approved by the Elia Transmission Belgium 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 Transmission Belgium 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 Transmission Belgium SA/NV is described below.

3.1. Control environment

3.1.1. Organisation of internal control

Pursuant to the Elia Transmission Belgium SA/NV Articles of Association, the Board of Directors has established an Executive Management Board and various committees to help it fulfil its duties:, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee.

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 to discuss the above points.

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 Transmission Belgium SA/NV's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iv) reporting obligations under the regulatory framework. The structured approach developed by Elia Transmission Belgium 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.

3.1.2. Integrity and ethics

Elia Transmission Belgium 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. 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.

The Code of Ethics defines what is regarded 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 Code of Ethics expressly states that bribery in any form, misuse of privileged and market manipulation is prohibited. This is confirmed by the Code of Conduct. Elia Transmission Belgium SA/NV and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Elia Transmission Belgium 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 Transmission Belgium SA/NV's deontology as to purchasing and all associated rules. Elia Transmission Belgium SA/NV's purchasing deontology 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 Transmission Belgium 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 the company'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.

By virtue of its legal status as a power transmission system operator, Elia Transmission Belgium SA/NV is subject to a large number of statutory and regulatory rules setting out three fundamental principles: non-discriminatory conduct, confidential processing of information, and transparency towards all electricity market players as regards non-confidential market information. With a view to meeting these specific obligations, Elia Transmission Belgium SA/NV has drawn up an Engagement Programme, which has been approved by the Corporate Governance Committee. The Compliance Officer reports annually to the relevant regulatory bodies in this regard. Any violations of these three fundamental principles can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer declares that no such violations were reported by internal employees or external stakeholders in 2021.

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.

3.1.3. Roles and responsibilities

Elia Transmission Belgium 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 Transmission Belgium SA/NV are primarily identified in the legal framework applicable to Elia Transmission Belgium SA/NVand the Articles of Association. 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'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 companies having listed debt instruments.

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 Transmission Belgium 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 form 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. Elia Transmission Belgium SA/NV also clarifies the roles and responsibilities of all its employees by providing a description of each job in line with the Business Process Excellence methodology.

3.1.4. Competencies

With a view to ensuring its various activities are performed reliably and effectively, Elia Transmission Belgium 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 Transmission Belgium 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 programs 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.

3.2. Risk management

Risk management is another internal control system that is crucial in helping Elia Transmission Belgium SA/NV to achieve its strategic objectives as defined in its mission. The Audit Committee, the Board of Directors and the Risk Manager jointly and regularly identify, analyse and assess key risks. The risks are 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 Transmission Belgium 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 Transmission Belgium SA/NV ELIA TRANSMISSION BELGIUM and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia Transmission Belgium 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 generally accepted accounting principes ; (ii) ensuring that the information presented in financial results is per 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, as an electricity transmission system operator in relation to its physical installations, held by Elia Asset SA/NV, contribute significantly to its 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.

3.2.1. Continuous assessment

Employing a simultaneously top-down and bottom-up approach enables Elia Transmission Belgium 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.

3.2.2. Top-down approach based on strategic risks

Elia Transmission Belgium 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.

3.2.3. 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.

Emphasis is put on risks associated with changes in the financial and regulatory context, industrial practices, accounting standards and corporate developments such as mergers and acquisitions.

Operational management assesses the relevant risks and puts forward action plans. Any significant changes to assessment rules must be approved by the Board of Directors, based on a recommendation of the Audit Committee. Risk Management is instrumental for Elia Transmission Belgium SA/NV to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia Transmission Belgium SA/NV's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

3.3. Control activities

3.3.1. Main control activities

Elia Transmission Belgium 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.

3.3.2. Financial reporting procedure

For all significant financial reporting risks, Elia Transmission Belgium 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; 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 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.

3.4. Information and Communication

Elia Transmission Belgium 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 Transmission Belgium 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.

3.5. Monitoring

Elia Transmission Belgium 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.

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 Transmission Belgium 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.

4. Elia Transmission Belgium 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 Vandenborre
Chief Financial Officer

Chris Peeters
Chairman of the Management Committee
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) – Year ended 31 December	Notes	2021	2020
Revenue	(5.1)	1,009.8	858.1
Raw materials, consumables and goods for resale	(5.2)	(5.4)	(6.5)
Other income	(5.1)	89.6	66.9
Net income (expense) from settlement mechanism	(5.1)	121.4	89.1
Services and other goods	(5.2)	(591.1)	(395.1)
Personnel expenses	(5.2)	(173.9)	(167.8)
Depreciation, amortisation and impairment	(5.2)	(206.8)	(187.2)
Changes in provisions	(5.2)	1.7	(1.1)
Other expenses	(5.2)	(21.7)	(22.1)
Results from operating activities		**223.6**	**234.4**
Share of profit of equity accounted investees (net of tax)	(6.4)	49.4	9.2
Earnings before interest and tax (EBIT)		**273.0**	**243.6**
Net finance costs	(5.3)	**(66.1)**	**(73.0)**
Finance income		1.6	2.3
Finance costs		(67.7)	(75.3)
Profit before income tax		**206.9**	**170.6**
Income tax expense	(5.4)	(32.0)	(44.1)
Profit for the period		**174.9**	**126.5**
Profit attributable to:			
Equity holders of ordinary shares		174.9	126.5
Non-controlling interest		0.0	0.0
Profit for the period		**174.9**	**126.5**
Earnings per share (in €)	(5.5)		
Basic earnings per share		0.85	0.62
Diluted earnings per share		0.85	0.62

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		**174.9**	**126.5**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(5.6)	0.0	4.4
Related tax		0.0	(1.1)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.13)	24.1	(4.2)
Related tax		(6.0)	1.1
Other comprehensive income for the period, net of tax		**18.1**	**0.2**
Total comprehensive income for the period		**193.0**	**126.7**
Total comprehensive income attributable to:			
Equity holders of ordinary shares		193.0	126.7
Non-controlling interest		0.0	0.0
Total comprehensive income for the period		**193.0**	**126.7**

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		**6,739.4**	**6,564.4**
Property, plant and equipment	(6.1)	4,600.5	4,427.5
Goodwill	(6.3)	1,707.8	1,707.8
Intangible assets	(6.2)	68.0	42.8
Trade and other receivables		0.0	0.5
Equity-accounted investees	(6.4)	309.4	322.9
Other financial assets	(6.5)	53.4	61.0
Deferred tax assets	(6.6)	0.3	1.9
CURRENT ASSETS		**681.6**	**728.5**
Inventories	(6.7)	15.0	14.7
Trade and other receivables	(6.8)	515.7	518.4
Current tax assets	(6.9)	7.2	1.4
Cash and cash equivalents	(6.10)	137.4	188.6
Deferred charges and accrued revenues	(6.8)	6.3	5.4
Total assets		**7,421.0**	**7,292.9**
EQUITY AND LIABILITIES			
EQUITY		**2,499.9**	**2,312.3**
Equity attributable to owners of the Company	(6.11)	2,499.9	2,312.3
Share capital		2,062.5	2,061.9
Reserves		9.1	2.8
Retained earnings		428.3	247.6
Non-controlling interest		0.0	0.0
NON-CURRENT LIABILITIES		**3,837.4**	**3,879.5**
Loans and borrowings	(6.12)	3,604.6	3,624.7
Employee benefits	(6.13)	64.4	91.0
Provisions	(6.14)	34.8	38.5
Deferred tax liabilities	(6.6)	26.5	24.1
Other liabilities	(6.15)	107.1	101.2
CURRENT LIABILITIES		**1,083.7**	**1,101.1**
Loans and borrowings	(6.12)	158.7	77.9
Provisions	(6.14)	1.5	1.8
Trade and other payables	(6.16)	562.2	519.5
Current tax liabilities	(6.9)	1.5	8.6
Accruals and deferred income	(6.19)	359.8	493.3
Total equity and liabilities		**7,421.0**	**7,292.9**

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.

Consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Reserves	Retained earnings	**Equity attributable to ordinary shares**	Non-controlling interests	**Total equity**
Balance at 1 January 2020	**2,055.5**		**(3.3)**		**145.9**	**2,198.1**		**2,198.1**
Profit for the period					126.5	126.5		126.5
Other comprehensive income			3.3		(3.2)	0.2		0.2
Total comprehensive income for the period			**3.3**		**123.4**	**126.7**		**126.7**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to Owners								
Shares issued	5.0					5.0		5.0
Share-based payment expenses	1.4					1.4		1.4
Transfer to legal reserves				2.8	(2.8)			
Dividends					(18.9)	(18.9)		(18.9)
Total contributions and distributions				2.8	(21.6)	(12.5)		(12.5)
Balance at 31 December 2020	**2,061.9**			**2.8**	**247.5**	**2,312.3**		**2,312.3**
Balance at 1 January 2021	**2,061.9**			**2.8**	**247.5**	**2,312.3**		**2,312.3**
Profit for the period					174.9	174.9		174.9
Other comprehensive income					18.1	18.1		18.1
Total comprehensive income for the period					**193.0**	**193.0**		**193.0**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to Owners								
Shares issued	0.6					0.6		0.6
Transfer to legal reserves				6.3	(6.3)			
Dividends					(6.0)	(6.0)		(6.0)
Total contributions and distributions	0.6			6.3	(12.3)	(5.4)		(5.4)
Total transactions with Owners	0.6			6.3	(12.3)	(5.4)		(5.4)
Balance at 31 December 2021	**2,062.5**			**9.1**	**428.3**	**2,499.9**		**2,499.9**

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.

Consolidated statement of cash flows

(in € million) − Year ended 31 December	Notes	2021	2020
Cash flows from operating activities			
Profit for the period		**174.9**	**126.5**
Adjustments for:			
Net finance costs	(5.3)	66.1	72.9
Other non-cash items		(0.2)	1.4
Current income tax expense	(5.4)	34.0	44.2
Profit or loss of equity accounted investees, net of tax		(49.4)	(9.2)
Depreciation of property, plant and equipment and amortisation of intangi-	(5.2)	206.8	187.0
Loss on sale of property, plant and equipment and intangible assets		7.5	6.8
Impairment losses of current assets		(0.1)	0.3
Change in provisions		0.0	(2.9)
Change in deferred taxes		(2.0)	(0.1)
Cash flow from operating activities		**437.6**	**427.0**
Change in inventories		(0.7)	(0.3)
Change in trade and other receivables		2.6	(302.9)
Change in other current assets		2.9	4.5
Change in trade and other payables		42.7	143.6
Change in other current liabilities		(126.7)	(89.6)
Changes in working capital		**(79.2)**	**(244.6)**
Interest paid	(6.12)	(68.4)	(76.8)
Interest received	(5.3)	1.6	2.3
Income tax paid		(46.2)	(34.5)
Net cash from operating activities		**245.4**	**73.4**
Acquisition of intangible assets	(6.2)	(35.1)	(17.5)
Acquisition of property, plant and equipment	(6.1)	(350.5)	(333.4)
Acquisition of equity-accounted investees		0.0	(0.4)
Proceeds from sale of property, plant and equipment		2.2	2.6
Proceeds from sales of associate		1.6	1.6
Proceeds from capital decrease from equity accounted investees	(6.5)	30.5	15.3
Dividend received		30.9	13.8
Net cash used in investing activities		**(320.4)**	**(318.1)**
Proceeds from the issue of share capital	(6.11)	0.6	5.0
Dividends paid (-)	(6.11)	(6.0)	(18.9)
Repayment of borrowings (-)	(6.12)	(30.8)	(814.1)
Proceeds from withdrawal of borrowings (+)	(6.12)	60.0	1,219.4
Net cash flow from (used in) financing activities		**23.8**	**391.3**
Net increase (decrease) in cash and cash equivalents		**(51.2)**	**146.6**
Cash & Cash equivalents at 1 January		188.6	42.0
Cash & Cash equivalents at 31 December		137.4	188.6
Net variations in cash & cash equivalents		**(51.2)**	**146.6**

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.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia Transmission Belgium SA/NV (the 'Company' or 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The consolidated financial statements for the financial year 2021 include those of Elia Transmission Belgium SA/NV and its subsidiaries (together referred to as the 'group' or 'Elia Transmission Belgium Group') and the group's interest in joint ventures and associates.

The Company is a limited liability company and is a subsidiary of Elia Group SA/NV, which shares are listed on Euronext Brussels, under the symbol ELI.

Elia Transmission Belgium NV/SA has been designated as Belgian electricity transmission system operator (TSO) and should comply with the regulatory framework/legislation applicable for the TSO. (see section 9).

The group also has a 50% stake in Nemo Link Ltd, which has constructed an electrical interconnector between the UK and Belgium known as the Nemo Link interconnector. Nemo Link Ltd is a joint venture with National Grid Ventures (UK) and began commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

Elia Transmission Belgium Group has around 1,500 employees and a transmission grid comprising whole Belgium of high-voltage connections serving 11 million consumers. It efficiently, reliably and securely transmits 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.

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 following 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 by 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 by 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 by 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 by the EU)

- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed by the EU)
- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed by 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 by 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 by 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 by 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 by 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 are 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 could 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 financial statements.

In preparing these consolidated financial statements, the Group paid particular attention to adequately reflecting the current and expected impact of the COVID-19 crisis on its financial position, performance and cash flows, applying the IFRS accounting principles in a consistent manner throughout. In general, since Elia is acting in accordance with regulatory framework in Belgium, the profitability and the financial position of the Company 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 during the period in 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 segment is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation or CREG). The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a certain 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 its judgement, 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 of soil remediation, based on the advice of an expert. 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 euros 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 other comprehensive income (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 framework in Belgium, 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 their potential effects on Elia's financial performance. In general, as Elia is acting in accordance with a regulatory framework in Belgium, its profitability was not significantly affected in 2020 and 2021. In 2021, the COVID-19 pandemic did not impede progress made on onshore and offshore infrastructure projects. However, the Covid-19 crisis did have an impact on the 2020 load (particularly during the period running from March through to August). In 2021, the gradual release of the Covid-19 lockdown measures generated a recovery of the load in 2021; this meant that the Company was able to progressively return to full speed in 2021. Effects on macro-economic metrics, such as the interest rate, discount rate, etc., were taken into account.

  The group assessed whether its non-financial assets might be impaired due to the Covid-19 pandemic. 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 context of strong increase in 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.

  Please 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 in 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-CONTROLING INTERESTS

Non-controlling interests are measured at their proportionate 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 from 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 from the date of acquisition 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 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 table 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(s), 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 at 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 is subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such 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 outstanding amounts (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 in 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 or 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 fall into one of the following 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 and interest rate 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 other comprehensive income (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 other firm commitments. 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.

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).

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 has been 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 has been 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.

The calculation is performed by an accredited actuary.

Defined benefit plans

For defined benefit plans, pension expenses 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 undertaken by employees is recognised as an expense in profit or loss on the earlier of the following two 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 is 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 outstanding 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, whilst 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 in that respect:

- 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 have 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 a shortage in revenues has been 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 Transmission System Operators (TSOs) which operate in accordance with a regulatory framework and which have a de facto/legal monopolies. The frameworks which apply in the group's main countries of activity are detailed in Note 9 'Regulatory framework and tariffs'.

With regard to 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 is 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	**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. The revenue is recognised at the point in time when the study is delivered.	Contract and tariff approved by regulator. Fixed amount per type of study.
	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. 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. 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.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
	The fees charged to grid users/distribution system operators (DSOs) cover the **maintenance and operating** costs relating to the **dedicated connection facilities.** The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	Contract and tariff approved by regulator. Tariff is set per asset type (e.g. bay, km of cable).
Management and development of grid infrastructure	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. The revenue is recognised over time, as providing sufficient capacity and a resilient	Contract and tariff approved by regulator. EUR per kW/KVA for yearly/monthly peak and
Management of the electricity system	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). The revenue is recognised over time, as these services are performed continuously	Contract and tariff approved by regulator. EUR per kW/ kVArh at access point.
Market integration	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.	Contract and tariff approved by regulator. EUR per kW at access point.
Compensation for imbalances	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. The revenue is recognised at the point in time when an imbalance occurs.	Contract and tariff/mechanism approved by regulator. Based on market prices, EUR per kW imbalance at access point.
International revenues	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.	Framework agreement with parties and auction office. Price is set based on price difference in cross-border market prices.

	The revenue is recognised at the point in time when an import/export activity occurs.

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 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 following 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 as 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 which offset 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.

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 is 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 method that is aligned with the different regulatory frameworks currently existing 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 NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS and Coreso NV/SA, 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.
- Non-regulated activities and Nemo Link, comprising:
  - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo Link interconnector, which connects Great Britain 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 established. See Section 9.2 for more details
  - the non-regulated activities in the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the TSO role (see Section 9.1);

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) − Year ended 31 December	2021	2020
Revenue, other income and net income (expense) from settlement mechanism	1,199.5	1,004.7
Revenues	*1,009.8*	*858.1*
Other income	*68.3*	*57.5*
Net income (expense) from settlement mechanism	*121.4*	*89.1*
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(188.3)
Results from operating activities	224.8	235.7
Equity accounted investees	2.3	1.9
Earnings before interest and tax (EBIT)	227.1	237.5
Adjusted items	0.0	0.0
Adjusted EBIT	227.1	237.5
Earnings before depreciations, amortizations, interest and tax (EBITDA)	432.2	425.8
Finance income	1.7	2.3
Finance costs	(64.8)	(68.7)
Income tax expenses	(32.9)	(46.3)
Net profit	**131.0**	**124.8**
Adjusted items	0.0	0.0
Adjusted net profit	***131.0***	***124.8***
Consolidated statement of financial position (in € million)	31 December 2021	31 December 2020
Total assets	7,098.1	6,990.9
Capital expenditures	417.2	365.6

Net financial debt	3,441.0	3,305.6

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, costs for unwinding the interest rate swap 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 a generation unit 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 €107.2 million to €7,098.1 million, mainly due to execution of the investment programme. The net financial debt increased to €3,441.0 million, 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 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) − Year ended 31 December	2021	2020
Other income	21.3	9.4
Results from operating activities	(1.2)	(1.3)
Share of profit of equity accounted investees (net of income tax)	47.0	7.3
Earnings before interest and tax (EBIT)	45.9	6.0
Earnings before depreciation, amortisation, interest and tax (EBITDA)	45.9	6.0
Finance costs	(3.0)	(6.5)
Income tax expenses	1.0	2.2
Profit attributable to the Owners of the Company	**43.9**	**1.7**
Consolidated statement of financial position (in € million)	31 December 2021	31 December 2020
Total assets	323.0	302.0
Net financial debt	184.8	208.4

Equity-accounted investments contributed €47.0 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 Transmission Belgium Group's net profit.

EBIT rose to €45.9 million (+€39.9 million). This increase was almost entirely due to the higher contribution from Nemo Link (+€39.7 million).

Net finance cost fell to €3.0 million, primarily comprising the cost linked to the Nemo Link private placement (€2.9 million). The previous year's financial costs were mainly impacted by regulatory settlements which amounted to €3.4 million.

Adjusted net profit increased strongly by €42.2 million to €43.9 million, mainly as a result of:

- Higher contribution from Nemo Link (+€39.7 million).
- Lower regulatory settlements for 2020 (+€2.2 million).

Total assets increased to €323.0 million because of higher dividend pay-outs from Nemo Link Ltd. These dividend pay-outs also led to a decrease of net financial debt to €184.8 million, together with a partial (€8.3 million) repayment of the Nemo Link amortising loan.

4.4 Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) – Year ended per 31 December	**2021**	**2021**	**2021**
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
	(a)	(b)	(a) + (b)
Total revenues	1,009.8	0.0	1,009.8
Other income	68.3	21.3	89.6
Net income (expense) from settlement mechanism	121.4	0.0	121.4
Depreciation, amortization, impairment and changes in provisions	(205.1)	0.0	(205.1)
Results from operating activities	224.8	(1.2)	223.6
Share of profit of equity accounted investees, net of tax	2.3	47.0	49.4
Earnings before interest and tax (EBIT)	227.1	45.9	273.0
Earnings before depreciations, amortizations, interest and tax (EBITDA)	432.2	45.9	478.1
Finance income	1.7	0.0	1.6
Finance costs	(64.8)	(3.0)	(67.7)
Income tax expenses	(32.9)	1.0	(32.0)
Profit attributable to the owners of the company	**131.0**	**43.9**	**174.9**
Consolidated statement of financial position (in € million)	**31.12.2021**	**31.12.2021**	**31.12.2021**
Total assets	7,098.1	323.0	7,421.0
Capital expenditures	417.2	0.0	417.2
Net financial debt	3,441.0	184.8	3,625.8

Consolidated results (in € million) – Year ended per 31 December	**2020**	**2020**	**2020**
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
	(a)	(b)	(a) + (b)
Total revenues	858.1	0.0	858.1
Other income	57.5	9.4	66.9
Net income (expense) from settlement mechanism	89.1	0.0	89.1
Depreciation, amortization, impairment and changes in provisions	(188.3)	0.0	(188.3)
Results from operating activities	235.7	(1.3)	234.4
Share of profit of equity accounted investees, net of tax	1.9	7.3	9.2
Earnings before interest and tax (EBIT)	237.5	6.0	243.5
Earnings before depreciations, amortizations, interest and tax (EBITDA)	425.8	6.0	431.8
Finance income	2.3	0.0	2.3
Finance costs	(68.7)	(6.5)	(75.2)
Income tax expenses	(46.3)	2.2	(44.1)
Profit attributable to the owners of the company	**124.8**	**1.7**	**126.5**
Consolidated statement of financial position (in € million)	**31.12.2020**	**31.12.2020**	**31.12.2020**
Total assets	6,990.9	302.0	7,292.9
Capital expenditures	365.6	0.0	365.6

Net financial debt	3,305.6	208.4	3,514.0

There are no significant intersegment transactions.

The group has no concentration of customers in either of the operating segments.

5. Items in the consolidated statement of profit or loss and other comprehensive income

There were no changes to the basis of preparation and therefore no restatements of figures from previous years were required.

a. Revenue, net income (expense) from settlement mechanism and other income

(in € million)	2021	2020
Revenue, excluding net income from settlement mechanism	**1,009.8**	**858.1**
Grid revenue:	1,006.0	848.2
Last mile connection	2.9	2.8
Other revenue	0.8	7.1
Net income (expense) from settlement mechanism	**121.4**	**89.1**
Other income	**89.6**	**66.9**
Services and technical expertise	(0.1)	(1.5)
Own production	28.2	21.6
Optimal use of assets	13.5	14.5
Other	46.4	31.6
Gain on sale PPE	1.5	0.6

Please 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 amounting to €1,199.5 million (Note 4.2) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income amounting to €21.3 million (Note 4.3). The reported revenues and other income amounted to €1,220.8 million.

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which essentially map onto each of the segments mentioned above.

The group's own production relates to time spent on investment projects by group employees.

The group has recognised €2.9 million in revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€97.8 million). Additional information is provided in Note 6.15. The group did not recognise any substantial revenues in the reporting period in respect of performance obligations in previous periods.

b. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2021	2020
Raw materials, consumables and goods for resale	5.4	6.5
Purchase of ancillary services	332.5	153.5
Services and other goods (excl. purchase of ancillary services)	258.6	241.6
Total	**596.5**	**401.7**

The group's costs for 'Raw materials, consumables and goods for resale' decreased to €5.4 million for the financial year 2021.

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 across its grids. The cost incurred in 2021 increased to €332.5 million (compared with €153.5 million in 2020) mainly because of increased prices to cover electricity losses and increased activations needed to balance the grid against a background of high energy prices.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and other costs. The cost of these increased by €17.0 million to €258.6 million.

PERSONNEL EXPENSES

(in € million)	2021	2020
Salaries and wages	118.5	113.2
Social security contributions	29.9	29.4
Pension costs	14.8	21.0
Other personnel expenses	5.0	4.4
Share-based payments expenses	0.0	1.4
Employee benefits (excl. pensions)	5.7	(1.6)
Total	**173.9**	**167.8**

The second tranche of the 2020 capital increase for Elia employees was completed in March 2021. The capital increase resulted in the creation of 61,191 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 a total of €166.5 in 2021, up from €162.3 million in 2020. The non-regulated activities and Nemo Link segment accounted for €7.4 million (previous year: €5.4 million). Both segments saw an increase because 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	10.1	9.6
Depreciation of property, plant and equipment	196.7	177.4
Total depreciation and amortisation	**206.8**	**187.1**
Provisions for litigations	(1.5)	1.5
Environmental provisions	(0.2)	(0.4)
Changes in provisions	**(1.7)**	**1.1**
Depreciation, amortisation and changes in provisions	**205.1**	**188.2**

The total 'depreciation, amortisation, impairment and changes in provisions' increased from €188.2 million in 2020 to €205.1 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	12.6	12.7
Loss on disposal/sale of property, plant and equipment	9.0	9.0
Impairment on receivables	(0.5)	0.1
Impairment of inventories	0.6	0.1
Other	0.0	0.2
Total	**21.7**	**22.2**

Taxes other than income tax mainly consist of property taxes.

The amount of impairment on trade receivables is explained in Note 8.1 'Financial risk and derivative management'.

c. Net finance costs

(in € million)	2021	2020
Finance income	**1.6**	**2.3**
Other financial income	1.6	2.3
Finance costs	**(67.7)**	**(75.3)**
Interest expense on eurobonds and other bank borrowings	(65.6)	(58.0)
Interest expense on derivatives	0.0	(5.2)
Interest cost on leasing	(0.5)	(0.7)
Other financial costs	(1.6)	(11.4)
Net finance costs	**(66.1)**	**(72.9)**

Finance income decreased from €2.3 million in 2020 to €1.6 million in 2021.

The interest expenses on Eurobonds and other bank borrowings increased by €7.6 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 on derivatives incurred in 2020 was related to the settlement in June 2020 of two loans (the loan with Synatom for €453.6 million and the loan with Publi-Part (€42.1 million). With this settlement, 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 €75.3 million in 2020 to €67.7 million in 2021. This was mainly related to 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 of net debt and loans.

d. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2021	2020
Current year	(38.2)	(42.6)
Adjustments for prior years	4.3	(1.5)
Total current income tax expenses	**(34.0)**	**(44.2)**
Origination from and reversal of temporary differences	2.0	0.1
Total deferred taxes expenses	**2.0**	**0.1**
Total income taxes and deferred taxes recognised in profit and loss	**(32.0)**	**(44.1)**

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	206.9	170.6
Domestic corporate income tax	25%	25%
Income tax, using the domestic corporate tax rate	**(51.7)**	**(42.7)**
Share of profit of equity accounted investees, net of tax	12.3	2.3
Non-deductible expenses	(2.4)	(2.2)
Adjustments for prior years	4.3	(1.5)
Tax credits and other reductions	5.3	0.0
Tax shelter investments	0.1	0.4
Other	0.1	(0.4)
Total income taxes and deferred taxes recognised in profit and loss	**(32.0)**	**(44.1)**

In 2021, the income tax expense were lower than the theoretical income tax expense (calculated using the nominal tax rate) mainly due to the impact of the Innovation Income Deduction which amounted to €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.

e. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders (amounting to €174.9 million) by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to equity holders of ordinary shares	**174.9**	**126.5**
Effect of dilutive potential ordinary shares	0	
Earnings for the purposes of diluted earnings per share	**174.9**	**126.5**
Ordinary shares issued on 1 January	206,071,931	205,572,291
Ordinary shares issued in December 2020		499,640
Ordinary shares issued in July 2021	61,191	
Outstanding ordinary shares as at 31 December	**206,133,122**	**206,071,931**
Weighted average of outstanding ordinary shares (basic)	**206,097,916**	**205,585,980**
Effect of dilutive potential ordinary shares	0	0
Weighted average number of outstanding ordinary shares (diluted)	**206,097,916**	**205,585,980**
Basic earnings per share (in €)	**0.85**	**0.62**
Diluted earnings per share (in €)	**0.85**	**0.62**

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.

f. 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 a €18.1 million positive impact, representing a increase compared with the previous year (€0.2 million positive impact). The most important drivers are described below.

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a positive impact of €24.1 million. This impact is mainly explained by the evolution of 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 €6.0 million.

Cash flow hedges

In 2020, the fair value change of the cash flow hedges had a positive impact of €4.4 million on other comprehensive income. The interest rate swaps related to the loan with Publi-Part and other loans outstanding at year-end 2019 were settled end of June 2020. The negative fair value of €4.4 million was recycled in the profit or loss.

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	**211.3**	**6,179.1**	**191.2**	**26.9**	**50.7**	**686.2**	**7,345.5**
Additions	0.7	157.3	12.4	0.2	3.1	173.9	347.6
Disposals	(0.6)	(36.9)	(3.4)	0.0	(0.4)	(0.9)	(42.2)
Transfers	1.1	476.1	0.0	4.2	0.0	(481.4)	0.0
Balance at 31 December 2020	**212.5**	**6,775.6**	**200.1**	**31.3**	**53.4**	**377.9**	**7,650.9**
Balance at 1 January 2021	**212.5**	**6,775.6**	**200.1**	**31.3**	**53.4**	**377.9**	**7,650.9**
Additions	0.7	66.2	11.8	0.9	27.1	275.1	381.9
Disposals	(0.8)	(54.0)	(3.4)	(0.2)	(0.4)	0.0	(58.7)
Transfers	1.2	250.5	0.0	2.9	0.0	(254.7)	0.0
Balance at 31 December 2021	**213.7**	**7,038.3**	**208.6**	**35.0**	**80.2**	**398.4**	**7,974.1**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2020	**(27.1)**	**(2,864.3)**	**(149.3)**	**(24.5)**	**(11.9)**	**0.0**	**(3,077.1)**
Depreciation	(2.0)	(153.3)	(11.2)	(1.6)	(9.3)		(177.5)
Disposals	0.0	27.6	3.4	0.0	0.1		31.2
Transfers	0.0	3.0	0.0	(3.0)	0.0		0.0
Balance at 31 December 2020	**(29.1)**	**(2,987.0)**	**(157.2)**	**(29.1)**	**(21.0)**	**0.0**	**(3,223.4)**
Balance at 1 January 2021	**(29.1)**	**(2,987.0)**	**(157.2)**	**(29.1)**	**(21.0)**	**0.0**	**(3,223.4)**
Depreciation	(2.0)	(174.8)	(11.5)	(1.1)	(7.9)		(197.3)
Disposals	0.1	43.3	3.3	0.1	0.4		47.2
Transfers	0.0	2.3	0.0	(2.3)	0.0		0.0
Balance at 31 December 2021	**(31.0)**	**(3,116.2)**	**(165.4)**	**(32.3)**	**(28.6)**	**0.0**	**(3,373.5)**
CARRYING AMOUNT							
Balance at 1 January 2020	184.2	3,314.8	41.9	2.5	38.8	686.2	4,268.4
Balance at 31 December 2020	183.4	3,788.6	42.9	2.3	32.4	377.9	4,427.5
Balance at 1 January 2021	183.4	3,788.6	42.9	2.3	32.4	377.9	4,427.5
Balance at 31 December 2021	182.6	3,922.1	43.2	2.7	51.6	398.4	4,600.5

Large-scale (onshore and offshore) infrastructure projects in Belgium 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.

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 physical 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).

During 2021, €4.3 million of borrowing costs were activated on PP&E, based on an average interest rate of 1.92% (compared with €7.8 million at 2.03% 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	Total
ACQUISITION VALUE			
Balance at 1 January 2020	**122.2**	**4.3**	**126.5**
Additions	14.3	3.1	17.4
Balance at 31 December 2020	**136.5**	**7.4**	**143.9**
Balance at 1 January 2021	**136.5**	**7.4**	**143.9**
Additions	30.6	4.7	35.2
Transfers	0.0	0.5	0.5
Balance at 31 December 2021	**167.1**	**12.5**	**179.6**
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
Balance at 1 January 2020	**(88.4)**	**(3.0)**	**(91.4)**
Depreciation	(9.0)	(0.6)	(9.6)
Balance at 31 December 2020	**(97.4)**	**(3.6)**	**(101.0)**
Balance at 1 January 2021	**(97.4)**	**(3.6)**	**(101.0)**
Depreciation	(8.7)	(1.4)	(10.1)
Transfers	0.0	(0.5)	(0.5)
Balance at 31 December 2021	**(106.1)**	**(5.5)**	**(111.6)**
CARRYING AMOUNT			
Balance at 1 January 2020	33.8	1.3	35.1
Balance at 31 December 2020	39.0	3.8	42.8
Balance at 1 January 2021	39.0	3.8	42.8
Balance at 31 December 2021	61.0	7.0	68.0

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 €35.2 million. During 2021, €0.3 million in borrowing costs were capitalised on software in development (compared with €0.2 million in 2020) based on an average interest rate of 1.92% (2.03% in 2020).

The group does not hold individual intangible asset that is material to its financial statements.

6.3. Goodwill

There were no changes in goodwill during the years 2020-2021. The carrying amount was 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	2411,1

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:

(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 CGU 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 the 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 CGU 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 Company 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 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 2021-2030. 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 which is 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 into account of the potential cash flows generated by meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, the most important of which 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 account of the contribution of the incentive remuneration 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 into account of the contribution that the incentive remuneration makes 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.

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)	**322.9**	**342.6**
Profit for the year	49.4	9.2
Dividends received	(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)	**309.4**	**322.9**

Details are presented 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, allowing 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 of which are equity-accounted investees, as follows:

- The group has a 15.8% 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. 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', securing 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 (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	**0.0%**	**0.0%**	**15.8%**	**0.0%**
Non-current assets	0.0		9.0	94.3
Current assets	9.1		4.4	1.0
Current liabilities	0.0		9.7	0.0
Equity	9.1		3.7	95.3
Group's carrying amount for the interest	**1.5**	**0.0**	**0.6**	**16.2**
Revenue		0.0	20.1	0.0
Other operating expenses			(19.2)	11.1
Profit before income tax		(0.5)	0.9	11.1
Income tax expense		0.0	(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**	**0.0**
Dividends received by the Group				1.7

(in € million)		Coreso 2021	HGRT 2021
Percentage ownership interest		**15.8%**	**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		**0.7**	**16.5**
Revenue	0.0	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		**0.1**	**2.2**
Dividends received by the Group			1.9

6.5. Other financial assets

(in € million)	2021	2020
Reimbursement rights	46.2	53.8
Immediately claimable deposits	7.0	7.0
Other shareholdings	0.2	0.2
Trade and other receivables	0.0	0.5
Total	**53.4**	**61.5**

The total other financial assets decreased by €8.1 million compared with the previous year. The decrease is mainly the result of the increase in the discount rate used to measure the reimbursement rights (€2.9 million) and utilisation of the reimbursement rights (€4.1 million). See also note 6.13 for more information.

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) medical plans and reduced energy pricing plans for retired staff members. See Note 6.14: '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 6.14: 'Employee benefits'. Considering the nature (regulatory asset) of these financial assets, they are not considered to be at risk of impairment.

Other shareholdings consists of a stake of 4.0% in JAO Joint Allocation Office SA. This investment is measured at fair value through 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	1.4	(59.8)	1.4	(53.9)
Intangible assets	0.0	(4.4)	0.0	(6.3)
Interest-bearing loans and other non-current financial liabilities	13.0	(2.1)	8.2	(2.5)
Employee benefits	16.3	(11.8)	22.6	(13.5)
Provisions	4.8	0.0	5.6	0.0
Deferred revenue	25.9	0.0	24.5	0.0
Deferred tax on investment grants	0.0	(1.1)	0.0	(1.1)
Other items	0.1	(8.5)	0.2	(7.4)
Tax asset/liability before offsetting	**61.5**	**(87.7)**	**62.5**	**(84.7)**
Offsetting of tax	(61.2)	61.2	(60.5)	60.5
Net tax asset/(liability)	**0.3**	**(26.5)**	**2.0**	**(24.2)**

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	Total
2020				
Property, plant and equipment	(49.4)	(3.1)	0.0	(52.5)
Intangible assets	(8.6)	2.3	0.0	(6.3)
Interest-bearing loans and other non-current financial liabilities	8.5	(1.7)	(1.1)	5.7
Employee benefits	8.8	(0.7)	1.1	9.2
Provisions	5.1	0.5	0.0	5.6
Deferred revenue	21.8	2.6	0.0	24.4
Deferred tax on investment grants	(1.1)	0.0	0.0	(1.1)
Losses carried forward	(0.1)	0.1	0.0	0.0
Other items	(7.2)	0.1	0.0	(7.1)
Total	**(22.2)**	**0.1**	**(0.1)**	**(22.2)**
2021				
Property, plant and equipment	(52.5)	(5.8)	0.0	(58.3)
Intangible assets	(6.3)	1.9	0.0	(4.4)
Interest-bearing loans and other non-current financial liabilities	5.7	5.2	0.0	10.9
Employee benefits	9.2	1.3	(6.0)	4.5
Provisions	5.6	(0.8)	0.0	4.8
Deferred revenue	24.4	1.5	0.0	25.9
Deferred tax on investment grants	(1.1)	0.0	0.0	(1.1)
Other items	(7.1)	(1.3)	0.0	(8.4)
Total	**(22.2)**	**2.0**	**(6.0)**	**(26.2)**

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

There are no unrecognised deferred tax assets or liabilities at 31 December 2021.

6.7. Inventories

(in € million)	2021	2020
Raw materials and consumables	30.9	30.0
Write-downs	(15.9)	(15.3)
Total	**15.0**	**14.7**

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.

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	0.3	0.2
Trade receivables	433.3	349.2
Levies	36.6	144.3
VAT and other taxes	41.7	20.7
Other	3.7	4.0
Trade and other receivables	**515.7**	**518.4**
Other finanical assets (Current + Non-current)	6.3	5.4
Deferred charges and accrued revenues	**6.3**	**5.4**
Total	**522.0**	**523.9**

The total current trade and other receivables, deferred charges and accrued revenues decreased by €1.9 million compared to the previous year.

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days. The increase is driven by high activity and strong increase of energy prices.

The levies decreased from €144.3 million to €36.6 million due to lower volumes of purchased green certificates.

Other receivables mainly relate to indemnities to receive from insurance companies.

The Group's exposure to credit and currency risks, and impairment losses related to trade receivables are shown in Note 8.1.

On 31 December, the ageing analysis of trade receivables was as follows:

(in € million)	2021	2020
Not past due	415.0	326.9
Past due 0-30 days	14.3	19.7
Past due 31-60 days	0.5	0.3
Past due 61 days - one year	1.3	1.3
Past due one year - two years	2.1	1.4
Total (excl. impairment)	**433.2**	**349.6**
Doubtful amounts	3.9	3.9
Amounts write-offs	(3.4)	(3.4)
Allowance for expected credit losses	(0.4)	(0.9)
Total	**433.3**	**349.2**

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 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	7.2	1.4
Tax liabilities	(1.5)	(8.6)
Net tax asset/(liability)	**5.8**	**(7.2)**

The net tax position went from €7.2 million liability to €5.8 million asset, because of higher advance payments done on corporate tax which will be recovered in financial year 2022.

6.10. Cash and cash equivalents

(in € million)	2021	2020
Short-term deposits	28.9	29.0
Balance at bank	108.5	159.6
Total	**137.4**	**188.6**

Cash and cash equivalents have decreased by €51.2 million. This decrease was due to increased investments in property, plant and equipment to make the grid ready for the energy transition.

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 8.1.

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	206,071,931	205,572,291
Issued against cash payment	61,191	499,640
Number of shares (end of period)	**206,133,122**	**206,071,931**

The extraordinary shareholder' meeting held on 19 May 2020 decided to execute a capital increase in two steps/periods (one in 2020 amounting to a maximum of €5.0 million and the other in 2021 amounting to 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 499,640 new shares amounting to a total amount of €5.0 million, the total amount consisting of capital increase.

The second tranche of the 2020 capital increase for Elia employees was completed in July 2021. The capital increase resulted in the creation of 61,191 additional shares amounting to €0.6 million capital increase.

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. From the statutory net profit of 2020, €6.3 million was transferred to the legal reserve in 2021.

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 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. In 2020, the hedging reserve with a fair value of €3.3 million was recycled in profit or loss with the settlement of the outstanding three interest rate swaps. See note 8.1 for more details.

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	0.13	0.03

It was proposed and approved, at the Shareholders' Meeting convened to approve the Elia Transmission Belgium NV/SA financial statements for the year ending on 31 December 2020 to pay a dividend of €0.03 per share, representing a total payout of €6.0 million.

The Board of Directors meeting on 24 March 2022 proposed a gross dividend of €0.13 per share with 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 €25.9 million.

6.12. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2021	2020
Non-current borrowings	3,580.3	3,599.5
Lease liabilities − non-current	24.3	25.2
Subtotal non-current borrowings	**3,604.6**	**3,624.7**
Current borrowings	82.3	22.3
Lease liabilities − current	27.7	7.7
Accrued interest	48.6	47.9
Subtotal current loans and borrowings	**158.7**	**77.9**
Total	**3,763.3**	**3,702.6**

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)	Non-current interest-bearing loans and borrowings	Current interest-bearing loans and borrowings	Total
Balance at 1 January 2020	593.0	2,704.6	3,297.6
Cash flow: repayment of borrowings	(567.6)	(246.5)	(814.1)
Cash flow: proceeds from withdrawal borrowings	25.0	1,194.4	1,219.4
Accrued interest	(29.0)	0.0	(29.0)
Other	56.5	(27.8)	28.8
Balance at 31 December 2020	**77.9**	**3,624.7**	**3,702.6**
Balance at 1 January 2021	77.9	3,624.7	3,702.6
Cash flow: repayment of borrowings	(30.8)	0.0	(30.8)
Cash flow: proceeds from withdrawal borrowings	60.0	0.0	60.0
Accrued interest	0.7	0.0	0.7
Other	50.8	(20.1)	30.7
Balance at 31 December 2021	**158.7**	**3,604.6**	**3,763.3**

The group issued a commercial papers for total amount of €60.0 million with a maturity date of 2022 and an interest rate of -0.15% under its commercial paper program of €300.0 million.

Movements in 'Other' during 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 related to outstanding interest-bearing loans and borrowings is provided in the table 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%
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%
Total			**3,662.6**	
Lease debts			52.1	
Accrued interests			48.6	
Total Loans and Borrowings			**3,763.3**	

6.13. Employee benefits

The group has various legal and constructive defined benefit obligations linked to its Belgian.

The total net liability for employee-benefit obligations is as follows:

(in € million)	2021	2020
Defined benefit plans	28.5	17.6
Post-employment benefits other than pensions	35.9	73.4
Total provisions for employee benefits	**64.4**	**91.0**

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 individual's 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 using 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 is undertaken. 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 a 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 employee's annual salary and their career at a company (partially revertible to the inheritor should be the early death of the employee occur).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 that the employer must adhere to, 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) also offers its staff certain early-retirement schemes and other post-employment benefits such as the repayment of their medical expenses and a contribution to their energy bills, 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.

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	(251.5)	(257.1)	(71.0)	(77.4)
Fair value of plan assets	253.4	239.5	4.8	4.0
Net employee benefit liability	**1.9**	**(17.6)**	**(66.3)**	**(73.4)**

The net employee benefit liability decreased in total by €26.6 million. The impact is mainly explained by the decrease in discount rate compared to 2020 and the higher return on plan assets.

Movement in the present value of the defined benefit obligation	Pensions		Other	
(in € million)	**2021**	**2020**	**2021**	**2020**
At the beginning of the period	**(257.1)**	**(249.7)**	**(77.4)**	**(71.2)**
Current service cost	(12.3)	(9.7)	(2.2)	(2.1)
Interest cost/income	(1.2)	(1.8)	(0.5)	(0.7)
Contributions from plan participants	(0.9)	(1.2)	0.0	0.0
Including remeasurement 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	13.2	(8.4)	5.0	(3.8)
3) Changes from experience adjustments	(6.7)	6.6	1.3	(0.9)
Past service cost	0.1	0.0	0.0	(6.3)
Payments from the plan	16.1	14.1	2.8	2.6
Transfers	(2.7)	(6.0)	(0.0)	6.0
At the end of the period	**(251.5)**	**(257.1)**	**(71.0)**	**(77.4)**

Movement in the fair value of the plan assets	Pensions		Other	
(in € million)	2021	2020	2021	2020
At the beginning of the period	**239.5**	**229.3**	**4.0**	**4.1**
Interest income	1.1	1.7	0.0	0.0
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	14.5	(0.0)	0.9	2.5
Contributions from employer	10.8	19.0	2.6	2.6
Contributions from plan participants	0.9	1.2	0.0	0.0
Transfers	2.7	2.6	0.0	(2.6)
Benefit payments	(16.1)	(14.1)	(2.8)	(2.6)
At the end of the period	**253.4**	**239.5**	**4.8**	**4.0**

Amounts recognised in comprehensive income	Pensions		Other	
(in € million)	2021	2020	2021	2020
Service cost				
Current service cost	(12.3)	(9.7)	(2.2)	(2.1)
Past service cost	0.1	0.0	0.0	(6.3)
Settlements	0.0	0.0	0.0	0.0
Net interest on the net defined-benefit liability/(asset)	**(0.1)**	**(0.1)**	**(0.4)**	**(0.6)**
Interest cost on defined-benefit obligation	(1.2)	(1.8)	(0.5)	(0.7)
Interest income on plan assets	1.1	1.7	0.0	0.0
Other	**0.0**	**0.0**	**0.3**	**2.2**
Defined-benefit costs recognised in profit or loss	**(12.3)**	**(9.8)**	**(2.3)**	**(6.8)**
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	(1.1)	0.0	(0.7)
2) Changes in financial assumptions	13.2	(8.4)	4.4	(3.4)
3) Changes from experience adjustments	(6.7)	6.6	1.5	(1.2)
Return on plan assets (excluding interest income on plan assets)	14.5	(0.0)	0.9	(0.1)
Remeasurements of net defined benefit (liability)/asset recognised in other com-	**21.0**	**(2.9)**	**6.9**	**(5.4)**
Total	**8.7**	**(12.7)**	**4.6**	**(12.3)**

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 €24.1 million.

(in € million)	2021	2020
Breakdown of defined-benefit obligation by type of plan participants	**(322.5)**	**(334.5)**
Active plan participants	(248.4)	(251.2)
Terminated plan participants with def.-benefit entitlements	(24.0)	(21.4)
Retired plan participants and beneficiaries	(50.1)	(61.9)
Breakdown of defined-benefit obligation by type of benefits	**(322.5)**	**(334.6)**
Retirement and death benefits	(251.6)	(262.2)
Other post-employment benefits	(18.2)	(56.6)
Seniority payments	(52.6)	(15.7)

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' which have a probability 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 changes to the plan, changes in 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 which is 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 in the table below:

(in € million)	2021	2020
Investments quoted in an active market	**79.68%**	**80.03%**
Shares - Eurozone	15.72%	15.47%
Shares - outside Eurozone	20.18%	20.27%
Government bonds - Eurozone	1.45%	1.38%
Other bonds - Eurozone	27.85%	28.42%
Other bonds - outside Eurozone	14.47%	14.50%
Unquoted investments	**20.32%**	**19.97%**
Property	2.80%	2.66%
Cash and cash equivalents	3.16%	3.01%
Other	14.36%	14.30%
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 mortality 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.

Salary risk

The present value of the defined benefit plan liability has been 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	
	2021	2020
Discount rate		
- Pensions - defined benefit plans and cash balance - best off plans	0.83%	0.36%
- Pensions - defined contribution plans	1.12%	0.66%
- Other	1.14%	0.70%
Expected average salary increase (excluding inflation)	1.00%	1.00%
Expected inflation	1.75%	1.75%
Expected increase in health benefits (including inflation)	2.75%	2.75%
Expected increase in tariff advantages	1.75%	1.75%
Average assumed retirement age		
- Employee	63	63
- Manager	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
Life expectancy for a 65 year old female	23.6	23.6

**Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany*

(in years)	Belgium	
	2021	2020
Weighted average duration of the defined benefit obligation	8.5	8.8
Weighted average duration of the defined contribution plans	9.7	9.7
Weighted average duration of the post-employment benefits other than pensions	13.2	13.4

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	(3.0)	(13.4)	(15.8)
Other	(3.0)	(13.2)	(16.1)
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 include 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)	Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:	
Discount rate (0.5% movement)	20.1
Average salary increase - excl. inflation (0.5% movement)	(9.7)
Inflation (0.25% movement)	(5.9)
Increase of healthcare care benefits (1.0% movement)	(0.6)
Life expectancy of pensions (1 year)	(3.4)

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 in the table below:

Movement in the present value of the reimbursement rights	Pensions		Other	
-(in € million)	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	Dismantling Obligations	Other	Total
Balance at 1 January 2020	9.6	3.3	20.5	2.2	35.5
Increase	1.4	6.8	3.7	1.2	13.1
Reversals	(1.0)	(2.7)	(1.0)	(1.0)	(5.7)
Utilisation	(0.8)	(2.0)	0.0	(0.1)	(2.8)
Discounting of provisions	0.0	0.0	0.2	0.0	0.2
Balance at 31 December 2020	**9.2**	**5.4**	**23.4**	**2.3**	**40.3**
Long-term portion	7.5	5.4	23.4	2.3	38.5
Short-term portion	1.8	0.0	0.0	0.0	1.8
Balance at 1 January 2021	9.2	5.4	23.4	2.3	40.3
Increase	0.3	1.0	1.1	0.8	3.2
Reversals	(0.4)	(2.0)	(3.3)	(0.7)	(6.5)
Utilisation	(0.1)	(0.4)	0.0	(0.2)	(0.7)
Discounting of provisions	0.0	0.0	0.0	0.0	0.0
Balance at 31 December 2021	**9.0**	**4.1**	**21.2**	**2.1**	**36.3**
Long-term portion	7.5	4.1	21.2	2.1	34.8
Short-term portion	1.5	0.0	0.0	0.0	1.5

The group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure in relation to land decontamination. There were no significant movements in the environmental provisions in 2021.

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 Best Available Techniques Not Entailing Excessive Costs (BATNEEC) 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.

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 €21.2 million. The group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability. The decrease is mainly due to the higher discount rate for discounting of the provisions.

Elia Transmission Belgium 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 was 1.26% and depends on the lifetime of the asset to dismantle. In case where the discount rate fell to 0% the dismantling provisions would increase by €8.9 million.

'**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	3.3	3.4
Contract liabilities	103.8	97.8
Total	**107.1**	**101.2**

Contract liabilities remained stable. They related to upfront payment for last mile connection. 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 €2.9 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€97.8 million).

6.16. Trade and other payables

(in € million)	2021	2020
Trade debts	421.8	358.8
VAT and other taxes	16.7	12.8
Remuneration and social security	33.9	29.6
Levies	24.6	54.6
Other	65.2	63.8
Total	**562.2**	**519.5**

The trade debts increased by €63.0 million against a background of increased activity levels and a significant increase in energy prices in the second half of 2021.

The levies decreased compared with the previous year (€54.6 million). The levies include federal levies, which totalled €6.2 million at 31 December 2021 (compared with €24.3 million in 2020). Levies for the Walloon government have decreased to €17.0 million, (compared with €26.3 million in 2020). The remaining balance mainly consists of strategic reserves (€1.0 million).

6.17. Financial instruments – fair values

The following table outlines 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**	**0.2**	**54.3**	**0.0**	**61.5**	**7.0**	**0.0**	**0.2**	**7.2**
Equity instruments at fair value through other comprehensive income		*0.2*			***0.2***			*0.2*	***0.2***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Trade and other receivables (Non-current)			*0.5*		***0.5***				
Regulatory assets			*53.8*		***53.8***				
Trade and other receivables			**518.9**		**518.9**				
Cash and cash equivalents			**188.6**		**188.6**				
Loans and borrowings (Current and Non-Current)				**(3,702.7)**	**(3,702.7)**				
Unsecured bond issues				*(3,325.8)*	***(3,325.8)***	*(3,739.4)*			***(3,739.4)***
Unsecured financial bank loans and other loans				*(296.0)*	***(296.0)***	*(296.0)*			***(296.0)***
Lease liabilities				*(33.0)*	***(33.0)***				
Accrued interests				*(47.9)*	***(47.9)***				
Trade and other payables				**(519.5)**	**(519.5)**				
Total	**7.0**	**0.2**	**761.8**	**(4,222.2)**	**(3,453.2)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**
Balance at 31 December 2021									
Other financial assets	**7.0**	**0.2**	**46.2**		**53.4**	**7.0**		**0.2**	**7.2**
Equity instruments at fair value through other comprehensive income		*0.2*			*0.2*			*0.2*	*0.2*
Equity instruments at fair value through income	*7.0*				*7.0*	*7.0*			*7.0*
Regulatory assets			46.2						
Trade and other receivables			**515.7**		**515.7**				
Cash and cash equivalents			**137.4**		**137.4**				
Loans and borrowings (Current and Non-Current)				**(3,763.3)**	**(3,763.3)**	**(3,981.3)**			**(3,981.3)**
Unsecured bond issues				*(3,320.6)*	*(3,320.6)*	*(3,639.3)*			***(3,639.3)***
Unsecured financial bank loans and other loans				*(342.0)*	*(342.0)*	*(342.0)*			***(342.0)***
Lease liabilities				*(52.1)*	*(52.1)*				
Accrued interests				*(48.6)*	*(48.6)*				

Trade and other payables				**562.2**	**562.2**				
Total	**7.0**	**0.2**	**699.3**	**(3,201.1)**	**(2,494.6)**	**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 does not need 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 according to the fair value measurement hierarchy below:

- **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 the other financial assets is quite stable. The fair value of the bank loans and bond issues increased due to a higher nominal value and despite a lower pricing of the bonds on the market.

The fair value of 'sicavs' falls under level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

The fair value of the bonds 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 other bank loans approximates to their carrying amounts largely due to the short-term maturities of these instruments.

Brokers' statements are used for valuations of the interest-rate and foreign-currency rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows. The models incorporate various inputs including the credit quality of counterparties and interest-rate curves at the end of the reporting period. As at 31 December 2021, the counterparty risk was considered to be close to zero as a result of the negative market value of the IRS. The Group's own non-performance risk was also estimated as being close to zero.

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 affected the contractual clauses of the group's lease contracts and there were no indications leading to 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 as demonstrated in the table below (with the discounted lease liability for comparison). The split between current and non-current lease liabilities is also provided below:

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2020	**2.0**	**23.0**	**7.7**	**6.0**	**0.1**	**38.8**
Additions and remeasurements	(0.0)		4.4	0.0		4.4
Depreciation	(0.0)	(2.1)	(3.4)	(3.7)	(0.0)	(9.3)
Derecognition of right-of-use assets		(1.3)	(0.2)			(1.5)
As of 31 December 2020	**2.0**	**19.7**	**8.5**	**2.3**	**0.0**	**32.4**

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2021	**2.0**	**19.7**	**8.5**	**2.3**	**0.0**	**32.4**
Additions and remeasurements	0.1	0.2	3.7	23.1		27.1
Depreciation	(0.0)	(2.0)	(3.5)	(2.3)	(0.0)	(7.9)
As of 31 December 2021	**2.0**	**17.8**	**8.7**	**23.0**	**0.0**	**51.6**

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 had been exercised.

Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is provided in the table below:

Maturity analysis - contractual undiscounted cash flows (in € million)	2021	2020
< 1 year	27.8	7.9
1-5 years	15.0	16.2
> 5 years	12.5	14.6
Total undiscounted lease liabilities at 31 December	**55.3**	**38.8**
Lease liabilities in the statement of financial position at 31 December	**52.1**	**33.0**
Current	27.7	7.7
Non-current	24.3	25.2

The discount rate used to discount the lease liabilities provides the group with its best estimate of the weighted average incremental borrowing rate; it 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 to be 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 or 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	(7.9)	(9.3)
Interest on lease liabilities	(0.5)	(0.7)
Expenses relating to short-term leases	(0.6)	0.1
Total recognised in profit and loss	**(9.0)**	**(9.9)**

A total of €9.0 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 €8.5 million in 2021 (compared with €9.9 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 substantially obtain 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	11.4	13.2
1 to 2 years	11.3	0.1
2 to 3 years	11.3	0.0
3 to 4 years	11.2	0.0
4 to 5 years	11.1	0.0
More than 5 years	305.1	0.0
Total	**361.5**	**13.3**

The Covid-19 pandemic did not affected the contractual clauses of the group’s contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The group recognised €13.7 million in rental income in 2021 (2020: €14.8 million).

6.19. Accruals and deferred income

(in € million)	2021	2020
Accruals and deferred income	6.3	19.3
Deferral account from settlement mechanism Belgian regulatory framework	353.5	474.0
Total	**359.8**	**493.3**

The movements in deferral account from settlement mechanism are as follows:

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2021	43.8	(517.8)	(474.0)
Increase	58.0	(132.4)	(74.3)
Reversals	(14.8)	132.4	117.6
Utilisation	0.0	81.5	81.5
Other (e.g. discounting)	0.0	(4.1)	(4.1)
Balance at 31 December 2021	**87.0**	**(440.5)**	**(353.5)**

The deferral account from settlement mechanism (€353.5 million) decreased compared to year end 2020 (€474.0 million). The decrease in the deferral account from the settlement mechanism encompasses the settlement of net surpluses from prior tariff period (-€81.5 million), the review of the regulator regarding the previous year's 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).

The release of the deferral account is determined during 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 the deferral account from the settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2021):

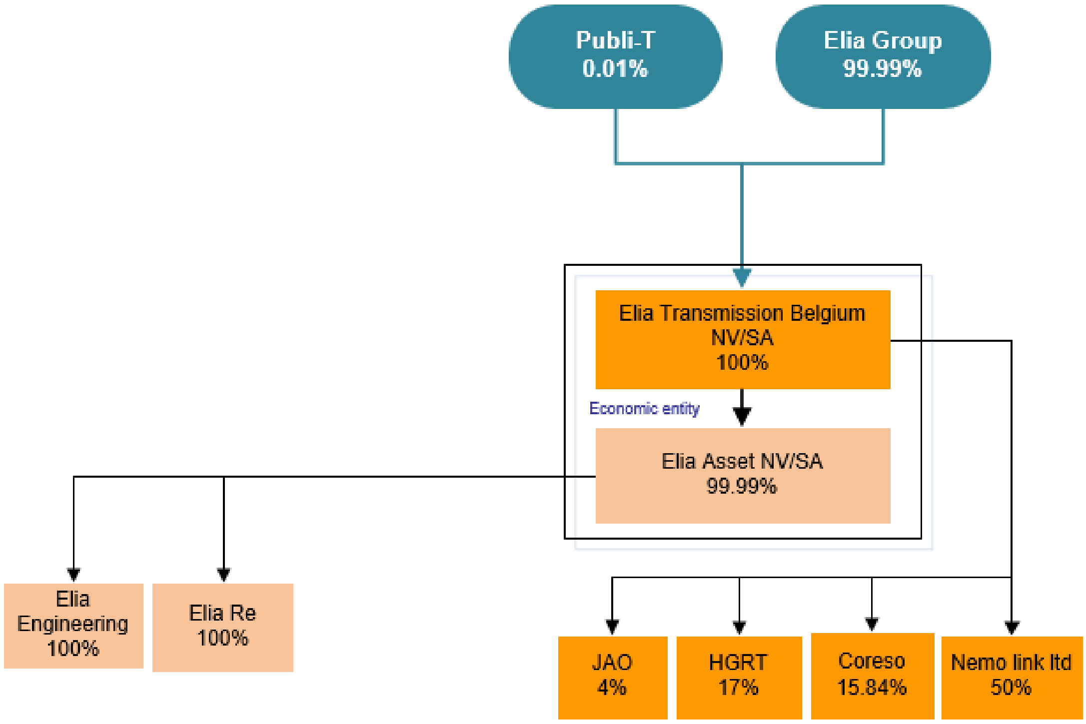
(in € million)	Belgian regulatory framework
To be refunded to the tariffs in the current regulatory period	282.4
To be refunded to the tariffs in the next regulatory period (or after)	63.9
Other regulatory transfer	7.3
Total regulatory deferral account	**353.5**

**Belgium: from 2020 to 2023*

The other regulatory transfer relates to a revenue from incentive regulation which is subject to uncertainty uncertainty against the background of a significant increase in 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 Transmission Belgium SA/NV has direct and indirect control of the subsidiaries listed below.

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.

All the entities keep their accounts in euros and have the same reporting date as Elia Transmission Belgium SA/NV.

Name	Country of establishment	Headquarters	Stake % 2021	Stake % 2020
Subsidiaries				
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
Investments accounted for using the equity-method –				
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 Cortenbergh 71, 1000 Brussels	15.84	15.84
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	-	16.52
Investments accounted for using IFRS9 - other share-				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	4.00	4.00

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 under 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 the 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 the procurement of energy to cover grid energy losses – as well as to the market for short-term deposits.

Foreign currency risk

The group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euros, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than euros.

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 Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities. With regard to its operating activities, the group has a credit policy in place, which takes into account its customers' risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guaranties 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
Immediately claimable deposits		*7.0*	*7.0*
Reimbursement rights		*46.2*	*53.8*
Other shareholdings		*0.2*	*0.2*
Non-current trade and other receivables		*0.0*	*0.5*
Other financial assets (Current and Non-current)	**(6.5)**	**53.4**	**61.5**
Trade and other receivables	**(6.8)**	**515.7**	**518.4**
Current tax assets	**(6.9)**	**7.2**	**1.4**

Cash and cash equivalents	**(6.10)**	**137.5**	**188.6**
Deferred charges	**(6.8)**	**6.3**	**5.4**
Total		**720.1**	**775.3**

The movement in the allowance for expected credit losses with respect to trade receivables during the year is outlined in the table below:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2020	1.0	(3.4)	(2.4)
Changes during the year	2.9	0.0	2.9
Balance at 31 December 2020	**3.9**	**(3.4)**	**0.4**
Balance at 1 January 2021	3.9	(3.4)	0.5
Changes during the year	0.0	0.0	0.0
Balance at 31 December 2021	**3.9**	**(3.4)**	**0.5**

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, the 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 €33.8 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%	0.2%	0.5%	4.1%	39.7%	94.0%	
Carrying amount - trade receivables	326.9	19.7	0.3	1.3	0.6	0.8	**349.6**
Loss given default	84.1%	84.1%	84.1%	84.1%	84.1%	84.1%	
Loss allowance	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.6**	**0.9**

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%	0.1%	0.7%	2.2%	14.1%	33.3%	
Carrying amount - trade receivables	415.6	14.3	0.5	1.4	0.2	1.3	**433.3**
Loss given default	84.7%	84.7%	84.7%	84.7%	84.7%	84.7%	
Loss allowance	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**

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 programs, 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	**4,165.5**	**4,141.3**	**(4,682.7)**	**(607.1)**	**(1.1)**	**(89.2)**	**(854.6)**	**(3,130.9)**
Unsecured bond issues	3,350.0	3,325.8	(3,835.3)	(70.0)	0.0	(70.9)	(700.9)	(2,993.5)
Unsecured financial bank loans and interest accruals	296.0	296.0	(327.9)	(17.5)	(1.1)	(18.4)	(153.6)	(137.4)
Trade and other payables	519.5	519.5	(519.5)	(519.5)	0.0	0.0	0.0	0.0
Total at 31 December 2020	**4,165.5**	**4,141.3**	**(4,682.7)**	**(607.1)**	**(1.1)**	**(89.2)**	**(854.5)**	**(3,130.9)**

(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	**4,296.0**	**4,266.6**	**(4,712.8)**	**(710.4)**	**(1.1)**	**(88.9)**	**(1,350.5)**	**(2,561.9)**
Unsecured bond issues	3,341.7	3,312.3	(3,777.9)	(70.9)	0.0	(70.8)	(1,197.7)	(2,438.5)
Unsecured financial bank loans and interest accruals	392.0	392.0	(372.6)	(77.3)	(1.1)	(18.1)	(152.8)	(123.4)
Trade and other payables	562.3	562.3	(562.3)	(562.3)	0.0	0.0	0.0	0.0
Total at 31 December 2021	**4,296.0**	**4,266.6**	**(4,712.8)**	**(710.4)**	**(1.1)**	**(88.9)**	**(1,350.5)**	**(2,561.9)**

Details of the used and unused back-up credit facilities are set out in the table 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
Total		**650.0**		**0.0**	**650.0**

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.

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

Three interest rates swaps amounting to 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.

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 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 a 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 as demonstrated by its ActNow plan, 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 & Circular Economy; Health & Safety; Diversity, Equity & Inclusion; and Governance, Ethics & Compliance.

Furthermore, as a driver of the energy transition, Elia Transmission Belgium is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Transmission Belgium therefore published a white paper in 2021, 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.

Please refer to the Integrated Report of 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 €406.9 million (€412.4 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 €246.7 million (€200.4 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 which amounted to 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, or at the end of June 2021. At the reporting date, the outstanding balance is +/- 1.4 million of green certificates which will come to maturity in June 2022 (+/- € 91.8 million). Solar chest announced a new auction in February 2022. The 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. to 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 which amended 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 AwAC. 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 allows for the green certificates to be 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 for 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 or , 2020 or 2021.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Transmission Belgium is Elia Group SA/NV. Other than the yearly dividend payment and the capital increase (see Note 6.12), no material transactions occurred with the core shareholder in 2021.

The shareholder structure of the group can be found in the present report p.28.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia Transmission Belgium's Board of Directors and its Management Committee. Both have a significant influence across the group.

The members of Elia Transmission Belgiums' Board of Directors are not employees of the Group. The remuneration for their mandate is detailed in the Corporate Governance Statement, which is included in this Annual Report.

The other members of key management personnel are hired as employees. The names of the key management personnel are included in the corporate governance report. The components of their remuneration are detailed below.

Key management personnel did not receive stock options, special loans or other advances from the group during the year.

(in € million)	2021	2020
Short-term employee benefits	2.8	3.0
Basic renumeration	2.0	1.8
Variable renumeration	0.8	1.2
Long-term employee benefits	0.5	
Post-employment benefits	0.5	0.4
Other variable remuneration	0.2	0.2
Total gross remuneration	**4.1**	**3.7**
Number of persons (in units)	7	7
Average gross remuneration per person	0.6	0.5
Number of shares (in units) held as at 31 December 2021	**17,910**	**21,846**

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 with are included in the table below:

(in € million)	2021	2020
Transactions with joint ventures and associates	**(3.1)**	**(2.1)**
Sales of goods	0.1	2.4
Purchases of goods	(3.1)	(4.4)
Outstanding balances with joint ventures and associates	**(0.7)**	**0.2**
Trade debtors	(0.7)	0.6
Trade debts	(0.1)	(0.4)

In 2021, entities of the group had transactions with Nemo Link Ltd. and Coreso SA/N. 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

The Group also has an outstanding loan with its shareholder PubliPart for an amount of €42.1 million. This loan was repaid at the end of June 2020. See Note 6.12 for more details.

TRANSACTIONS WITH RELATED PARTIES

Elia's Management Committee also assessed whether transactions occurred with entities over which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-presidents 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 a predefined price 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 the future cooperation between both parties after the Brexit as of 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 it had done until that point. 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. Additionally, 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 Transmission Belgium SA/NV and the audit of the statutory financial statements of Elia Transmission Belgium SA/NV, Elia Asset SA/NV and Elia Engineering SA/NV.

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**
Statutory audit and review of consolidated and parent company finanical statements	162,658
Non-audit services, of which:	101,117
Services related to legal and regulatory requirements	*15,625*
Other audit services	*57,690*
Tax services	*27,802*
Total	**263,775**

9. REGULATORY FRAMEWORK AND TARIFFS

9.1. Regulatory framework in Belgium

9.1.1.Federal legislation

The Electricity Act, which forms the general basis and 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 regard 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 Commission for Electricity and Gas Regulation (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 across grids with a voltage of 70 kV or less across their respective territories. 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 frameworks the provisions of the third European package that applies to them. The regional decrees have been supplemented by various other rules and regulations relating to 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

The 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 used among the borders between Belgium shares with its neighbours;
- 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 applies 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 a relevant part of the network) to abide by any specific provision of the regional electricity rules (if it fails to do so, it may have to pay administrative fines or be subject to 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 for 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 (as 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 forecasted 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 changed compared to the previous tariff methodology with regard to the level of leverage and the OLO interest rate for risk-free investments: (i) the regulatory leverage was increased from 33% to 40%; and (ii) the OLO was set at 2.4% for the period 2020-2023, instead of using each year's average. In the event of major and unexpected changes in Belgium's macroeconomic 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 (if less than or equal to 40%) x average RAB x [(1 + α) x [(OLO (n) + (β x risk premium)]]]
plus
B: [(S (if above 40 per cent.) – 40%) x average RAB x (OLO (n) + 70 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 the CREG and the Issuer as set out above);
- RAB (n) = RAB (n-1) + investments (n) - depreciation (n) - divestments (n) - decommissioning (n) +/- 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 BEL 20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5%;
- With respect to 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 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-

- With respect to B: If 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: [(OLO (n) + 70 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 (less than or equal to 40%) x average RABMOG x 1.4%].

Non-controllable costs and revenues

The category of costs and revenues that are outside of 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 forecasted 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 influence-able 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 Elia by 50% of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared with 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 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 required 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 from the previous regulatory framework: (i) increase in import capacity; (ii) increase in market welfare due to market coupling; and (iii) financial participations. Only the incentive on financial participations remains. The incentive relating to market welfare is no longer offered, whereas the one relating to 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 Elia's profit (by between €0 to €16 million for cross-border capacity; and between €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which the 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 the 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 the CREG, the incentive can contribute to Elia's profit by between €0 to €2.53 million; and (iii) Elia could stand to gain between €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 would see Elia gaining between €0 to €3.7 million (pre-tax) and (ii) the subsidies granted for innovative projects which could impact its profit (by up to 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 between €0 to €1.35 million; (ii) the level of client satisfaction for the full client base which would contribute between €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 a profit of between €0 to €5 million.
- *Enhancement of balance system:* This incentive is similar to the discretionary incentive under the previous regulatory framework, through which Elia is rewarded for implementing certain projects related to system balancing as defined by the CREG. This incentive can generate a profit of 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 the CREG and the Issuer, and the CREG took a decision on 6 December 2018 about the new parameters to be introduced under 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 forecasted volumes. If the transmitted volumes are higher (or lower) than those forecasted, 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 forecasted 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 is 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 which enables 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 no 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 for the Nemo Link interconnector

The key features of the NemoLink Ltd regulatory framework can be summarised as follows:

- A specific regulatory framework has been applicable to the Nemo Link interconnector since the date it began operating. 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 terms) 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 has been applicable since 30 January 2019. Every five years the regulators 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 has been triggered. If revenue exceeds 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 whilst the Issuer, the Belgian TSO, performs it in Belgium.
- Each five-year period eis considered separately. Cap and floor adjustments in one period do not affect adjustments for future periods, and total revenue earned during 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 was 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 five-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

Please find the joint auditors’ report to the general meeting of Elia Transmission Belgium NV/SA for the year ended 31 December 2021 on page 205.

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Transmission Belgium SA/NV, drawn up in accordance with Belgian accounting standards, are given 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 Transmission Belgium 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	**3,623.8**	**3,633.5**
Intangible assets	15.0	3.8
Property, plant and equipment	20.5	9.5
Financial fixed assets	3,588.3	3,620.2
Affiliated companies	3,304.2	3,304.2
Participating interests	3,304.2	315.8
Other enterprises linked by participating interests	284.1	316.0
Participating interests	283.9	315.8
Other participating interests	0.2	0.2
CURRENT ASSETS	**3,201.8**	**3,126.9**
Amounts receivable over one year	2,250.0	0.0
Inventories and contracts in progress	0.4	0.4
Contracts in progress	0.4	0.4
Amounts receivable within one year	819.9	2,976.3
Trade debtors	441.6	348.9
Other amounts receivable	378.3	2,627.5
Cash at bank and in hand	90.2	145.3
Deferred charges and accrued income	41.4	4.9
TOTAL ASSETS	**6,825.6**	**6,760.4**

EQUITY AND LIABILITIES (in € million)	**2021**	**2020**
CAPITAL AND RESERVES	**2,269.9**	**2,216.9**
Capital	2,061.3	2,060.7
Issued capital	2,061.3	2,060.7
Share premium account	0.0	0.0
Reserves	49.7	43.7
Legal reserve	13.0	9.0
Untaxed reserve	3.0	1.0
Available reserves	33.7	33.7
Profit carried forward	158.9	112.5
PROVISIONS, DEFERRED TAXES	**0.4**	**0.8**
Provisions for risks and charges	0.4	0.8
Other risks and charges	0.4	0.8
LIABILITIES	**4,555.2**	**4,542.7**
Amounts payable after one year	3,588.6	3,609.4
Financial debts	3,588.6	3,609.4
Subordinated debentures	3,320.6	3,327.4
Unsubordinated debentures	268.0	282.0
Amounts payable within one year	565.9	404.9
Current portion of amounts payable after more than one year	22.3	22.3
Financial debts	71.8	8.8
Credit institutions	60.0	0.0
Other loans	11.8	8.8
Trade debts	422.7	349.8
Suppliers	422.7	349.8
Advances received on contracts in progress	1.0	0.7
Amounts payable regarding taxes, remuneration and social security costs	13.0	10.3
Taxes	1.7	1.2
Remuneration and social security	11.3	9.1
Other amounts payable	9.2	12.9
Accrued charges and deferred income	400.7	528.5
TOTAL EQUITY AND LIABILITIES	**6,825.6**	**6,760.4**

Statement of profit or loss

(in € million)	2021	2020
OPERATING INCOME	**1,174.5**	**972.1**
Turnover	1,138.4	953.2
Increase/(decrease) in inventories of finished goods, works and contracts in progress	4.5	(1.9)
Other operating income	31.7	20.8
OPERATING CHARGES	**(1,112.9)**	**(863.4)**
Services and other goods	(1,061.6)	(813.6)
Remuneration, social security costs and pensions	(49.7)	(49.0)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	(1.9)	(0.2)
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.3	(0.6)
Other operating charges	0.0	0.0
OPERATING PROFIT	**61.7**	**108.7**
Financial income	**89.0**	**108.8**
Income from financial fixed assets	48.3	101.7
Income from current assets	39.5	4.8
Other financial income	1.0	1.0
Non-recurring financial income	0.1	1.3
Financial charges	**(69.9)**	**(83.2)**
Debt charges	(68.7)	(75.3)
Other financial charges	(1.2)	(7.9)
PROFIT FOR THE PERIOD BEFORE TAXES	**80.7**	**134.4**
Income taxes	(2.4)	(8.6)
PROFIT FOR THE PERIOD	**78.3**	**125.8**
Transfer to untaxed reserves	2.0	1.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**76.3**	**124.8**

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
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)

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	2020
Results from operating activities	223.6	234.4
Share of profit of equity accounted investees (net of tax)	49.4	9.2
EBIT	**273.0**	**243.6**
Deduct:		
Corporate reorganisation	0.0	(0.3)
Adjusted EBIT	**273.0**	**243.9**

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	2020
Profit for the period	**174.9**	**126.5**
Deduct:		
Corporate reorganisation	0.0	(0.3)
Tax impact	0.0	0.1
Adjusted net profit	**174.9**	**126.7**

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	2020
Results from operating activities	223.6	234.4
Share of profit of equity accounted investees (net of tax)	49.4	9.2
EBIT	**273.0**	**243.6**

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	2020
Results from operating activities	223.6	234.4
Add:		
-Depreciations, amortizations and impairments	206.8	187.2
Changes in provisions	(1.7)	1.1
Share of profit of equity accounted investees (net of tax)	49.4	9.2
EBITDA	**478.1**	**431.8**

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	Nemo Link and non-regulated activities	Elia Transmission Belgium Group	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
Non-current liabilities:						
Loans and borrowings	3,421.9	182.7	3,604.6	3,433.6	191.1	3,624.7
Add:						
Current Liabilities:						
Loans and borrowings	147.6	11.1	158.7	67.7	10.2	77.9
Deduct:						
Cash and cash equivalents	128.5	9.0	137.4	195.7	(7.1)	188.6
Net financial debt	**3,441.0**	**184.8**	**3,625.8**	**3,305.6**	**208.4**	**3,514.0**

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_i (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.

5. Elia Transmission Belgium SA/NV sustainability report

Foreword

GRI 102-50

This Sustainability Report provides transparency on Elia Transmission Belgium SA/NV performance in 2021 and describes the integration of sustainability into our strategy (see Section 2. Strategy).

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).

GRI Standards: Core option

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 199 for a full overview of these indicators.

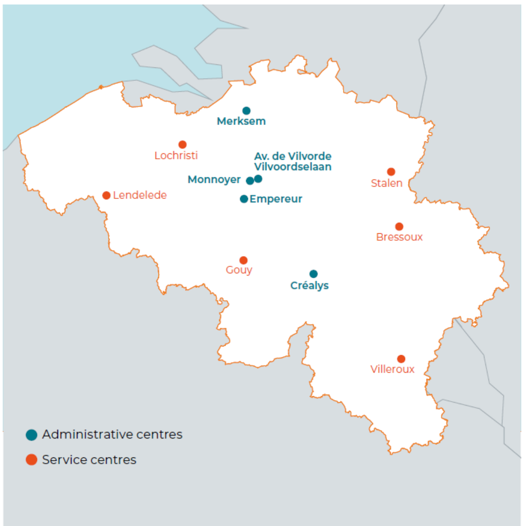
It is Elia Group SA/NV's fourth annual sustainability report and it covers the period from 1 January 2021 to 31 December 2021.

5.1. The Elia Group

5.1.1. About the company

GRI 102-3, GRI 102-4

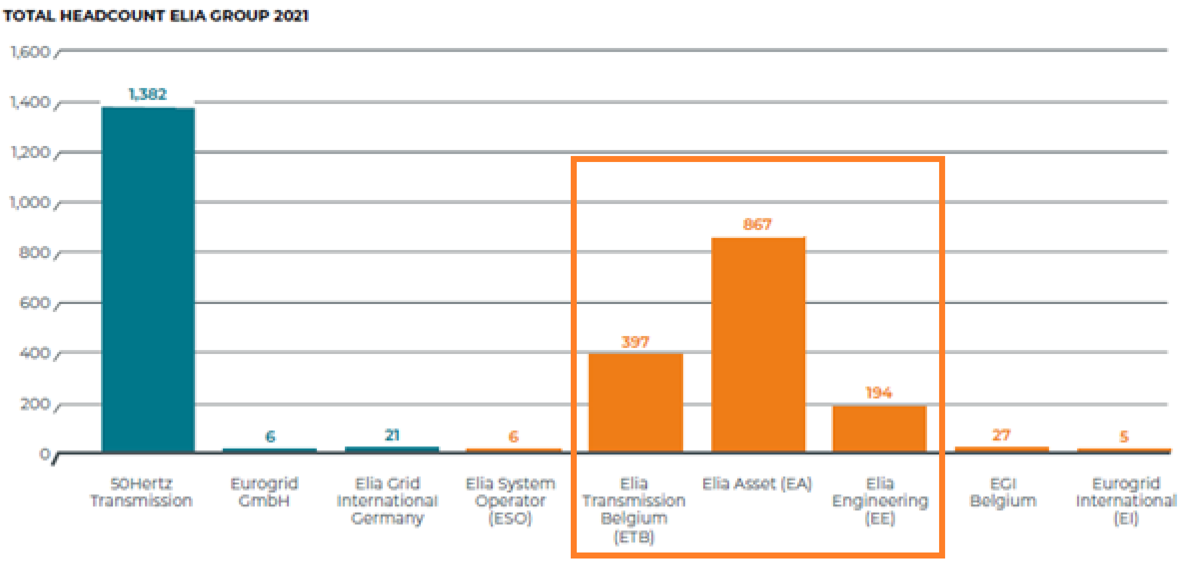
As the sole operator of the Belgian high-voltage grid, Elia Transmission Belgium SA/NV has a natural monopoly and is therefore subject to regulatory supervision. Its public mandate and responsibilities are an integral part of the legislation that regulates the Belgian electricity market. It is overseen at the national level by the CREG , the federal regulator for the extra-high voltage electricity grid (110 kV-400 kV), and at a regional level by the VREG , CWAPE and BRUGEL - 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.



5.1.2. Size of the company

GRI 102-1

Breakdown by country, company and number of employees



5.1.3. Grid

G4-EUS-EU4

Elia Transmission Belgium SA/NV operates the extra-high voltage transmission grids (110kV - 525 kV) in Belgium, 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.

Length of lines

	2019		2020		2021	
Voltage	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.

Substations and switches

	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 HDVC Converter stations was 2 (instead of 1) as mentioned in the above table.

5.1.4. Guiding principles

Memberships

GRI 102-12, GRI 102-13, SDG17

As outlined in the table below, Elia Transmission Belgium SA/NV 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.	✓					✓

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 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 5.2. 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**.

Supplier Code of Conduct

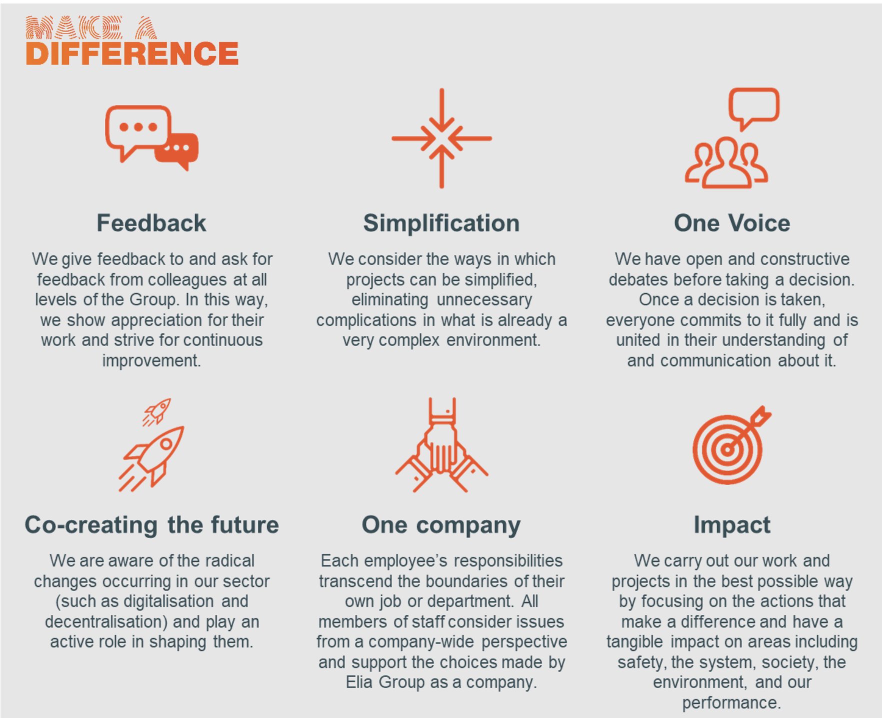
All parties involved in procurement must comply with Elia Transmission Belgium SA/NV 's Supplier Code of Conduct and all related regulations. Elia Group SA/NV's Supplier Code is published both internally and externally (**link**) and is based on four pillars: confidentiality; non-discriminatory treatment 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.

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 and 50Hertz, 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 or our Code of Ethics, and the guidelines and principles that drive all Elia Transmission Belgium SA/NV’s activities.

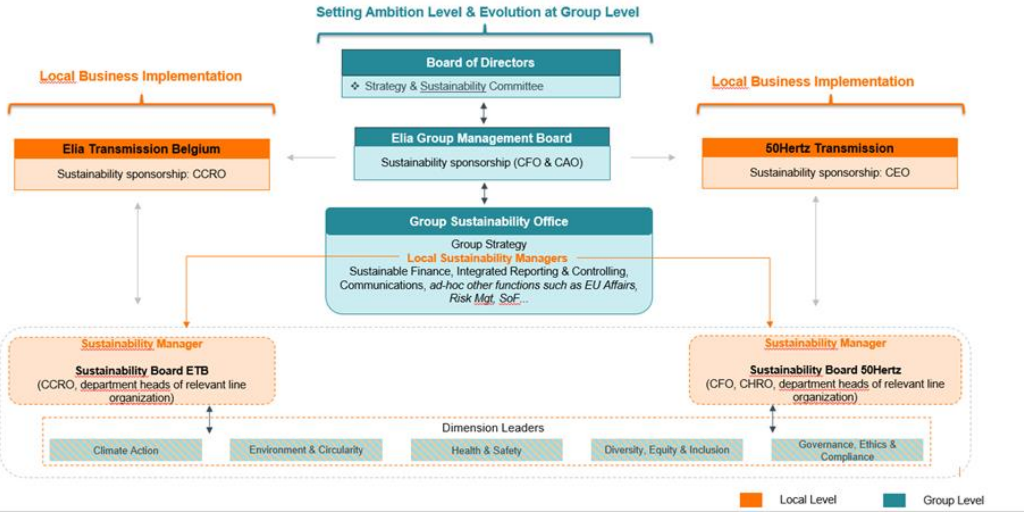


Elia Transmission Belgium SA/NV fully complies with the corporate governance requirements.
In addition, internal management systems based on recognised standards such as early public acceptance are used in sustainability areas which are material. In the area of health and safety, Elia Transmission Belgium 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.

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

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 organisation's sustainability commitments.
Elia Transmission Belgium SA/NV in Belgium implements 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 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.



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.

Legal and regulatory framework

Elia Transmission Belgium SA/NV complies with all applicable legislation. Its business activities are subject to numerous regional, national and European laws and regulations. Elia Transmission Belgium 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.

Elia Transmission Belgium SA/NV 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 available .
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, Elia Transmission Belgium SA/NV did not receive any significant fines or non-monetary sanctions for failure to comply with social or economic legislation and regulations.

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**.

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).

Anti-corruption

GRI 205-1, GRI 205-2

Due to its legal status as electricity transmission system operator, Elia Transmission Belgium SA/NV is subject to a wide range of legal and regulatory rules in Belgium, which stipulate three basic principles: non-discriminatory behaviour, confidential treatment of information and transparency towards all electricity market participants for non-confidential market information.
Elia Transmission Belgium SA/NV has guidelines and other documents on the behaviour expected of our employees that set out Elia Transmission Belgium SA/NV understanding of correct ethical conduct and make it clear that the company complies with the law and does not tolerate corruption. These principles flow 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 Transmission Belgium 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 Transmission Belgium 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 Transmission Belgium 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 the company'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 compliance officer states that no such breaches were reported by internal employees or external stakeholders in 2021.

Additional information can be found in the section entitled Features of the internal control and risk management systems.

Risk management

GRI 102-30, GRI 102-11, GRI 201-2

The Risk Management framework of Elia Transmission Belgium SA/NV is strongly linked to the COSO Framework, which provides best practice related to the assessment of business risks. In line with these guidelines, risk management is undertaken at different levels across the organisation (strategic, business/ operational, project levels etc…).
Risk management relies on Elia Transmission Belgium SA/NV's strategy and risk appetite: the level of risk our organisation is prepared to accept in pursuit of its objectives. It is outlined in a guidance document that includes 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, discussions take place to make sure relevant contextual factors are adequately taken into account in the assessment. The most serious risks are integrated into the risk reporting process and the evaluation of the adequacy of the organisation's response to different risks is then discussed, including by 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.

Additional information can be found in the section entitled Risk management and uncertainties facing the company.

Political influence

Laws and regulations have a strong influence on Elia Transmission Belgium SA/NV's 's operations. The different authorities at federal and regional levels grant Elia Transmission Belgium SA/NV its operating licence and contribute to the determination of the legal framework according to which the TSO must realise its 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 acts in compliance with all the regulations that affect the operation of the transmission grid. Elia Transmission Belgium SA/NV is responsible for contributing to the political debate and to the development of regulations. We carry out our advisory role in a transparent manner. As a legal monopoly with public responsibilities Elia Transmission Belgium SA/NV communicates its viewpoints with the best interests of society in mind.

Elia Transmission Belgium SA/NV 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 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.

Elia Transmission Belgium SA/NV is registered in the **EU Transparency Register** and committed to its Code of Conduct.

The Public & Regulatory Affairs and External Relations department is among others responsible for political communication. A Corporate Reputation Committee composed of representatives of all internal departments that have external coordinates contacts with (political) stakeholders has been set up to coordinate the different contacts 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 (mentioned above) 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.

Security and emergency management

Critical infrastructure

For Elia Transmission Belgium SA/NV, security does not stop at the company's boundaries. For example, personnel 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 events in a level-headed manner under high stress and to make quick and appropriate crisis management decisions. These and other measures serve the goal of continuously increasing the resilience of Elia Transmission Belgium SA/NV in a holistic manner. In addition to the training concept for all members of the crisis team, this also includes the review of property protection concepts and the further development of general corporate security.

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 feed-back 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 sub-stations 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 spe-cific 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.
Best practices and information are exchanged at national level in the utility sector (Synergrid), as well as at European level (ENTSO-E). We evaluate the threat landscape and evolutions to be able to put the right risk mitigation measures into action.

A number of concrete measures taken in 2021 in this field are listed below:
• Monthly external scanning of Elia Transmission Belgium SA/NV'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 cyber-attacks on Elia Transmission Belgium SA/NV were recorded.
• Further developing the 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 Information Security Management System (ISMS) in line with ISO27001. The ISMS is a framework of policies and controls to manage security and security risks systematically across the entire organisation. The objective is to obtain ISO27001 certification in 2022.
• Developing a Data classification model for Elia group: enabling data owners to easily classify their data correctly so the adequate security measures can be applied. One model for the Group assures consistency.
• Phishing campaign: The human behaviour is key in countering the threat of phishing. An awareness campaign was launched to inform and warn on the risks of phishing mails.
• Successfully passing the external audit on compliance with the MVS Security Plan: In the context of the OPDE/CGM programme (the European Common Grid Model) ENTSO-E requires transmission system operators to be compliant with a specific set of security measures when exchanging information with other transmission system operators.
• Appointment of a Data Protection Officer (DPO) to ensure that Elia processes the personal data of the data subjects (staff, customers, providers or any other individuals) in compliance with the applicable data protection regulation (GDPR).

Emergency and restoration

G4-EUS-DMA Disaster/ Emergency Planning and Response

Should an electricity crisis occur, as a result of natural disasters – such as extreme weather conditions –, malicious attacks or a fuel shortage, Elia Transmission Belgium SA/NV has set up a crisis management which consists in 3 main plans:
The crisis management plan describes the roles, responsibilities and processes related to crisis management. The emergency management is based on scenario emergency plans, e.g. Standardized Emergency Preparedness Plan (SEPP). The emergency plans contain measures and the definition of reporting and information processes.
The **system defence plan**: automatic and manual measures aiming to prevent abnormal situations up to a blackout by any means, to limit the extension of disturbances and to stabilize the electric power system when in Emergency State. This in order to return to Normal or Alert State as soon as possible with minimal impact on grid customers and society. In accordance with the system defense plan, both Elia Transmission Belgium SA/NV and 50Hertz

Transmission GmbH established load shedding and other plans to be executed by themselves or related Distribution Operators containing an amount of demands to be manually or automatically performed, when necessary to prevent the propagation or worsening of an electricity crisis.

The **restoration plan**: set of actions that can be used after a disturbance with large scale consequences (e.g. blackout) to bring the electricity system back to the normal state.

Elia Transmission Belgium SA/NV regularly trains their operator teams by means of simulated exercises and life exercises in small scale, including relevant stakeholders and partners. i.e. Distribution System Operators or Generation Companies. In general system operators continuously practice the handling of abnormal as well as crisis situations by means of theoretical and practical trainings by various means.

Transmission system operators 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 transmission system operators, 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 are given to the operators of the national control centre and the regional control centres.

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.

COVID-19

As soon as it was first reported in Europe, a task force has been set up to closely monitor the coronavirus (COVID 19) situation within Elia Transmission Belgium SA/NV and to take the necessary measures. The task force is continuously monitoring the situation. If further action is taken, it will be communicated immediately to all the employees.

Grid reliability

G4 EUS, DMA

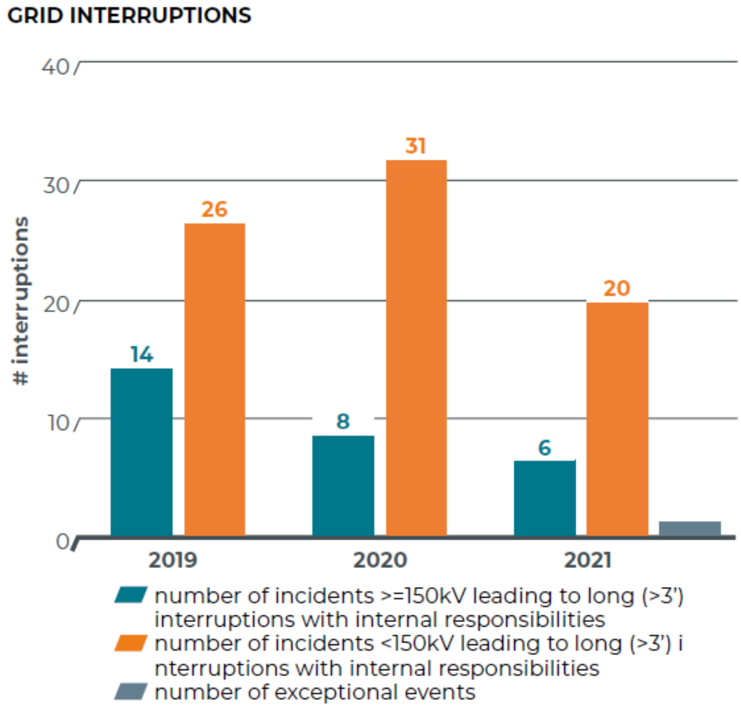
In order to meet electricity demand at all times, Elia Transmission Belgium SA/NV assures its customers that its grid is reliable. As a transmission system operator (TSO), Elia Transmission Belgium SA/NV provides infrastructure with adequate electricity interconnections for smoothly functioning markets 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 an electricity failure still exists.

The actions established to cope with a large-scale electricity failure caused by an exceptional event are described in the previous section.

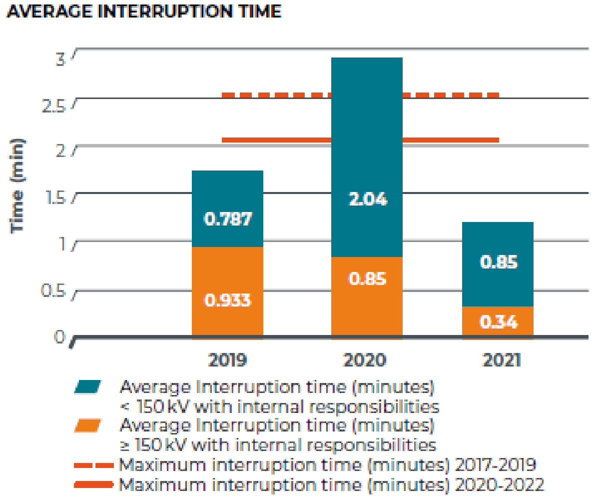
Grid availability and interruptions

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 is 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.

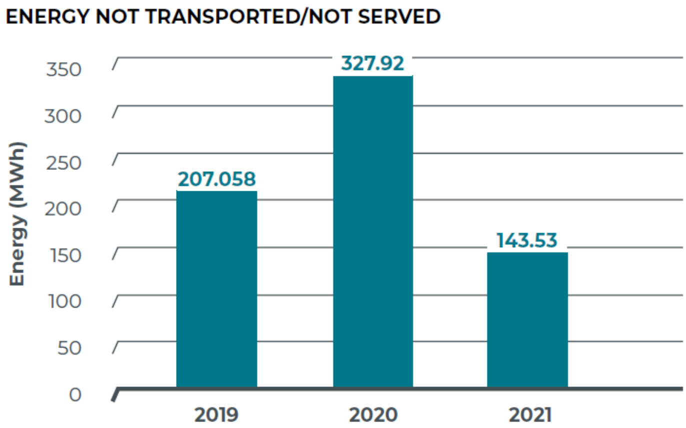


Most interruptions take place on the local transmission grid (< 150 kV) as most customers are connected to the local (regional) transmission grid rather than the federal transmission grid. When discussing grid interruptions, the **average interruption time** (AIT) is also considered. This represents the equivalent interruption time if all the customers connected to the grid had been interrupted the same way (i.e. during the same time) during the observation and 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.



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.



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 Transmission Belgium SA/NV grid and the customer's grid. It takes into account all the interruptions caused by intrinsic risks (weather, third parties, animals outside building, etc.) or by internal Elia Transmission Belgium SA/NV problems (e.g. material failure, human error) which lasted more than three minutes, but excludes interruptions directly caused by Elia Transmission Belgium SA/NV's customers.

CALCULATION METHOD:

$$\text{Onshore availability} = 1 - \frac{\text{AIT (internal Elia + intrinsic risk)}}{\text{(\# minutes in the year)}}$$

	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).

In 2021, onshore availability in Belgium remained at a very high level (above 0.99999).

5.2. Strategy

GRI 102-15, GRI 102-29, GRI 201-2

5.2.1. 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.

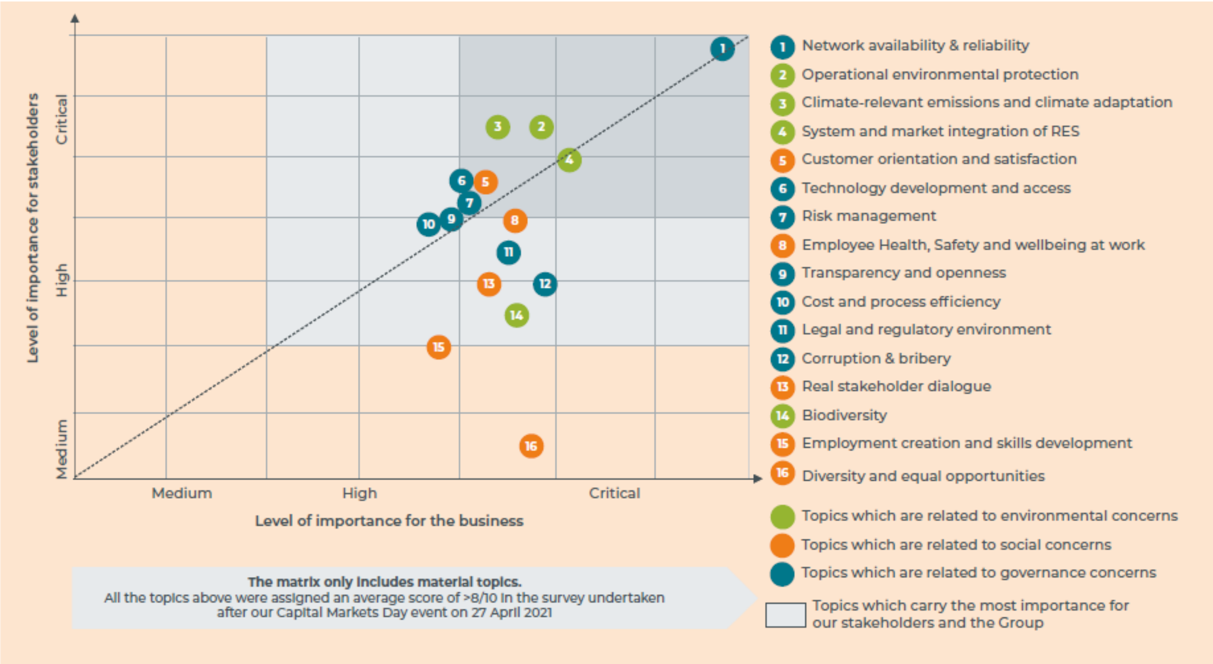
Definition of our main topics

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 (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 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 demon-strated 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 (policy-makers, industry, non-governmental organisations, academia) to discuss the most material elements to suc-cessfully 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 recog-nised frameworks (such as the Global Reporting Initiative Sector Supplement for Electric Utilities) were con-sidered 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.



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 Sustainable Development Goals and charts the level of importance of each topic for our stakeholders and the group.

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 Roles and responsibilities) will from now on oversee the identification and monitoring of new topics to be considered for inclusion in our matrices.

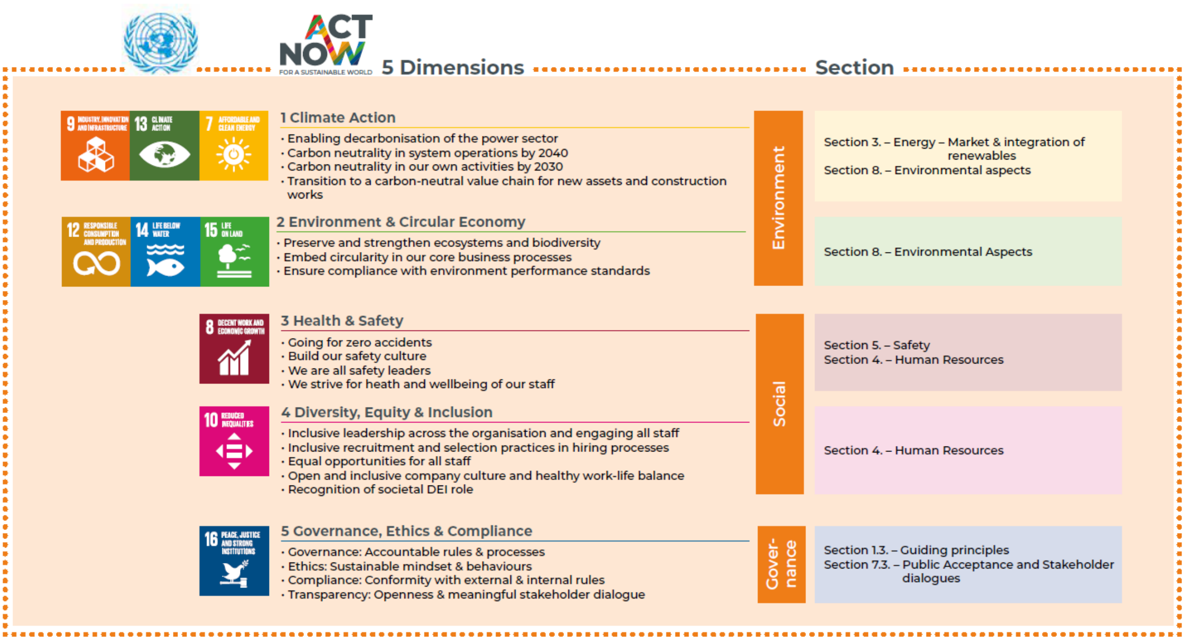
Act Now – the Elia group Sustainability Initiative

GRI 102-29, GRI 103-2, GRI 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 and the joint study *Decarbonising the energy system – The role of Transmission System Operators* published with 7 other TSOs 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. For further information about our ESG ratings performance, please refer to **this webpage** for Elia Transmission Belgium SA/NV.

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.

5.2.2. 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

Elia Transmission Belgium SA/NV will increasingly finance these "green" investments with "green" bonds in the future.

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.

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 Transmission Belgium SA/NV'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 chapter 5.9 Reporting on EU Taxonomy of this report.

5.3. Energy – Market and integration of renewables

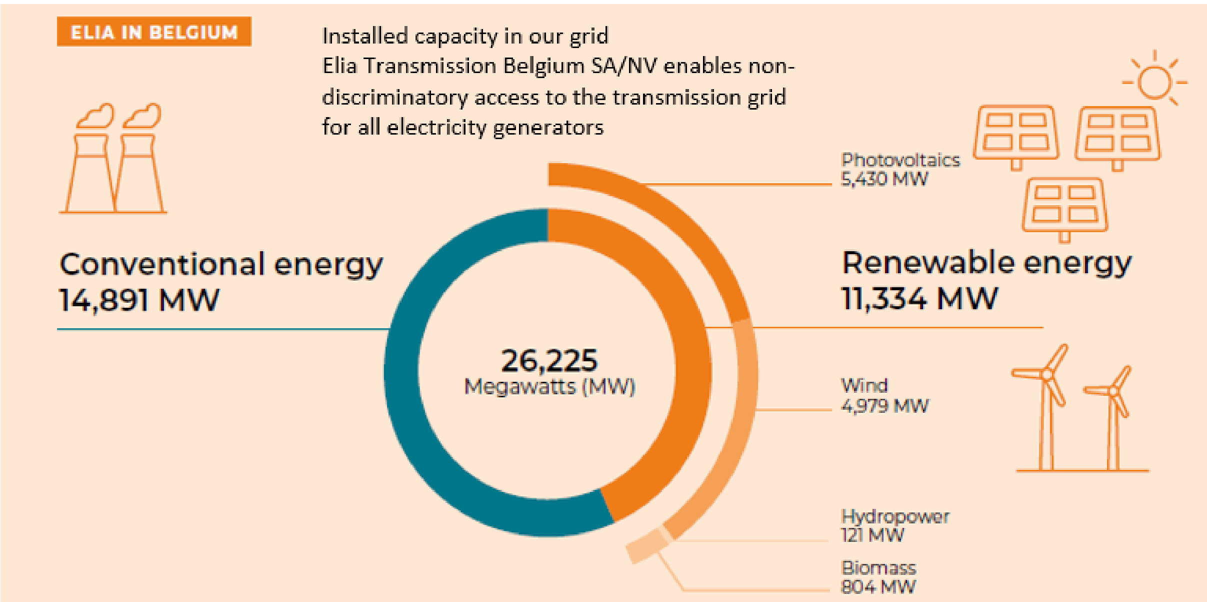
GRI 302-2, SDG7

5.3.1. Introduction

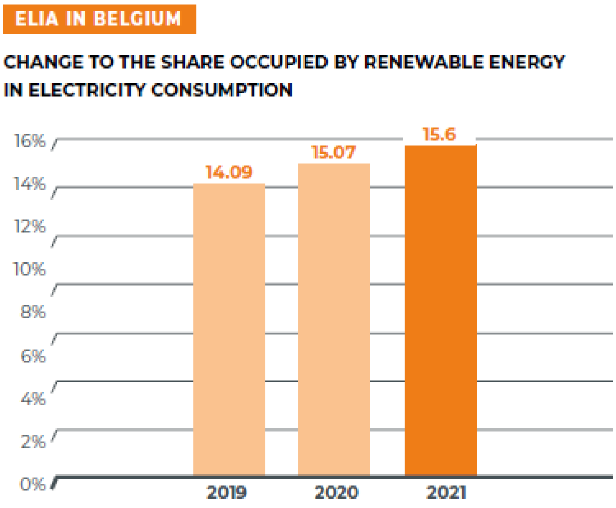
The key role we are playing in the decarbonisation of the power sector is the best way we can contribute to meeting the Green Deal targets. We see this as our societal challenge and this is what we need to focus on.
We are enabling the decarbonisation of the power sector through our grid development 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.

5.3.2. 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.



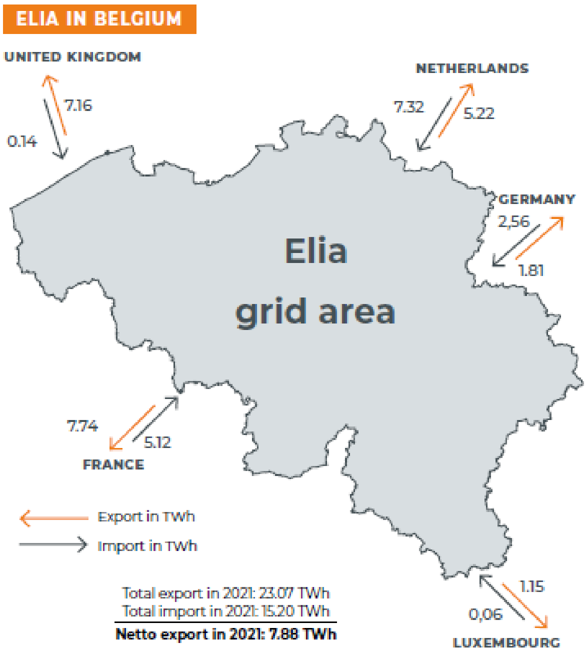
5.3.3. Changes to the share occupied by renewable energy in electricity consumption across our control areas



5.3.4. Energy import and export

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.



NemoLink subsea interconnector, commissioned in January 2019, connects Belgium an 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.

5.3.5. Grid losses in our control areas

G4-EUS-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 greenhouse gases (GHG) emissions are accounted for in its indirect 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 Chapter 5.8.2. Emissions – Greenhouse Gas Emissions.

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.

5.4. Human resources

GRI 102-7, GRI 102-8, GRI 103-2, GRI 401-2, GRI 401-3, GRI 405-1, SDG5, SDG8

5.4.1. Management approach

Elia Transmission Belgium SA/NV owes its success entirely to the success of its employees. It is the company's responsibility to help them develop their skills, foster their health and commitment, involve them in decisions and guarantee equal opportunities for all.
Elia Transmission Belgium SA/NV complies with international guidelines extending beyond its collective agreements and company agreements, such as the core labour standards of the International Labour Organisation (ILO: C87, C98 and C135) and the worker's rights set out in the UN Global Compact.

Elia Transmission Belgium SA/NV 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 ethnic origin, age and gender, sexual identity, religious affiliation, political views, national or social origin or other factors. Elia Transmission Belgium SA/NV is committed to valuing all employees and their abilities equally - regardless of their individual identity.

As part of the group-wide sustainability initiative "Act Now", we have set ourselves specific targets in the areas of "diversity, equal opportunities and inclusion" and "occupational health and safety" (see Chapter 5.5. Safety) and derived measures from these. The maintenance and further development of the value-based, open and inclusive corporate culture as well as the creation of a work-life balance are among the company's top objectives and the strategic basis for all personnel-related decisions.

5.4.2. Headcount

GRI 102-7, GRI 102-8, GRI 405-1, GRI 401-1

(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 xxx)

	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.

The average age of employees is 42.7 years.

New employee hires and employee turnover

(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	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%

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%
		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

5.4.3. Work-life balance

GRI 401-2

Elia Transmission Belgium SA/NV employees benefit from a family-friendly work environment and the opportunity to strike a work-life balance.

The early recognition and prevention of work-related illnesses and the ability to remain employable are also integral parts of occupational health and safety at Elia Transmission Belgium SA/NV (see also Section Safety). In order to achieve these goals, Elia Transmission Belgium SA/NV guarantees sufficient occupational medical precautions, the focus of which is on individual protection and individual prevention of health risks. In addition, Elia Transmission Belgium SA/NV regularly provides company medical consultations, vaccinations and advice on workplace ergonomics for 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 HR environment continuously, there is always an exit interview for leavers to better understand the reasons of departure.

Parental leave

GRI 401-3

In Belgium, every worker has the right to take four months of parental leave (either fulltime or fractional).

NOTE: It is not possible to report on the total number of employees within Elia Transmission Belgium SA/NV who are entitled to this type of leave as they may have already taken this leave while 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%**

Retirement
G4-EUS-EU15

2021	In 5 years		In 10 years	
Percentage of employees eligible to retire	**men**	**women**	**men**	**women**
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%**

5.4.4. Employee survey

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.

5.4.5. Training

GRI 404-1
To realise our vision and master the challenges of tomorrow, the company needs motivated employees, since they are a key success factor in times of constant change. In addition to training on technical and safety skills required to perform tasks specific to our core business (training specifically focusing on safety is detailed in 5.5.2. Health and Safety training), Elia Transmission Belgium SA/NV employees are offered individually tailored further training and relevant additional 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 staff member.

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 within Elia Transmission Belgium SA/NV. Programmes for upgrading employee skills and career transition

assistance programmes (including innovation, “intrapreunership”, leading the change and external education programmes).
Elia Transmission Belgium SA//NV 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 local universities)..

In addition, managers can take specific training modules to develop their own leadership skills.

The average number of hours for 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 more impactful training sessions.

5.4.6. Remuneration policies and incentive systems

GRI 102-38, GRI 102-41

Elia Transmission Belgium SA/NV’s remuneration policy focuses on attracting and retaining our best talents, 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 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.
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 gender pay 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 the individual targets. All employees receive regular performance and career development sessions. Some collective targets also relate to the environment of sustainable corporate governance, such as compliance with occupational health and safety.

Elia Transmission Belgium SA/NV negotiates collective agreements for its 'non-exempt' staff [12] with other organisations across the energy sector.
For 'exempt' staff members, their remuneration 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 Sustainalytics risk rating score has been added as a new sustainability-related collective target to the variable remuneration of the staff and Executive Management Team of Elia Transmission Belgium SA/NV.

Elia Transmission Belgium SA/NV 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 the consolidated financial statements and shows the fixed and variable total remuneration as well as company pensions and other benefits for management. The basic features of the remuneration system are explained and detailed in the Remuneration Report.

Elia Transmission Belgium SA/NV is willing to disclose its annual total compensation ratio. We are working internally on the calculation method and making every effort to achieve this soon.

5.4.7. Social dialogue and codetermination

GRI 402-1, GRI 407-1

Elia Transmission Belgium SA/NV 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. 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).
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 has an advisory mission 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.
All employees are covered by collective agreements

[12] (Non)-exempt refers to the right to be paid overtime; non-exempts are the white-collars employees, exempts are the direct leaders, senior managers and directors

5.4.8. Diversity, Equity & Inclusion

GRI 405-1

As part of the group-wide "Act Now" programme, Elia Transmission Belgium SA/NV is committed to promoting diversity and providing equal opportunities for all staff members.

Elia Group published a Diversity, Equity & Inclusion (DEI) Charter outlining the management team's commitment to further embedding DEI across the organisation.

Around 50 diversity 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.

There were no reported cases of discrimination in 2021.

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 us to the development of a roadmap which will guide us as we improve in these areas.
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 5.4.2. Headcount).

Diversity within 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 on 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 the 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 based on gender diversity and diversity in general, as well as on the 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 Executive Management Board is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge and on a language balance. 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.

5.5. Safety

5.5.1. Management approach

GRI 103-2, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-6, GRI 403-8

As high-voltage electricity transmission system operators, Elia Transmission Belgium SA/NV operates facilities where accidents, asset failure or external attacks may cause harm to people. The safety and welfare of all individuals (Elia Transmission Belgium SA/NV's staff, the staff of contractors and third parties) is a key priority and a daily preoccupation for the group and the relevant subcontractors. The Elia group companies have implemented a Health and Safety policy and they undertake safety analyses and promote a culture of safety.

Elia Transmission Belgium SA/NV has high safety standards in place which all of its employees, contractors and everyone coming into contact with its infrastructure are required to follow.

The prevention of accidents and work-related illnesses is a top priority at Elia Transmission Belgium SA/NV. Occupational health and safety are integrated into the corporate strategy. This is also 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 consciously 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 roadmap developed by the Health & Safety department has 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 organization. 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 company) 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, Elia Transmission Belgium SA/NV 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.

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.

5.5.2. Health &Safety training

GRI 403-5, GRI 403-7

Elia Transmission Belgium SA/NV 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.
Elia Transmission Belgium SA/NV also provides training materials, training and tests for contractors.

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.

5.5.3. Inspections

GRI 403-2, GRI 403-3

Occupational health and safety protection is not limited to our own employees. Elia Transmission Belgium SA/NV's stringent standards also apply to external contractors working on Elia Transmission Belgium SA/NV sites. During the contracting process and later, every effort is made to ensure that suppliers comply with Elia Transmission Belgium SA/NV strict safety requirements.

Both the safety team and management carry out inspections on a regular basis.

After obtaining the successful introduction of the Safety Culture Ladder level 3 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.

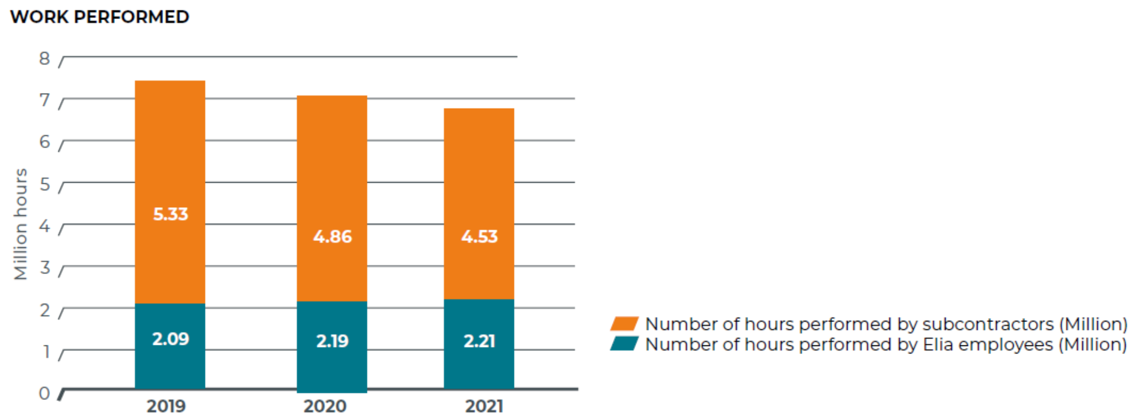
In the reporting year, 1142 construction sites visits were carried out.

Besides the safety-related visits for our own personnel Elia 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.

5.5.4. Accidents

GRI 403-9, GRI 403-10

Our goal is zero accidents for our own employees, subcontractors, distribution system operators and anyone else near our facilities.



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

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!

5.6. Suppliers and human rights

5.6.1. Management approach

SDG 12, GRI 102-9, GRI 103-2, GRI 204-1, GRI 308-1, GRI 308-2, GRI 414-1

Elia Transmission Belgium SA/NV is required to comply with European tendering rules. The application of these rules and other internal guidelines ensure that every supplier receives the same non-discriminatory and transparent treatment and that the information sent is treated confidentially. The processes for selecting suppliers and signing new contracts are based on an evaluation of multiple criteria. Elements relating to sustainability are integrated in the tendering contract and the general purchasing terms and conditions, which are signed by the 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 x. Greenhouse gas (GHG) emissions) related to new assets and construction work, we are improving our CO_2 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 CO_2 Accounting Platform, which is currently being developed, aims to provide our suppliers with a tool through which they will be able to record the emissions related to their goods and services, so enabling us to compare different options available.

5.6.2. Suppliers and expenditure in the EURO-Zone

GRI 201-1, GRI 203-1, GRI 203-2, GRI 204-1

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.

5.6.3. Human rights

GRI 414-1

Elia Transmission Belgium SA/NV acknowledges its responsibility to respect human rights and naturally respects the rights to privacy, personal safety, freedom of expression and property rights of employees, residents and customers. Elia Transmission Belgium SA/NV also takes responsibility for compliance with social standards in the supply chain. For this reason, Elia Transmission Belgium SA/NV is not only member of the United Nations Global Compact, but also committed to the core labour standards of the International Labour Organisation (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 Transmission Belgium SA/NV 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.

5.7. Stakeholder engagement

5.7.1. 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 the need for grid in benefit for the society and can optimise the associated processes. Elia Transmission Belgium SA/NV regularly contacts and exchanges information with various stakeholder groups.

Elia Transmission Belgium SA/NV's stakeholder environment is continuously analyzed and defined. Depending on the specific strategic topics, Elia Transmission Belgium SA/NV has contacts with public authorities and administrations, political parties, local citizens, civil society (associations representing environmental, economic, and agricultural or other interests) or clients directly connected to their grid.

Hybrid and virtual event formats were increasingly used for dialogues with internal and external stakeholders throughout 2021. 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.

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:

Stakeholder group	Mode of Engagement	Frequency	Main topics / expectations
Employees	– Performance management – Intranet – Donations	– Regular	– Employees - Human development – Employees - Wellbeing – Community involvement
Customers	– Customer satisfaction survey – Users' Group / Working Groups – Elia extranet – Annual	– 4 to 6 times a Year	– Transmission services – Environment – Fair operating practices
Society	– Social events – Engagement via own employees	– Regular	– Community involvement
Shareholders	– Shareholder meeting	– Regular	– General corporate performance incl. the contribution to society
Regulators	– Reports – Communication	– Regular	– Fair operating practices

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).

5.7.2. Community Relations and Public acceptance

GRI 102-21, GRI 102-29, GRI 102-43, GRI 102-44, G4 EUS Stakeholder Participation

Elia Transmission Belgium SA/NV 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 has 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.

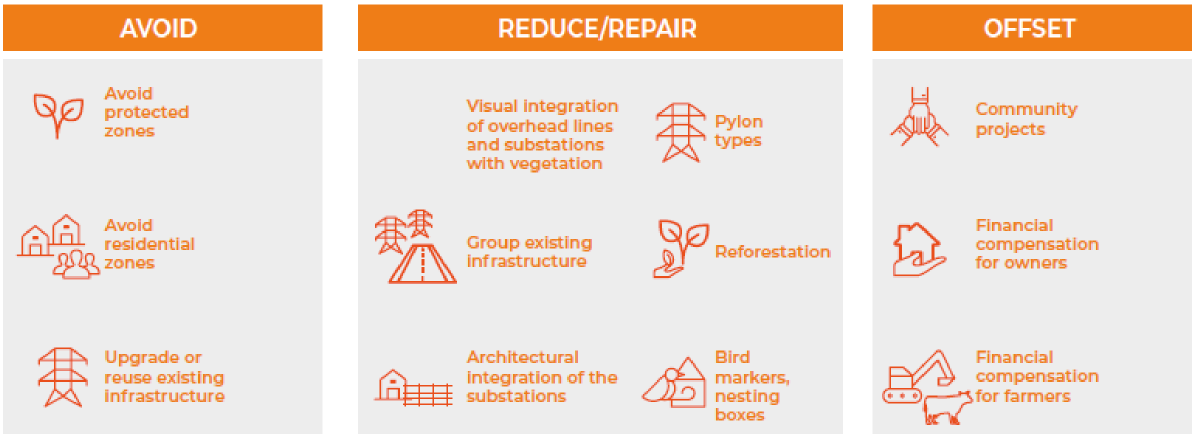
Elia Transmission Belgium SA/NV has made sure to involve civil society and regional experts at an early stage of its two most important projects in Wallonia and Flanders: Ventilus and Boucle du Hainaut. The objective of such stakeholder engagement is to ensure that the projects are developed in the best 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**). Moreover, two separate websites were created to provide our stakeholders with information about our two most important projects: **Ventilus** and **Boucle du Hainaut**.

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.



5.7.3. 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.

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.

Customer satisfaction survey

Elia Transmission Belgium SA/NV regularly measures the customer satisfaction level of its key stakeholders (including distribution system operators, grid users, producers, access responsible parties, Users' Group, 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.

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. The majority of the stakeholders still described collaboration with Elia Transmission Belgium SA/NV as "easy".

Elia's Users' Group

Elia Transmission Belgium SA/NV regularly organises Users' Group meetings and working groups.
The Users' 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 Users' Group plenary meetings are scheduled to inform market participants and stakeholders about important and strategic topics related to our business.

User'Group	Session
Plenary meetings	**23.02.2021** - EU Outlook - Annual network operation overview 2020
	08.06.2021 - Overview Reserves 2020/2021 – auction prices
	25.06.2021 - Adequacy and flexibility study for Belgium 2022-2023
	28.09.2021 - Load development in BE (CLIMACT)
	13.12.2021 - The roadmap to Net Zero - CRM reorganization

Three working groups support these plenary meetings.

Working Groups	**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's balancing market will face in the coming years

The Balancing working group oversees are two task forces. The task forces are set up on an ad hoc basis to handle specific issues when necessary.

Task Forces	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 centres

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).

In 2021, our contact centres received 81,796 requests.
Upon request via the Contact Centre or any communication channel, 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.

5.7.4. Cooperations 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 8 other TSOs (50Hertz, 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*

Along with various European environmental organisations and other TSOs, Elia Transmission Belgium SA/NV is a founding member 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

Elia Transmission Belgium SA/NV 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.

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).

5.7.5. Community engagement

GRI 413-1

Elia Transmission Belgium SA/NV is committed to creating a sustainable future for all of its stakeholders. This also means that we take our social responsibility seriously. That's why Elia Transmission Belgium SA/NV supports a wide range of projects in the fields of culture, energy and environmental education or youth and social affairs in their grid areas.

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 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 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 5.8.3.. 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.

5.8. Environmental aspects

5.8.1. 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 is therefore developing its transmission grid in line with long-term needs

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 Section 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 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, byconsidering climate risks in our risk management process.

The Elia group Supplier Code of Conduct contains additional principles related to environmental protection and resource conservation. Elia Transmission Beligum SA/NV has developed a whole set of measures to be introduced and compensations measures to be granted (see 5.7. and 5.8.3.)
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 Transmission Belgium SA/NV expects on its construction sites.

Elia Transmission Belgium SA/NV ensures 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 has set itself clear ambitions related to climate protection, biodiversity and circularity. Elia Transmission Belgium SA/NV 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 Suppliers and Human Rights – Management Approach).

We are aiming to be ISO 14001 certified by 2023 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.

5.8.2. 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.

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

Elia Transmission Belgium SA/NV supports the EU's carbon reduction targets as well as those of the Belgian government, mainly by integrating large volumes of renewable energy 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.

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
Our focus: - Grid dev - Market dev & system operation - Electrification	Our focus: - Grid losses - Balancing and redispatch	Our focus: - Offices and substations - SF_6 - Mobility	Our focus: - Procurement and technical design
System	Scope 2	Scope 1 & 2 & 3	Scope 3

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 emissions of greenhouse gases from owned or controlled sources

These emissions are mainly caused by SF_6 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 (SF_6) 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 CO_2.

There is currently no alternative to SF_6 for switchgear at 220 kV and 380 kV levels.
SF_6 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.
Elia Transmission Belgium SA/NV falls under the loss rate to which SF_6 producers and users are voluntarily committed (0.6%).
Additionally, the use of an alternative to SF_6 is being explored: Elia Transmission Belgium SA/NV is 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.

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 SF_6 loss throughout the lifetime of the equipment they build. Our maintenance policy aims to ensure that operations involving compartments filled with SF_6 keep leaks to a minimum.
The total volume of SF_6 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 SF_6 gas (replacements and top-ups in the event of a leak) is closely monitored using a system that tracks each cylinder of SF_6. The SF_6 leakage rate for all facilities was 0.10% in 2021.
Research on SF_6-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.

Scope 2 - Indirect emissions of greenhouse gases 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 has 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 5.3.5. Grid Losses in our control areas.

Scope 3 - All other indirect emissions of greenhouse gases (not included in scope 2) that occur in the value chain (outside the company), including both upstream and downstream emissions by buying goods and services, employee 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 CO_2 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 CO_2 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 Transmission Belgium SA/NV begun 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 initative, 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.

Carbon footprint accounting

G4-EN15, G4-EN16

ELIA IN BELGIUM

GREENHOUSE GAS EMISSIONS IN T CO_2 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/NV.
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 CO_2 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 CO_2 equivalents per transmitted GWh including grid losses and 0.298 tonnes of CO_2 equivalents per transmitted GWh excluding grid losses (basis: 72.75 TWh).
N.B. carbon intensity was expressed in CO_2 equivalent per GWh in last year report: 1.65 tonnes of CO_2 equivalents per GWh transmitted including grid losses and 0.34 tonnes of CO_2 equivalents per GWh transmitted excluding grid losses (basis: 69.937 TWh).

Mitigation and compensation measures

Elia Transmission Belgium SA/NV 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.
In the reporting year, all 2020 GHG emissions from air travel were offset and the (small amount of) SF_6 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 (SDG 1, 3, 7, 8, 9, 13 and 17) of the United Nations.

Energy consumption

GRI 302-1, SDG7, SDG13

The energy consumption of Elia Transmission Belgium SA/NV can be subdivided into two categories as follows:
• Core: energy used by all the infrastructure directly related to its business model e.g. all substations.
• Non-core: energy used by support services, 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 Transmission Belgium SA/NV's two most recently built administrative centres, Monnoyer in Brussels and Crealys in Wallonia, are BREEAM[13] certified. As required by Belgian regional regulations, energy audits were conducted on 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.

[13] Building Research Establishment Environmental Assessment Method - the British standard for sustainable buildings

	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.

N.B.: the figure related to the consumption of HV substations was calculated based on metering data collected from a sample of 60 stations.

Electric and magnetic fields

SDG 3, GRI 416-1

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 BioElectroMagnetics 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 (EPR), a non-profit organisation that conducts research related to energy and the environment. This agreement grants Elia 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.

Noise

SDG 3

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 guideline values apply in the operating zone of Elia Transmission Belgium SA/NV (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 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

5.8.3. Biodiversity and landscape

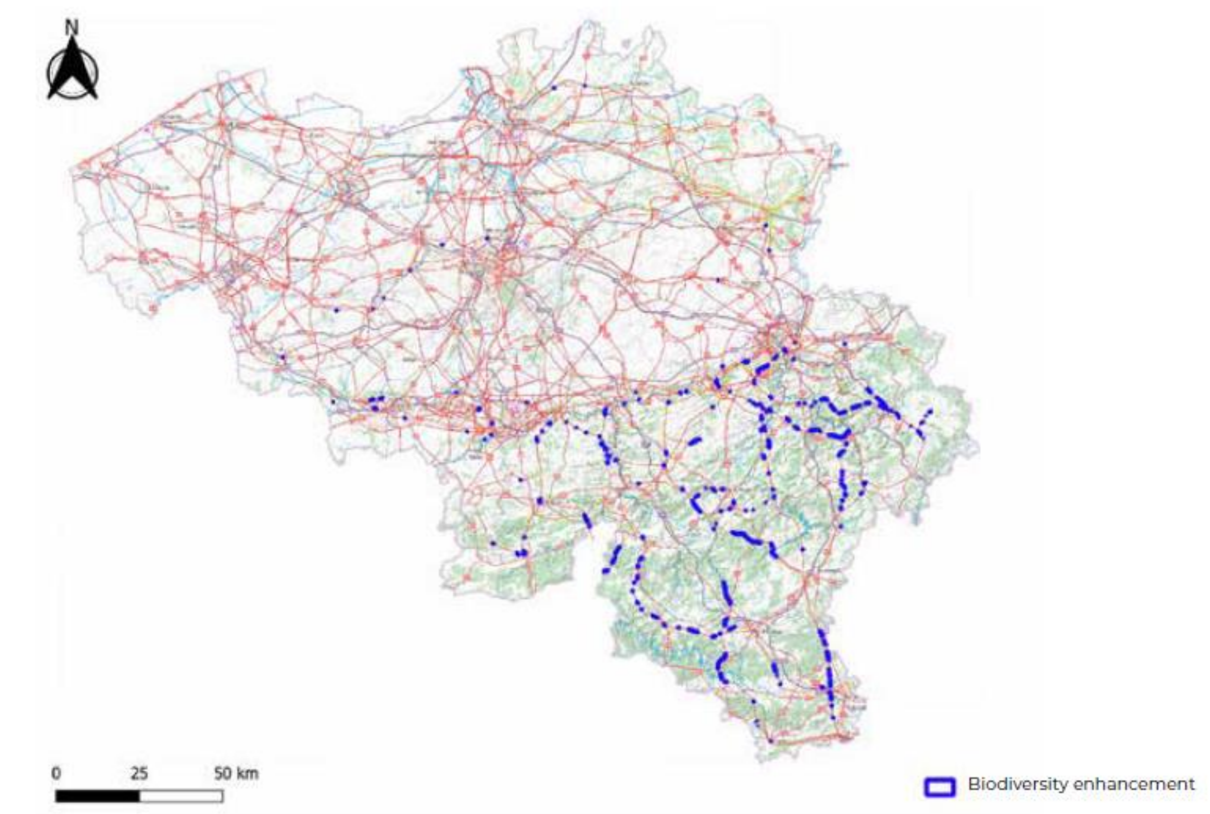
SDG 14, GRI 304-1, GRI 304-2, GRI 304-3, G4-EUS-EN12

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.

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 (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 is committed to growing responsibility in this sensitive environment as a co-signatories of the Offshore Coalition declaration of intent.
The total length of our utilities 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)



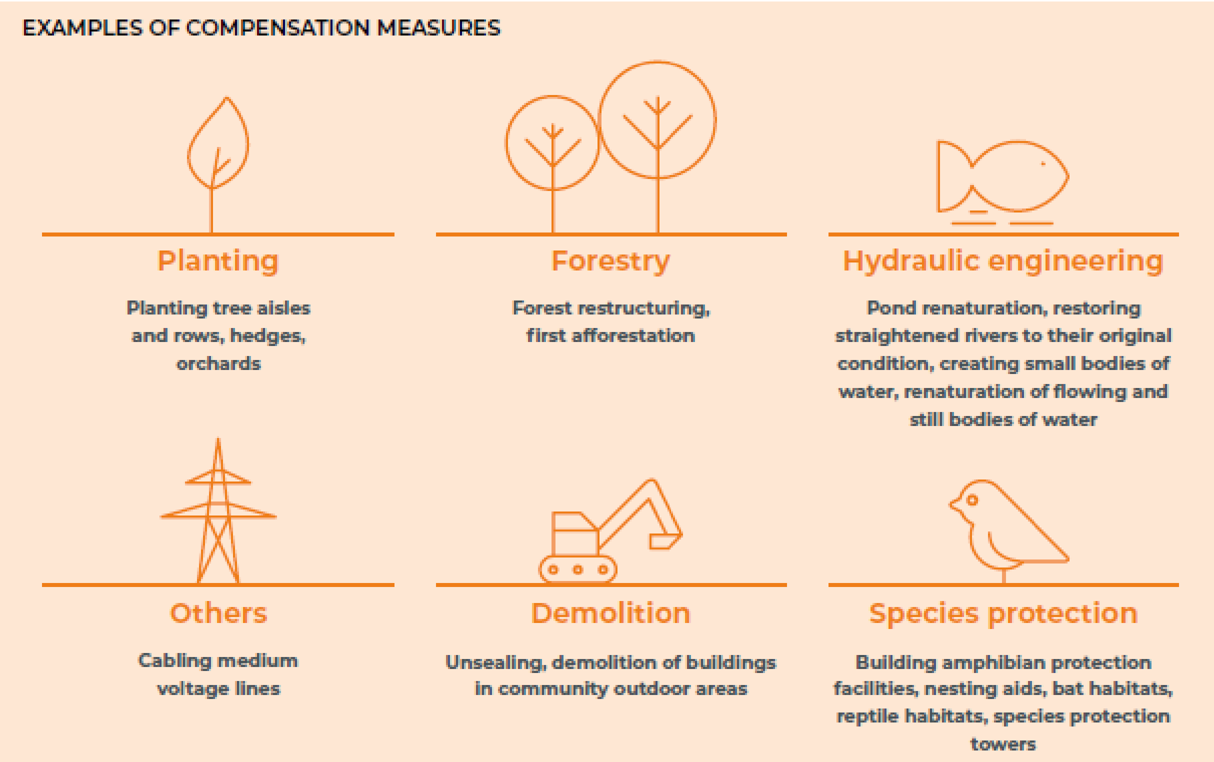
Mitigation and compensation measures

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.



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 ILVO 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.

Ecological aisles 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 years.

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.

Elia Transmission Belgium SA/NV has 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.

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 here: 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.

Bird protection

G4 EUS EN12

High-voltage lines can harm bird life. Elia Transmission Belgium SA/NV therefore makes a huge effort to protect birds and minimise negative impacts on them.
For this reason Elia Transmission Belgium SA/NV 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.

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”.

5.8.4. Natural Resources

GRI 306-5, SDG14

Water and soil

GRI 303-1, GRI 303-2

Elia Transmission Belgium SA/NV 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.

Elia Transmission Belgium SA/NV has developed an internal procedure to ensure fast and efficient decontamination. In the event of a major incident, Elia Transmission Belgium SA/NV will contact the appropriate authorities.
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 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.

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 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

5.9. Reporting on EU Taxonomy

5.9.1. Context

This Chapter contains information on how and to what extent the Elia Transmission '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 2020[14], the Climate Delegated Regulation of 4 June 2021[15] and the Reporting Delegated Regulation of 6 July 2021[16].

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 Regulation 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 Transmission 's analysis is only based on the two environmental objectives covered by the Climate Delegated Act.

The Reporting Delegated Regulation specifies the content and presentation of the information to be disclosed by Elia Transmission pursuant to the Taxonomy Regulation, including the methodology to be used in order to comply with it. Pursuant to this Regulation Elia Transmission 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 Transmission as well as the qualitative information relevant for this disclosure.

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14 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)**).

15 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)**).

16 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)**).

A taxonomy-eligible economic activity means an economic activity that is described in the Climate Delegated Regulation irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in that Deletaged 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 Transmission will update the results disclosed over 2021 accordingly.

This reporting 2021 should be considered as a transitionary year preparing Elia Transmission 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#

5.9.2. 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 Transmission against the activities described in the Climate Delegated Regulation.

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 differents segments. As general stated, the legal entities Nemo Link, JAO, HGRT and Coreso 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	Delegated Act Section, Appendix I	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 chapters of the Climate Delegated Act, Appendix I, nor I	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 chapters of the Climate Delegated Act, Appendix I, nor II	No
Elia Re	65200 Reinsurance	Elia Re is an insurance captive	No perfect fit identified with the chapters of the Climate Delegated Act, Appendix I, nor II	No

5.9.3. KPIs Turnover, Capex and Opex

The KPIs have been prepared based on the requirements outlined in the Reporting Delegated Regulation.
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.

5.9.3.1 Turnover

The turnover used in the KPI calculation is based on the accounting policies, mentioned in section 'Consolidated financial statements' of Elia Transmission '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)	Y	Y
Net income (expense) from settlement mechanism	Y	Y

(*) 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 € 1,131.2 million for the Elia Transmission .

5.9.3.2 Capex (Capital expenditures)

The Capex used in the KPI calculation is based on general accounting policies, mentioned in section 'Consolidated financial statements' of Elia Transmission '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)	Y	Y
Additions for intangible assets (including leases)	Y	Y

(*) 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 € 417.2 million

5.9.3.3 Opex (Operating expenditures)

For determining the Opex, we applied the definition as described in the Reporting Delegated Regulation 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 € 64.68 million.

5.9.3.4 Overview KPI's

Overall Elia Transmission 's turnover, Capex and Opex are 100 % taxonomy-eligible

		Turnover		Capex		OPEX	
	Code	Amount in million	Proportion %	Amount in million	Proportion %	Amount in million	Proportion %
A. Taxonomy eligible activities							
Transmission of electricity in Belgium	35120	1,130.34	99.93%	417.23	100.00%	64.68	100.00%
B. Taxonomy non-eligible activities							
Construction works in Belgium	42220	0.68	0.06%	0	0.00%	0	0.00%
Power consultancy	70220	0.17	0.01%	0	0.00%	0	0.00%
TOTAL (A+B)		**1,131.2**	**100%**	**417.23**	**100%**	**64.68**	**100%**

5.10. Reference tables

5.10.1. GRI Content Index

This annual Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It is Elia Group SA/NV's fourth annual sustainability report and covers the period from 1 January 2021 to 31 December 2021.

GRI Number	GRI Description	Page
GRI 102: General disclosures		
1. Organisational Profile		
102-1	Name of the organisation	128
102-2	Activities, brands, products, and services	130
102-3	Location of headquarters	130
102-4	Location of operations	130
102-5	Ownership and legal form	
102-6	Markets served	152
102-7	Scale of the organisation	155, 156
102-8	Information on employees and other workers	155, 156
102-9	Supply chain	168
102-10	Significant changes to the organisation and its supply chain	
102-11	Precautionary Principle or approach	138, 179
102-12	External initiatives	132
102-13	Membership of associations	132
2. Strategy		
102-14	Statement from senior decision-maker	10
102-15	Key impacts, risks, and opportunities	148
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	133
102-17	Mechanisms for advice and concerns about ethics	133

4. Governance		
102-18	Governance structure	136
102-19	Delegating authority	136
102-20	Executive-level responsability for economic, environmental, and social topics	136
102-21	Consulting stakeholders on economic, environmental and social topics	172, 173
102-22	Composition of the highest governance body and its committees	16
102-23	Chair of the highest governance body	16
102-26	Role of the highest governance body in setting purpose, values, and strategy	133, 136
102-29	Identifying and managing economic, environmental and social impacts	148, 172
102-30	Effectiveness of risk management processess	138
102-32	Highest governance body's role in sustainability reporting	136
102-33	Communicating critical concerns	136
102-38	Annual total compensation ratio	160
5. Stakeholder engagement		
102-40	List of stakeholder groups	171
102-41	Collective bargaining agreements	160
102-42	Identifying and selecting stakeholders	171
102-43	Approach to stakeholder engagement	171, 172
102-44	Key topics and concerns raised	172, 173
6. Reporting principles		
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102-47	List of material topics	148
102-48	Restatements of information	148
102-49	Changes in reporting	
102-50	Reporting period	130
102-51	Date of most recent report	
102-52	Reporting cycle	
102-53	Contact point for questions regarding the Annual Report	
102-54	Claims of reporting in accordance with the GRI Standards	130
102-55	GRI content index	200
GRI 103: Identified Material Aspects and Boundaries		
103-1	Explanation of the material topic and its Boundary	148

103-2	The management approach and its components	148, 155, 164, 168, 171, 179
103-3	Evaluation of the management approach	136, 148
GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	138, 169
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	148, 181
GRI 203: Indirect economic impacts		
203-1	Development and impact of infrastructure investments and services supported	169
203-2	Significant indirect economic impacts, including the extent of impacts	169
GRI 204: Procurement practices		
204-1	Proportion of spending on local suppliers	168, 169
GRI 205: Anti-Corruption		
205-1	Operations assessed for risks related to corruption	138
205-2	Communication and training on anticorruption policies and procedures	138
205-3	Confirmed incidents of corruption and actions taken	
GRI 206: Anti-competitive behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-
GRI 302: Energy		
302-1	Energy consumption within the organisation	186
302-2	Energy consumption outside of the organisation	152, 153
302-3	Energy intensity	181
GRI 304: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	188
304-2	Significant impacts of activities, products, and services on biodiversity	188, 190, 191
304-3	Habitats protected or restored	188, 190, 191
GRI 305: Emissions		
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	181

305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	181
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GRI 306: Effluents and waste		
306-1	Waste generation and significant waste-related impacts	194
306-2	Management of significant waste-related impacts	194
306-3	Waste generated	194
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307-1	Non-compliance with environmental laws and regulations	
GRI 308: Supplier Environmental Assessment		
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308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	168
GRI 401: Employment		
401-1	Total number and rates of new employee hires and employee turnover	155, 156
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	155, 158
401-3	Parental leave	155, 158
GRI 402: Labour/Management Relations (MA)		
402-1	Social Consultation and Dialogue - Co-Determination	161
GRI 403: Occupational Health and Safety		
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403-3	Occupational health services	164, 166
403-5	Worker training on occupational health and safety	166
403-6	Promotion of worker health	164
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	166
403-8	Workers covered by an occupational health and safety management system	164
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GRI 404: Training and Education		
404-1	Average hours of training per year per employee by gender, and by employee category	159

GRI 405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	155, 156, 162
405-2	Ratio of basic salary and remuneration of women to men	
GRI 406: Non-Discrimination		
406-1	Total number of incidents of discrimination and corrective actions taken	
GRI 407: Freedom of association and collective bargaining	Freedom of association and collective bargaining	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	161
GRI 413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programmes	171, 177
GRI 414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	168, 170
GRI 415: Political Influence		
415-1	Political contributions	
GRI 416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	187
G4 - Electric Utilities Specific (EUS)		
Lines & losses & quality of service		
EU4	Length of above and underground transmission and distribution lines by regulatory regime	132
EU12	Transmission and distribution losses as a percentage of total energy	154
Demand management approach		
DMA	Management approach to ensure short and long-term electricity availability and reliability	143
DMA	Disaster/ Emergency Planning and Response	143
Biodiversity		
EN12	Description of significant impacts of activites, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected ariea	188, 192
EN15	Direct Greenhouse gas (GHG) emissions (Scope 1)	181, 184
EN16	Indirect Greenhouse gas (GHG) emissions (Scope 2)	181, 184
Health and safety & Human resources		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	155

LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work related fatalaties, by region and gender	167
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	159

5.10.2. United Nations Global Compact Reference table

Topic		**Principle**	**Page**
Human Rights	01	Support and respect the protection of human rights	136, 150, 170
	02	Exclusion of human rights violations	168, 170
Labour	03	Respect and recognition of freedom of association	155, 161
	04	Elimination of all forms of forced labor	168, 170
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Joint auditors' report to the general meeting of Elia Transmission Belgium NV/SA for the year ended 31 December 2021

As required by law, we report to you as joint statutory auditors of Elia Transmission Belgium 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 2 consecutive years for BDO Bedrijfsrevisoren BV and 3 consecutive years for EY Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Transmission Belgium 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 € 7,421.0 million and of which the consolidated income statement shows a profit for the period of € 174.9 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' and 9.1.4 'Tariff Setting' of the Consolidated Financial Statements, the net result of the Group is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") (the "Tariff Mechanism").

This tariff mechanism is based on calculation methods that are complex and require the use of parameters (the Beta of Elia's share, return on equity, ...), and accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received).

The Tariff Mechanism makes 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 Mechanism;
- 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 Mechanism;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG;
- Assessing the adequacy of notes 3.3.17, 6.19 and 9.1.4 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 € 381.9 million in 2021 and a net book value of € 4,600.5 million as at 31 December 2021 or 62.0% 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 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 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 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 Transmission Belgium NV 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, 25 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