elia group

READY TO SWITCH

FAST-FORWARDING THE GREEN TRANSITION

INTEGRATED ANNUAL REPORT **2022**

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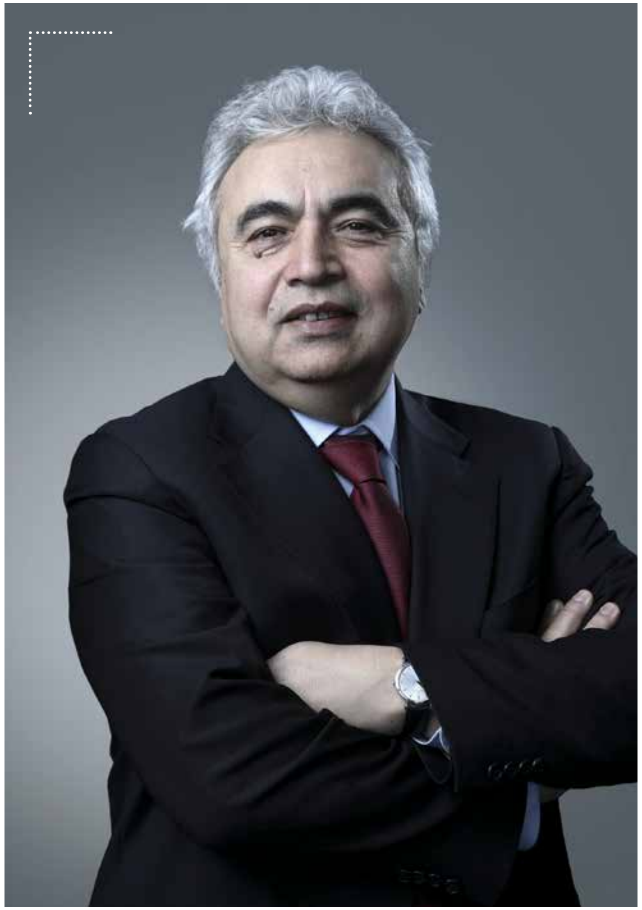
OPENING STATEMENT



THERE IS A MISTAKEN IDEA THAT THE GLOBAL ENERGY CRISIS IS SOMEHOW A CLEAN ENERGY CRISIS. THAT IS SIMPLY NOT TRUE. THE WORLD IS STRUGGLING WITH TOO LITTLE CLEAN ENERGY, NOT TOO MUCH. FASTER CLEAN ENERGY TRANSITIONS WOULD HAVE HELPED TO MODERATE THE IMPACT OF THIS CRISIS, AND THEY REPRESENT THE BEST WAY OUT OF IT. THIS CAN BE A HISTORIC TURNING POINT TOWARDS A CLEANER AND MORE SECURE ENERGY SYSTEM THANKS TO THE UNPRECEDENTED RESPONSE FROM GOVERNMENTS AROUND THE WORLD.

Dr Fatih Birol,
Executive Director at the International Energy Agency

IN SHORT

- **Chris Peeters and Bernard Gustin discuss how Russia's invasion of Ukraine in 2022 has shown that Europe needs to fast-forward the energy transition, decrease its dependence on fossil fuels and increase its energy security**
- **The group's expansion will allow it to valorise the experience it has gained in Belgium and Germany and support international markets to meet net zero targets**
- **Whilst the task of transmission system operators is becoming increasingly challenging, the group is transforming into a digital TSO to increase its efficiency and meet these challenges head on**

1 WE ARE PART OF THE SOLUTION

The war in Ukraine has shown Europe it needs to fast-forward the energy transition. In May 2022, the European Commission published its REPowerEU Plan to reduce Europe's dependence on Russian fossil fuels through, among other measures, an increase in clean power. In a year marked by highly volatile energy markets, awareness spread about the link between the energy transition and energy security.

What are the lessons learned from 2022?

Chris Peeters: Our strategy, which is focused on driving the energy transition, became even more relevant. The Elia group study on the electrification of industry has shown that electrification and access to renewable energy offer long-term price stability. The energy transition isn't just good for the climate, it also contributes to socioeconomic prosperity. Many people still think that renewable energy is too expensive, when actually, today, it is the cheapest solution. No other technology that has to be built from scratch comes close and industry has understood that.

Bernard Gustin: Our activities are part of the solution. However, the environment we are working in became much more complex in 2022. Society must carry out major investments in renewable generation, leading grid infrastructure, industrial electrification and digitalisation. This means putting in maximum effort at a time of rising interest rates and inflation.

There is much to do in our home countries, and yet the Elia group is seeking additional growth opportunities?

Chris Peeters: At this stage of our growth, it is important to further diversify our portfolio. Many opportunities exist in offshore transmission both in Europe and the United States. That is why we created WindGrid. It is allowing us to valorise the skills we have gained in Belgium and Germany in recent years. We have reached a point where we can spread our wings in an intelligent way, with limited risks involved. If we do not grasp the opportunities that lie within our reach, others will and the momentum will be lost. By keeping up with the latest international developments in terms of innovation and technology, we will also make our home markets benefit and remain relevant in Belgium and Germany.

Bernard Gustin: Thanks to our unique expertise in offshore grid development, we have developed a particular set of skills that no other company has. It would be a pity not to put our unique capabilities to good use. From a risk perspective, we need to be less dependent on a limited number of regulatory regimes that are reviewed every four or five years. That makes geographical diversification and developing activities in the United States (for example) so pertinent for our group. We distinguish ourselves from our peers in this way, since they have a purely national outlook. Becoming a diversified group - both geographically and in terms of our value chain - is the best strategy for creating shareholder value and also reinforcing our position and commitment to society in our home countries.

OUR BUSINESS IS FUTURE-ORIENTED AND CREATES OPPORTUNITIES FOR YOUNG PEOPLE DRIVE THE CHANGE BY WORKING ON THE ENERGY TRANSITION. WE SHOULD OFFER THEM MORE PROSPECTS THAN JUST COMPLETING EXISTING PROJECTS

Chris Peeters

“SOCIETY MUST CARRY OUT MAJOR INVESTMENTS IN RENEWABLE GENERATION, LEADING GRID INFRASTRUCTURE, INDUSTRIAL ELECTRIFICATION AND DIGITALISATION. THIS MEANS PUTTING IN MAXIMUM EFFORT AT A TIME OF RISING INTEREST RATES AND INFLATION

Bernard Gustin

Growth attracts talent. That will be crucial given the challenges ahead.

Chris Peeters: In 2023, the Elia Group is due to hire 250 people. We have the potential to attract talented individuals. Our business is future-oriented and creates opportunities for young people who want to drive the change by working on the energy transition. We should offer them more prospects than just completing existing projects. I am constantly being asked about our energy island, for example. These pioneering projects are attractive to people who want to work in sectors which carry a social purpose - reaching climate neutrality and supporting our economy. Suppose that we had not focused on offshore development, or that we had not invested in Germany. The outcome would have been very different. Today, we would have been an irrelevant system operator.

In November 2022, the group announced a new CAPEX plan for 2023-2027. How will this be financed?

Bernard Gustin: The Elia group is an industrial company with European ambitions that will have to invest €15.9 billion over the next 5 years (€7.2 billion in Belgium and €8.7 billion in Germany) to drive the energy transition. To finance these investments, it is important to attract investors who want to be part of our growth story. However, investors will only participate if they get a fair return that reflects the latest macro-economic environment. Current investment conditions are not as favourable as they have been in previous years and financial resources are harder to source. Recent decisions in the U.S. have created a favourable risk-return trade-off in terms of energy-related investments. We must also be able to offer long-term stability so that investors can forecast their return over a longer investment horizon, despite volatile environments. It is therefore important that we also take the new economic environment into account and create more favourable and predictable investment conditions in our home countries of Belgium and Germany to ensure the energy transition is a success.

Chris Peeters: In recent years, we have seen almost non-existent inflation and a downward trend in long-term risk-free interest rates. Our regulators translated this into a declining return on our capital. That made sense. However, the context has completely changed now. We are in an inflationary environment. This new context of rising interest rates has to be quickly taken into account. If we can no longer raise enough capital because investors can find better returns for their investments with the same risk profiles in other sectors, then a lack of necessary infrastructure could arise. This would slow the energy transition down. That would be a big mistake.

Germany was heavily dependent on Russian gas as a transition fuel. France is having problems with its nuclear plants. Belgium began phasing out its nuclear power when it was unprepared to do so. Security of supply doesn’t seem to be as straightforward as it once was?

Chris Peeters: We are experiencing a lot of turbulence in the midst of the energy transition. Our experts have assisted governments on several occasions to help them navigate their way out of difficult circumstances. That was aligned with our public service obligation. It’s the reason we work so thoroughly on our studies. The Belgian and German governments create the frameworks, but we have the technical knowledge to carry out the work now and in future. We won’t deliver by sitting on the sidelines - we’ll do so by working on it 24/7. Our models and analysis are robust because we take many possible scenarios into account. We’re therefore in a position to propose effective measurements to governments. That’s very important value that we give back to society. Our voice is considered as very relevant.

The métier of a TSO is becoming increasingly complex. How are you keeping up with the changes?

Chris Peeters: Through digitalisation and by building on our skills. Many people think that digitalisation is about developing tools that are able to perform tasks in a more efficient manner. However, digitalisation is actually about the continuous integration of new knowledge. If we want to manage the complexity of electric vehicles, heat pumps and industrial electrification, we need to make sure that our workforce has the right skills and embed them across the organisation. That way, we can realise socioeconomic welfare gains such as keeping our system costs under control whilst also ensuring that markets are functioning better.

This complexity can also be found in the implementation of new technologies and new applications. Are there any risks involved?

Bernard Gustin: We are increasingly working in offshore or underground environments. We are also undertaking more construction work on existing sites. This means site coordination is becoming particularly complex, because our staff are working alongside existing high-voltage infrastructure. In 2022, while pulling a cable in a tunnel in Berlin, an employee of one of our subcontractors was killed. This tragic accident serves as a painful reminder that risk is inherent to our activities and that we must not fall into routines. The subcontractor market is becoming increasingly international, which can make things even more challenging. Good communication between parties that speak different mother tongues is key.

At times when energy prices are so high, how can we make the energy transition more efficient?

Chris Peeters: We can reduce system costs through unlocking more flexibility. Flexibility is inherent in the system and its importance will increase as electrification spreads across society. Flexibility will guide the way society functions. As an example, the electric car will become part of our smart house energy system. People might charge their EV at work and then use that same energy (stored in their car's battery) to cook their dinner at home. Anything can happen. From our perspective, it is important to spot the trends and integrate flexibility into the system in an appropriate way. Convergence will bring a lot of socioeconomic welfare.

THANKS TO OUR UNIQUE EXPERTISE IN OFFSHORE GRID DEVELOPMENT, WE HAVE DEVELOPED A PARTICULAR SET OF SKILLS THAT NO OTHER COMPANY HAS. IT WOULD BE A PITY NOT TO PUT OUR UNIQUE CAPABILITIES TO GOOD USE

Bernard Gustin

This report also includes interviews with Stefan Kapferer, the CEO of 50Hertz (page 30); Catherine Vandenborre, the CFO of Elia Group (page 37); Peter Michiels, the CAO of Elia Group (page 47), Michael von Roeder, the CDO of Elia Group (page 49) and a short exchange between Frédéric Dunon (Deputy CEO of Elia) and Chris Peeters (page 111).

CHRIS PEETERS NAMED MANAGER OF THE YEAR 2021

The Belgian business magazine Trends named Chris Peeters, the CEO of Elia Group, as Manager of the Year 2021. The award ceremony took place in March 2022 after having been postponed several times due to the pandemic. Following Chris Peeter's achievement, the Elia group can now count a trio of successful leaders amongst its ranks. Two other members of its Executive Management Board, Peter Michiels and Catherine Vandenborre, were named HR Manager of the Year 2018 and CFO of the Year 2019 respectively.

OUR MODELS AND ANALYSIS ARE ROBUST BECAUSE WE TAKE MANY POSSIBLE SCENARIOS INTO ACCOUNT. WE'RE THEREFORE IN A POSITION TO PROPOSE EFFECTIVE MEASURES TO GOVERNMENTS. THAT'S VERY IMPORTANT VALUE THAT WE GIVE BACK TO SOCIETY

Chris Peeters

LOOKING BACK AT 2022

Chris Peeters: 2022 was partly a preparatory year for things that will happen in 2023. Major progress was made in the operation of our group. The markets in Belgium and Germany are quite different, but the problems and challenges are the same. By doing things together and being front-runners in various fields, we will remain relevant in future. In Belgium, we were pioneers in industrial flexibility; now, we are carrying out more fragmented micro-flexibility through our Consumer-Centric Market Design. Following the construction of the first hybrid interconnector in Germany, we are now working on the first energy islands. We are further shaping the group based on our strengths in offshore development, flexibility and digitalisation.

Bernard Gustin: For me, there were several highlights throughout the year. Our capital increase in June demonstrated our strength as a company. We maintained the confidence of our reference shareholder and the market amidst challenging times and a difficult stock market. This gave us confidence for the future, because financing our activities will be a big challenge. Another highlight was the confirmation of our international strategy by our Board of Directors. As the Group's Chairman, I have full confidence in that international vision. Finally, we were able to secure European support for the Princess Elisabeth Island, again demonstrating that we are a front-runner. Belgium lacks major international industrial groups that have their decision centres located there. The Elia group wants to lead the way in this respect.

On 3 October, Elia presented its draft plans for the world's first artificial energy island to members of the press and federal Ministers Tinne Van der Straeten (Energy) and Vincent Van Quickenborne (North Sea). Before the announcement, the ministers visited the MOG, Elia's offshore 'power plug', with Elia Group CEO Chris Peeters.

Chris Peeters: On a final note, I would like to express my sincere appreciation and gratitude for the efforts of our staff. First, they had to deal with COVID-19, which was quickly followed by the energy crisis. They are under a lot of pressure, but they know they are working for a good cause. I am proud to see where they stand in terms of their skills and credentials. Look at our expertise on security of supply: we are world leaders in this area. We are not responsible for administrating the challenges in the electricity sector, but are a dynamic company driving the energy transition.

2 OUR INTEGRATED REPORTING JOURNEY

FROM LEARNING THE BASICS TO EMBEDDING INTEGRATED THINKING PRINCIPLES INTO OUR BUSINESS ACTIVITIES

This is our second integrated report; its purpose is to communicate to our stakeholders and providers of financial capital how our group generates, preserves and erodes value in the short, medium and long term.

In 2021, it became clear that the traditional reporting landscape was evolving at an incredible speed and that, to remain aligned with these changes, we needed to consider new approaches for our reporting and decision-making practices. 2021 therefore marked the year of the Elia group's intentional adoption of the Integrated Reporting Framework (<IR> Framework). Further European developments such as the green light given to the Corporate Sustainability Reporting Directive (CSRD) in November 2022 have indicated that we correctly anticipated what lay ahead and that our reporting will be fit-for-purpose by the time the requirements of the legislation enter into force[1].

This year's report was overseen by the group's senior management team. Feedback received on our Integrated Activity Report 2021 was used as a starting point. Staff from across the group worked closely together to produce it, including employees from Strategy, Accounting, Communications, Sustainability, Controlling and Investor Relations.

This year's report marks another step in our journey as we continue to embed Integrated Thinking principles across our business. It showcases the results of projects that we pursued in line with these, including those outlined below.

1. The double materiality matrix

Throughout 2022, we worked on better understanding and communicating how our strategy and business model impact the environments we operate in ('inside-out' perspective or 'impact' dimension) and how the environments we operate in affect our ability to create value over time ('outside in' perspective or 'financial' dimension). In line with this, the 2022 materiality matrix includes the most important topics both from our own perspective as a group and from the perspective of our stakeholders (see page 45).

2. Reporting on climate matters in line with the Task Force on Climate-related Financial Disclosures (TCFD) Framework

This year's report provides our stakeholders with insights into our operations and how these are aligned with our climate commitments (see page 171). In providing these, we aim to demonstrate how our strategy, governance and activities are preparing us to deal with climate change risks and opportunities and how we are increasing the resilience of our assets.

3. The first group-wide ESG external assurance process

We have aimed to anticipate assurance requirements that will emerge in upcoming sustainability-related legislation. This means that we have enhanced the reliability of data included in the Sustainability Report, in turn bolstering our strategic ActNow commitments (see page 35).

1 As required by the CSRD, the Elia group will have to carry out its reporting in line with the European Sustainability Reporting Standards (ESRS) for the first time in 2025 for 2024 data.

REPORTING FRAMEWORKS, BOUNDARIES AND TERMS

To ensure consistency and comparability over time, this year's report follows the same structure that was adopted last year; it is therefore centred around our eight business activities. The chapter entitled 'Our business model' outlines these eight activities, alongside the capitals[2] that we rely on to perform them and the impact our activities have on those same capitals.

Cross-references have been added throughout this report to demonstrate the links between it and our 2022 Sustainability Report and 2022 Financial Report. Together, these three reports cover our business activities and financial, operational and sustainability impacts during the fiscal year that started on 1 January 2022 and ended on 31 December 2022.

The table below summarises the frameworks used for each report.

Board Approval

The Elia Group Board of Directors applied its collective mind in preparing this report. It acknowledges its responsibility for ensuring its integrity and for its alignment with the <IR> Framework.

(statement signed by Chairman and CEO)

INTEGRATED ANNUAL REPORT

- The 2021 version of the International Integrated Reporting Council ("IIRC") guidelines and principles.
- The Task Force on Climate-related Financial Disclosures (TCFD).
- The Global Reporting Initiative (GRI) 2021 standards (labels mark the cross-references with the Sustainability Report).

This report provides information about Elia Group and its subsidiaries as follows:[3]

Strategy	Materiality matrix	Business model	Performance	Risks and opportunities	Corporate Governance bodies	Management discussion

FINANCIAL REPORT

- The International Financial Reporting Standards (IFRS) were used for the consolidated statements of Elia Group SA/NV, including its subsidiaries, joint ventures and associates.

SUSTAINABILITY REPORT

- The Global Reporting Initiative (GRI) 2021 standards.[4]
- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, for calculations related to carbon emissions.

Note: the terms 'Elia Group SA/NV' and 'Elia Group' are used throughout the report to refer to the holding company, whilst 'the Elia group' and 'the group' are used to refer to the different subsidiaries owned by Elia Group SA/NV (see the chapter entitled 'The Elia group at a glance'). 'Elia' is used to refer to Elia Transmission Belgium SA/NV, the Belgian transmission system operator (TSO). Similarly, 50Hertz is used to refer to 50Hertz Transmission GmbH, the TSO which operates in the north and east of Germany.

In November, our 2021 sustainability, activity and financial reports were given the 'Best Sustainability Report on Stakeholder Inclusiveness and Engagement' award by the Institut des Reviseurs d'Entreprises. The award serves as excellent recognition and encouragement for our teams as we transition to integrated reporting – and demonstrates that we are committed to being guided by the interests and needs of our stakeholders.

Catherine Vandenborre, the CFO of Elia Group, welcomed the news with enthusiasm: "This award confirms that we act in the interest of society on a daily basis and validates the efforts we put into integrating the views of our stakeholders into our work."

2 The term 'capitals' is from the <IR> Framework; see 'Glossary'.

3 Our electricity transmission activities (carried out by Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) are represented in full, whilst reporting regarding the activities of our other subsidiaries follows the principles of proportionality and materiality.

4 Social metrics apply to subsidiaries in which Elia Group holds a stake that is higher than 50% (Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering, Elia Asset SA/NV, Eurogrid International SA/NV, Eurogrid GmbH, 50Hertz Transmission GmbH, Elia Grid International, WindGrid SA/NV), except for re.alto energy GmbH.

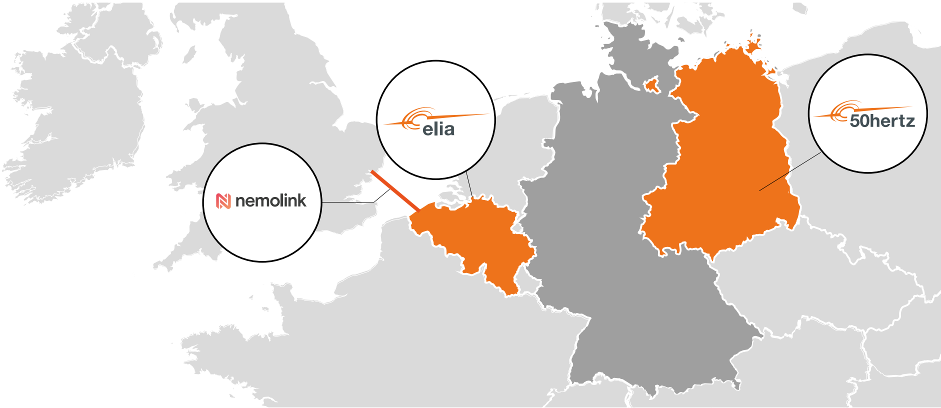
IN SHORT

- Elia Group acts as a holding company which owns two TSOs in Belgium and Germany
- At the end of 2022, Elia Group's headcount stood at 3127; Elia's grid extended to 8,849 kilometres and 50Hertz's grid extended to 10,500 kilometres
- The group's highlights from 2022 include the establishment of WindGrid; the successful connection of the Arcadis Ost 1 wind farm to the German onshore grid; the Princess Elisabeth Island securing funding from the European Commission's Recovery and Resilience Facility; and the Group's successful capital increase

3 THE ELIA GROUP AT A GLANCE

3.1 COMPANY PROFILE

Elia Group acts as a holding company which owns two TSOs: Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH in Germany. In addition to our regulated activities, we carry out non-regulated activities both in Europe and beyond, which are helping us to grow and develop into a truly international energy company.



REGULATED ACTIVITIES

elia

Elia Transmission Belgium is the Belgian TSO for high-voltage (30 kV to 70 kV) and extra-high-voltage (110 kV to 380 kV) electricity. It has a natural monopoly as Belgium's only TSO. It develops, builds and operates a robust electricity transmission system (both on- and offshore) and is responsible for devising services and mechanisms which support the development of electricity markets at national and European levels. It is aiming for its grid to be ready for a 50% increase in electricity consumption across its control area by 2032.

50hertz

50Hertz is a TSO which holds a natural monopoly in the north and east of Germany. It is a crucial player in the realisation of the German energy transition. Its extra-high-voltage grid covers the states of Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia, and the city states of Berlin and Hamburg: a region which hosts 18 million people. It also connects wind farms located in both the Baltic and North seas to its own onshore grid. In 2022, around 65% of electricity consumption in the 50Hertz grid area came from renewable sources; it aims to make this 100% by 2032. The shareholders of 50Hertz are Elia Group (80%) and the German state-owned investment and development bank KfW Group (20%).

nemolink

Elia Transmission Belgium is part of the Nemo Link joint venture with National Grid, the British electricity and gas utility company. Nemo Link is the first subsea interconnector to link Belgium to Great Britain, so allowing the trade of electricity between both countries: traders can buy up to 1,012 MW of capacity in auctions over a number of timeframes. The building of Nemo Link marked a crucial step in the integration of the electricity grids of continental Europe and the UK. The interconnector was commissioned on 30 January 2019, and operates in line with its specific regulatory framework.

NON-REGULATED ACTIVITIES

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

egi Elia Grid International

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

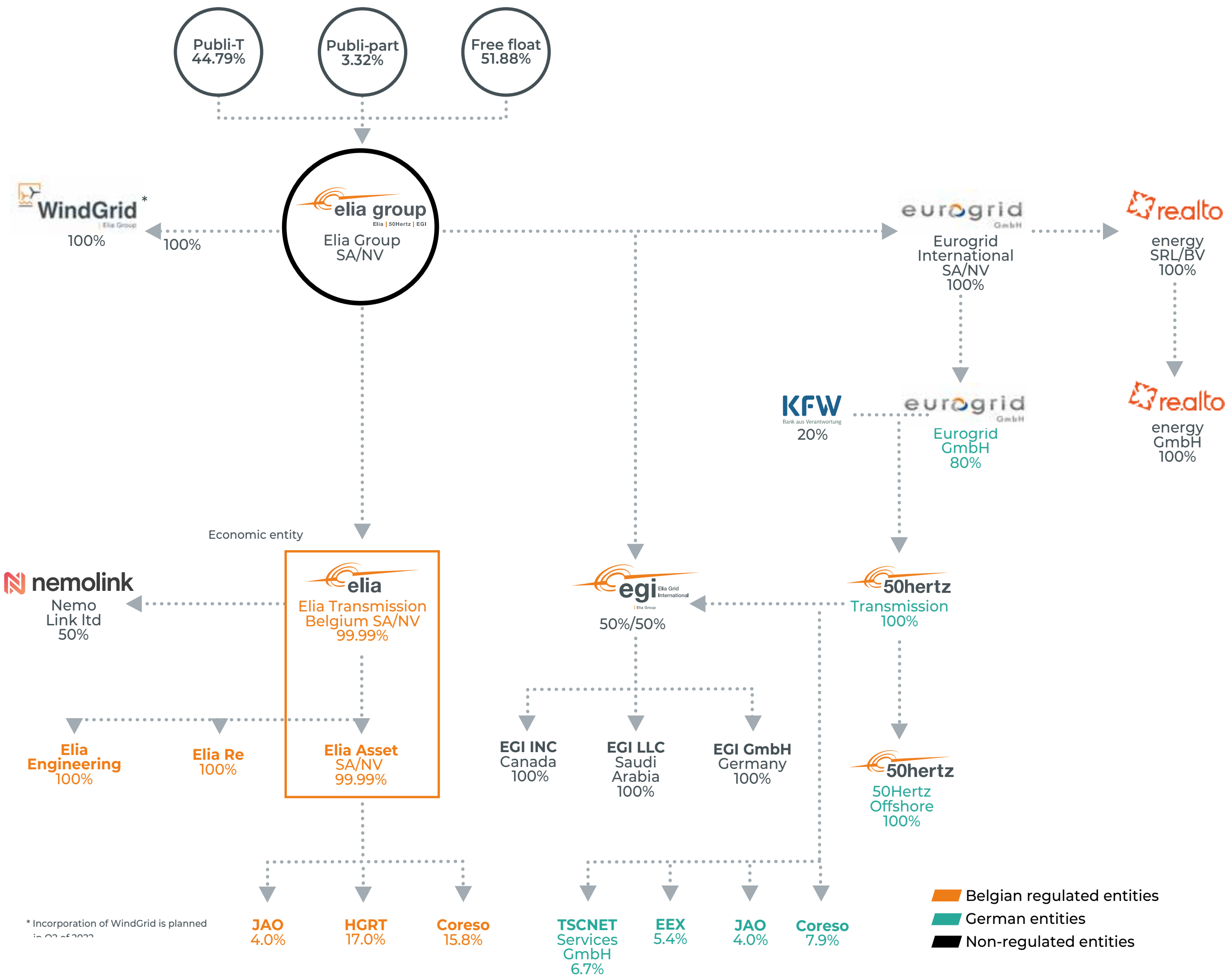
re.alto

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

WindGrid | Elia Group

As Elia Group's newest entity, WindGrid focuses on offshore wind development outside of the Group's traditional perimeters. It is allowing the group to leverage the expertise it has acquired in offshore development to support partners outside of Belgium and Germany as they connect offshore wind farms to onshore grids across the world. WindGrid is therefore delivering and unlocking further revenue streams for the group, enabling it to remain at the forefront of offshore wind development and maintain its relevance in the long term.

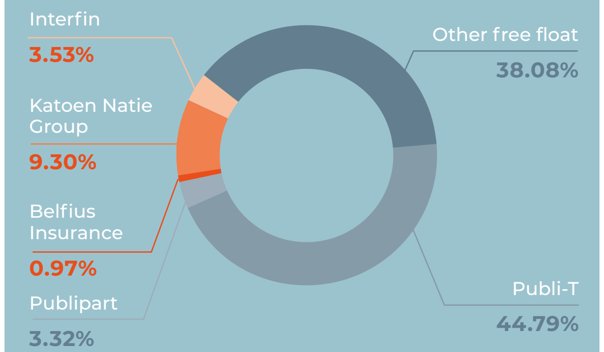
3.2 LEGAL STRUCTURE



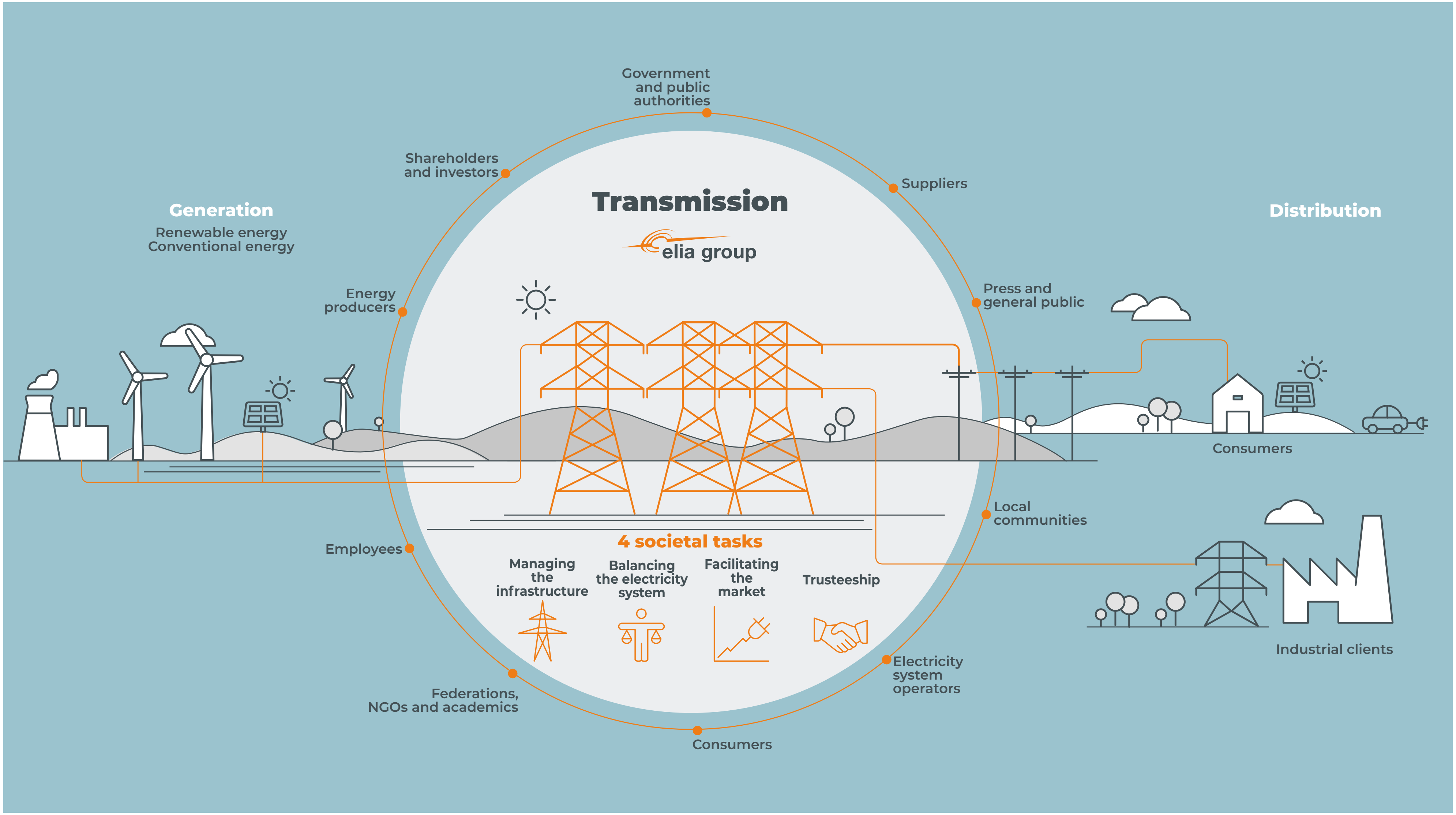
19.4%
of outstanding shares are held by institutional investors

44.0%
of institutional shares are held by ESG focused funds

Shareholder structure



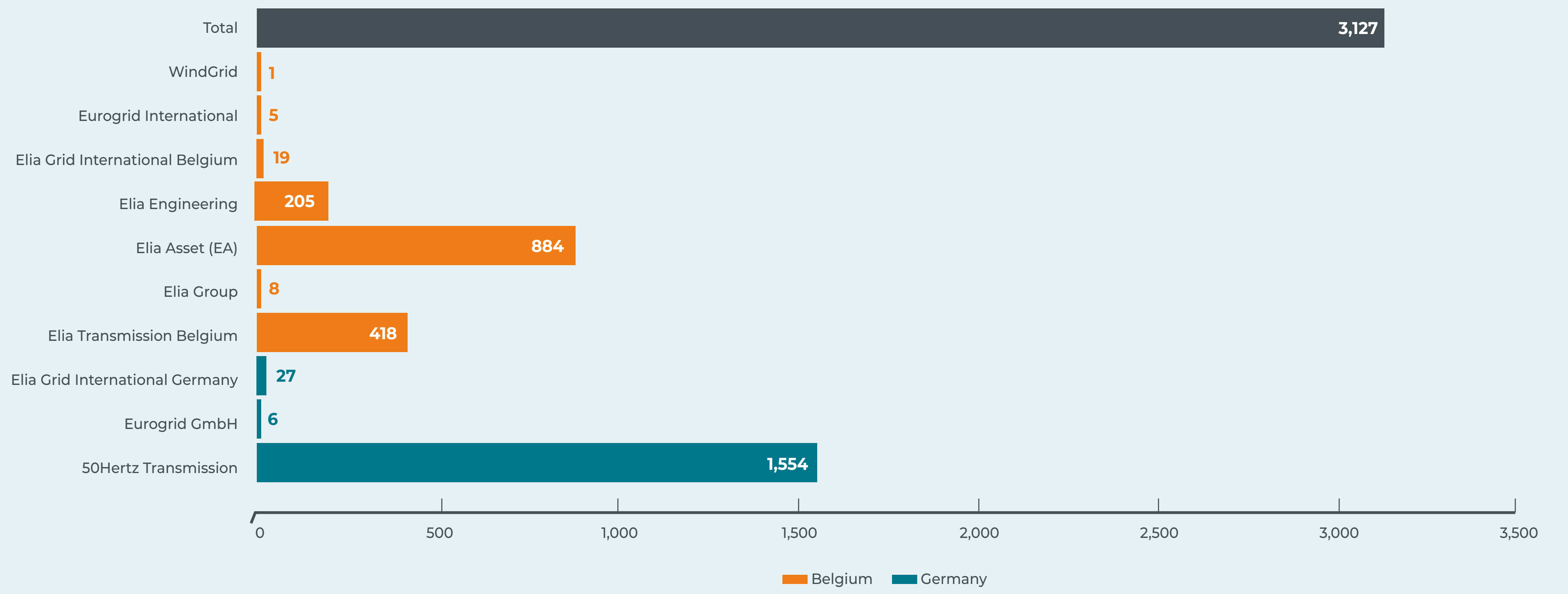
3.3 VALUE CHAIN



3.4 HEADCOUNT AND GRID

HEADCOUNT

BREAKDOWN BY SUBSIDIARIES AND COUNTRIES AT YEAR END 2022



ELIA: GRID AND ASSETS

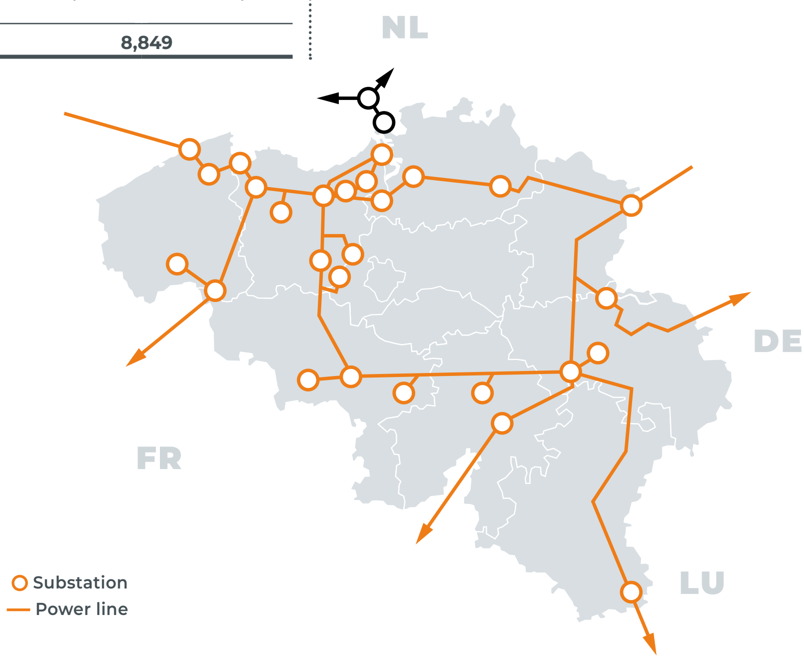
LENGTH OF LINES

Voltage	Underground/ **submarine** cables (km)	Overhead lines (km)
		2022
400 kV (DC)	69.5*	0
380 kV	41	940
320 kV	49	0
220 kV	162	302
150 kV	749	1,926
110 kV	0	25
70 kV	331	2,316
36 kV	1,844	8
30 kV	64	22
Total lines and cables	**3,309.5**	**5,539**
TOTAL	**8,849**	

SUBSTATIONS AND CONVERTER STATIONS

	2022
# substations >= 150 kV	300
# substations < 150 kV	505
# HVDC Converter station	2
TOTAL	**807**

* The Nemo Link interconnector (140km) is a joint venture between National Grid Interconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, and Elia Transmission Belgium.



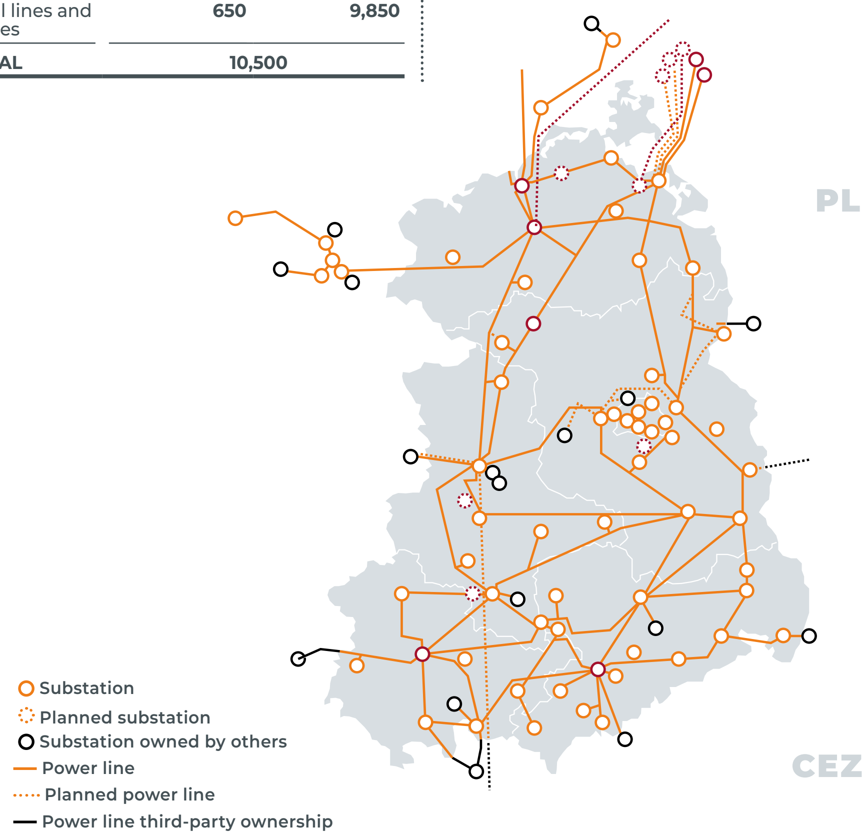
50HERTZ: GRID AND ASSETS

LENGTH OF LINES

Voltage	Underground/ **submarine** cables (km)	Overhead lines (km)
		2022
400 kV (DC)	15	0
380 kV	55	7,480
220 kV	290	2,370
150 kV	290	0
Total lines and cables	**650**	**9,850**
TOTAL	**10,500**	

SUBSTATIONS AND CONVERTER STATIONS

	2022
# substations	67
# switch gears	10
High-voltage direct current (HVDC) converter stations	2
TOTAL	**79**



3.5 HIGHLIGHTS

A selection of highlights from 2022 is included below; each of these was clearly linked to one of our eight strategic ambitions (please see the chapter entitled 'Our vision, mission and strategy' for more information).

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

ARCADIS OST 1 OFFSHORE SUBSTATION SUCCESSFULLY INSTALLED IN BALTIC SEA

The Arcadis Ost 1 wind farm was connected to 50Hertz's extra-high-voltage grid in July. This followed the installation of the electrical equipment on the Arcadis Ost offshore substation in Aalborg, Denmark, and the installation of the 2,380 tonne transformer platform on its monopole foundation in the Baltic Sea. The platform will transform the power generated by the wind farm's 27 wind turbines into 220 kV and bring it to the onshore 50Hertz connection point in Lubmin via subsea transmission cables. The platform is located 19 kilometres out to sea and is 30 metres high. It is due to become operational in 2023

In April, Belgian Deputy Prime Minister and Minister of the Economy and Employment Pierre-Yves Dermagne was given a tour of the construction site of the Arcadis Ost platform in Aalborg, Denmark.

REINFORCEMENT OF THE EURO-PEAN BACKBONE

In December, Elia and RTE officially unveiled the reinforcement of the interconnector that connects Belgium and France. This will contribute to ensuring security of supply in both countries and will strengthen the integration of the European electricity market. The Avelgem-Avelin connection is now equipped with high temperature low sag conductors, state-of-the-art technology which enables twice the amount of power to be carried across it (from 3 to 6 GW).

The Walloon Minister of Energy, Philippe Henry, and representatives from the French public authorities, attended the inauguration event.

"I AM PROUD OF OUR COLLABORATION WITH ELIA, WHICH HAS INCREASED THE EXCHANGE CAPACITY BETWEEN OUR TWO COUNTRIES, AND THIS IS A PERFECT ILLUSTRATION OF EUROPEAN ELECTRICAL SOLIDARITY. SOLIDARITY THAT IS ESSENTIAL IN THE MIDST OF THE ENERGY CRISIS BUT ALSO IN THE LONGER TERM TO ACHIEVE OUR OBJECTIVES OF CARBON NEUTRALITY

Xavier Piechaczyk,
President of the Management Board of RTE

FURTHER SHAPE THE (EUROPEAN) MARKETS AND FACILITATE HIGH SECURITY OF SUPPLY

EXTENSION OF FLOW-BASED MARKET COUPLING MECHANISM

On 8 June 2022, the flow-based market coupling mechanism was extended to cover a larger region across Europe. It now covers the day-ahead market in all 13 countries of the Core Capacity Calculation Region, which includes Belgium and Germany. The mechanism is intended to ensure that electricity flows more efficiently from one country to another by taking into account congestions across the whole of the regional grid. This is crucial for the efficient sharing of excess renewable energy across borders and thus for the success of the energy transition.

CAPACITY REMUNERATION MECHANISM (CRM) AUCTIONS HELD IN BELGIUM

In April and October, Elia published the results of the first and second CRM auctions respectively. The CRM forms part of several measures introduced by the Belgian Federal Government which are designed to guarantee the country's long-term security of supply following its (partial) nuclear phase-out in 2025. It will secure back-up capacity when 5 of the 7 Belgian nuclear reactors will have been shut down.

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

ELIA GROUP EXPANDS ITS INTERNATIONAL OFFSHORE ACTIVITIES

In February, Elia Group's Board of Directors approved the formation of a new subsidiary: WindGrid. To accelerate the energy transition, substantial investments in the offshore grid and renewable energy production are due to be undertaken over the next few years in Europe and elsewhere. Through WindGrid, Elia Group is ready to meet these needs.

The creation of WindGrid is a logical step in the further expansion of Elia Group as it grows to establish itself as an international energy company.

WindGrid | Elia Group

In October 2022, the US utility company PPL Corporation and WindGrid signed a cooperation agreement covering the connection of future offshore wind farms in New England to the onshore grid. PPL and Elia Group participated in a Request for Information which was launched by five states in New England: Massachusetts, Connecticut, Rhode Island, Maine and New Hampshire.

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS

ELIA GROUP SUPPORTS THE 24/7 CARBON-FREE MOVEMENT

In November, Elia Group became a signatory of the 24/7 Carbon-Free Energy Compact, set up by UN-Energy. This means we have joined a global community of actors who are accelerating the decarbonisation of the world's electricity systems to mitigate climate change and ensure everyone has access to clean and affordable electricity, in line with Sustainable Development Goal 7.

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

SAFETY SKILL UP

Elia has sharpened its vision for safety training. Previously, training courses did not always have the right form, content and duration. This project provides a clear framework regarding what to know, what to do and how to behave. The integration of a behavioral dimension will contribute to Elia achieving level 4 on the Safety Culture Ladder.

ELIA ONCE AGAIN AWARDED TOP EMPLOYER LABEL

For the fifth year in a row, Elia has been named as one of the best employers in Belgium. Elia achieved a very high overall score, rising from 78% to 87%. Elia made the greatest progress in the areas of 'diversity and inclusion' and 'leadership'. The Top Employer label rewards companies that offer their employees an excellent working environment. 84 Belgian companies received the award in early 2022.

FINANCE OUR FUTURE

SUCCESSFUL CAPITAL INCREASE AND SECOND GREEN BOND

As the Euronext Brussels bell rang on 28 June 2022, it marked Elia Group's successful completion of a capital increase. All new shares offered as part of the preferential subscription offer were subscribed (88.64% as part of the public offering and 11.36% as part of the private placement) - it amounted to a total of €590.1 million, making it one of the largest rights issues in Belgium since 2015.

Amidst a difficult market environment, in August, Eurogrid GmbH (the parent company of 50Hertz) secured liquidity for the grid expansion needed for the energy transition: it issued its second green bond for an amount of €750 million. This will allow 50Hertz to finance selected on- and offshore projects, significantly increasing the grid's integration and transportation of renewable energy.

ELIA'S ENERGY ISLAND RECOGNISED AS SPEARHEAD PROJECT FOR EU FUNDING

This is a mock-up.

On 14 December 2022, Elia signed an agreement with the Belgian Government relating to financial support offered up as part of the European Commission's Recovery and Resilience Facility (RRF). The €99.7 million grant will be used to construct the Princess Elisabeth Island, which will become a major European energy hub. Located about 45 km off the Belgian coast, the island will bring renewable energy produced by wind farms in the second offshore wind zone to shore. In time, it will also serve as a hub for additional interconnectors with Great Britain (Nautilus) and Denmark (TritonLink).

Tinne Van der Straeten (Belgium's Minister of Energy), Thomas Dermine (the State Secretary for Economic Recovery and Strategic Investment) and Stefaan De Rynck (the Head of the European Commission's Representation in Belgium) witnessed the signing of the protocol which governs the funding.

REALISE OUR DIGITAL TRANSFORMATION

ESTABLISHMENT OF A DIGITAL TRANSFORMATION OFFICE

In January 2022, the Elia group set up a Digital Transformation Office (DTO) to accelerate its digital transformation. The DTO seeks to ensure that the group is able to navigate increasingly complex challenges linked to the decarbonisation of energy systems and electrification of society - and harness the associated opportunities. For more information, see page 89.

INCREASE EFFICIENCY, REALISE SYNERGIES AND OPTIMISE RESOURCE ALLOCATION

POWER-TO-HEAT (PTH) UNITS ADDED TO 50HERTZ'S GRID

In January, 50Hertz and public utility Stadtwerke Stralsund commissioned a 6.5 MW PtH unit in the German state of Mecklenburg-Western Pomerania. The unit converts wind energy that cannot be connected to the grid (due to congestion) into green district heating for the city of Stralsund. Moreover, the structural work for one of the largest wind-to-heat units of its type in Germany was completed in July. With a capacity of 80 MW, it is due to be able to supply around 27,000 housing units with heating from the winter of 2023/24 onwards and will save 100,000 tonnes of CO_2.

Michael Pollmann (Hamburg's State Councillor for the Environment, Climate, Energy & Agriculture), Dr Frank Golletz (50Hertz CTO) and Kirsten Fust (Managing Director of Hamburg Energiewerke) attend the ceremony marking the completion of the structural work of the power-to-heat unit.

ELIA GROUP AND RE.ALTO BEGIN WORKING WITH ELLI

In September, Elia Group and re.alto signed a memorandum of understanding with Elli, a subsidiary of Volkswagen Group, to accelerate the integration of electric vehicles into the electricity system. As increasing amounts of intermittent RES are integrated into the grid, it is becoming increasingly difficult to ensure that the supply of electricity meets the demand for it. Electric vehicles will be able to provide a significant part of the flexibility that the electricity system will need in future.

IN SHORT

- **The group's ability to create value over the short, medium and long term is impacted by the contexts it operates in, including the four megatrends: accelerated decarbonisation and electrification; flexible electricity consumption; sector convergence and new technologies; and increasing international cooperation**
- **Elia's activities in Belgium and 50Hertz's activities in Germany are regulated and subject to European and national legal and regulatory systems, which are regularly updated**
- **Stefan Kapferer, 50Hertz's CEO, explains why accelerating grid development is so crucial**

4 THE ELIA GROUP IN A RAPIDLY EVOLVING ENVIRONMENT

4.1 THE FOUR MEGATRENDS

Our activities and ability to create value over the short, medium and long term are heavily influenced by the contexts we operate in. These include megatrends in the energy sector and developments at national and international levels.

ACCELERATED DECARBONISATION AND ELECTRIFICATION

The Russian invasion of Ukraine in February 2022 returned a sense of urgency to the European energy debate. The geopolitical crisis and extreme energy prices have prompted the European Union to take stronger ownership of its energy production and more rapidly fulfil its commitments to renewable energy, decarbonisation and electrification.

Following the start of the Ukrainian war, therefore, the European Commission published its REPowerEU Plan (May 2022), which builds on the European Green Deal (2019) and Fit for 55 legislative package (2021). The plan aims to reduce Europe's dependence on Russian fossil fuels. It focuses on the diversification of Europe's energy supplies, energy saving measures and increasing clean power.

Accelerating the energy transition will reduce our dependence on fossil fuels, strengthen Europe's energy sovereignty and ensure more stable and affordable energy prices, helping to mitigate high inflation in gas and electricity markets. Offshore energy, generated in Europe's seas, is set to become a cornerstone of its future energy system.

However, the sharp rise in renewable energy and in electricity demand is triggering important consequences. The building of 'leading' grid infrastructure is critical for matching society's ambition to accelerate the transition. Since areas with high amounts of renewable energy sources are often remote, the need for long-distance electricity transmission is rising. Moreover, areas with complementary production patterns need to be connected as the availability of RES is not equally distributed across Europe.

To ensure the secure and efficient operation of such a renewable and volatile electricity system, more flexibility should be unlocked from households and industry across all levels of the electricity system and via different electricity markets.

THE GROUP'S RESPONSE

We continued to focus on driving the energy transition through the integration of RES into the system throughout 2022. We strengthened our commitment to the acceleration of grid development to stay ahead of societal needs and also established WindGrid - a logical step for us, given our expertise and trailblazing projects in offshore development (see page 11).

These changes have triggered both risks and opportunities for us (see 'Features of the group's internal control and risk management system'). On the one hand, we depend on access to the necessary funding and reliable supply chains for our activities, and need permitting processes to be sped up. Hiring the right staff with the right skills in offshore development and HVDC systems will be crucial for our success over the coming years. On the other hand, our proactive approach to grid development means we are supporting economic development in Belgium and Germany. In turn, this strengthens our reputation, which will lead to further growth opportunities.

FLEXIBLE ELECTRICITY CONSUMPTION

Flexible consumption is becoming increasingly important both for supporting the grid as electrification spreads and renewable energy levels rise and for controlling system costs.

Industrial electrification and the rise of electric vehicles, heat pumps and batteries are fundamentally changing the way consumers are interacting with the electricity system. Sector convergence is offering new opportunities for unlocking flexibility, meaning it is becoming an important accelerator for an efficient energy transition.

New flexible appliances will allow households to consume more electricity at lower costs when there is lots of wind and sunshine available and reduce or even shift their consumption in time when renewable generation is limited and energy use is more expensive. Existing and new energy service suppliers will be able to provide their customers with better products and incentives, allowing them to monetise their flexibility and lower electricity costs.

Moreover, industry will become a key provider of flexibility as it electrifies and decarbonises some of its processes. Today, the business case is mostly focused on industry providing ancillary services to the power system. However, much broader opportunities will be offered up in electricity markets provided we further develop these, allowing industry to better align its consumption with renewable generation patterns and optimise it against dynamic electricity prices.

THE GROUP'S RESPONSE

We concentrated on the introduction of system and market changes that encourage and valorise flexibility in 2022, in line with our Consumer-Centric Market Design (2021). Indeed, households from across our control areas in Belgium and Germany were empowered to provide flexibility to our grid through virtual power plants (see page 81). Moreover, we launched initiatives which aim to support the development of energy services, including TraXes (see page 86).
Our annual vision paper, Powering Industry Towards Net Zero, explored the decarbonisation of industry (see page 61). In order to meet industry's electrification ambitions and support industrial clusters to flourish over the coming years, a number of steps should be taken - including fostering flexibility.
These changes carry both risks and opportunities for us (see 'Features of the group's internal control and risk management system'). The right technology, policy changes and energy services will need to be in place for consumers at the right time so that they can help to balance the grid. However, this trend is allowing us to expand and strengthen the partnerships we hold with players from across the energy value chain. Successfully empowering consumers and industry to valorise their flexibility will carry great rewards: they will further the energy transition.

SECTOR CONVERGENCE AND NEW TECHNOLOGIES

The development of new technologies and digitalisation has led to the power sector being increasingly coupled with other sectors, such as heating, transport and industry. The owners of flexible appliances like heat pumps, electric vehicles and small batteries can be encouraged to shift their electricity consumption in time, so contributing to a more efficient operation of the system.

The rise of new technologies that are used for monitoring and maintenance purposes is also contributing to system efficiency. The internet of things and artificial intelligence are leading to the establishment of smart grids (which can be monitored on a continuous basis), automatic decision-making and enhanced risk prediction and incident analysis. The use of blockchain for digital identities is enabling the trading of energy between different parties and the tracking of green energy from source to consumer.

Access to the right data and using it as part of real-time decision-making will be necessary for managing this more complex electricity system. In turn, this will lead to data security and consent management becoming key areas of responsibility and concern.

THE GROUP'S RESPONSE

In January, we established our Digital Transformation Office, which is focused on ensuring that we will be able to navigate the complex challenges ahead (see page 89). We also continued to explore the use of innovative devices, including remote inspection technology and artificial intelligence to increase the efficiency, safety and sustainability of our asset monitoring activities. In July, for example, we successfully tested out the use of a new robot with electromagnetic compatibility and a camera installed on it in a high-voltage laboratory location. The test formed part of trials being carried out which aim to allow our high-voltage converter halls to be inspected without the need to switch them off. The use of robots will allow our staff to increase the frequency of their inspections whilst removing the need to interrupt local electricity supply, lowering risks and reducing our environmental footprint.

These changes have triggered both risks and opportunities for us (see 'Features of the group's internal control and risk management system'). On the one hand, as digitalisation spreads, risks linked to data management and the likelihood of cyber-attacks are increasing. We also need to make sure our workforce has the skills it needs to operate the emerging digital system. On the other, successfully harnessing technology will yield efficiencies for us and allow us to transform the challenges of the energy transition into opportunities.

INCREASING INTERNATIONAL COOPERATION

As described in Elia Group's 'Roadmap to Net Zero' study (November 2021), Europe's direct electricity demand can be met in 2050 - but only if Europe accelerates RES expansion by a factor of three, boosts electrification, increases efficiency and builds more on- and offshore interconnectors to balance out the uneven distribution of RES across Europe.

To make optimal use of the continent's RES, Europe needs to set up frameworks for partnerships between countries with different levels of RES potential. Moreover, the full potential of the North and Baltic seas will need to be harnessed through an international approach. The rise of hybrid interconnectors and energy islands will allow electricity to be exchanged between countries whilst also connecting them to offshore wind farms. These interconnectors and energy islands are forming the first building blocks of a European meshed offshore grid.

The increasing integration of the European power system is requiring a supranational approach to be supported by Member States. This can occur across European regions through Regional Coordination Centres (such as Coreso and TSCNET) or via continent-wide cooperation. For example, the Ten-Year Network Development Plan prepared by the European Network of Transmission System Operators (ENTSO-E) is helping to secure fully integrated European grid and energy markets.

THE GROUP'S RESPONSE

We understand how crucial partnerships are for the establishment of an integrated European grid and market, so foster close relationships with a range of international stakeholders.
In May, for example, our CEO, Chris Peeters, was invited to take part in a discussion during the North Sea Summit in Denmark; he emphasised the important role of on- and offshore interconnectors and collaboration. It was during this summit that the heads of state and energy ministers from Belgium, Germany, Denmark and the Netherlands signed the Esbjerg Offshore Wind Declaration, pledging to expand their collective offshore wind capacity to 65 GW and 150 GW by 2030 and 2050 respectively. The President of the European Commission, Ursula von der Leyen, and the European Commissioner for Energy, Kadri Simson, also attended the summit.
Moreover, in June, the flow-based market coupling mechanism was extended to cover a larger region across Europe (see page 17) - our close working with TSOs and Regional Security Coordinators from across this larger region was crucial to the success of this.
Furthermore, as we grow into a truly international company, agreements like the one we (via WindGrid) signed with PPL Corporation in the U.S. in October will become more frequent.
These changes carry both risks and opportunities for us (see 'Features of the group's internal control and risk management system'). Such partnerships must be established in time for their results to be enjoyed, for example. Working with a wider range of partners will increase efficiency, allow best practice to be exchanged, and will contribute to fast-forwarding the energy transition.

4.2 POLITICAL, ECONOMIC, SOCIAL AND TECHNOLOGICAL DEVELOPMENTS IN 2022

INTERNATIONAL DEVELOPMENTS

The energy crisis has added a new dimension to the green transition. RES are now seen as a way to bolster energy sovereignty, security, sustainability and affordability. In March, in response to the war, Ukraine and Moldova's electricity grids were successfully synchronised with the Continental European Power System. The European Commission (EC) published its REPowerEU plan in May. It also introduced emergency measures to support struggling consumers, with Member States responding in kind.

A number of Member States also pledged to meet increased renewable energy targets earlier than planned at gatherings such as the Baltic Energy Security Summit held in August. Here, Germany and seven other countries signed the Marienborg Declaration, committing to expanding their offshore wind capacity by a factor of seven by 2030. The following month, the nine countries belonging to the North Seas Energy Cooperation agreed to reach at least 260 GW of offshore wind energy by 2050 - over 85% of the EU's target for the same year.

In October, the EC adopted the 'Digitalising the energy system - EU action plan'. This aims to encourage the development of a sustainable, transparent, competitive and secure market for digital energy services. It underlines how new technologies can support the integration of RES into the system, improve the efficient use of energy resources, and reduce costs for consumers and energy companies.

Europe also introduced measures related to empowering consumers, energy efficiency and corporate social responsibility throughout the year. For example, the EC launched the Energy Communities Repository (ECR), which offers technical assistance to energy communities. Moreover, the EU Taxonomy Regulation was further developed, and the European Central Bank began decarbonising its corporate bond holdings.

It is time we tackle our vulnerabilities and rapidly become more independent in our energy choices. Let's dash into renewable energy at lightning speed. Renewables are a cheap, clean, and potentially endless source of energy and instead of funding the fossil fuel industry elsewhere, they create jobs here. Putin's war in Ukraine demonstrates the urgency of accelerating our clean energy transition.

Frans Timmermans,
Executive Vice-President
for the European Green Deal,
March 2022

Throughout 2022, European institutions and Member States further increased their targets related to renewable energy and energy efficiency, committing themselves to accelerating the pace of the energy transition. Keeping the transition affordable and corporate social responsibility were also both drivers of energy policy. We at Elia Group have embraced these topics as part of our strategy and activities, securing our role as a driver of decarbonisation.

Bernard De Clercq,
Head of Group EU Affairs

NATIONAL DEVELOPMENTS

In Belgium, the war in Ukraine caused the Federal Government to revisit its earlier intention to phase out nuclear power by 2025, deciding instead to extend the life of two of its nuclear power plants by 10 years. It also adopted measures to ease the burden of soaring energy prices on consumers and companies. In October, the EC approved the Belgian Government's €1.5 billion scheme to support gas and electricity suppliers.

In February, the German Government suspended the certification process for Nord Stream 2 and adopted the first of several financial relief packages for consumers. This included reducing the renewables surcharge for consumers from July onwards, effectively ending it (see page 84). The Government also passed a package of energy policy amendments in July, which aimed (amongst other things) to: enable faster permitting procedures, particularly for wind energy projects; accelerate grid expansion; and increase renewable capacity expansion pathways.

In response to its analysis of the country's available energy sources, two grid stress tests were conducted. The second of these, carried out in August by 50Hertz and its three TSO counterparts, sought to determine whether Germany would have sufficient electricity production capacity after the shutting down of the country's three remaining nuclear plants at the end of the year. The Government decided to extend the lifetimes of all three plants until the middle of April 2023.

DIGITALISING THE GRID - INNOVATION SUPPORTED BY THE EU ACTION PLAN (SEE PAGE 26)

Global players explored many areas of innovation related to the transmission of electricity in 2022. This included the advancement of smart grids, which provide real-time data about issues and changes in consumption, and the (related) encouragement of demand side flexibility, linked to electrification of the heating and mobility sectors. Further exploration of the following therefore occurred: connectivity technology that forms the basis of the Internet of Things (IoT), virtual reality technology, artificial intelligence (AI), drones and robots, satellite imagery, cloud computing and the use of blockchain for digital identities.

Russia's invasion of Ukraine has aggravated the security of supply situation and driven energy prices to unprecedented levels. Europe has sufficient amounts of gas, but we need to replenish our reserves urgently for next year. We have also outlined price regulation, state aid and tax measures to protect European households and businesses against the impact of the exceptionally high prices.

Kadri Simson,
Commissioner for Energy,
March 2022

4.3 REGULATORY CHANGES

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

AT A EUROPEAN LEVEL

ENTSO-E

At a European level, ENTSO-E defines common technical standards like the European Network Codes to facilitate the harmonisation, integration and efficiency of the European electricity market. Additionally, through close consultation with national TSOs and in order to shape a fully interconnected European grid, ENTSO-E publishes a Ten-Year Network Development Plan (TYDNP) every two years. The organisation also runs a transparency platform, which provides all European market participants with free access to electricity market data.

ACER

The European Agency for the Cooperation of Energy Regulators (ACER) helps to ensure that the single European gas and electricity markets function properly, taking action at EU level for the benefit of all EU citizens. It assists national regulatory authorities with their functions at the European level and, where necessary, coordinates their work.

AT A NATIONAL LEVEL

At a national level, Elia Group's subsidiaries must adhere to different national regulatory frameworks.

In Germany, 50Hertz's activities are overseen by the Federal Network Agency (Bundesnetzagentur, or BNetzA). In Belgium, Elia's extra-high-voltage activities (110 kV to 380 kV) are regulated by the Belgian Federal Commission for Electricity and Gas Regulation (the CREG). Additionally, the high-voltage sections of Elia's grid (30 kV to 70 kV) are subject to regulations set by regional regulators: the VREG in the Flemish region; the CWaPE in the Walloon region; and BRUGEL in the Brussels-Capital Region.

Nemo Link is subject to a cap and floor regulatory regime, which was developed by the Office of Gas and Electricity Markets (Ofgem) in Great Britain and the CREG. The regime provides regulated revenue at the floor to limit the downside of the investment. Consumers in Great Britain and Belgium have to compensate for the difference if the revenue falls below the floor. At the same time, consumers are protected through the cap, which ensures that high returns are passed back to them.

SIDE STORY

NEMO LINK'S STRONG PERFORMANCE BENEFITS CONSUMERS

Nemo Link, the interconnector which joins Belgium to Great Britain, has been in service for four years. In December 2022, the Belgian and UK regulators approved a Within Period Adjustment Request by Nemo Link, which will return around €135 million to consumers earlier than expected. In both countries, grid tariffs are being reduced by €67.2 million. The interconnector has been performing excellently both in operational and commercial terms, allowing the income earned above the fixed ceiling to be paid back early.

Regulatory developments in Germany

The regulatory framework in Germany is based on incentives to increase productivity and reduce costs in order to avoid negative socioeconomic impacts. For every five-year regulatory period, a revenue cap is calculated for 50Hertz, which is based on influenceable costs during the so-called base year (see below). This revenue cap serves as an incentive for reducing the actual costs below the cap in order to generate a corresponding additional profit. In addition to these influenceable costs, specific cost positions, such as capital costs resulting from network enhancement or restructuring projects or costs that result from procedures that are fully predetermined (e.g. procurement of grid losses or control power), are considered non-influenceable.

The return on equity (ROE) ensures an adequate return on 50Hertz's investment in the network; this is currently fixed at 5.64% post-tax (it stands at 6.91% including corporate tax).

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

However, given that the interest rate environment has substantially changed compared with October 2021, 50Hertz and other stakeholders from the sector are currently discussing a potential revision of the ROE for the fourth regulatory period with the BNetzA. Further parameters, such as the individual efficiency factor that is subject to a national TSO benchmark and the general sector productivity factor, have yet to be determined. In 2022, the BNetzA started assessing the cost of the base year (2021), which will serve as the basis for the revenue cap during the fourth regulatory period.

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

CREG approves Belgian tariff methodology for 2024-2027

Elia is operating under a cost-plus model. Profit is determined by a fair remuneration mechanism and supplemented by incentives leading to a return on equity for the period of around 6%. The incentives include those for cost efficiency, market integration, quality of service, innovation and continuity of supply.

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

In June 2022, the CREG officially approved the electricity tariff methodology for the period covering 2024-2027. This approval follows a public consultation on the methodology, which was launched in April 2022, and its approval by the Federal Government in early June 2022.

The new tariff methodology is similar to the methodology which is currently in force. The regulatory framework will remain as a cost-plus model, with cost coverage of all reasonable costs and remuneration. Based on the parameters described in the methodology, the average regulatory return on equity for the period should be around 5.7%, in accordance with the effective results on incentive regulation.

INTERVIEW WITH STEFAN KAPFERER

PERMITTING PROCEDURES NEED TO BECOME MUCH FASTER

Stefan Kapferer, CEO of 50Hertz, explains why accelerating grid development is so crucial.

2022 was a difficult year both for the political world and the energy sector due to the Russian invasion of Ukraine. How did 50Hertz manage these difficulties?

We never had problems with the situation across the grid, despite the shortage of gas. The political world, the energy sector and system operators worked together in a really efficient way to ensure this stability. Overall, 50Hertz can look back on 2022 as a success. I was particularly happy about the commissioning of the first (40 kilometre-long) segment of the Uckermark Line. It took us 15 years of political debate, permitting procedures and legal disputes to reach this stage. We explored the Uckermark Line in 2005; in 2007, the first iPhone was launched on the German market. The iPhone 14 is the latest model available today. If we had been able to build 14 lines in the same amount of time, the energy transition would have been much more advanced today.

> **IN 2022, RENEWABLE ENERGY ACCOUNTED FOR 65% OF OUR ENERGY MIX, WHICH IS GREAT. NEVERTHELESS, IF WE WANT THIS SHARE TO REACH 100%, THE DEVELOPMENT OF RES AND THE CONSTRUCTION OF THE POWER GRID INFRASTRUCTURE NEEDS TO BE ACCELERATED.**
>
> **Stefan Kapferer,**
> **CEO of 50Hertz**

What lessons can be learned from this?

We cannot become carbon neutral and achieve greater energy sovereignty at a snail's pace. The development of renewable energies and the infrastructure it requires is therefore even more important than before. In addition to security of supply and reducing Europe's dependence on fossil fuels and their suppliers, green electricity offers another important advantage: affordability. The more electricity we generate from renewable sources, the more often they will set the prices on power exchanges. In 2022, renewable energy accounted for 65% of 50Hertz's energy mix, which is great. Nevertheless, if we want this share to reach 100%, the development of RES and the construction of the power grid infrastructure need to be accelerated.

What progress has 50Hertz made in terms of grid development?

In 2022, we secured more permits for grid development projects than in any previous year. Moreover, the construction work was started for many of our projects. This includes the 380 kV replacement of the Nordring Berlin, the diagonal power link (which is one of the capital's most important 'electric arteries'), as well as overhead line projects in Mecklenburg-Western Pomerania, Brandenburg, Thuringia and Saxony. We also made good progress on offshore projects. The first wind turbines of the Arcadis Ost 1 wind farm have been supplying electricity to the mainland since the start of 2022, using our Ostwind 2 grid connection. We also created the necessary conditions to start working on the Gennaker wind farm project, which will have a capacity of around 900 MW. Public participation activities linked to the NordOstLink were also started; in future, the link will transport electricity from the North Sea to the south of the country via our grid.

IN SHORT

- The Elia group's vision and mission act as reference points as it carries out its activities and delivers its strategy; ActNow, the group's ESG programme, embeds sustainability into the group's strategy and business activities, as Catherine Vandenborre explains
- The group's interactions with its wide group of stakeholders inform its business activities and are fed into its annual strategic cycle
- Peter Michiels introduces the group's new leadership model and Michael von Roeder explains why digitalisation is key for the group's future

5 OUR VISION MISSION AND STRATEGY

5.1 OUR VISION AND MISSION

We are both shaping and driving the energy transition, playing a leading role in the integration of RES into energy systems, responding to the demand for electrification, and working with players from across the sector to identify and address additional means of decarbonising society.

Decisive years lie ahead of us. Excessive energy prices and concerns about energy sovereignty means we must accelerate the pace at which we are delivering our on- and offshore grid infrastructure without compromising on operational excellence, quality or efficiency. We must also continue to support changes in electricity market design so that consumers can be placed firmly in its centre, allowing them to play an important role in Europe's road to net zero through the provision of flexibility. Innovation and new digital technologies, strengthened partnerships with third parties and the reinforcement of the group around our common objectives are of paramount importance in this.

Our vision and mission act as reference points for us as we carry out the above and deliver our strategy and business plans. A failure to fulfil our mission means Europe is at risk of not reaching net zero by 2050.

OUR VISION INSPIRES US: IT OUTLINES OUR LONG-TERM OBJECTIVE.

A successful energy transition for a sustainable world

Our grid forms the backbone of the energy transition: our activities are focused on the decarbonisation of energy systems - and so, as electrification spreads, wider society - in Belgium, Germany and Europe.

OUR MISSION STATEMENT OUTLINES WHY WE EXIST. IT EXPLAINS WHO WE SERVE, WHAT WE DELIVER AND HOW.

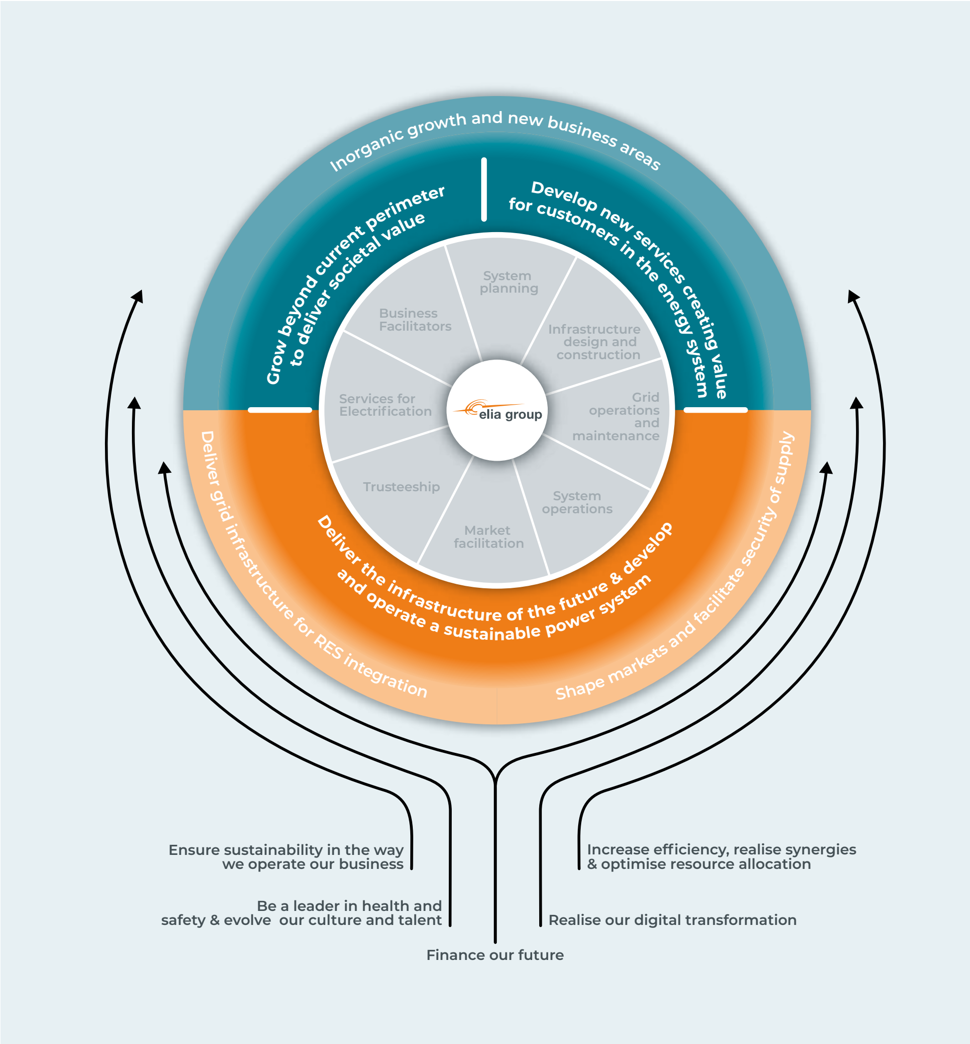
In the interest of society, we make the energy transition happen to decarbonise Europe by delivering the needed power infrastructure and shaping the European markets. We keep the lights on by operating a reliable and sustainable system and innovate to meet evolving consumers' needs in an efficient way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

Designing, building and operating the grid is, and will remain, our core business - just as sustainability and innovation will continue to fuel it. With the world around us changing, we are also looking beyond our current activities to harness the opportunities presented to us by net zero (see the chapter entitled '**Features of the group's internal control and risk management systems**'). It is through these channels that we will deliver additional value to society.

5.2 OUR STRATEGY

Our strategy consists of three pillars of growth (which appear in the middle circle of Figure 1), which are translated into eight strategic ambitions: three growth ambitions and five enabling ambitions.

Figure 1



PILLARS OF GROWTH

PILLAR 1: Deliver the infrastructure of the future & develop and operate a sustainable power system

As reflected in our first pillar, the Elia group is committed to keeping the lights on around the clock, designing, delivering and operating the transmission infrastructure of the future and enabling the energy transition in our home markets of Belgium and Germany and, by extension, across Europe. Our CAPEX projects, which we are dedicated to delivering on time, within budget and to a high standard of quality with a maximum focus on safety, actively contribute to shaping solutions that meet our stakeholder needs and create value for wider society.

PILLAR 2: Grow beyond current perimeter to deliver societal value

Our second pillar aims to further expand our activities beyond their current perimeter in order to deliver additional societal value. Through our consultancy, EGI, we have developed a solid understanding of international markets and both detect and attract appealing business opportunities. Leveraging both this expertise and the experience we have gained through our regulated activities in offshore renewable development, we are actively shaping new growth opportunities. Through WindGrid, for example, we are exploring possibilities beyond the North and Baltic Seas by turning to opportunities in the U.S. and are looking at equity participation that creates additional value in combination with our current portfolio.

PILLAR 3: Develop new services creating value for customers in the energy system

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

STRATEGIC AMBITIONS

Our **three growth ambitions** - depicted by the outer circle in Figure 1 - outline how we are delivering on our three pillars of growth:

- Design, deliver and operate the future transmission **grid infrastructure to support RES integration**;
- Further shape the (European) **markets** and facilitate high **security of supply**;
- Strengthen the Group's position through **inorganic growth** and expand into **new business areas**.

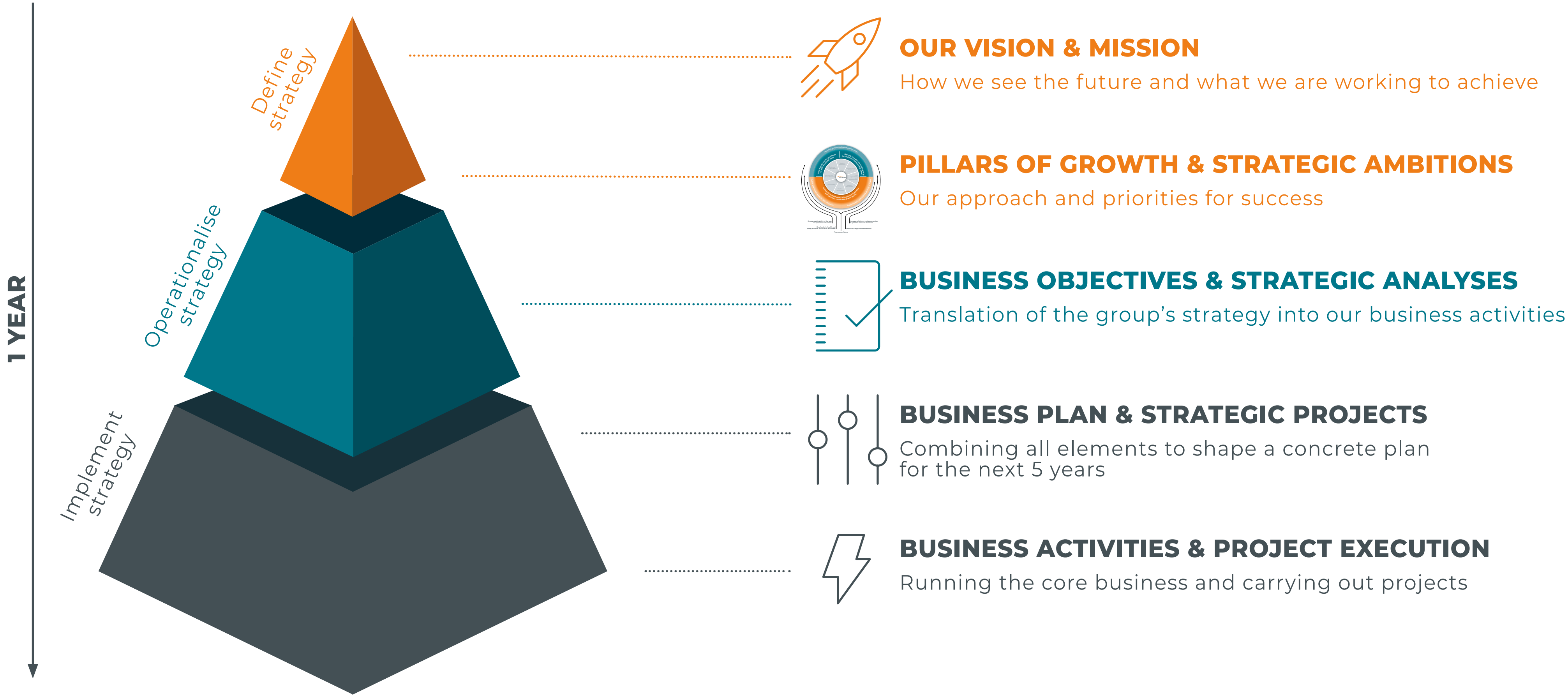
ENABLING AMBITIONS

Our **five enabling ambitions** - depicted in the arrows in Figure 1 - outline how we want to develop: we want to become a sustainable, digital and efficient organisation which is well-financed and carries a strong corporate culture with health and safety at its core.

ANNUAL STRATEGIC CYCLE

Our annual strategic cycle, depicted in Figure 2, begins with an assessment of our environment, the needs and interests of our stakeholders (**see page 41**) and societal interests, and then involves the definition of our strategy. We then operationalise and implement our strategy through our business objectives, plans and eight business activities (see '**Our business model**'). This cycle, and the processes associated with it, ensure our daily work remains aligned with our strategy and, therefore, with the interests of society.

Figure 2



5.2.1 OUR ESG PROGRAMME: ACTNOW

GRI 2-22

As an organisation that comprises two TSOs, sustainability is rooted in the very nature of the Elia group's activities. The integration of RES into the system and expansion of our grid means we are helping to drive the decarbonisation and electrification of society as a whole.

Our ActNow programme furthers this, explicitly embedding sustainability into our strategy and business activities. Published in 2021, ActNow comprises long-term targets for our organisation that are guided by the UN Sustainable Development Goals. We work towards meeting these targets through our five-year business roadmaps and plans (see page 34) and revise them regularly, for example when EU requirements are updated. Our progress on them is overseen by the Group Sustainability Office and two local sustainability boards at Elia and 50Hertz (see page 172) and is tracked through KPIs, the most relevant of which we publish for our stakeholders (see page 95).

As outlined in Figure 3 below, ActNow is made up of five dimensions: Climate Action; Environment & Circular Economy; Health & Safety; Diversity, Equity & Inclusion; and Governance, Ethics & Compliance.

Figure 3

ACT NOW
FOR A SUSTAINABLE WORLD

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 13 CLIMATE ACTION | 7 AFFORDABLE AND CLEAN ENERGY

① CLIMATE ACTION

- Enabling decarbonisation of the power sector
- Carbon neutrality in system operations by 2040
- Carbon neutrality in our own activities by 2030
- Transition to a carbon-neutral value chain for new assets and construction works
- Increase climate resilence

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND

② ENVIRONMENT & CIRCULAR ECONOMY

- Preserve and strengthen ecosystems and biodiversity
- Embed circularity in our core business processes
- Ensure compliance with environment performance standards

8 DECENT WORK AND ECONOMIC GROWTH

③ HEALTH & SAFETY

- Going for zero accidents
- Build our safety culture
- We are all safety leaders
- We strive for heath and wellbeing of our staff

10 REDUCED INEQUALITIES

④ DIVERSITY, EQUITY & INCLUSION

- Inclusive leadership across the organisation and engaging all staff
- Inclusive recruitment and selection practices in hiring processes
- Equal opportunities for all staff
- Open and inclusive company culture and healthy work-life balance
- Recognition of societal DEI role

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

⑤ Governance, Ethics & Compliance

- Governance: Accountable rules & processes
- Ethics: Sustainable mindset & behaviours
- Compliance: Conformity with external & internal rules
- Transparency: Openness & meaningful stakeholder dialogue

CLIMATE ACTION

Climate Action is both the first and most consequential dimension of ActNow. It covers our societal challenge - facilitating the decarbonisation of the electricity sector - and our corporate challenge: making our own activities and system operations carbon neutral by 2030 and 2040 respectively. Areas of focus that fall under **Dimension 1** include the development of our grid; reducing the use of SF_6 and our leakage rate; increasing the energy efficiency and climate resilience of our assets; and green procurement.

In October, Elia's Mobility Team won three prizes at the Link2Fleet awards: the Mobility Project award, for its work on making its fleet greener in line with ActNow; the Safety Project award, for putting the safety of its drivers first; andthe Fleet and Mobility Owner award (3rd place), which acknowledged its overall approach to fleet management.

ENVIRONMENT & CIRCULAR ECONOMY

Dimension 2, Environment & Circular Economy, focuses on reducing our impact on the environment (both onshore and at sea) through mitigation and compensation measures and the efficient use of materials. Our adoption of Nature Inclusive Design, carried out with support from external conservation experts, falls under this.

As part of Elia's work on the Princess Elisabeth Island (see page 19), it has been exploring how the island can have positive impacts on the surrounding area through the use of Nature Inclusive Design - so going beyond mitigating the impacts that the island will have on the marine ecosystem. This approach could include steps such as selecting materials that mimic natural substrates and designing the shape of island structures that encourage marine habitats to thrive.

HEALTH AND SAFETY

Our 'Safety for Contractors' programme and focus on employee wellbeing fall under **Dimension 3**. Given that most of our activities are undertaken in challenging environments, we strive to ensure that our own staff and our subcontractors return home safe and sound every day.

On 28 April, World Day for Safety and Health at Work, the Belgian Minister of the North Sea Vincent Van Quickenborne and Minister of Energy Tinne Van der Straeten took part in a safety training session as they prepared to visit the MOG.

WATCH HOW IT WENT HERE

DIVERSITY, EQUITY AND INCLUSION

As part of **Dimension 4**, Diversity, Equity & Inclusion, we are working on creating inclusive workplaces: we want to ensure all members of staff feel comfortable, welcome and supported, so that they can flourish within the organisation. We believe that diversity brings strength, innovation and creativity. Our leadership programme (see page 47) forms part of this dimension.

Elia Group marked the International Day against Homophobia, Biphobia, Lesbophobia and Transphobia in June by giving its offices in Brussels a rainbow makeover and providing senior management with rainbow flag pins.

GOVERNANCE, ETHICS AND COMPLIANCE

Finally, **Dimension 5** focuses on making sure that ESG considerations are implanted across our organisation through solid, accountable and transparent governance structures and policies and that legal and regulatory requirements are adhered to. Our ESG Governance and Compliance indexes were created in line with this.

Each dimension was also covered during our first annual ActNow update, which was originally livestreamed in October 2022.

INTERVIEW WITH CATHERINE VANDENBORRE

HOW ACTNOW IS TRANSFORMING OUR BUSINESS

GRI 2-22

Catherine Vandenborre, Elia Group's Chief Financial Officer (CFO), provides deeper insights into the company's ESG programme.

How is the ActNow change management process being felt across our workplaces a year after its introduction?

Catherine Vandenborre: Greening our activities has become an integral part of our decision-making process. Many concrete actions related to this area have been identified. Our employees are eager to implement them and their execution is being closely monitored. To make our substations more sustainable, we have (for example) introduced new building standards. Roofs will be equipped with solar panels that power the heating and cooling facilities via smart temperature control. Along with other European system operators, we are putting pressure on our suppliers to make their processes more sustainable as well. Circularity is becoming increasingly important. There is also much greater awareness about diversity. It has become an important consideration for us in terms of recruitment.

60,000 m²

of PV installed by Elia across its premised in Belgium

In Belgium, Elia will be installing 60,000 m² of solar panels across its premises by 2030, which will generate a peak load of 7 MW. This energy will then be used to meet its own consumption needs. At 50Hertz, a similar initiative is being rolled out through pilot projects.

Most of ActNow is dedicated to 'Climate Action', which is the first and most important dimension of the programme. What further work will be undertaken in this area?

Catherine Vandenborre: Our business strategy anticipates social trends such as the growth in renewables, decentralisation, European integration and digitalisation. Therefore, the group will focus on three areas. Firstly, we need to accelerate the development of our grid infrastructure. Secondly, we are developing a new market design and new solutions for system control to integrate increasing volumes of renewables into the system. Finally, we are supporting society and industry as it addresses its immediate need to decarbonise and electrify its processes.

OUR STRATEGY FOR PHASING OUT SF_6

SF_6 is a gas which has very high electrical insulating properties and is mainly used in switchgear. However, it also has a very high global warming potential. Recently, the group designed and approved a new asset policy that favours the use of alternatives to SF_6. In the long term, we will stop using SF_6 gas completely, in accordance with upcoming EU regulation. In the short term, we are confident that we will reach our target of reducing the use of SF_6 by 50% in all new assets built by 2030 (compared with SF_6 volumes which were initially planned).

Phasing out SF_6

50%

reduction in use of SF_6 in all new assets built before 2030 (compared with initial plans)

0.13%

leakage rate 2022

Industry is moving towards reaching carbon neutrality, but what about the group's own carbon footprint?

Catherine Vandenborre: As part of this, we are working on three different areas: reaching carbon neutrality in our system operations; reaching carbon neutrality in our own activities; and moving towards a carbon-neutral value chain. Our biggest carbon footprint comes from our grid losses. These are an inevitable part of power transmission and depend on factors such as the distance electricity has to be transported across, its current and voltage. It is our goal to reduce the CO_2 footprint of our grid losses by 28% by 2030. This is one of our science-based targets. However, in the short term, our CO_2 emissions will not reduce. Over the past year, for example, the carbon footprint of grid losses across the 50Hertz and Elia control zones increased.

Given the many RES records that were broken over the past few months, why is this?

Catherine Vandenborre: As a rule, as more RES are integrated into the system, the amount of CO_2 associated with our losses will decrease over time. In 2022, however, there was a short-term revival of coal because of the energy crisis; this means the CO_2 content of grid losses unfortunately increased last year, despite the new renewable energy production records that were reached. The energy crisis has made our target more challenging to reach. However, our focus remains on the integration of growing amounts of RES into the system to speed up decarbonisation; we are therefore confident that we will meet the long-term objective that we have set ourselves.

All the projects that we have discussed so far are about climate change mitigation; have you been addressing climate change adaptation?

Catherine Vandenborre: In 2021, the worst floods Belgium had seen in decades hit the Walloon region. During the flooding, some of our infrastructure was damaged. To adapt in line with such events, we have added an additional objective of increasing our climate resilience. As a system operator, we have an important responsibility towards society in terms of ensuring system security. That's why we want to increase the resilience of our assets in the face of extreme weather events like floods, heat waves and storms. As a part of this objective, we have professionalised our climate risk assessment by closely following the Task Force on Climate-Related Financial Disclosures framework.

The group decided to add an additional SDG to ActNow in 2022: SDG 14, 'Life Below Water'. What was the rationale behind this?

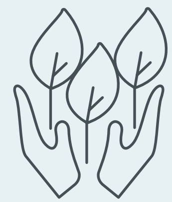
Catherine Vandenborre: Since our sector is evolving at such a rapid pace, we are also adapting our ActNow programme in line with new realities. Our seas are set to become the power hubs of the future, meaning we will build much more offshore infrastructure that will interact with marine environments. We are now placing more emphasis on developing our projects in order to strengthen biodiversity in the North and the Baltic Seas. A nice example of our work in this area is the Belgian Energy Island. As we design and construct the island, we are going beyond just minimising the impact of our activities on the marine ecosystem. We have adopted an approach called 'Nature Inclusive Design'. Along with a group of nature and conservation experts, we are currently working on designing the island in such a way that it will even have positive effects on flora and fauna and encourage habitats to flourish.

Have our ESG ratings improved since the introduction of ActNow?

Catherine Vandenborre: We have several ESG ratings. Each demonstrates that our work has been worthwhile, since they have all improved over the past few years. That's good news for us and for society as a whole. By embedding ActNow into our business strategy, we are reducing our exposure to risk, we are becoming more resilient and we are able to grow and continue to create value for society and our shareholders.

2040

CARBON NEUTRALITY IN SYSTEM OPERATIONS BY 2040



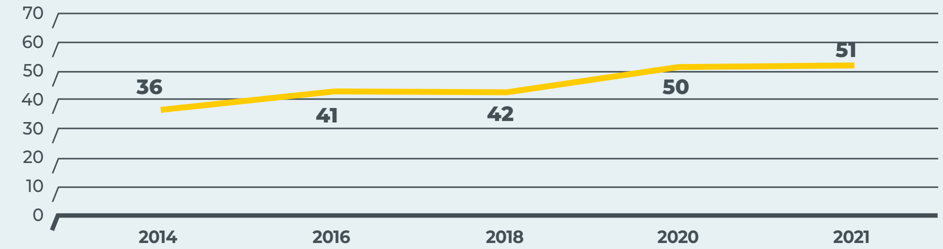
GRID LOSSES EMISSIONS REDUCTION TARGET

-28%

by 2030

ESG AT THE HEART OF STRATEGY, AS RECOGNISED BY STRONG ESG RATINGS

Vigeo Eiris is a subsidiary of Moody's

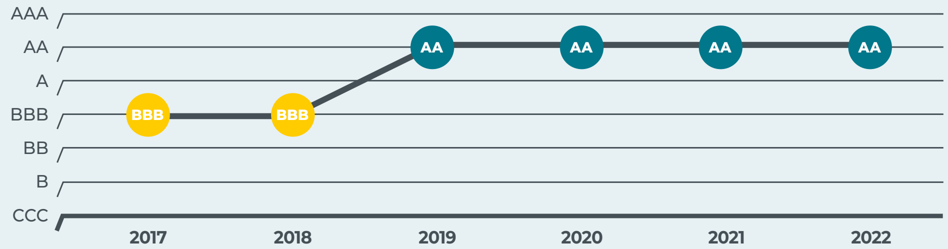


ADVANCED
ROBUST
LIMITED
WEAK

Score

51
ROBUST
2022
Scale 1 to 100
Elia Group

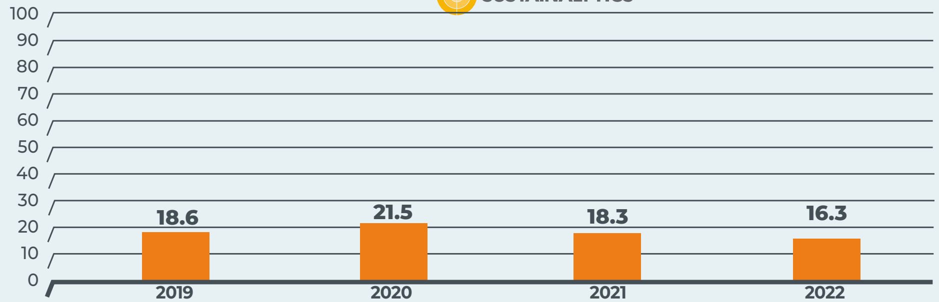
MSCI



LEADER

AA
LEADER
2022
Scale CCC to AAA
Elia Group

SUSTAINALYTICS



HIGH
MEDIUM
LOW

16.3
LOW RISK
2022
Scale 100 to 1
Elia Group

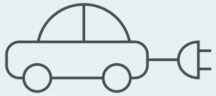
EMISSIONS RELATED TO MOBILITY

From May 2021 to October 2022, we managed to reduce our mobility-related emissions by 25%. This is good progress, given that we have set ourselves the target of reducing them by 90% by 2030 (compared with 2019). The average amount of emissions linked to our pool cars is slowly reducing. 2020 was, of course, an exceptional year due to COVID-19. The number of cars we have went up, since our company is being expanded. Despite this, we consume less diesel and we have more electric and hybrid cars in our fleet.

In addition to electrifying our fleet, we want to highlight two initiatives that aim to reduce these emissions even further: the introduction of a mobility budget in Belgium and the introduction of our bike leasing programme in Germany.

On top of that, we are also decreasing the emissions related to our activities at sea. This involves moving towards using sustainable aviation fuel for the helicopters that fly our staff to offshore assets in Belgium and using a hybrid crew transfer vessel in Germany which is powered by green hydrogen.

Carbon neutrality in own activities by 2030



90%

reduction in emissions linked to mobility by 2030

GREEN PROCUREMENT

Beyond reducing the carbon footprint of our own activities, our next objective is to move towards a carbon-neutral value chain for new assets and construction work ('Scope 3' emissions). Our focus on this area is quite new. We are currently developing a CO_2 accounting platform to increase our data maturity.

Green procurement is carried out in close collaboration with our suppliers. In the future, we will track the improvements that our suppliers are applying to their designs, production methods and project execution methods. Precise data will allow us to steer our focus on reduction in an effective way and concentrate on those actions with the biggest potential impact.

We have already embedded an internal carbon price into various public tenders for electrical equipment and use it to take important internal business decisions. The company wants to fully integrate an internal carbon price into its business processes by 2023.

5.3 FOSTERING STAKEHOLDER INTERACTIONS

We interact with the stakeholders outlined in Figure 4 on a regular basis, forming transparent and effective relationships with each. As outlined in Figure 5, they inform our business activities in multiple ways: their feedback is incorporated into our daily work and their needs and interests are gathered as part of the identification of material topics for the group (see page 44). Both feedback from our wider stakeholder group and our materiality matrix are fed into our annual strategic cycle (see page 34).

Figure 4

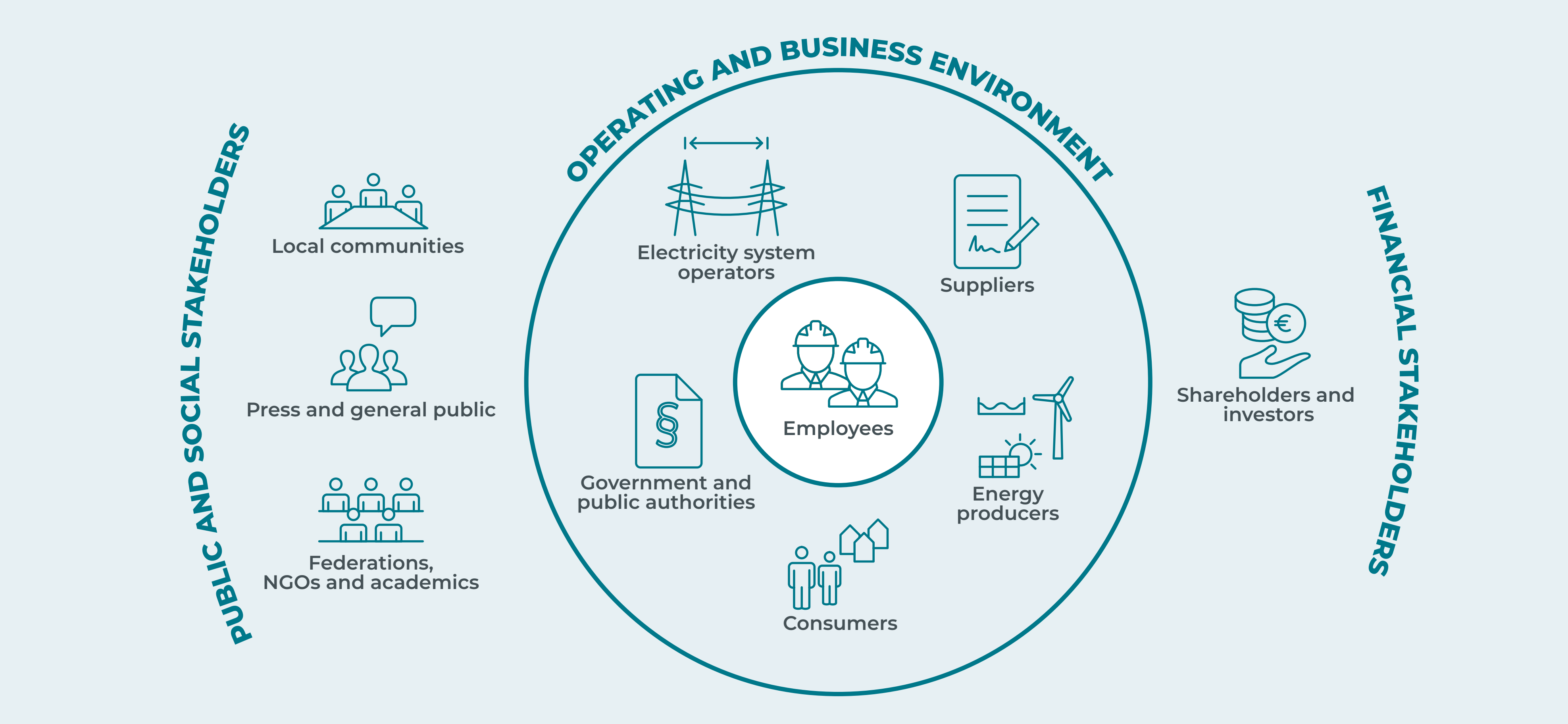


Figure 5

STAKEHOLDER GROUPS	WHY WE INTERACT	HOW WE INTERACT		HOW OUR PERFORMANCE IS IMPACTED BY THESE INTERACTIONS	KEY EXAMPLES FROM 2022
		METHODS	FREQUENCY		
Consumers	• To ensure our operating practices are open and transparent and meet consumer needs • To unlock additional flexibility in the system	• Consumer surveys • Working groups • Project-specific meetings	• Daily with direct customers • 1-2 times per year during conferences and information sessions	• Understanding future consumer needs means our activities can meet these early on, so contributing to socioeconomic prosperity and enhancing our reputation • Unlocking flexibility in the system supports the balancing of the grid	'Powering Industry Towards Net Zero' study (see page 61)
Electricity system operators	• To safeguard system stability by aligning our activities with those of neighbouring DSOs and TSOs • To develop joint solutions for the (European) grid, system and market as electrification spreads	• Direct contact through control and regional centres • Working groups for TSOs/DSOs • Information sessions • Conferences and events	• Daily through system operations staff • Regular working groups • 1-2 times per year during main events	• The stability of our grid is maintained in real time around the clock • Our system operations activities are enhanced, particularly given the increasing amounts of RES (see page 75)	Extension of the flow-based market coupling mechanism (see page 17)
Energy producers	• To facilitate security of supply, maintain system reliability and coordinate the provision of system services • To connect RES to the grid	• Direct contact through national and regional control centres • Working groups • Information sessions • Conferences and events	• Daily through system operations staff • 1-2 times per year during main events	• The stability of our grid is maintained in real time around the clock	System services
Shareholders and investors	• To deliver the necessary infrastructure for a successful energy transition • To secure the future growth and expansion of the group	• External publications • Events	• Regularly through Investor Relations Team • At regular intervals, in line with external publication dates (i.e. quarterly, yearly) • 1-2 times per year during main events	• We secure the financing we need to carry out our activities and projects	2022 full-year results
Employees	• To strengthen cohesion, creativity and cooperation and enhance our effectiveness • To foster a shared sense of purpose and ensure the importance of our role in the energy transition is understood	• Performance management and training sessions • Internal communication campaigns • Internal events	• Daily	• Our staff share a strong sense of purpose, enhancing our work • Our staff are committed to our activities and business, contributing to the success of our work	2022 Safety Week
Suppliers	• To ensure we have access to high-quality materials, tools and services at affordable prices • To meet our future needs for new materials and tools	• Ad hoc and direct contact, including through tenders and contracts • Meetings • Publications	• Regularly through procurement and project teams	• We have access to the technology and tools we need at the time we need them at affordable prices • The sustainability of our value chain is enhanced	The 'Greener Choice' letter (see page 174)

STAKEHOLDER GROUPS	WHY WE INTERACT	HOW WE INTERACT		HOW OUR PERFORMANCE IS IMPACTED BY THESE INTERACTIONS	KEY EXAMPLES FROM 2022
		METHODS	FREQUENCY		
Governments and public authorities	• To align our activities with government policy and act as a trusted advisor for policy makers • To ensure regulatory frameworks deliver value for end consumers and a fair return for our investors	• Meetings with regulatory authorities and policymakers • Publications and studies	• Frequent	• We provide governments and regulatory authorities with trusted advice and research related to decarbonisation and the energy system, supporting them to take decisions about areas like security of supply	Elia's 2024-2034 Federal Development Plan (see page 58)
Press and general public	•To maintain alignment with the interests of society and provide updates on our progress • To inform public debate about the best methods for reaching net zero	• Press conferences and site visits • External publications • Digital channels	• Daily contact with press via direct with external communications team or digital channels • Regular publications	• The general public is kept informed of our work and its importance for the energy transition, securing their commitment to our activities, so increasing our reputation	Elia Group's press releases
Federations, NGOs and academics	• To ensure our research is as rigorous as possible and share and test innovative technology and approaches • To minimise any negative impacts of our activities	• Membership organisations and associated meetings • Specific projects	• Daily contact during specific projects • Monthly or quarterly membership or partnership meetings	• The negative impacts of our projects (for example, on the environment) are minimised • Our activities are enhanced through innovation	Launch of Elia's Academic Board in Belgium (see page 82)
Local communities	• To design our projects with the needs and interests of local communities in mind • To keep local communities informed of the status of our projects and their relevance for the energy transition	• In-person and virtual information and consultation sessions during projects • Dedicated project websites and external publications	• Regularly through project communication teams	• Feedback from communities impacted by our projects is taken into account as we carry out our activities • Regular interactions with local communities ensure they understand how our activities are linked to decarbonisation, so securing their commitment to our mission	Elia project webpage 50Hertz project webpage

5.3.1 DOUBLE MATERIALITY MATRIX

GRI 3-1, GRI 3-2

Throughout 2022, we worked on updating our double materiality matrix, screening our TSO activities in Germany and Belgium as we did so.

The process and methodology that we used were aligned with the guiding principles of the GRI 2021 standards. In line with these, companies are expected to identify the topics which are relevant both for their business and for their stakeholders. These topics were then ranked in accordance with two dimensions:

- 'financial' ('outside in': the extent to which the company's financial value can be influenced by the risks and opportunities linked to a topic);
- 'impact' ('inside out': effect of the company on the environment, people and society).

The Elia group's 2022 double materiality matrix can be found in Figure 6.

THE PROCESS

The material topics that were assessed and ranked were identified based on the following:

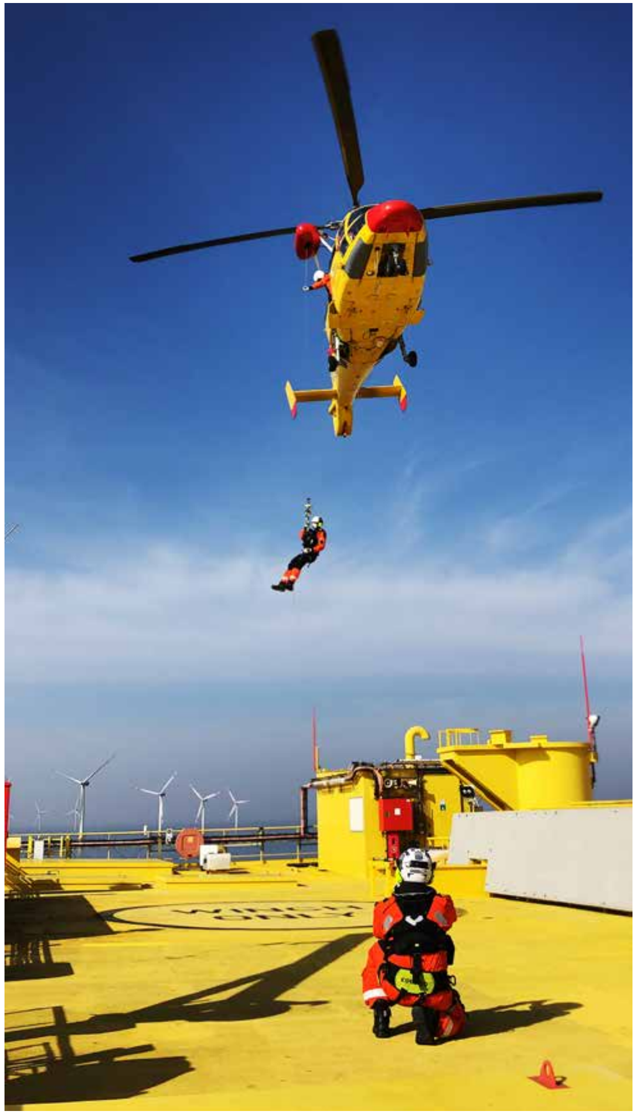
- the group's 2021 materiality exercise;
- the GRI Sector Standards for Electric Utilities;
- the standards published by the Sustainability Accounting Standards Board (SASB);
- benchmarking exercises which included analysing data from our peers.

The material topics refer to risks, opportunities and outcomes attributable to our value chain beyond the financial reporting entity and that are relevant from an <IR> perspective because they have a significant effect over our ability to create value over time.

The stakeholders involved were selected from the categories mentioned in Figure 4. Their views and feedback were collected through specific materiality interviews and surveys. The group's senior management also contributed to the exercise as part of the 'employees' stakeholder category.

The project team was supported by external expertise, which relied on guidance from the CSRD. We correctly anticipated that the double materiality matrix would serve as the basis for reporting in line with the disclosure requirements from the European Sustainability Reporting Standards (ESRS). The whole process was overseen by the Group Sustainability Office.

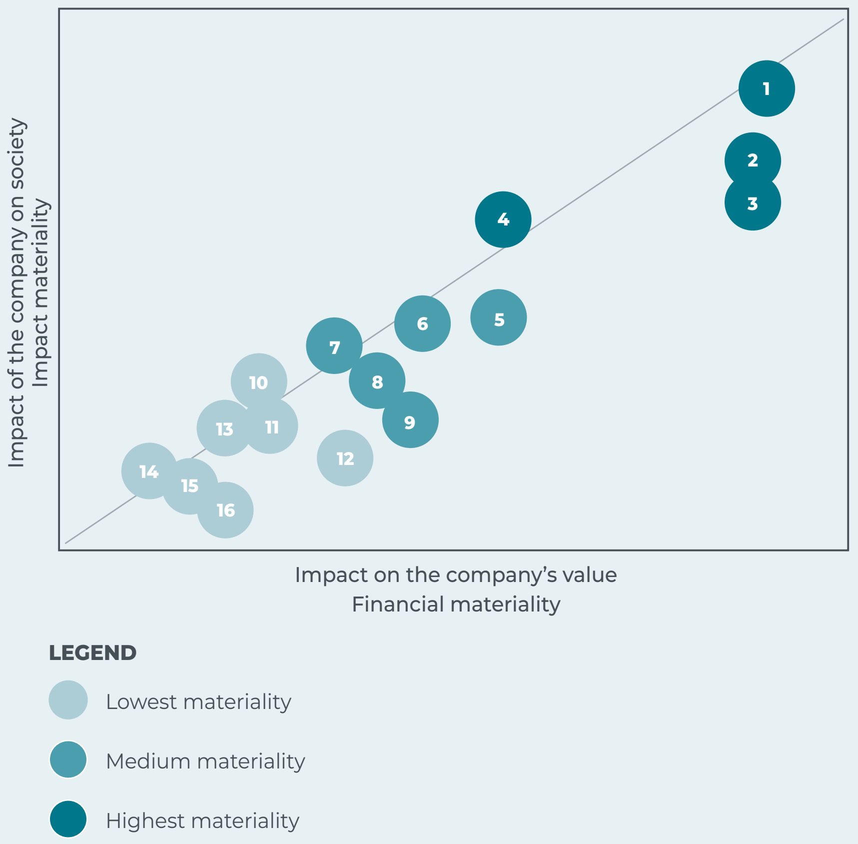
Working groups involving stakeholders from Belgium and Germany are planned throughout 2023; these will provide further insights into the identified material topics.



DOUBLE MATERIALITY MATRIX

Figure 6

THE COMBINATION OF IMPACT AND FINANCIAL MATERIALITY LEADS TO A CONSOLIDATED SCORE AND RANKING



Ranking	Topic	Definition
1	Security of supply	Keeping the lights on around the clock
2	Safe and reliable infrastructure	Delivering and operating safe & reliable transmission grid infrastructure
3	Sustainable energy system	Building and operating the infrastructure needed to decarbonise our society
4	Affordable energy system	Promoting a cost-effective integration into the EU energy market
5	Security of information and IT systems	Ensuring the privacy of our customer data and the security of our IT infrastructure
6	Decarbonisation	Running our operations in a carbon-neutral way and facilitating this up and downstream (incl. carbon and SF_6 emissions)
7	Preserving our ecosystems	Preserving ecosystems (land, biodiversity (fauna & flora), water) surrounding our infrastructure
8	Employee health, safety and wellbeing	Providing a safe & healthy work environment for all staff
9	Talent acquisition and development	Finding new talents and providing training & development opportunities for all staff
10	Transparent and open communication with stakeholders	Engaging proactively with stakeholders from the very start of our infrastructure projects & providing useful information to all stakeholders
11	Community development & engagement	Putting our knowledge and resources to the benefit of communities in need (energy affordability and accessibility) and engaging in transparent, clear and constructive dialogue with our stakeholders
12	Resilient supply chain practices	Securing resilient supplier relationsand preventing possible supply chain disruption
13	Responsible governance practices	Running our daily activities in a responsible and ethical way
14	Minimising waste and promoting circularity	Preserving resources by minimising waste and promoting circular practices
15	Sustainable supply chain practices	Translating our ethical and sustainable principles into the procurement process
16	Diverse and inclusive workforce	Offering an inclusive and supportive work environment for all staff

BRIEF OVERVIEW OF RESULTS

- Each topic was assigned a score for its financial and impact dimensions. These scores were then added together, resulting in a 'consolidated score' (representing their average) for each topic. This final score served as the basis from which each topic was ranked in overall importance.
- The four topics ranked highest are the group's core material topics; they are related to security of supply, grid reliability and a sustainable and affordable energy system and are closely linked to the Elia group's three pillars of growth and mission.
- The following five topics (ranked 5 through to 9) are highly important for the business and our stakeholders as enablers of the group's strategy.
- The topics ranked 10 through to 16 remain important as part of our commitment to being a sustainable company.

1. Security of supply

Elia and 50Hertz operate high-voltage and extra-high-voltage infrastructure that supplies power to around 30 million end users across Belgium and Germany. We monitor the electricity system in real time, maintaining the balance between supply and demand across our control areas on a continuous basis. We are upgrading and developing our on- and offshore grid to allow increasing amounts of RES to be integrated into Belgian and German systems as each country works towards net zero. We also make recommendations for a suitable electricity market design to accompany these changes, through publications such as our Consumer-Centric Market Design. The Belgian and German governments rely on the sound research we publish when taking decisions about each country's long-term security of supply. Geopolitical events and European energy targets have a strong impact on their decisions.

2. Safe and reliable infrastructure (grid reliability)

We operate and maintain the transmission grid in a safe, reliable, sustainable and efficient manner, so that it fulfils the needs of our users. Staff in our regional sites in Belgium and Germany secure the highest possible level of grid availability and reliability for energy consumers and producers through the constant monitoring and maintenance of our overhead lines, underground cables, substations, interconnectors, subsea cables and offshore assets. They track and manage these assets, their performance, associated risks and costs throughout their lifecycles - and do so employing cutting edge technology and innovative tools. Increasingly severe and frequent weather events linked to climate change are having an impact on our infrastructure. We are therefore increasing the resilience of our assets in light of this.

We prioritise infrastructure projects by considering the current status of our assets and future needs. We undertake regular surveys and discussions with local and regional stakeholders throughout the project design and construction phases to identify the best possible solutions related to technology, routing and integration into the surrounding landscape. We also interact with public authorities, political parties, local citizens, civil society and customers directly connected to our grid. A wide range of different means is used to ensure the encouragement of public participation and feedback.

3. Sustainable energy system

This covers two areas, as outlined in ActNow, our ESG programme. Firstly, we are driving the decarbonisation of the Belgian and German electricity systems through the integration of increasing amounts of RES into our grid. Secondly, we are making our operational processes and assets more energy efficient and construct new assets by taking the impact they have on people and the environment into account. From a climate perspective, grid losses from our lines and cables are the most significant source of our carbon (CO_2) emissions. They are an inevitable and inherent part of electricity transmission and we are constantly and actively monitoring them. Losses depend on factors such as the distance electricity has to be transported across, its current, and voltage. As higher amounts of RES are integrated into the system, the amount of CO_2 emissions associated with grid losses will decrease over time. Furthermore, we have an SF_6 phase-out plan in place and we track SF_6 leakages against specific targets.

4. Affordable energy system

We are contributing to the establishment of an affordable energy system, since we are reducing Belgium and Germany's dependence on fossil fuels by connecting increasing amounts of RES to our grid and building interconnectors with neighbours from across Europe. The latter help to balance out price differences between markets. We also make recommendations for a suitable electricity market design which will encourage providers of flexibility to participate in the market, so furthering the integration of renewable energy into the system.

An extensive analysis of our 2022 material topics can be found in the 2022 Sustainability Report. Risks and opportunities linked to these topics are included in the chapter entitled '**Features of the group's internal control and risk management systems**'.

INTERVIEW WITH PETER MICHIELS

THE BEST STAFF RETENTION POLICY IS TO OFFER OUR PEOPLE PERSPECTIVE

Peter Michiels, Chief Alignment Officer (CAO) at Elia Group, explains how the group's new leadership model and training opportunities will ensure staff have the right skills to navigate future challenges and enable the organisation to grow.

Elia Group is introducing a new leadership model. Have our Make A Difference behaviours become obsolete?

Peter Michiels: Our six behaviours remain very relevant, but we are now framing them within a broader perspective. We are becoming active in new areas such as offshore development and consumer centricity. We are also looking for opportunities in new regions across the globe. We want to be a high-quality company - one in which all members of staff are leaders of their own portfolio of activities and tasks. We also expect staff who aren't people managers to demonstrate leadership within their day-to-day activities, project structures, collaborations or ecosystems with external parties. That's why, over the past two years, we have been working hard on the development of a new leadership model. We started by rolling the model out across our board, senior management levels and with our people managers and now want to roll it out across the entire organisation.

Are you able to hire people with the right skills and experience?

Peter Michiels: The logistics chain is scaling up. We're looking for a large number of new employees, meaning we can't expect to find many people who already meet 95% percent of the criteria we're hoping they will fulfil. New employees often join us without having any specific knowledge about our sector. We are therefore reviewing the training and on-the-job learning opportunities we offer to new hires. Mentoring is also becoming important. We have a lot of experts who are in the final stages of their professional careers and it's crucial that their knowledge and expertise is shared with their colleagues.

How do you locate tomorrow's talent in a market that is already stretched?

Peter Michiels: It helps that we have a strong company brand both in Belgium and Germany. We are also working on interesting projects that have a strong impact on society. This allows us to attract strong candidates in the area of offshore development (for example). However, it's not just about recruitment. We are reviewing the entire staff onboarding process. In the past, new employees took part in a welcome day and were taken care of by their individual departments. This no longer works. We are a growing company, meaning that the number of people who need mentoring is also growing. We've also adopted more of a hybrid model of working since the COVID-19 pandemic. The way staff are building internal networks, finding their way around the company and establishing roots is changing. If companies are not careful, they run the risk of losing new staff even though they put a lot of effort into bringing them on board. Our onboarding process starts before people even start their first day with us.

> **THE PANDEMIC TAUGHT US THAT PEOPLE DON'T HAVE TO BE IN ONE LOCATION EVERY DAY TO FORM COHESIVE TEAMS WITH THEIR COLLEAGUES.**

How do you identify talent?

Peter Michiels: We want to diversify our workforce. We need people who want to become managers. Others are stronger at leading complex projects. Our top experts know a lot about very specific areas. You have to clearly separate these three groups. In the past, discussions about talented staff too often centred on how to support them into leadership positions. Now, we'd rather keep our strong staff in areas where they add a lot of value. We'll therefore avoid turning our experts into mediocre managers. This is definitely on our list of priorities for 2023.

What about the group's retention policy?

Peter Michiels: It's no longer possible to assume that someone who starts with us today will stay with us for 40 years. In my opinion, the best retention policy is to offer our people perspective. Our ambition is to maximise the use of our internal staff in a versatile way. Our people are given every opportunity to develop in order to keep up with changing times - but no-one is forced to do this.

Has COVID-19 changed the group's recruitment policy?

Peter Michiels: The pandemic taught us that people don't have to be in one location every day to form cohesive teams with their colleagues. Our new affiliate, WindGrid, is a case in point. We have spent the last year assembling a team with Irish, Danish, British, French, German and Belgian staff. As we operate in new areas across the world, not everyone is eager to pack their suitcase and move somewhere new. In areas such as offshore development and digitalisation, we are moving towards one common language: English. For an organisation that owns Belgian and German subsidiaries, this is creating more diversity, allowing us to broaden our talent base.

SPRINTS

Does it still make sense to have annual performance goals in an industry that is evolving at such a rapid pace?

Peter Michiels: As part of our digital transformation, we are working in sprints rather than the usual 12-month cycles. It therefore makes more sense to work out a new performance system, as part of which goals are set on a more frequent basis. Teams which are already evolving into 'product teams' will move to adopting this model more quickly. The rest of the organisation will take a little longer to do so. It's true that changes are happening so fast that something that was relevant in January might become obsolete by December.

> **IN THE PAST, DISCUSSIONS ABOUT TALENTED STAFF TOO OFTEN CENTRED ON HOW TO SUPPORT THEM INTO LEADERSHIP POSITIONS.**

ELIA GROUP'S 'MAKE A DIFFERENCE' BEHAVIOURS

FEEDBACK

ONE VOICE

ONE COMPANY

SIMPLIFICATION

CO-CREATING THE FUTURE

IMPACT

INTERVIEW WITH MICHAEL VON ROEDER

MANAGING COMPLEXITY THROUGH DIGITALISATION

In 2022, the group established its Digital Transformation Office (see page 89). Michael von Roeder, Elia Group's Chief Digital Officer (CDO), explains why digitalisation is key for the group's future.

As a system operator, we are accelerating the expansion of our grid to integrate increasing amounts of renewable electricity into the system. At the same time, we are coping with increasing electrification on the demand side (both from industry and households). How will Elia Group's development into a 'digital TSO' help with this?

Michael von Roeder: By building the Elia Digital Platform, we have set out to create a future-proof technological foundation for the Elia group as a digital TSO. That will enable us to respond to system changes much more flexibly and quickly.

Does increased digitalisation mean the organisation is facing a higher risk of cyber-attacks?

Michael von Roeder: IT security has always been of great importance for us as we operate critical infrastructure. Of course, our awareness of the area has increased in recent months and all employees are keenly alert to it. The switch to our new platform structure is a major step forward in this area, as it is linked to a zero trust infrastructure that further increases the security of our IT systems. In addition, we are laying the foundations for an open, interoperable and secure European energy system.

> **THE MODULAR CONTROL CENTER SYSTEM WILL BE USED AS THE 'BRAIN OF RENEWABLE INTEGRATION' IN SYSTEM MANAGEMENT.**

A key project for the group is the Modular Control Center System (MCCS). Where do we stand with this?

Michael von Roeder: As a digital grid control system, the MCCS will be used as the 'brain of renewable integration' in system management. The project was launched almost three years ago, and we are making good progress on its development. In 2022, our system management colleagues were able to monitor all 50Hertz substations with real-time data via the MCCS.

Other TSOs might find it just as useful!

Michael von Roeder: Indeed! We are working with partners from across the energy sector via a digital ecosystem to create an infrastructure which other TSOs or DSOs can build on. One thing is for sure: we can only master a massive task like the energy transition by working in partnership with others. The fact that we are receiving almost daily inquiries about the MCCS from other TSOs around the world reinforces our approach.

The Elia group is also open to external ideas and partners which it fosters through events such as the Open Innovation Challenge and hackathon - why is this so crucial?

Michael von Roeder: Through our Open Innovation Challenge and hackathon, we are shedding a whole new light on the challenges we are facing via ideas from start-ups and students; at the same time, we are increasing our visibility amongst people who might become future employees. Although our staff and company carry a strong and important sense of purpose, we are not known as an employer with a lot of potential when it comes to digital ideas.

What about new ideas coming from current employees?

Michael von Roeder: Everyone can participate in shaping our future as a digital TSO. Via our own incubator, The Nest, we offer employees the support they need to turn their ideas into prototypes. Last year alone, 20 ideas were submitted to The Nest. We have already been able to develop successful projects from some of these. At the same time, our digital experts are working with selected departments on five key projects, known as Moonshots, to advance sustainable innovations in our core areas of asset management, infrastructure, system operations, offshore development and consumer centricity.

The next important step is to industrialise those prototypes which have the potential to help digitalise our core tasks, be this in terms of building the grid, operating the system or optimising the operation of our support processes like HR, finance or procurement

> **WE OFFER EMPLOYEES THE SUPPORT THEY NEED TO TURN THEIR IDEAS INTO PROTOTYPES.**

IN SHORT

- **The Elia group has four core societal tasks: grid management, system operations, market facilitation, and trusteeship**
- **It relies on six 'capitals' to perform its eight activities and deliver on its strategy, so creating a positive impact on society**

6 OUR BUSINESS MODEL

6.1 OUR BUSINESS

OUR CORE SOCIETAL TASKS

Our subsidiaries in Belgium (Elia) and the north and east of Germany (50Hertz) operate 19,349 km of high-voltage connections, in line with their legal responsibilities as regulated businesses. Through them, we ensure that production and consumption are balanced around the clock in order to supply around 30 million people with electricity. We achieve this by ensuring that our grid maintenance and expansion investments are made on time and within budget, with a maximum focus on safety. We establish two-way communication channels with all interested stakeholders very early on in the development process and offer up our expertise to partners from across the energy sector. Moreover, in order to successfully manage and shape an increasingly complex energy system, we develop innovative system and market-related solutions to facilitate the rapid integration of intermittent renewable energy and other decentralised generation sources into our grid. This includes the construction and operation of interconnectors and encouraging the role of new market players and technologies.

Our core societal tasks - or regulated activities - are outlined below. An explanation of how seven of our eight business activities (see page 56) map onto these core tasks is included in each description. Note that our 'Business Facilitators' (page 88) are a transversal activity that enables all others to be undertaken.

GRID MANAGEMENT

We plan, build and maintain our transmission grid in accordance with society's long-term needs. We invest heavily in the integration of RES, the development of a meshed offshore grid and the construction of interconnectors to facilitate the integration of the European energy market. This task comprises the business activities of 'System Planning' (page 56), 'Infrastructure Design and Construction' (page 64) and 'Grid Operations and Maintenance' (page 70).

MARKET FACILITATION

As market facilitators, Elia and 50Hertz have ultimate responsibility for ensuring that the balance between demand and supply is maintained across their control areas. We do this by employing flexibility that is provided by balancing service providers (BSPs) and, when the need arises, by procuring ancillary services. See page 79 for more information.

SYSTEM OPERATIONS

We monitor the electricity system in real time, maintaining the balance between supply and demand across our control areas on a continuous basis. This requires specialist knowledge, close working with local and national partners, and the use of sophisticated tools and processes. See page 75 for more information.

TRUSTEESHIP

The German and Belgian legislators have transferred the responsibility for coordinating and processing legal levy systems that promote environmentally friendly technologies to the TSOs in their respective countries. Elia and 50Hertz therefore act as trustees, collecting levies from consumers in Belgium and Germany and playing an important organisational role in the remuneration of green energy producers. See page 83 for more information.

OUR GRID AND ASSETS

Our electricity transmission grid forms the backbone of a successful energy transition. The voltage range of our grid is 30 kV to 380 kV in Belgium and 150 kV to 400 kV in Germany. It includes onshore and offshore installations and both AC and DC lines.

CHARACTERISTICS OF OUR GRID

1. Alternating current and direct current

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

2. Electricity connections: underground cables and overhead lines

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

3. Interconnected European electricity system

We build interconnectors with our neighbours and, increasingly, with countries further afield from across the continent, so facilitating the sharing of renewable energy amongst Member States. Our portfolio includes the KONTEK subsea cable (1995), which links Germany with Denmark; the ALEGrO interconnector (2020), which links Belgium and Germany; the Kriegers Flak Combined Grid Solution (2020), the world's first hybrid offshore interconnector which links wind farms in the Baltic Sea to the Danish and German grids; and Nemo Link (2019), an interconnector which stretches between Great Britain and Belgium. We have an ambitious investment plan and are currently working on a number of additional projects that will further the offshore European grid, as outlined in Figure 7.

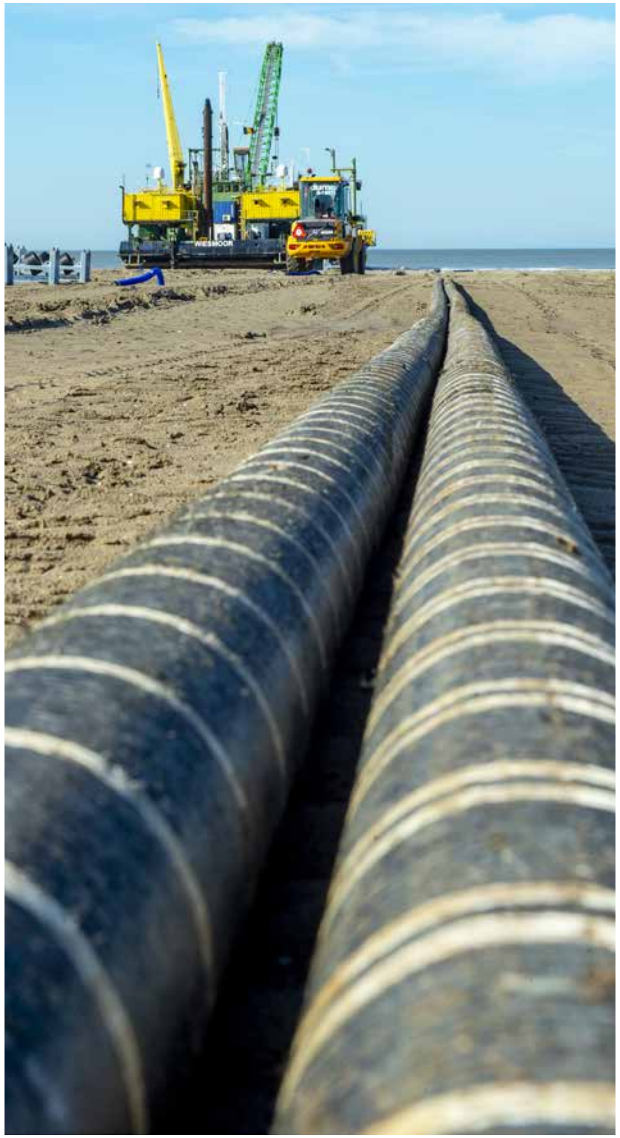
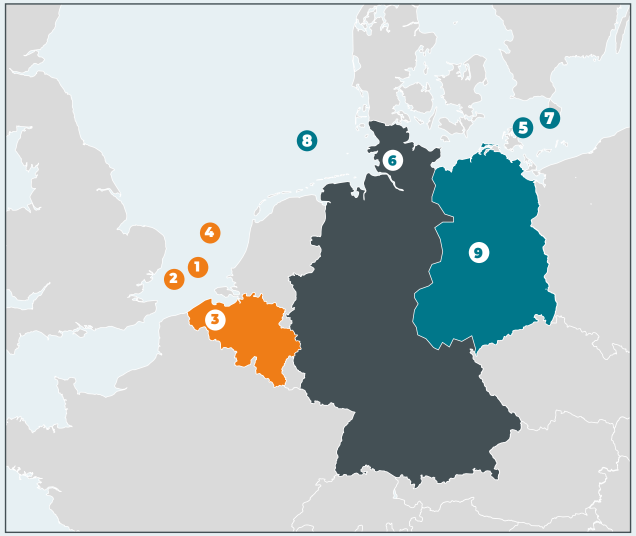


FIGURE 7: OUR KEY PROJECTS



5. Offshore projects Ostwind 2, 3, 4 and OST-6-1: These projects will link different offshore wind farms in the Baltic Sea to 50Hertz's onshore transmission grid. They are due to be commissioned in 2023/4, 2026 and subsequent years in the lead-up to 2030 (Ost-6-1).

6. DC Hub in Heide: 50Hertz and its Dutch-German counterpart TenneT are working on this joint multi-terminal hub to facilitate the transmission of wind power from the North Sea to the German power grid; it will include a DC line to the area of Klein Rogahn close to Schwerin in Mecklenburg-Pomerania. The Heide Hub will provide power to the German grid by 2030.

7. Bornholm Energy Island: Together, 50Hertz and Energinet are working on the development of a hybrid interconnector that will link Denmark and Germany.

8. LanWin3: This project involves 50Hertz building its first direct connection to offshore wind power in the North Sea. It is due to be commissioned by 2030.

9. HVDC corridors - SuedOstLink & SuedOstLink+: the SuedOstLink will transport renewable energy from the north and east of Germany to load centres in the south of the country. The SuedOstLink+ project will double the capacity of the SuedOstLink and NordOstLink route by extending the latter in the north. The NordOstLink will mainly bring on- and offshore wind electricity from the Western shores of Schleswig-Holstein to the northeast of Germany.

1. Princess Elisabeth Island: The energy island will be the world's first artificial offshore electricity hub that will include links both to new offshore wind farms and HVDC interconnectors with other countries, including Nautilus and TritonLink. Construction of the island is due to begin in 2024, whilst the final pieces of electrical infrastructure on the island are due to be commissioned by 2030.

2. Nautilus: This subsea hybrid interconnector will be the second interconnector to link the Belgium and the UK; it is likely to be commissioned in 2030.

3. Ventilus and Boucle du Hainaut: These two projects are essential for the reinforcement of the internal backbone of the Belgian onshore grid. They will ensure Belgium's security of supply and enable wind energy generated in the North Sea to be integrated into the system. Both projects are due to be finished between 2028 and 2030.

4. Triton Link: Elia and its Danish counterpart, Energinet, are exploring plans to build what could be a world first: a subsea connection that will link up two artificial energy islands. This will enable the exchange of power between Belgium and Denmark and allow electricity from offshore wind farms to be transported to their respective onshore grids. The interconnector is due to take four years to build and is likely to be commissioned around 2030.


This is a mock-up.

6.2 OUR BUSINESS MODEL

The capitals we rely on

SOCIETY & RELATIONSHIPS
- Information from peers, partners and networks about energy flows within and across borders
- Community interactions at early stages of our grid projects
- Knowledge and expertise from peers, academia and partners through networks and associations

7 group association memberships

EMPLOYEES & SUBCONTRACTORS
- Expertise in a wide range of areas, from grid development through to legal and regulatory environments
- Diverse workforce gives us strength and ensures innovation

3127 employees (headcount based)

ASSETS
- Onshore and offshore assets, including lines, cables, substations and interconnectors
- Construction tools, heavy machinery and digital devices
- Business, industrial and storage sites

19,349 km of lines and 886 substations

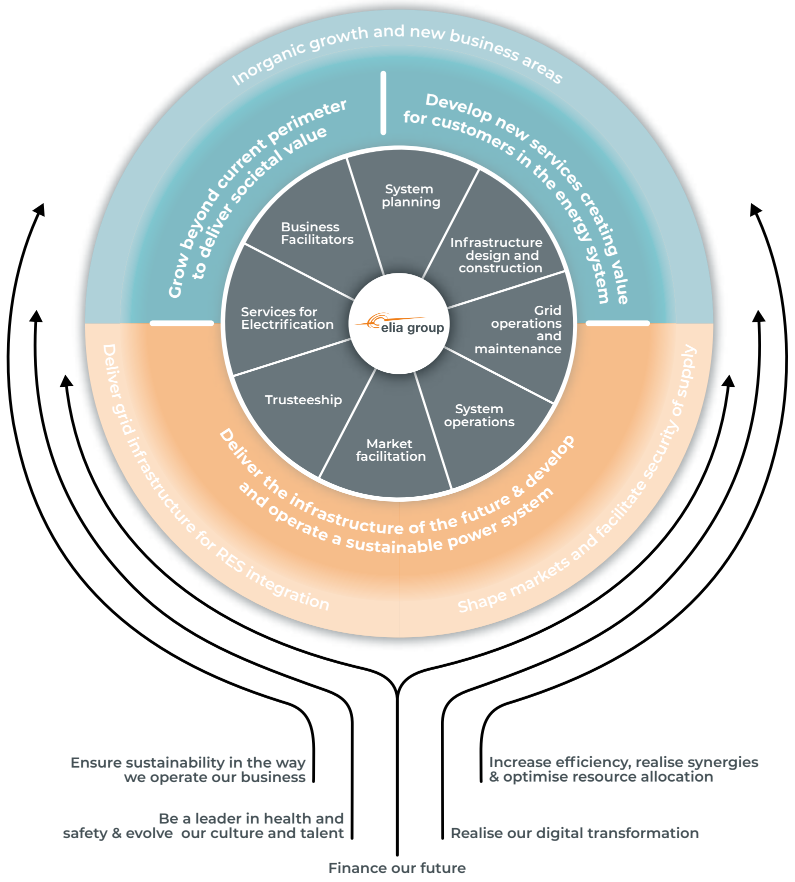
ENVIRONMENTAL
- Natural landscapes, fauna and flora
- We draw on raw materials like copper and steel throughout asset lifecycles

INTELLECTUAL
- TSO licenses
- Knowledge about the energy sector, past studies and research

FINANCIAL
- Revenues from DSOs, clients who are directly connected to our grid, energy traders, end consumers and third parties
- Financing means through shareholders, investors and financial institutions

€590.1 million equity raised

... to perform our activities and deliver on our strategy



* Value creation and erosion are <IR> concepts that indicate positive or negative impacts on the capitals. Note that these concepts are not evaluations of our performance, nor the year on year changes in the indicators.

(+) value created

(-) value eroded

and create impact for society

SOCIETY & RELATIONSHIPS
- Keeping the lights on around the clock, providing society with a reliable electricity supply
- Strengthened brand reputation, which reinforces our partnerships

16.3 Sustainalytics ESG risk score (+)

EMPLOYEES & SUBCONTRACTORS
- The skills and knowledge of our staff and subcontractors are enhanced
- A corporate culture focused on performance, well-being, and health and safety

4.6% Total Recordable Injury Rate (TRIR) for own staff (-)
22.9% Women in total workforce (+)

ASSETS
- Our grid and assets are made more resilient, efficient and sustainable

3347 MW connected offshore generation capacity (+)
324 km length of lines commissioned (+)

ENVIRONMENTAL
- Biodiversity aspects are addressed through mitigation and compensation measures
- We measure and are working on reducing our corporate climate impact

1,219,918 tCO_2 eq total scope 1 and scope 2 (-)
4,718 ha forested areas managed through ecological aisles (-)

INTELLECTUAL
- Knowledge and expertise that is acquired as a result of business experience, trainings and network collaboration is shared across the whole of the organisation

3 vision papers (+)

FINANCIAL
- Socioeconomic prosperity is generated for local communities
- The returns we make are reinvested to increase our financial strength

7.52% RoE (adj.) (+)
€1.53 billion grid investments (+)

6.3 THE RESOURCES WE RELY ON

Known as the 'capitals' under the <IR> Framework (see 'Glossary'), we rely on the following six resources to undertake our activities.

SOCIETY AND RELATIONSHIPS

We foster close interactions with society, engaging with our stakeholders (see page 41) on a regular basis. Examples of input we rely on include:

- near-constant updates and information related to energy flows within and across borders, in order to safeguard grid availability and system security;
- future electricity needs and socioeconomic changes, to plan out, design and deliver an electricity grid that is fit for purpose;
- knowledge and expertise, to help shape our studies, research papers and grid development practices;
- local needs and expectations, to design and build our grid in line with the interests of society.

EMPLOYEES AND SUBCONTRACTORS

Our skilled workforce, alongside the subcontractors we hire, carry crucial knowledge and expertise in a wide range of areas, such as:

- the legal and regulatory environments we work in;
- the social, political and technological trends that shape society and so our place within it;
- (European) energy markets;
- financial, risk and project management, including sound health and safety procedures;
- cutting-edge technologies and digital tools;
- stakeholder engagement.

ASSETS

We source and use the following manufactured assets:

- electricity assets and infrastructure, including our grid, substations, lines and cables;
- technology, from heavy machinery through to digital devices;
- business, industrial and storage buildings and sites;
- construction tools and equipment;
- public infrastructure and private facilities such as waste treatment plants.

ENVIRONMENTAL

As we design and build our grid assets, we use the following natural resources:

- raw materials, including water, minerals, metals, gases, and wood;
- landscapes and habitats, including farmland, forests and marine environments.

INTELLECTUAL

The collective intellectual capital that our organisation holds includes:

- our TSO licenses, which give us the mandate to operate in Belgium and Germany;
- our past studies and research, which have allowed us to accumulate an in-depth understanding of specific areas related to energy systems;
- our processes, methods and systems, including those based on our health and safety certifications, which ensure quality and uniformity in the way we approach our work.

FINANCIAL

We depend on cash flow financing from a number of sources, such as:

Revenues from:

- DSOs and other parties that have access to our grid, for the management and development of grid infrastructure and of the electricity system;
- clients who are directly connected to our grid, for services including technical studies and last-mile connection;
- energy traders, for energy volumes imported or exported along dedicated national borders;
- end consumers, for their use of our grid, supplied via grid tariffs;
- third parties, for the supply of consultancy and other energy-related services.

Financing means:

- shareholders, through their provision of capital to the group;
- debt investors, through their investment in bonds issued;
- financial institutions, through their bank loans and revolving credit facilities.

We are also responsible for processing financial flows (as part of our role as trustees in Belgium and Germany): we coordinate the distribution of levies from consumers and/or governmental funds to renewable energy producers.

6.4 BUSINESS ACTIVITIES

6.4.1 SYSTEM PLANNING

WE DEFINE ELECTRICITY SYSTEM NEEDS

The Elia group plans and develops the grid infrastructure that allows the integration of increasing amounts of renewable energy into the system and will allow security of supply to be maintained in Belgium, Germany and Europe as they aim for net zero. We also make recommendations for a suitable electricity market design to accompany these changes.

Our work in the area of system planning can be clustered under three main activities. Firstly, our teams identify and investigate future energy system scenarios whilst taking into account changes in neighbouring countries and other sectors, such as the electrification of heat and mobility. Secondly, our teams develop robust grid investment plans for each of our home countries that ensure that the future electricity grid will match the needs of society. Thirdly, our teams explore whether Belgium, Germany and Europe will have sufficient generation, storage and reserve capacity to meet the future demand for electricity, and recommend courses of action to our home governments based on their findings.

In order to identify grid optimisation, reinforcement and expansion needs, our system planning teams undertake scenario analysis by carrying out different market and grid simulations. These take into account patterns of change that are likely to occur in electricity systems across the continent, alongside other sectors such as transport, gas, building and industry. The results of these analyses feed into national and Europe-wide publications (see below), so ensuring that the energy system of the future will be efficient, reliable and secure.

KEY CONSIDERATIONS

Key considerations that our teams are guided by when undertaking their activities include:

ensuring a high level of electricity network availability and reliability, so guaranteeing customer satisfaction, especially as the system becomes more dispersed, localised and dependent on intermittent RES and flexible prosumer-owned appliances (in line with European energy policy);

having a sound understanding of new technologies which are likely to take off;

ensuring that plans and recommendations are efficient both in terms of cost and process;

engaging with stakeholders from the planning stage onwards in a transparent and open manner on an ongoing basis and ensuring that their needs are taken into account, so bolstering their analyses, results and recommendations

PLEASE SEE THE CHAPTER ENTITLED '<u>FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</u>' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

BELGIUM

In Belgium, Elia is responsible for writing and publishing a *Federal Development Plan* (FDP) every four years. Each plan covers a period of ten years and includes a detailed estimate of onshore and offshore transmission capacity needs, alongside an explanation of the assumptions and methods used to calculate them. It also includes the investment programme that Elia will need to implement to meet the identified needs.

The FDP covers the extra-high-voltage sections of Elia's grid (110 kV to 380 kV). As Elia develops each plan, it is required to work closely with different actors from across society (including the CREG) and ensure they are aligned with national policy. The FDP must be approved by the Minister of Energy before being officially adopted.

Given that Elia also owns and operates the high-voltage sections of the power grid (30 kV to 70 kV), a similar – but slightly different – process of developing regional investment plans exists for Flanders, Wallonia and the Brussels region.

Elia is also responsible for publishing Belgium's biennial *Adequacy and Flexibility Study*. This anticipates the country's adequacy and flexibility needs over a period of ten years; both of these elements are crucial for the smooth operation of the electricity system, since they help to maintain security of supply. The next study will be published in June 2023.

Elia's work supports political decision-making with regard to Belgium's generation mix, unlocking additional system flexibility and, where efficient, building interconnectors to facilitate imports of renewable energy from abroad.

GERMANY

In Germany, all four TSOs (including 50Hertz) must publish a national Grid Development Plan (GDP) every two years. These include different scenarios which outline grid expansion measures that are required to efficiently achieve climate neutrality. From these measures, a robust subset is derived and highlighted as recommended. 50Hertz and its peers prepare the GDP, discuss a first draft with stakeholders and submit the final draft to the Federal Network Agency for approval. It is then incorporated into the Federal Requirements Plan, which in turn is submitted to the Bundestag.

Our conclusions support the government with defining a path for the phasing out of coal, integration of ever-increasing amounts of RES into the grid and strengthening of connectivity with neighbouring countries, so enabling the country to become climate-neutral by 2045.

In Germany, all four TSOs also carry out system analyses which are designed to assess how prepared the system will be over the following winter periods, giving the Government and regulatory authorities a sound basis from which they can adopt appropriate measures to safeguard a high level of security of supply.

Both the FDP in Belgium and the GDP in Germany must be aligned with the Ten-Year Network Development Plan (TYNDP), which is published by the European Network of Transmission System Operators for Electricity (ENTSO-E). The TYNDP is the pan-European electricity infrastructure development plan which is published every two years. 39 European TSOs from 35 countries contribute their expertise to its development.

Europe's ability to balance the energy trilemma - sustainability, security and affordability - and the associated need for the continued expansion of RES, increasing European collaboration and the development of flexibility markets were all under discussion in 2022. This complemented the need to stay ahead of infrastructure requirements associated with the rising demand for electricity and ensuring that the system of the future has enough storage and reserve capacity. As Europe seeks to establish an integrated European energy market and link the energy infrastructure of different Member States together, countries continued to work with partners located much further away than their immediate neighbours.

HARVESTING EUROPE'S FULL OFFSHORE WIND POTENTIAL: A WHITE PAPER

ACCESS THE WHITE PAPER HERE

Despite the need to accelerate renewable energy projects across the European Union, offshore wind objectives are not being translated into action at a fast enough speed. Elia Group published a white paper on hybrid interconnectors in April which outlines both the issues at hand and its proposals for addressing them: a combination of offshore wind farms and hybrid offshore interconnectors can maximise the renewable energy potential held in the North and Baltic seas. The white paper was launched during the WindEurope event in Bilbao.

FIRST BALTIC SEA CONFERENCE HELD TO HARNESS OFFSHORE POTENTIAL IN BALTIC SEA

50Hertz held its first Baltic Sea Conference in September, aiming to encourage European cooperation by bringing experts from the worlds of politics, economics and technology together. Organised with the State of Mecklenburg-Western Pomerania, the Royal Danish embassy and the World Energy Council, the conference involved over one hundred experts discussing how best to harness the offshore wind energy potential held in the Baltic Sea. In addition to more partnerships, Europe needs to change the design of its electricity market; encourage the growth of strong industry that can stand its ground in the global competition for commodities, components and supply chains; and build more hybrid interconnectors.

WATCH THE HIGHLIGHTS FROM THE CONFERENCE HERE

PUBLIC CONSULTATION LAUNCHED ABOUT ELIA'S FEDERAL DEVELOPMENT PLAN

On 2 October, as part of its legal responsibilities, Elia launched a public consultation exercise regarding its 2024-2034 Federal Development Plan. The plan outlines the future investments needed in the (110 kV to 380 kV) transmission grid in order to make the energy transition a success. As outlined in the plan, Elia is aiming to make the country's energy system more independent, resilient and sustainable. The public consultation ran for just over 10 weeks.

The Plan fully accounts for the consequences linked to ever-increasing renewable energy integration targets. It also accounts for the major investments that industry will be undertaking in decarbonising its processes over the next decade.

Maarten Konings,
Manager Extra-High Voltage System Development

CONNECTING 30 GW OF OFFSHORE WIND TO GERMANY'S ONSHORE GRID BY 2030

The Federal Ministry for Economic Affairs and Climate Action, the cities of Bremen and Hamburg, and the German states of Mecklenburg-Western Pomerania, North Rhine-Westphalia, Lower Saxony and Schleswig-Holstein signed an agreement with three of Germany's TSOs (50Hertz, TenneT and Amprion) in November covering the connection of 30 GW of offshore wind energy to the mainland grid by 2030. The three TSOs will work closely together to achieve this goal, which was also the focus of the first offshore agreement signed in 2020.

POWERING INDUSTRY TOWARDS NET ZERO: ELIA GROUP'S ANNUAL VISION PAPER

Launched in November, 'Powering Industry Towards Net Zero', demonstrates that the decarbonisation of industry is occurring at lightning speed. Electrification is playing a key role in this. Having access to low-carbon electrons at stable and affordable prices is crucial.

The study was published following a stakeholder event in April which focused on electrification. Elia Group experts spoke to more than 50 companies in Belgium and Germany to ensure the voice of industry was included in their findings.

European industry is undergoing an immense transformation. Over the past few years, industry's approach to the climate crisis has shifted to investing in sustainable practices and processes. Electricity will play a key role in this transformation, as confirmed in our latest study.

By 2030, industrial electricity consumption is expected to grow by 40% and 50% in Germany and Belgium respectively. In all considered scenarios, access to affordable low-carbon electrons was found to be crucial for accelerating the electrification of industry, making it more resilient and sustainable. The rapid expansion of renewable energy therefore occupies a crucial position in industrial decision-making - and will encourage the anchoring of industry in Europe.

KEY FINDINGS

1. Industrial electricity consumption will increase by 40-50% in the run-up to 2030. Electrification and the accelerated development of renewables is our main tool for reducing our exposure to fossil fuels over the next two decades.

2. In all investigated scenarios, electrification will play a major role in industry's journey to net zero. Building leading grid infrastructure is therefore critical for keeping pace with industry's electrification ambitions, attracting new innovation projects and anchoring industry in Europe.

3. Carbon capture, utilisation and storage will be essential for dealing with unavoidable process emissions and will have an important effect on power consumption.

4. There will be a gradual shift towards low-carbon (green) molecules in heavy industry, with an increase in volume demand beyond 2030. A vast amount of green molecules will need to be imported.

5. Industrial flexibility lowers future energy costs and benefits the power system in multiple ways. It will therefore become an inherent part of future business cases.

"There is a growing understanding that integrating more renewables and connecting markets are flattening price curves. Elia and 50Hertz interact regularly with industry and industrial associations. Grid operators will only be able to anticipate the grid infrastructure that industry requires on its pathway to net zero if they understand industry's need for green electricity at an early stage.

Stefan Kapferer, CEO of 50Hertz

KEY LEVERS

1. To kick start electrification, industry needs favourable political and regulatory frameworks in place.

2. Speeding up the development of RES will drive prices down for society and industry.

3. Accelerating the build-out of the transmission grid will be an enabler for industry's transition.

4. Flexibility should be fostered as a double accelerator for industrial electrification.

The current crisis has further highlighted how society could benefit from accelerating the energy transition. The energy transition will not only reduce our dependence on fossil fuels, it will also ensure more stable and affordable prices. It will grant industry an opportunity to make its business processes more sustainable and will anchor important businesses in Europe, directly contributing to employment and prosperity.

Jan Voet,
project owner of the study

WATCH OUR STAKEHOLDER EVENT ON ELECTRIFICATION HERE

While the conclusion might sound straightforward, its implementation will be a herculean task. It will mean putting in maximum effort at a time of rising interest rates and inflation. In addition to major investments in industrial electrification and renewable generation, important 'leading' investments in grid infrastructure and digitalisation will be needed to make this industrial transformation a success. More cooperation between industry, the electricity sector and public authorities will therefore be needed, including with regulators and local authorities.

Chris Peeters,
CEO of Elia Group

WATCH THE LAUNCH OF OUR STUDY HERE

STAKEHOLDER REACTIONS TO POWERING INDUSTRY TOWARDS NET ZERO

As we increase our electrical infrastructure, Elia faces the challenge of increasing the capacity of the public grid. This is a prerequisite for keeping energy-intensive industry here in Antwerp, in Flanders, in Belgium.

Jan Remeysen,
CEO of BASF

The availability and stability of the grid is of utmost importance for us to realise our decarb roadmap - it was even one of the criteria we took into consideration when investing in Belgium.

Manfred Van Vlierberghe,
CEO of ArcelorMittal

We have had industrial clusters here for many decades. They generate socioeconomic welfare and employment. That is what we want to keep. We have to transition to renewable energy. All of us.

Jacques Vandermeiren,
CEO of the Port of Antwerp

Decarbonisation is the most important challenge facing the cement sector. We are talking about a 30 MW capacity today. With decarbonisation and the need to capture CO_2, we are talking about an energy increase of close to 80% - close to 60 MW in future.

Vincent Michel,
Director at Holcim

In order to electrify industrial processes, we need huge investments in electricity infrastructure, generation and also transmission. We also need to change our own processes. This will require enormous investments.

Peter Claes,
Director at Federation of Belgian Industrial Energy Consumers

Net zero in 2045 is only 22 years from now. This is equal to about one investment cycle for many industrial plants. So net zero in 2045 has an immediate impact on company decisions today, since all of their investments have to be climate neutral today.

Dr. Julia Metz,
Policy Lead at Agora Energiewende

There are three barriers that need to be addressed. The first one is providing industry with planning security to make long-term investments. The second one is providing industry with a leading market to produce green products. The third one is facilitating permitting procedures.

Dietmar Gründig,
Head of Deutsche Energie-Agentur GmbH

The sustainability of the whole chemical park in Leuna will depend on its grid connection but also on the availability of green electricity.

Marc Pecquet,
Business Developer at TotalEnergies

6.4.2 INFRASTRUCTURE DESIGN AND CONSTRUCTION

WE ARE BUILDING THE GRID OF THE FUTURE

The Elia group designs and oversees the construction of state-of-the-art assets that support both the integration of high amounts of renewable energy and growing electrification as our home countries work towards net zero. Once electricity system needs have been defined, our staff involved in infrastructure design and construction cluster projects by considering their feasibility, the current status of our assets, and future system and sustainability requirements.

Our teams then move onto planning out and designing these projects and securing the required permits for them, ensuring that they regularly and transparently interact with local and regional stakeholders to identify the best possible solutions in terms of technology, routing and the environment - and so secure public acceptance for them.

Once project permits have been granted, and specific work within each project has been tendered out and awarded to contractors, our solid project governance structures ensure that our projects are finished on time, within budget and to a high standard, with possible risks taken into account.

KEY CONSIDERATIONS

Key considerations that involve the construction of new infrastructure or upgrading of current assets include:

- ensuring the health and safety of our staff, subcontractors and any individuals who come near our infrastructure;
- ensuring the security of the grid, keeping the lights on, and serving consumers and direct customers with energy;
- enabling the system and market integration of RES;
- ensuring efficiency, both in terms of cost and base;
- adhering to legal obligations and regulatory frameworks;
- developing and accessing innovative technology and assets that might be more efficient or sustainable, including by ensuring that our infrastructure is resilient enough to withstand climate change;
- supporting biodiversity and limiting the impact of our projects on the environment, including through mitigation and compensation measures, the adoption of nature inclusive design and lowering greenhouse gas emissions;
- navigating political sensitivities, whilst providing robust evidence for why our projects are needed.

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

Businesses were grappling with disruptions to global supply chains caused by the COVID-19 pandemic in early 2022, alongside the associated rise in prices for raw materials. Added to this, in Europe specifically, topics related to offshore development were of concern, given that the European Commission is aiming to make offshore renewable energy "a core component of Europe's energy system by 2050"[1] . These included the need to speed up permit-granting procedures for renewable energy projects, the compatibility and interoperability of offshore technologies, and ensuring tomorrow's workforce has the right skills needed to work in marine environments with new technology (including high-voltage direct current systems, for the long-distance transport of electricity). Moreover, following the increase in extreme weather events that Europe has experienced due to climate change in recent years (such as heatwaves), the development and construction of assets that can withstand these featured as a prominent issue.

MINISTERS DE CROO AND VAN DER STRAETEN VISIT OFFSHORE PLATFORM

In November, the Elia group invited Belgian Prime Minister Alexander De Croo and Minister of Energy Tinne Van der Straeten on a tour of construction site of the offshore transmission platform Baltic Eagle, which will help to connect the Baltic Eagle wind farm to the German onshore grid. 50Hertz and Iberdrola (from Spain) are jointly responsible for the platform, which is being built by Equans – Smulders. The platform is part of the Ostwind 2 project; it will be transported out into the German Baltic Sea in early 2023.

50HERTZ OPENS NEW SUBSTATION IN LUSATIA

Along with DSO MITNETZ STROM, 50Hertz opened the new substation of Altdöbern in Lusatia (near the border with Poland) in June to facilitate the integration of renewable energy into the grid. The substation is helping to ensure that the region will be provided with a secure and reliable electricity supply and is transporting electricity from surrounding wind and solar farms via the 50Hertz transmission grid to consumption centres. The two grid operators invested approximately €50 million in the project.

1 https://energy.ec.europa.eu/topics/renewable-energy/offshore-renewable-energy_en, published on 19 November 2020

50HERTZ BEGINS CONSTRUCTION OF GRID CONNECTION FOR EUROPE'S LARGEST SOLAR FARM

In June, construction work was started for the largest ground-mounted photovoltaic system in Europe. Located near Leipzig, the site of the 'Energiepark Witznitz' covers 500 hectares. Once completed, the solar farm will have a total capacity of 650 MW and will be connected to the 380 kV 50Hertz grid. The farm is due to be commissioned in March 2023.

GREEN LIGHT FINALLY GIVEN FOR UCKERMARK LINE AFTER 17 YEARS

In July, the German Federal Administrative Court reached a final decision regarding the Uckermark Line, which is due to be 115 kilometres long. The Court gave its approval for the line to be built - a decision that followed 17 years of permission-related legal proceedings launched by the Brandenburg division of the Nature and Biodiversity Conservation Union against the State Office for Mining, Geology and Raw Materials.

The German Minister for Foreign Affairs Annalena Baerbock visited the 50Hertz site in Neuenhagen in July to view the towers of the new Uckermark line, which will be an important building block for the transportation of renewable energy and electricity exchange with Poland. The Minister then visited the 50Hertz control centre in Berlin.

FIRST HALF OF KONTEK LAND CABLE REPLACED

Half of the underground work relating to the replacement of the land-based section of the KONTEK cable had been completed by July. The cable, which runs across a distance of 150 kilometres and can carry up to 600 MW of electricity, has allowed Germany and Denmark to exchange power with each other since it was constructed in 1995. The subsea section of the cable was replaced by Energinet in 2010. 50Hertz, which is responsible for the land-based section of the cable in Germany, was granted permission to replace the latter in 2022.

TUNNELLING WORK ON FRANZISKA LINE STARTED

In October, tunnelling work was officially started as part of the Berlin diagonal power link. The tunnelling work will take up to two years to complete and is being carried out with an underground drilling machine that can be used at depths of up to thirty metres. The line itself, which is due to be commissioned in 2028, will be an important link in the high-voltage grid in and around the German capital.

Stefan Kapferer (50Hertz), Peter Hoppe (Implenia), Franziska Giffey (Major of Berlin), Jan Ozegowski (50Hertz), Ralf-Torsten Katzung (Implenia), Pastor Dirk Koeppe and Dr. Frank Golletz (50Hertz) attend the launch of the tunnelling work.

50HERTZ GRANTED PERMISSION TO UNDERTAKE MAJOR GRID REINFORCEMENT PROJECT

In September, the Federal Network Agency granted 50Hertz the permission to finalise the replacement of the eastern section of the high-voltage line that lies between Saxony and Thuringia. 50Hertz had already begun preparing the construction of the western section of the line before this. The replacement line, which will cover a distance of approximately 100 kilometres, is due to be commissioned in 2025 and will be able to transport up to 40% more electricity.

CONTRACTS AWARDED AS PART OF LARGEST WIND FARM IN BALTIC SEA

50Hertz is working on the implementation of the OST-6-1 project, or grid connection to the Gennaker offshore wind farm, which is due to be the largest wind farm in the German Baltic Sea. In December, an important step was reached as part of the project: Dutch-Belgian consortium HSM Offshore Energy, Smulders, and Iv Offshore & Energy was awarded the contracts for the construction of the project's two substations. Gennaker will have a capacity of 927 MW and will be located about 15 kilometres off the German coast.

OSTWIND 3 PLANNING DOCUMENTS SUBMITTED

In December, 50Hertz submitted the planning documents related to the subsea cable sections of the Ostwind 3 project to the Ministry of Economics, Infrastructure, Tourism and Labour of Mecklenburg-Western Pomerania. The Ostwind 3 project comprises the construction of the grid connection for the 300 MW Windanker wind farm, which Iberdrola is building in the Baltic Sea.

PROGRESS MADE ON BOUCLE DE L'EST PROJECT

As part of the second phase of the Boucle de l'Est project, the existing Bévercé-Bronromme-Trois-Ponts 70 kV overhead line is being replaced by a new double 110 kV line which will run along a distance of 25 km. The reconstruction works started in 2020 and, at the end of 2022, the final Bronromme - Trois-Ponts (8.5km) section was commissioned.

The Boucle de l'Est project, which is being carried out in several phases, will ensure the reliability of Belgium's electricity network and help the grid accommodate increasing amounts of renewable energy.

SUEDOSTLINK AND SUEDOSTLINK+ PROJECT

Both the SuedOstLink and its extension, the SuedOstLink+, form part of 50Hertz's efforts to transport wind energy generated in the north of Germany to consumption centres in the south.

In August, TenneT and 50Hertz got a head start on the SuedOstLink project by awarding the contracts to NKT (Denmark) and Prysmian (Italy) for the link's second cabling system ahead of schedule. The first cables for the line were delivered as part of the SuedOstLink's first underground cabling system in 2020.

By June, the 50Hertz project team had shared its draft plan for the SuedOstLink+ project to public authorities and members of the public during information events held throughout the first half of the year. It received over one hundred pieces of feedback from citizens who will be affected by its construction. The German Government then amended two laws relating to the design and approval process for the link in August, in line with pledges made in its Easter Package: the amendments aim to accelerate the approval and implementation of network expansion projects. The feedback 50Hertz received on its draft plan was being evaluated at the end of 2022 before a formal application for the work is submitted to the German Federal Network Agency in early 2023.

6.4.3 GRID OPERATIONS AND MAINTENANCE

WE OPERATE AND MAINTAIN SAFE AND RELIABLE INFRASTRUCTURE

We operate and maintain the transmission grid in a safe, reliable, sustainable and efficient manner, so that it fulfils the needs of our users. Staff in our 6 regional centres in Belgium and 10 sites across Germany secure the highest possible level of grid availability and reliability for energy consumers and producers through the maintenance of our overhead lines, underground cables, substations, interconnectors, subsea cables and offshore assets. They track and manage these assets, their performance, associated risks and costs throughout their lifecycles. These tasks are becoming increasingly difficult, since the number and type of assets linked to the expansion of our grid, the number of ageing assets in our portfolio, the intermittent nature of renewable energy and associated volatility of electricity flows and sustainability-related concerns are all growing. Innovative digital technology, such as AI-based predictive maintenance, is key to enabling our employees to keep abreast of these developments.

KEY CONSIDERATIONS

Key considerations for our teams as they work to prevent or quickly address outages include:

monitoring and securing the highest possible level of grid availability and reliability around the clock, 365 days a year;

managing the risks associated with our assets, such as quality, wear and tear, possible failure or damage - including due to climate change - and age, and optimising their use and lifetime;

ensuring the health and safety of our staff and subcontractors through solid risk and incident management procedures;

supporting biodiversity and local habitats by adopting sustainable approaches such as the installation of green corridors around our assets;

ensuring cost and process efficiency, including by increasingly aligning the methods and tools used across the group;

maintaining open and transparent lines of communication with local communities, NGOs and relevant authorities;

lowering the carbon footprint of our assets by (for example) replacing harmful substances and materials with environmentally friendly alternatives, using new technologies to upgrade our assets (such as solar panels and heat pumps in our substations) and further increasing the recycling rate of assets that have come to the end of their lifetime;

accessing and using innovative technology that will assist with all of the above, including AI, the Internet of Things and remote assist technology (including drones, unmanned surface vehicles, robots and smart glasses).

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

Disruptions to global supply chains and the related growth in prices for raw materials also affected activities linked to the operation and maintenance of electricity grids across Europe. Ongoing concerns about the sustainability of electricity infrastructure were raised, both in terms of climate resilience (and the need for grids to be upgraded so that they can withstand extreme events such as flooding) and carbon footprint (as grids are expanded and transformed to accommodate higher amounts of renewable energy). The adoption of predictive-based maintenance and support for new technologies continued to be explored as part of the latter.

ELIA INSTALLS MARKERS ALONG LINES TO PROTECT BIRDS

Throughout the year, Elia installed a number of bird markers along its high-voltage lines in Belgium as part of its work to decrease the number of collisions that occur. Findings from Natuurpunt, a nature conservation organisation, confirmed in January that the markers lead to a decrease in bird collisions. Elia installed bird markers between the areas of Harchies and Quevaucamps in May, and, for the first time in Belgium, used a drone to install some along parts of the Harmignies-Ville-sur-Haine and Harmignies-Ciply high-voltage lines. Elia is planning to install bird markets along 200 kilometres of its lines that pose the highest risk to birds by 2030.

FIRST ELIA GROUP OFFSHORE INNOVATION DAY

As noted in its 2020 strategy, the European Commission is aiming to make offshore wind energy a cornerstone of Europe's future energy system by 2050. It is in this spirit that the Elia group held its first Offshore Innovation Day in June at the port of Ostend. The event brought together specialists from a variety of sectors to discuss the future of the offshore sector and the role of innovation in the exploration of fresh opportunities for accelerating the energy transition. Alongside speeches and discussions, a number of companies presented their pioneering projects and latest technologies to event attendees. This included Brazilian start-up TideWise, the winner of the Group's Open Innovation Challenge 2021, which showcased its unmanned inspection vessel in the port. The vessel was used in early 2022 to inspect the cables leading to the Modular Offshore Grid (MOG), Elia's offshore power hub in the Belgian part of the North Sea.

WATCH THE OFFSHORE INNOVATION DAY HIGHLIGHTS HERE

FIND OUT MORE ABOUT TIDEWISE'S INSPECTION OF THE MOG'S CABLES HERE

SENTRISENSE WINS OPEN INNOVATION CHALLENGE 2022

Sentrisense emerged as the winner of Elia Group's sixth Open Innovation Challenge in June. The Polish start-up's winning proposal centred on a sensor that monitors the operational state of overhead lines using artificial intelligence, so extending their lifespan. The 2022 competition was dedicated to sustainability; the judges chose Sentrisense's entry because its technology can be quickly and easily deployed and scaled up.

MERCATOR-BRUEGEL WORK UNDERTAKEN AT HIGH ALTITUDE

The cross arms of several high-voltage pylons in Temse and Bornem were replaced in June, with the work being carried out at a height of 130 metres. It formed part of the reinforcement of the existing high-voltage line between Kruibeke and Dilbeek. This line, which forms an important part of Elia's network, is being equipped with a new type of (heavier) electrical cable that can transport more power (6GW). The works started in April and will be completed at the end of 2026.

GRAZING LAND FOR SHEEP IN WESTERN SAXONY

50Hertz and DSO MITNETZ STROM announced in July that they would be officially supporting a nature conservation project which involves areas underneath high-voltage lines in specific regions being used as grazing land for sheep. This will mean that interconnected habitats can be created, so offering a home to many a different species. The project is being led by the Landschaftspflegeverband Westsachsen e.V, a nature conservation organisation.

50HERTZ IMPROVES CONTROL OF POWER FLOWS IN HAMBURG

In November, 50Hertz put two of four phase-shifting transformers into operation as part of a trial being undertaken in the Hamburg Ost substation. The transformers should help to improve 50Hertz's control over power flows in the greater Hamburg area, so that more green electricity can be integrated into the electricity system. They should also contribute to greater system security during winter periods if individual lines are unavailable due to maintenance work, for example.

50HERTZ INCREASES UTILISATION OF POWER CIRCUITS

50Hertz began transporting more electricity across its grid area through the use of four power circuits from December onwards. The power circuits allow 50Hertz to transport up to 28% more electricity across its grid than it was previously able to. The move forms part of the 'Electricity Grid Optimisation Action Plan' that Germany's four TSOs published with the German Federal Ministry for Economic Affairs and Climate Action. It is helping to stabilise the power grid and alleviate bottlenecks during the winter period.

6.4.4 SYSTEM OPERATIONS

WE KEEP THE LIGHTS ON AROUND THE CLOCK

Elia and 50Hertz are responsible for keeping the lights on around the clock for over 30 million people in Belgium and the north and east of Germany. Our staff are dedicated to the secure transmission of electrical power, as reflected in our grid's reliability level of 99.99%. Their work on maintaining the balance between electricity supply and demand across our control areas can be divided into five main activities, as follows.

Balance management: this involves ensuring that the balance between the amount of electricity injected into the system and the amount of electricity that is consumed is maintained on a continuous, real-time basis.

Voltage management: this covers making sure that voltage levels remain within the appropriate limits, so reducing losses and preventing assets from being damaged. The volatile generation patterns associated with RES and the phasing out of conventional power plants is making this task increasingly challenging.

Congestion management: control centres across both countries coordinate and alter generation or load patterns (known as redispatching) to change the physical flows of electricity across their grids to relieve congestions (which can overload the grid, damaging assets or causing blackouts). A number of different parameters must be monitored and adjusted to ensure the reliability of the electricity system, including (but not limited to) grid security, dynamic stability, a proper base for a functioning electricity market, and the management of international energy flows.

Enabling maintenance and construction work: before a switching procedure can be conducted to isolate parts of the grid or some assets, our teams must predict transmission capacities that will be needed, taking both possible faults and the needs of neighbouring TSOs and DSOs into account. Most maintenance work and all types of construction work need switching procedures (and associated prerequisites) to be executed.

Emergency management: this involves addressing any incidents as quickly as possible and limiting the impacts of disturbances so that they remain within the borders of Elia and 50Hertz's control areas as far as possible and so that their effect on customers is limited.

These activities are becoming progressively more complex: power flows are becoming increasingly volatile, given the sharp rise in intermittent renewable energy and cross-border electricity trading and the arrival of new flexible technologies (such as electric vehicles and heat pumps) and players, which can both consume electricity and re-inject it back into the grid. Cooperation amongst neighbouring transmission system operators has therefore become commonplace. Elia and 50Hertz contribute to two of Europe's regional coordination centres (RCCs), Coreso and TSCNET, that facilitate this across several European countries by undertaking security-related calculations, exploring different scenarios and proposing coordinated correction measures.

KEY CONSIDERATIONS

Staff responsible for the activities above are located in our control centres in Belgium and Germany and a number of regional centres in Belgium (see the link Sustainability Report 2022). Key considerations that they are guided by include:

- ensuring network availability and reliability by monitoring and responding to the state of the system on a continuous basis;
- engaging in daily transparent and open communication about the state of the network with other transmission system operators, distribution system operators, RCCs and market parties;
- ensuring cost and process efficiency, for example by identifying the least expensive measures for congestion management; ultimately, once a truly integrated European market and grid has been established, the aim is to ensure that the cheapest capacities can be activated at any given moment wherever they might be located across Europe, so benefitting consumers;
- responding to the integration of assets that are able to provide decentralised flexibility for the grid;
- avoiding potential issues, including by keeping assets within their technical bandwidths to avoid overloading, keeping voltages within permitted limits and preventing congestions by making sure outages are well planned;
- sourcing, designing and applying the use of digital technologies which optimise their work, such as technology that allows existing assets to carry a higher electrical load whilst keeping the same level of system security or tools that employ AI to forecast the impact of different situations and actions on the grid

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

Increasing coordination between Member States was furthered throughout 2022 as renewable energy levels continued to rise and electricity continued to be shared across borders. A key milestone was reached in the establishment of an integrated European energy market, as the flow-based market coupling mechanism was extended to cover a larger region across Europe in the day-ahead timeframe (see page 17). However, discussions about the need to improve coordination between Member States also persisted in 2022; indeed, two system splits that had occurred the year before across the Continental Europe synchronous area had highlighted the instability of the European system, raising concerns about the risk of further blackouts and ripple effects across the whole of the continent. These discussions were accompanied by explorations of new technologies (aimed at increasing the load of existing assets, for example) and the need to ensure that the workforce of the future has the right skills needed to manage an increasingly complex system that is being pushed to its operational limits.

TESLA AND INTEL CHOOSE 50HERTZ CONTROL AREA FOR HUGE FACTORIES

In March, Tesla opened Germany's largest electric car factory just outside Berlin in 50Hertz's control area. In the same month, Intel announced it would build its new mega-factory in Saxony-Anhalt. 50Hertz and DSO Avacon will be responsible for the latter's grid connection.

As explained by 50Hertz's CEO Stefan Kapferer, their choice of location demonstrates how access to renewable energy is a key deciding factor for industry when choosing where to settle, and how decarbonisation is therefore crucial for the emergence of industrial clusters and economic development. Accelerated planning application procedures are necessary for the success of such projects.

NEW VOLTAGE STABILITY SYSTEMS TO SECURE ELECTRICITY TRANSMISSION IN SAXONY-ANHALT

50Hertz announced in September that it will transform its site near Bad Lauchstädt, located in the south of Saxony-Anhalt, into an important renewable energy transmission hub. It is planning to build four high-tech systems for reactive power compensation with regional international partners on the site; these will help to stabilise the voltage of the electricity that passes through the region, so supporting its reliable transmission.

6.4.5 MARKET FACILITATION

WE FACILITATE THE DEVELOPMENT OF THE ELECTRICITY MARKET

As market facilitators, Elia and 50Hertz have ultimate responsibility for ensuring that the balance between demand and supply is maintained across their control areas. They do this by employing flexibility that is provided by balancing service providers (BSPs) and, when the need arises, by procuring ancillary services.

Our teams are working towards the establishment of an integrated European energy market which strengthens security of supply and delivers fair prices for consumers. As energy systems come to rely more heavily on intermittent RES, corresponding reforms to energy markets are needed to unlock further flexibility and continue safeguarding security of supply in our home countries.

In 2021, Elia was made responsible for the Capacity Remuneration Mechanism, which seeks to reinforce Belgium's long-term security of supply after its (partial) nuclear phase-out in 2025 (see page 17).

The teams working in the area of market facilitation focus on a number of areas, as follows.

Firstly, they advocate for a stable framework which attracts investments that can support the spread of electrification across society (to the heating, transport and industrial sectors) and participate in consultation mechanisms to support increases in RES and flexible demand.

Secondly, they work on further developing markets for system services such as balancing: our teams aim to integrate new kinds of assets that can participate in providing balancing services, and are working on making balancing markets more efficient by fostering international cooperation in these. Our teams in Germany are also developing markets for voltage control.

Thirdly, they support the integration of European energy markets, so that electricity can be broadly used, the intermittent nature of RES can be better dealt with (through cross-border energy trading), and so that consumers benefit from high security of supply and competitive electricity prices.

Finally, they encourage market reforms which allow consumers to valorise the use of their flexible appliances (including electric vehicles and heat pumps), help to balance the grid, and benefit from more affordable electricity prices, as outlined in our Consumer-Centric Market Design.

KEY CONSIDERATIONS

Key considerations that our teams keep in mind as they work in this area include:

encouraging different market players to provide system sewrvices;

ensuring market player adherence with the legal and regulatory environments we operate in;

undertaking regular cooperation and exchange of information with other TSOs, DSOs, power exchanges, energy traders, regulators, governments and European authorities to make the market evolve and secure more liquidity;

developing a solid understanding of digital and technological changes occurring across society, such as the rollout of smart meters and flexible appliances;

in line with European goals, making sure consumers are placed at the heart of the energy transition, meaning that they will be able to benefit from competitive energy prices in a broad market whilst helping to balance the grid of the future.

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

The need to unlock consumer flexibility and strengthen the integration of European markets persisted as topics throughout 2022 as a means to lower prices for consumers and efficiently manage an electricity system that is accommodating increasing amounts of intermittent RES. The extension of the flow-based market coupling mechanism across a wider number of Member States in the day-ahead timeframe marked an important step in this regard: the FBMC takes into account congestions across the whole of the regional grid, optimising commercial exchanges of electricity across European borders and regions. This means it levels out prices between countries and generates socioeconomic welfare in a more efficient way than the mechanism that was previously used by some of the countries concerned (see page 17).

HOUSEHOLDS PROVIDE VIRTUAL POWER PLANTS TO BALANCE ELIA AND 50HERTZ GRIDS

The FlexMC project, launched in March and funded by the German Federal Ministry for Economic Affairs and Climate Action, involved 50Hertz working with Theben and decarbon1ze to investigate the small-scale provision of flexibility (via electric vehicles, batteries and heat pumps) for the electricity system. The partners investigated how control, measurement and settlement could be correctly undertaken.

In line with this, and also in March, 50Hertz teamed up with Viessmann, a heating, cooling and ventilation company, to launch the ViFlex project. As part of the latter, the use of consumer heat pumps is being tested out as a virtual power plant to help relieve or resolve grid congestions. Consumers will therefore support the electricity system by helping to store renewable energy in their flexible appliances and reinject it back into the grid when it needs it. Participating households are also saving on their energy bills.

Two similar projects were also launched in Belgium. In March, the Flexity project was started, with over 100 households being recruited to test out whether they could help to maintain the balance of the Belgian electricity grid via their electric boilers. The project was led by Elia, ThermoVault and Belgian DSOs, and involved the electric boilers participating in the balancing market. The project has since been scaled up, with heat pumps and electric cars being invited to participate.

Additionally, around 3,000 families in Flanders are now helping to maintain the balance of the Belgian electricity grid via their home batteries. Together, they are being used as one virtual power plant which stores solar energy when there is lots of sunshine and offers it up to Elia's balancing market when necessary. The technology for the project was developed by Smart-E-Grid/Opteco.

RE.ALTO OBTAINS ISO 27001 CERTIFICATE

In June, Elia Group's digital market place re.alto obtained an ISO 27001 certificate, demonstrating its alignment with international standards for managing and applying information security and compliance. Obtaining the certificate has helped to reinforce the start-up's ambitions as a marketplace for the exchange of energy data.

SELECT WINS SECOND ELIA GROUP HACKATHON

The second Elia Group hackathon, held in October, involved over 100 participants from different countries and organisations competing for the chance to work with Elia Group in Berlin. Over the course of three days, the teams of coders developed concrete solutions aimed at shaping future energy services for consumers. "Cozy", the app developed by SELECT, was chosen as the winning idea. SELECT was invited to develop their prototype - which focuses on the smart control of heat pumps to reduce CO_2 emissions - along with experts from The Nest, the Group's incubator.

WATCH THE HIGHLIGHTS FROM 2022'S HACKATHON HERE

ELIA ORGANISES FIRST ACADEMIC BOARD

In October, Elia launched its first Academic Board, aimed at focusing on the challenges faced by the Belgian energy sector. In particular, the working group hopes to address subjects that have a direct impact on industry and end users. The Board will meet on a regular basis, bringing together a number of researchers from Belgian Universities; its first meeting in Brussels focused on two issues: the market and grid stability.

6.4.6 TRUSTEESHIP

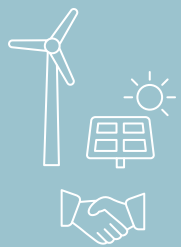
WE COORDINATE AND PROCESS LEGAL LEVY SYSTEMS

The German and Belgian legislators have transferred the responsibility for coordinating and processing legal levy systems that promote environmentally friendly technologies to the transmission system operators in their respective countries. Elia and 50Hertz therefore act as trustees, collecting levies from consumers in Belgium and Germany and playing an important organisational role in the remuneration of green energy producers.

KEY CONSIDERATIONS

Our teams in this area are guided by a number of key considerations when undertaking their work, including:

ensuring they, and other market parties, adhere to the legal and regulatory environments in Belgium and Germany;



facilitating the system and market integration of RES;

transparent communication with relevant market players.

PLEASE SEE THE CHAPTER ENTITLED '<u>FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</u>' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

GREEN CERTIFICATES MECHANISM IN BELGIUM

In Belgium, Elia must fulfil its public service obligation related to green certificates. The green certificates mechanism operates differently across the country's different regions. On the whole, specific green electricity producers are legally entitled to receive green certificates in exchange for the production of green electricity. These green certificates are distributed to producers by regulatory authorities. As stipulated by law and in accordance with its public service obligations, Elia is required to buy these green certificates for a fixed or variable price. The financing for these green certificates is either provided by grid tariffs that are imposed on grid users (based on their net offtake of energy) or through fixed amounts paid by the state to Elia on a regular basis.

Additionally, electricity suppliers are required to return, on an annual basis, a predetermined number (or quota) of green certificates to the regulator, meaning that they must purchase a certain number of such certificates throughout the year, either from a producer or from Elia.

RENEWABLES SURCHARGE IN GERMANY

In Germany, TSOs are responsible for coordinating a number of surcharges, including the EEG or renewables surcharge and combined heat and power (KWKG). In December 2022, the German government transferred some of the responsibility for the 'Strompreisbremse' mechanism to the four German TSOs to limit the impact of high electricity prices on consumers from early 2023 onwards.

The EEG has been in place since 2000 to support the expansion of green electricity production - mainly from solar, wind, biomass and hydropower plants. The producers of electricity generated from renewable energy are granted a guaranteed amount of remuneration for 20 years. Depending on the nature of the producer, their financial income is linked either to the market price obtained for their electricity and a market premium surcharge which covers the difference between this and the guaranteed remuneration; or to a feed in tariff (FIT). In the latter case, 50Hertz is responsible for selling the electricity on the market. Both the market premium surcharge on the one hand and the difference between the market price obtained and the guaranteed remuneration (FIT) on the other are covered by a levy and paid out by 50Hertz to DSOs and producers. Up until 2022, this levy was paid by consumers through the renewables surcharge (EEG), although is due to be covered by the Government in future (see note below and <u>**page 189**</u>).

Along with Germany's other three TSOs, 50Hertz is responsible for the handling of the process, which involves cooperation with several market parties, including producers, DSOs and regulatory and governmental authorities.

Note: In order to ease the financial burden on consumers, the German Government reduced the renewables surcharge for consumers from 1 July 2022 to 0 cent/kWh and decided to end it on 1 January 2023.

6.4.7 SERVICES FOR ELECTRIFICATION

FACILITATING ELECTRIFICATION AND DECARBONISATION AT AN AFFORDABLE PRICE

Our unique position as a group of TSOs has allowed us to accumulate a great deal of expertise in the energy sector; it allows us to see the changes that the latter will undergo and share our insights with our stakeholders. The skills and knowledge we have developed allow us to deliver additional value for society via the provision of energy system services, including on- and offshore grid consultancy services through to digital tools and data platforms. These support electrification and the integration of renewable energy into systems both in Europe and beyond.

Through our consultancy, *Elia Grid International* (EGI), we provide international clients with services related to energy market development, asset management, system operation, grid development and the integration of RES into electricity systems.

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

WindGrid, Elia Group's newest entity, acts as a conduit for the experience that we have gained over the past couple of decades in designing, building and operating offshore assets. It is unlocking further revenue streams, allowing us to maintain our relevance in driving the energy transition forward in the long term.

The Elia Portal Interface for Customers (EPIC) provides our direct customers with high-quality and user-friendly digital services, so that they have better control over their data, energy consumption and energy strategies more generally. The portal offers them access to metering data, the option to manage their contracts digitally, and the ability to control how their information is shared with third parties. The portal is adaptable, meaning it can be scaled up according to our customers' needs and is continually being expanded in line with these.

50Hertz publishes a variety of data sets on the *Netztransparenz Platform* alongside the three other German TSOs. In addition to publishing the data that is legally required, balancing data publications were also added to the platform in 2022. Moreover, 50Hertz publishes its own almanac: a statistical report which provides data related to installed capacity, redispatching and load. This complements European requirements which it fulfils via ENTSO-E publication channels.

The *Open Data Portal* provides Elia's stakeholders with simple and open access to all of its public grid data, including power generation, load, balancing, transmission and congestion. Users can then explore these datasets, creating visualisations from them or sharing and reusing them for other purposes. Providing open access to such information eases the daily operations of different market parties; supports them to identify new market opportunities, such as enhancing or developing new services for consumers; and facilitates the decision-making processes of all stakeholders working to enable the energy transition.

traXes is a new developer portal that will give service providers access to the data sets and other services they need to design and deliver their own innovative energy services. These could cover tracing the green origin of electricity (via initiatives such as our Energy Track & Trace project) through to enabling consumers to optimise their energy consumption and valorise the flexibility held in assets such as heat pumps and electric vehicles (as outlined in our Consumer-Centric Market Design).

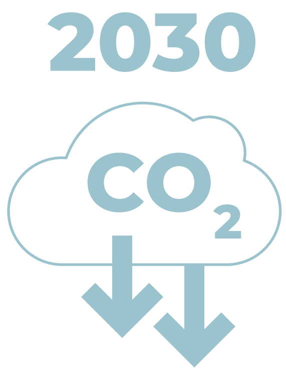
KEY CONSIDERATIONS

In working on delivering these services, our teams are guided by a number of considerations, including:

- the system and market integration of renewable energy, the development of electrification, as countries and companies across the world work towards net zero;
- discovering new value streams for Elia Group and its partners by facilitating the development of innovative services;
- securing network reliability;
- skills development and the creation of employment opportunities;
- access to and the development of innovative technology and the design and construction of grid assets, ensuring customer orientation and satisfaction;
- regular and effective stakeholder dialogue, to understand customer needs and future plans.

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED.

A growing number of countries have pledged to reach net zero, with calls from across society intensifying for action to be accelerated and targets raised. Indeed, as was highlighted by the IPCC in 2022, GHG emissions need to be reduced by close to half by 2030 if global warming is to be limited to around 1.5°C. Reaching decarbonisation has triggered a huge growth in the renewable energy sector over the past couple of decades, as evidenced by a report published in 2022 by the International Renewable Energy Agency (IRENA) and the UN's International Labour Organization (ILO)[2]. This estimated that worldwide employment in the sector reached 12.7 million in 2021.



EGI AND NATIONAL GRID SA WORK TOGETHER

In March, EGI was contracted by National Grid SA to analyse three key areas of system development in light of Saudi Arabia's energy system: production planning, grid development and grid stability. EGI is supporting the country to meet its goal of integrating at least 60 GW of variable RES into its grid by 2030. This will require a fundamental transformation of the country's electricity system and raises complex challenges in terms of its security of supply.

HEXICON AND EGI BUNDLE THEIR EXPERTISE TO OPTIMISE FLOATING WIND TRANSMISSION CONNECTIONS

In May, EGI and Hexicon joined forces to develop projects that aim to connect the wind energy produced by large-scale floating offshore wind farms to onshore grids across the globe. Their five-year cooperation involves two phases which will include the sharing of expertise during both the pre-development and development phases of projects.

2 https://news.un.org/en/story/2022/09/1127351, accessed on 21 January 2023

6.4.8 BUSINESS FACILITATORS

ENABLING THE GROUP TO ACCELERATE THE ENERGY TRANSITION

Our business facilitators - which include our digital transformation, finance and procurement teams - go beyond traditional corporate functions. Through the adoption of innovative and forward-thinking approaches, they make the group's business model more competitive and sustainable, allowing us to be true accelerators of the energy transition, both in our home markets and abroad.

DIGITAL TRANSFORMATION

Our Digital Transformation Office was established in January 2022; this is focused on the digital transformation of our business activities. It seeks to ensure that the group is able to navigate increasingly complex challenges linked to the decarbonisation of energy systems and electrification of society - and harness the associated opportunities.

Through our digital transformation, we will realise our key ambitions: meeting customer demands for more electrification; maintaining system security while integrating high amounts of RES; accelerating the development of our infrastructure; reducing the total cost of ownership of our assets; taking better decisions based on sound data analytics; and increasing the impact and efficiency of our corporate activities.

Our digital transformation is rooted in the four following pillars:

- core business - this involves defining the right ambitions and business capabilities that are needed across the group, ensuring that programmes, products and their impacts are tailored towards a successful digital transformation;
- technology - this comprises outlining and setting up the group's new product operating model and supporting the establishment of its technological backbone, so that the Elia group becomes a self-transforming organisation;
- culture and capabilities - this entails embedding new ways of working across the group, developing learning and skills pathways for staff and coaching the latter as they adapt to the digital age;
- value assurance - this work focuses on ensuring that our programmes and products have impact; it therefore covers enabling flexible resource allocation to maximise impact, the removal of potential barriers and transparent communication about progress.

FINANCE

Our *Finance Department* ensures that the group has the right financing we need to ensure liquidity for our daily operations and deliver our investment programme as we help to decarbonise society. The group has robust accounting, controlling and risk management practices in place to secure efficiency, value creation, fair grid tariffs for consumers and solid returns for investors.

Elia Transmission Belgium's Green Finance Framework demonstrated that its funding strategy is aligned with the ActNow programme (see page 177) and that the group is committed to channelling investments into projects which have clear environmental objectives.

Even in difficult market environments, Elia Group has succeeded in securing a high level of confidence in its investment plans. Indeed, in June, Elia Group successfully completed a capital increase of €590.1 million (see page 19); in August, Eurogrid GmbH, the parent company of 50Hertz, was able to issue its second green bond of €750 million. The latter will be used to finance selected onshore and offshore projects. Moreover, our activities are aligned with the EU Taxonomy (see chapter 6 entitled Environmental EU taxonomy regulation in the Sustainability Report) - a classification system that outlines environmentally sustainable economic activities.

PROCUREMENT

Our *Procurement Department* establishes the group's purchasing policies and procedures and purchases all goods and services. Whilst aspects such as the safety, efficiency, quality and pricing of materials or resources are all considered, the department is also actively embedding environmental, social and governance (ESG) factors into its approach by encouraging suppliers from across the value chain to adopt sustainable practices and working with them to develop greener products.

Recent initiatives include:

- We have started to ask suppliers who are entering new framework agreements to have an EcoVadis rating, which evaluates how well a company has integrated the principles of sustainability and corporate social responsibility into its business activities.
- An Internal Carbon Pricing (ICP) has begun to be included in tenders, which allows companies to assign financial value to their greenhouse gas emissions. The department has started to use this for procurement-related decision-making, and the group's aim is to embed ICP across the project design and execution process by 2023.
- Along with other European TSOs, the department aims to foster change in the market in line with the above; so far, for example, it has published two letters calling on suppliers to adopt more sustainable business models (see page 174).
- The procurement department has begun an ambitious project to establish a detailed account of embedded emissions stemming from purchases (Scope 3 emissions). The group is developing an online portal through which suppliers will be able to provide emissions-related data linked to their products and services. This information will start to replace spend-based estimations for Scope 3 emissions in non-financial reporting from 2023 onwards. This Scope 3 Platform will allow the group to build a deep understanding of its supply chain; identify key emissions reduction levers and underlying ESG risks; and track improvements in the use of raw materials.

KEY CONSIDERATIONS

Key considerations that the teams above keep in mind when working within their respective areas include:

ensuring adherence to legal and regulatory environments;

cost and process efficiency;

the development of employee skills and expertise;

communicating with stakeholders in a transparent and regular manner.

PLEASE SEE THE CHAPTER ENTITLED 'FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS' FOR INFORMATION RELATED TO THE MOST RELEVANT RISKS AND OPPORTUNITIES INVOLVED

Disruptions to global supply chains and the associated rise in prices for raw materials were a prominent concern in 2022. Issues related to corporate social responsibility were also raised and addressed throughout the year, with (for example) the European Central Bank publishing details about how it would decarbonise its corporate bond holdings through the use of a climate score. The importance of the twin green and digital transitions was also highlighted, with the Commission presenting its EU action plan on digitalising the energy sector[3]. This underlines how new technologies can support the integration of RES into the system, improve the efficient use of energy resources, and reduce costs for consumers and energy companies.

In May, Elia was invited to join the Belgian economic mission to the United Kingdom. Chris Peeters made a speech about the opportunities that lie at sea - particularly the North Sea - for both countries.

In May, the King Carl XVI Gustaf of Sweden visited 50Hertz's head office, the Netzquartier, as part of the Royal Technology Mission 2022. This served as excellent recognition of 50Hertz's work with Swedish partners in offshore development.

3 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6228

50HERTZ RECOGNISED FOR FAIR AND CAREER-PROMOTING TRAINEE PROGRAMME

In April, 50Hertz's received a 'Seal of Approval for Fair and Career Promoting Trainee Programmes' from the Trendence Institute, in recognition of its trainee programme. The programme lasts 24 months and aims to prepare graduates to manage the electricity grid of the future. The shortage of skilled workers is one of the greatest challenges facing the energy sector at present. Germany needs young talent to be trained in the areas of planning, implementation, construction and maintenance of electricity grid infrastructure.

DONATIONS TO UKRENERGO

Throughout the year, Elia Group made several donations to Ukrenergo, the TSO which manages Ukraine's high-voltage grid. This included different types of generators, overhead line insulators and other equipment worth €200,000 from Elia and 16 emergency generators, 50 LED spotlights and other smaller electrical items from 50Hertz. In doing so, Elia and 50Hertz joined a number of other TSOs from across Europe who provided Ukrenergo with the equipment it needed to keep its grid operational as it came under attack from Russia.

MINIBUS BRINGS ELIA CLOSER TO BELGIAN CITIZENS

Since June, Elia has been using a minibus to provide members of the public with information about its projects. It contains a screen, a central island, display case, brochure holder and refrigerator. Elia's minibus complements 50Hertz's DialogMobil, which it uses as part of its project information campaigns in Germany.

6.5 THE IMPACT OF OUR ACTIVITIES

SOCIETY AND RELATIONSHIPS

Through our activities, we provide society with a secure electricity system and reliable electricity grid for consumers and producers, so supporting socioeconomic prosperity. The daily interactions we have with different actors across the energy value chain, including TSOs in neighbouring countries, means risks and interruptions to the system are minimised.

We are developing the grid and energy markets in line with social and political goals, helping countries to reach net zero. Our activities support the establishment of a European system that is accommodating ever-more amounts of renewable energy.

For example, the plans we draw up keep other system operators, energy players and energy producers informed of the system we are developing and the speed at which changes will occur; this allows them to respond to future technological, capacity and flexibility needs.

Moreover, by ensuring that all market players are offered transparent, non-discriminatory access to our grid - and by working on removing barriers to their participation - we are encouraging new flexibility providers to take part in the market, ultimately supporting the decarbonisation of the system. Similarly, our work on providing market players with increased access to energy system data will enable new energy services to develop, giving end consumers an opportunity to play a leading role in the system whilst enjoying increased comfort, value and traceability.

By securing public acceptance for our projects, we can be confident that our plans consider the needs and desires of local communities. This cements our relationship with them and enhances our reputation as a trusted organisation.

However, the grid construction and reinforcement plans and projects we develop can also invite local criticism and resistance. Once our projects are underway, we do our utmost to limit possible disruptions to local communities and landscapes, including pollution, noise, traffic, and visual disturbances. We work hard to address local concerns and understand the reputational consequences that might arise if we did not handle our projects in a responsible and respectful manner.

EMPLOYEES AND SUBCONTRACTORS

Our activities facilitate the development of our staff, enabling them to refine and deepen their skills and knowledge about a wide range of areas, from on- and offshore project management and stakeholder engagement through to power system planning, system and grid operations and innovation.

The group's employment of subcontractors further encourages this, facilitating the exchange of new skills and best practice. This knowledge and learning can then be disseminated to other organisations, contributing to best practice approaches across the sector. It can also be shared internally across teams, departments, and the Elia group's subsidiaries, encouraging us to continuously learn, adjust our processes and adopt innovative approaches.

However, as the energy sector landscape continues to change at a rapid pace, so the tools, approaches and methods the Elia group seeks to employ become ever-more complex. This means our staff need to keep widening their skillset, which is a challenging task given their demanding responsibilities. Indeed, keeping the lights on around the clock means our teams must be resilient and ready to respond to potential issues at any moment throughout the day or night. We seek to manage this by putting clear health and safety measures in place.

ASSETS

In carrying out our activities, our grid and assets are enhanced and rendered more resilient, efficient and sustainable. This means they are able to facilitate the integration of rapidly growing amounts of renewable energy into the system and meet consumer demands for electrification. They are also rendered more robust in the face of climate change, and their negative impacts on onshore and offshore environments is kept to a minimum.

Furthermore, we encourage the development of different assets through our work, since our teams continuously identify useful tools, equipment and technology that could be used to fulfil new and increasing system requirements.

ENVIRONMENTAL

Our infrastructure can cause harm to the environments in which they are constructed, including through noise pollution, visual pollution, the disturbance of natural habitats and detrimental emissions or leaks (in turn, these can trigger an associated need for broader maintenance works). Examples include the use of SF_6 gas in our substations; the effects our overhead lines and underground cables can have on fauna, flora, landscapes and biodiversity; and the noise and emissions our assets can emit.

However, we are strongly committed to limiting these effects by adopting innovative approaches and mitigation and compensation measures.

We often work alongside local partners and NGOs to ensure they are as effective as possible and can be scaled up. These measures comprise actions such as the installation of bird nests and markers along some of our lines; ecological corridor management around our grid in forested areas; and the restoration of onshore and marine habitats. They also include the replacement of harmful substances with less harmful alternatives, and the adoption of nature inclusive design, which involves exploring how assets can have positive effects on the surrounding environment (**see page 36**).

INTELLECTUAL

The knowledge and skills developed within each of our subsidiaries is shared across teams and departments, meaning that our collective expertise, organisational processes and systems are continuously refined and harmonised.

This collective knowledge means we are at the forefront of technological development in some areas. For example, our teams are developing a new digital grid control system: the Modular Control Center System (MCCS). This will ensure that, as the complexity, demands and volatility of the electricity system increases, our teams will continue to ensure system security.

FINANCIAL

Our investors receive a return on their financial backing of the group's investment needs to drive the decarbonisation and electrification of society by developing and running a sustainable electricity system.

Our role as trustees of levy systems in Belgium and Germany ensures that renewable energy producers are financially supported and encourages the integration of environmentally friendly technologies into the grid.

IN SHORT

- The group's progress is tracked through a set of key performance indicators, each of which are reported on in line with the strategic ambition to which they are most closely related
- These KPIs provide a quantification of our financial, operational and sustainability achievements and the commitments that we have set for the group, while allowing comparability with other players in the sector
- Our Sustainability and Financial reports contain the complete set of data for 2022

7 OUR PERFORMANCE

7.1 CHANGES IN OUR ENVIRONMENT: TRENDS IN ELECTRICITY CONSUMPTION AND ENERGY MIXES

Elia in Belgium

In Belgium, electricity consumption in 2022 decreased by 3.3% compared with electricity consumption in 2021. 2022's figure was similar to the 2020 value, which covered the first year of the COVID-19 pandemic.

Wind and solar energy production increased again in 2022, leading to many new records being broken.

Solar and wind power production hit an all-time quarter-hourly high of 7,112 MW on 11 May 2022. This corresponded to 67% of the country's total electricity consumption.

Having half of Belgium's consumption needs covered by renewable energy sources is rare. However, with each passing year, it is becoming increasingly common. In 2022, this was the case 4.0% of the time, which is double the figure for 2021.

50Hertz in Germany

Renewable energy production across the 50Hertz control area reached an all-time high of 63.3 TWh in 2022. This year, the value increased again and is comparable to the ones before 2021.

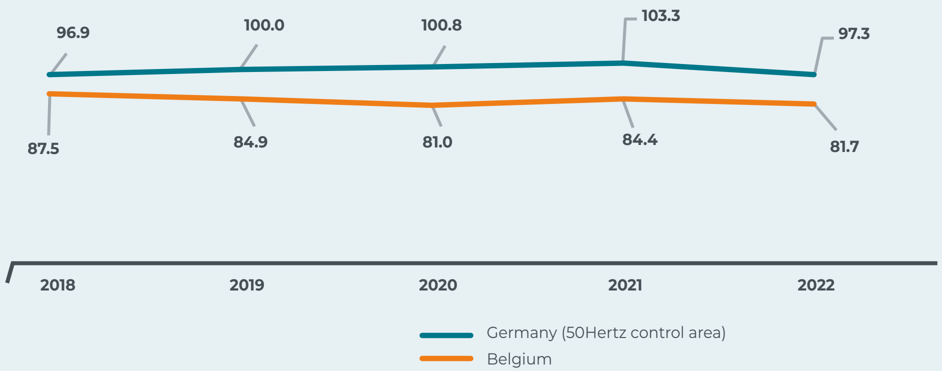
Wind and solar energy production lay behind this high, amounting to 52.7 TWh in 2022 (compared with 46.9 TWh in 2021 and 51.4 TWh in 2020).

The production of wind energy increased in January and February 2022 compared with previous years. Moreover, both onshore installed capacity (+3% and +6% compared with 2021 and 2020 respectively) and solar installed capacity (+11% and +24% compared with 2021 and 2020 respectively) increased.

Offshore wind power production remained stable in 2022 compared with previous years.

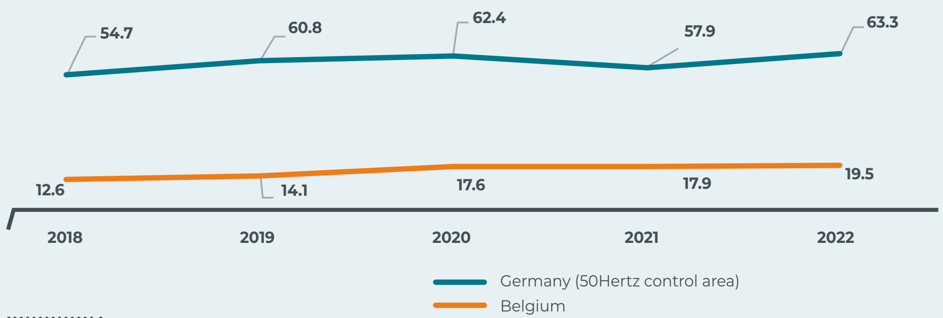
ANNUAL CHANGES IN TOTAL ELECTRICITY CONSUMPTION ACROSS OUR CONTROL AREAS

Unit: TWH



ANNUAL CHANGES IN RENEWABLE ELECTRICITY PRODUCTION* ACROSS OUR CONTROL AREAS

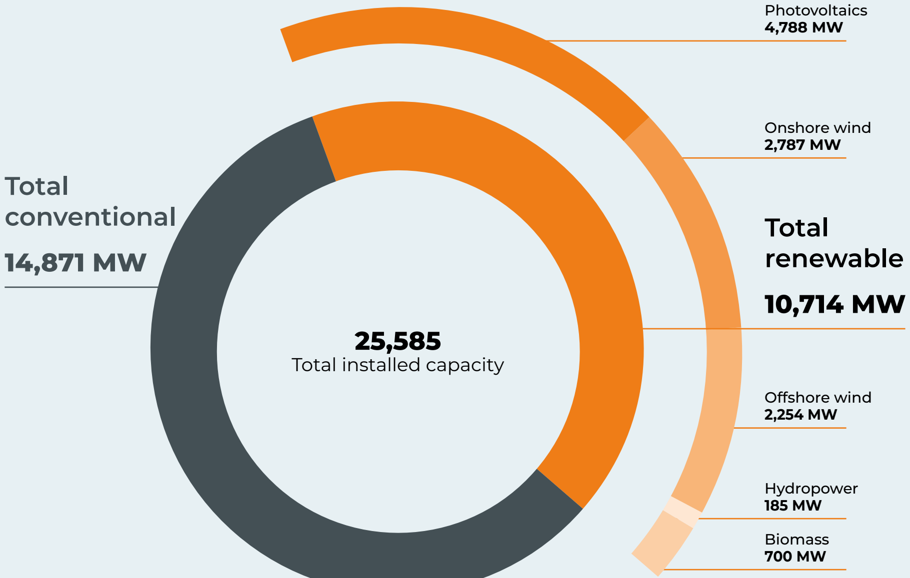
Unit: TWH



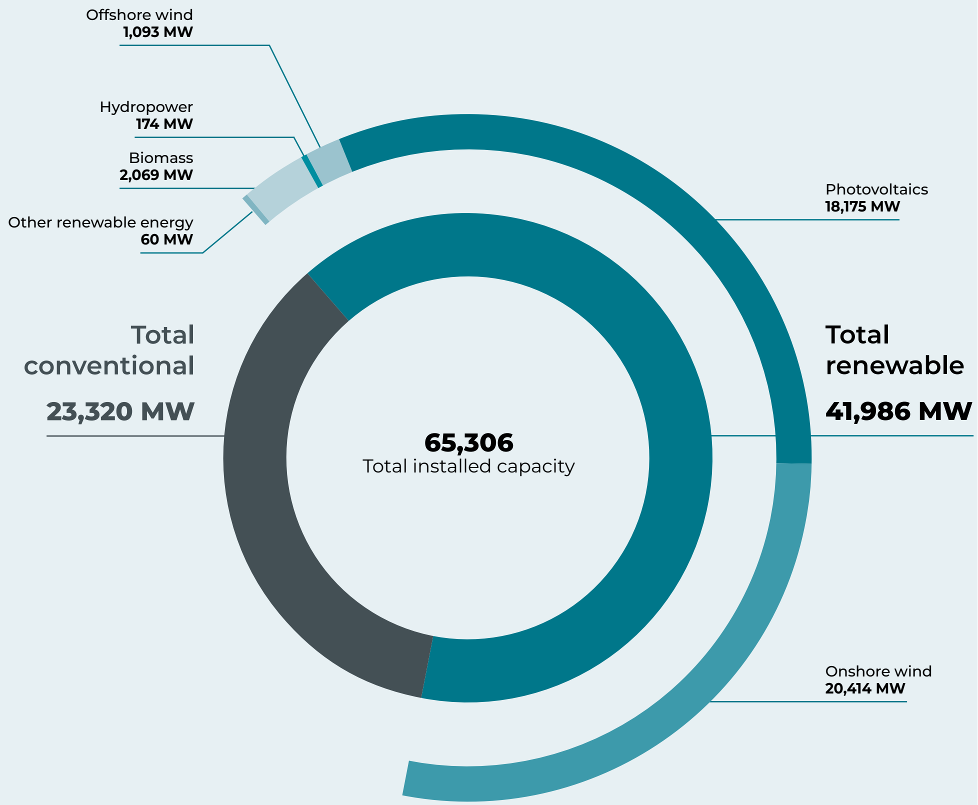
*according to the ENTSO-E category and scope of renewable sources

TOTAL INSTALLED CAPACITY ACROSS OUR CONTROL AREAS IN 2022

ELIA* IN BELGIUM



50HERTZ IN GERMANY**



*according to the ENTSO-E category and scope of renewable sources
**status as of 31.12.2022 (as calculated in February 2023 / source: MaStr Renewable Energies)

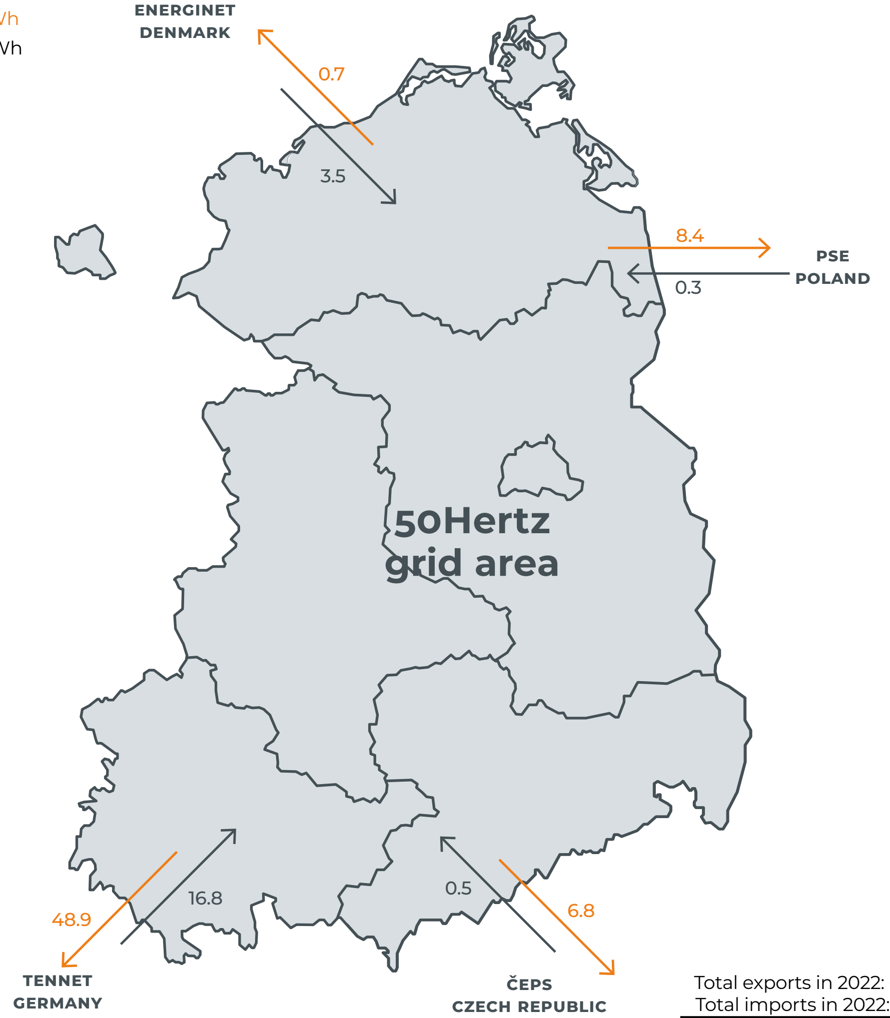
ELECTRICITY IMPORTS AND EXPORTS

Interconnectors allow electricity to be traded across national borders, so contributing to security of supply and flattening price curves between different markets. They support the increasing integration of renewable energy into the system, since they allow excess amounts of green energy to be traded across borders.

Interconnectors are helping to establish an integrated European electricity grid and market, so allowing the EU to achieve its energy and climate objectives.

Export in TWh
Import in TWh

Total exports in 2022: 23.8 TWh
Total imports in 2022: 16.4 TWh
Netto exports in 2022: 7.4 TWh



Total exports in 2022: 64.8 TWh
Total imports in 2022: 21.0 TWh
Netto exports in 2022: 43.8 TWh

7.2. OUR KEY PERFORMANCE INDICATORS*

STRATEGIC GROWTH AMBITION

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

Elia group made good progress on grid development throughout 2022 to support European RES-related targets.

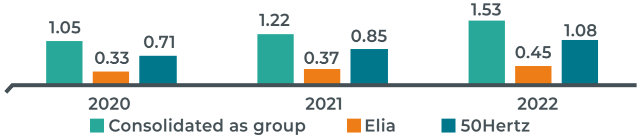
KEY PERFORMANCE INDICATORS (KPIS) | **PROGRESS MADE SINCE 2020** | **HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS**

Total investments

Gross CAPEX of Elia and 50Hertz minus client contributions.

CAPEX is an important metric for the Group, since it affects the Regulatory Asset Base (RAB) that serves as basis for its regulatory remuneration.

Unit: €billion

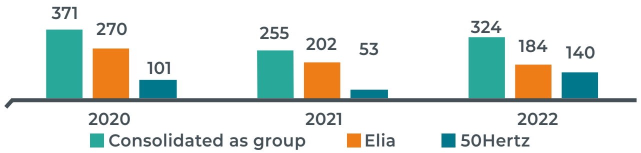


- In 2022, Elia Group invested €1.5 billion, focusing on grid projects that were aimed at strengthening its backbone, integrating increasing amounts of renewable energy into the system and supporting the digitalisation of its infrastructure.
- For 2023 - 2027, Elia Group plans investments of €15.9 billion.

Length of lines commissioned

Number of kilometres of overhead lines put into service throughout the year.

Unit: km

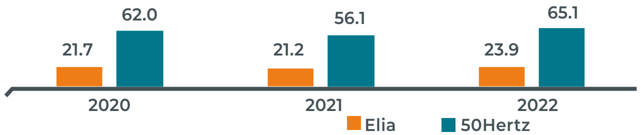


- The 184 km in Belgium included new overhead lines and the reinforcement of existing lines (HTLS). Some of the larger projects were Avelgem-Avelin and Auvelais-Gembloux.
- The 140 km in Germany included key projects such as the Uckermark line and the Nordring Berlin. About 500 km are currently under construction and more than 2,000 km are in planning and permitting stages.

Renewable energy

Total electricity production from RES with respect to total electricity consumption across our grid areas.

Unit: %



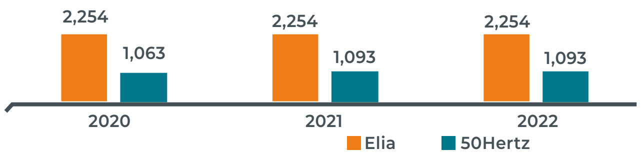
- In 2022, electricity produced from renewable energy sources equalled 65% of electricity consumption across the 50Hertz area. It aims to make this 100% by 2032.
- In Belgium, wind and solar energy production increased again in 2022, leading to many new records being broken.

*Note a different scope for Elia Transmission Belgium compared to the 2021 annual report. The ratio was recalculated based on the total load in our control area, not only the Elia network

Connected offshore generation capacity

Total capacity of all offshore wind farms located in the Elia and 50Hertz control areas.

Unit: MW



- Examples of key progress made in this area in 2022 include the Ostwind 2 project, which involves connecting two Baltic Sea wind farms to the onshore grid: Arcadis Ost 1 and Baltic Eagle. In 2023, 50Hertz will focus on the installation of the Baltic Eagle platform and conducting the electrical tests on its cables.
- Elia completed engineering design studies for the Princess Elisabeth Island and in 2023, it will focus on securing the necessary permits for the island.
- Forecasts for 50Hertz: 1.8 GW in 2025 and 6 GW in 2030.
- Forecasts for Elia: 3 GW in 2028 and 5.8 GW in 2030.

· This performance chapter relates to our core TSO business activities, meaning that most of the KPIs included relate to Elia and 50Hertz specifically. Values for Elia and 50Hertz are either presented separately or consolidated as a group by adding up the two figures. As we work on establishing a 'one group, one mindset' approach, some KPIs relate to one or more of our entities. These are highlighted through accompanying notes.

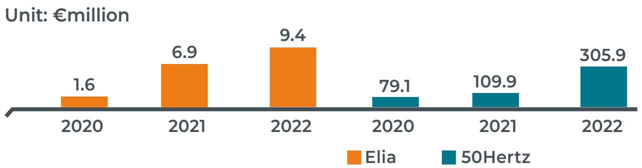
STRATEGIC GROWTH AMBITION

FURTHER SHAPE THE (EUROPEAN) MARKETS AND FACILITATE HIGH SECURITY OF SUPPLY

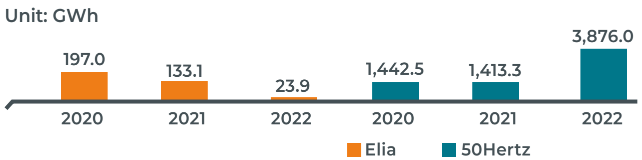
The extension of the flow-based market coupling mechanism across a wider number of Member States (see page 17) optimises commercial exchanges of electricity across European borders and regions, generating socioeconomic welfare.

KEY PERFORMANCE INDICATORS (KPIS) | **PROGRESS MADE SINCE 2020** | **HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS**

Cost of congestion management (redispatch)
Costs related to the activation of congestion measures within our control zones and our share of cross-border congestion measures.



Congestion management volumes (redispatch)
Volume activated by Elia/50Hertz and neighbouring TSOs related to the activation of congestion measures both within our own control zones and across borders.



- 50Hertz's redispatching costs increased from 2021 onwards due to a doubling of the market prices and continued to grow in 2022. This, combined with the large increase in redispatch volume led to a tripling of costs compared with 2020.
- The Redispatch 2.0 process introduced in Germany had consequences for the redispatched volumes. Different mechanisms to further optimise needs are being discussed.
- For Elia, the majority of congestion management costs can be traced back to specific planned outages, during which the unavailability of certain grid elements led to overloads. In 2023, these costs are expected to increase further, as planned outages will trigger significant redispatch measures and market prices will remain on a high level.

Grid reliability (based on interruption time)
This refers to onshore grid availability at connection points and this is based on the average interruption time due to intrinsic risk and Elia internal aspects.

Applies to Elia (30-380 kV)

- Most interruptions take place along the regional transmission grid (< 150 kV), rather than the federal one.
- There were no exceptional events in 2022, in comparison with the major floods that affected the province of Liege in 2021 and that impacted the grid.

Grid reliability (based on number of incidents)
This is calculated based on the number of incidents without automatic reclosing compared to the total length of the grid. (380 kV lines and 220 kV lines, without offshore, without auxiliary supply faults).

Applies to 50Hertz (220-380 kV)

- Over the past few years, 50Hertz's incident rate* has been significantly below the average incident rate of the other three German transmission system operators.**

*All incident events (including auxiliary events) in relation to total grid length

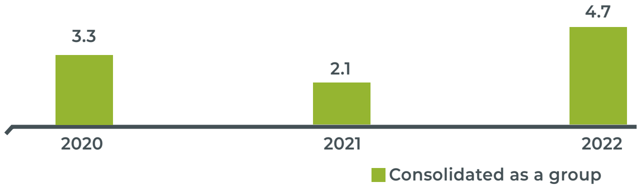
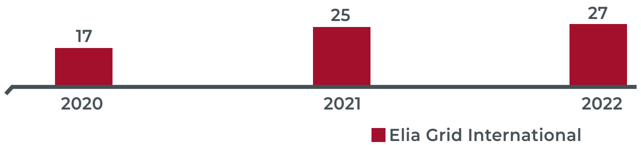
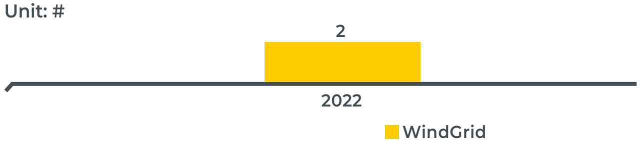
**The up-to-date average incident rate of the German transmission system operators is published in the third quarter of the subsequent year

STRATEGIC GROWTH AMBITION

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

EGI's performance has increased steadily over the past few years, despite the COVID-19 pandemic.

WindGrid's launch as the group's newest subsidiary is leveraging the group's expertise in offshore development, helping it to develop into a truly international energy company.

KEY PERFORMANCE INDICATORS (KPIS)	PROGRESS MADE SINCE 2020	HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS
Revenue from external clients Consolidated revenue from third party activities in non-regulated business. * Entities included in consolidation: Elia Grid International (EGI) re.alto energy GmbH and WindGrid SA/NV	Unit: €million 	• EGI continued to support existing customers in core regions including Europe, the Middle East, and Southeast Asia. • EGI is progressively shifting its activities towards large strategic projects, including the development of long-distance interconnectors and coupling of markets at regional and continental levels. • In 2023, EGI aims to scout out growth opportunities in coordination with other entities of Elia Group. • Until now, re.alto and WindGrid have not substantially contributed to Elia Group's revenue.
Hit rate for consultancy services Calculated as the number of offers contracted divided by the number of offers submitted. *Applies only to Elia Grid International (EGI)*	Unit: % 	• EGI experienced an increased success rate despite the challenges posed by the pandemic on international business. • EGI has adopted a new internal operating model to increase its efficiency and effectiveness. • Its goal is to further develop into a centre of competence focused on key solutions, such as power electronics and advanced system operations.
Number of partnerships Number of offshore partnerships signed during the year. *Applies only to WindGrid SA/NV*	Unit: # 	• North America is a focus market for WindGrid. It established two partnerships with US companies in 2022: - The first was with NextEra Energy Transmission MidAtlantic, with whom it submitted an offshore wind transmission proposal to authorities in New Jersey. - The second was with the US utility company PPL Corporation, with whom it agreed to develop offshore transmission solutions for the New England grid. • In 2023, WindGrid will aim to establish further partnerships with companies in Europe and the US.

STRATEGIC GROWTH AMBITION

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS
BE A LEADER IN HEALTH AND SAFETY AND EVOLVE OUR CULTURE AND TALENT

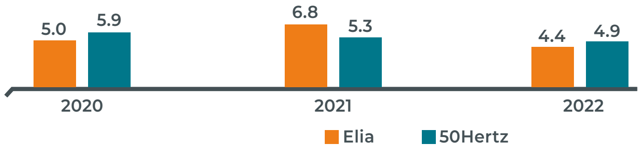
We intensified our efforts to improve our climate ambitions and internal carbon accounting and we launched a group-wide project to identify concrete measures to further promote the health & safety of contractors.

KEY PERFORMANCE INDICATORS (KPIS) | **PROGRESS MADE SINCE 2020** | **HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS**

Total Recordable Injury Rate (TRIR) of own staff

Number of work accidents with and without lost time X 1,000,000 divided by total number of hours worked over the year.

Unit: %



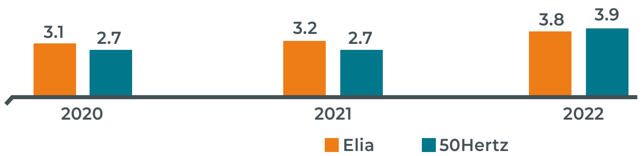
- The group wants to make sure that this figure remains below 6.5% as it approaches 2030.
- Our track record for safety is overshadowed by a fatal accident involving a contractor. An investigation into the accident was carried out and additional measures are being implemented to prevent such incidents from reoccurring.

Absenteeism rate

This is calculated as the number of days of absence (due to illness, work accidents, or hospitalisation) divided by the number of available workdays.

Corresponds to 100% - health rate

Unit: %



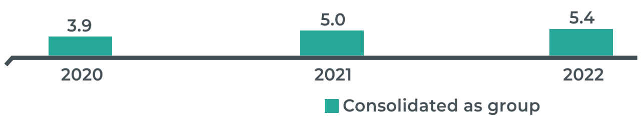
- Group target for 2030 is to maintain the rate below 5%. In 2022, the rate was still better than the target, however we observed a slight worsening trend.
- We noticed the impact of external factors (COVID-19 crisis, rising energy prices) on employee resilience. The Sonar survey detected a slight increase workload and mental strain compared with 2019.

Turnover rate

This refers to the percentage of staff who leave the organisation due to planned and unplanned reasons.

Entities included in consolidation: Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Grid International, Eurogrid International, WindGrid SA/NV, 50Hertz Transmission and Eurogrid GmbH.

Unit: %



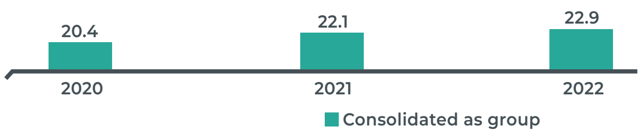
- Our retention policy focuses on the ambition to maximise the allocation of our internal staff in a versatile way. Our staff are given opportunities to develop and grow in order to keep up with changing times.

Women in leadership positions

This is equal to the share of director and senior manager roles that are occupied by women.

Entities included in consolidation: Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Grid International, Eurogrid International, WindGrid SA/NV, 50Hertz Transmission and Eurogrid GmbH.

Unit: %

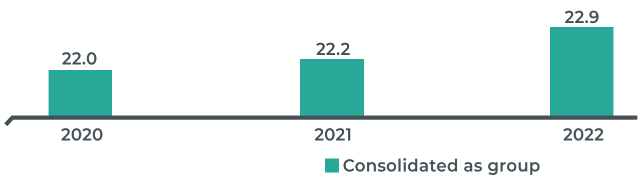


Women in total workforce

Share of women out of total headcount.

Entities included in consolidation: Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Grid International, Eurogrid International, WindGrid SA/NV, 50Hertz Transmission and Eurogrid GmbH.

Unit: %



- Elia received the Top Employer award for the fifth year in a row. Its most notable progress was made in the area of 'diversity and inclusion.' (up 13.53%).
- To exchange best practice with peers and further its commitment to making its workforce more diverse and inclusive, Elia Group became a member of the Equality platform for the energy sector.

STRATEGIC GROWTH AMBITION

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS
BE A LEADER IN HEALTH AND SAFETY AND EVOLVE OUR CULTURE AND TALENT

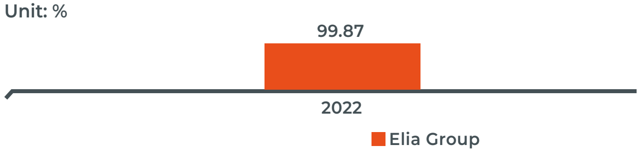
We intensified our efforts to improve our climate ambitions and internal carbon accounting and we launched a group–wide project to identify concrete measures to further promote the health & safety of contractors

KEY PERFORMANCE INDICATORS (KPIS) | **PROGRESS MADE SINCE 2020** | **HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS**

Environmental EU Taxonomy aligned CAPEX

Percentage of Elia Group's CAPEX which is considered aligned according to the EU Taxonomy terminology and the technical screening criteria for "Transmission and distribution of electricity".

Unit: %

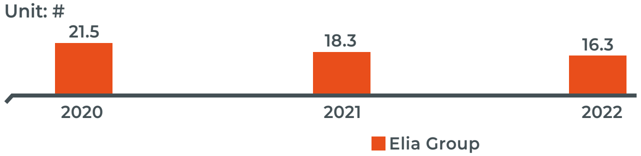


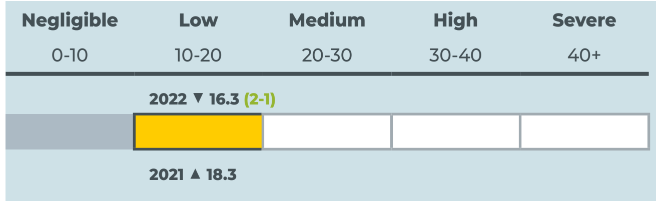
- The high % of alignment clearly shows the group's contribution to the energy transition.
- Complete disclosures relating to the exercise can be found in the 2022 Sustainability Report.

'Sustainalytics' risk index score

A privately-owned risk rating, which captures an issuer's exposure to material ESG risks and the maturity of the management of those risks.

Unit: #



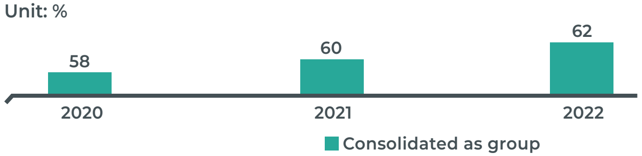


- Over the past few years, Elia Group has received low risk scores. We were able to improve our risk score in 2022 by working on our ActNow programme.
- Elia Group's ESG Risk Rating places it in the first percentile in the utilities industry assessed by Sustainalytics.
- We will continue to focus on maintaining our low risk score even if the criteria become stricter.

Biodiversity: high-voltage lines identified as critical for birds equipped with anti-collision devices (bird markers)

Number of km of overhead lines equipped with bird markers divided by the number of km of overhead lines identified as posing the greatest risk to birds across our control areas.

Unit: %

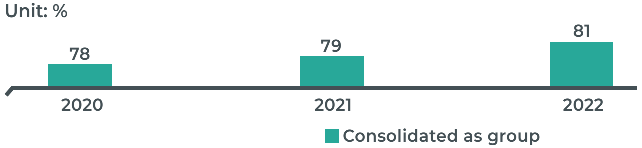


- Recent technological and regulatory developments allowed us to install bird diverters along our lines using drones for the first time in 2022. These drones were specially designed to work for high-voltage lines.
- The group's target for 2030 is to cover 100% of lines in areas designated as 'sensitive' with bird markers.

Biodiversity: forested areas managed through ecological aisles

Forested areas (in hectares) where projects have been implemented to restore biodiversity under overhead lines divided by total forested areas (hectares) under overhead lines across our control zones.

Unit: %



- 2022 was a very good year for our ecological aisle management programme, adding a total of 82.9 ha (compared to +63 ha in 2021) and exceeding our targets in both countries.
- The group target for 2030 is to reach 90% (5,530ha).

STRATEGIC GROWTH AMBITION

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS

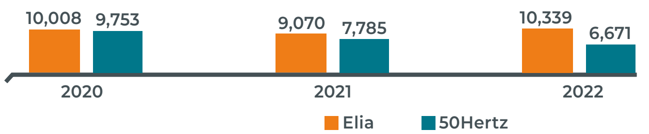
BE A LEADER IN HEALTH AND SAFETY AND EVOLVE OUR CULTURE AND TALENT

We intensified our efforts to improve our climate ambitions and internal carbon accounting and we launched a group–wide project to identify concrete measures to further promote the health & safety of contractors.

KEY PERFORMANCE INDICATORS (KPIS)	PROGRESS MADE SINCE 2020	HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS

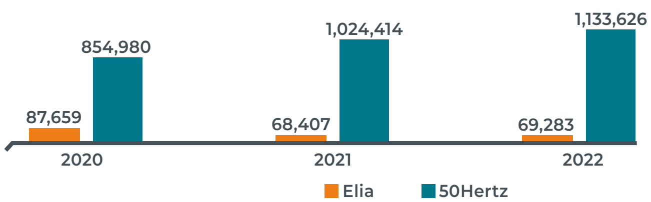
Scope 1 emissions

Direct greenhouse gas (GHG) emissions that occur from our controlled or owned sources. Calculations are GHG Protocol standard based.



Scope 2 emissions - location-based

Indirect greenhouse gas (GHG) emissions associated with the purchase of energy for own use. Calculations are GHG Protocol standard based.



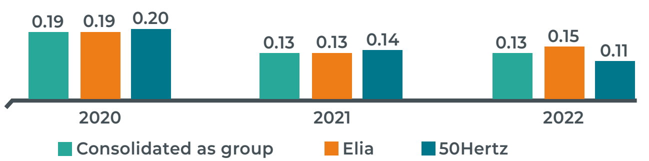
- Despite the fact that 2022's renewable energy production levels broke many records in both Belgium and Germany, the CO_2 intensity related to electricity production in both countries still increased.
- In Belgium, more gas was used in order to help our neighbouring countries as well as to compensate for the closure of the first nuclear power plant.
- In Germany, more coal was used to compensate for the Russian gas supply gap and increased export needs. This means the emissions from grid losses rose slightly across both the Elia and the 50Hertz control areas in 2022. More than 90% of our scope 2 carbon footprint is due to grid losses.
- In terms of the group's business activities, we will install solar panels with a peak load of 7 MW across our Belgian premises by 2030, so meeting part of our own consumption needs.

Scope 1 and 2 target for 2030: 28% absolute reduction vs. 2019.

Scope 1 and 2 target for 2030 (excl. grid losses): to reach carbon neutrality, including offsetting.

SF_6 leakage rate

Amount of SF_6 leaked during the year divided by the average amount of SF_6 gas stored in the compartments. See glossary for a definition of SF_6.



- The group target for 2030 is to keep the consolidated figures well below 0.25%. This is in alignment with our SF_6 phaseout programme.
- A reduction target of 50% has been set for the volume of SF_6 used in new assets installed in the lead-up to 2030. Meeting this target depends to a large extent on changes to the F-Gas regulation and permitting processes.
- The CO_2 emissions resulting from SF_6 losses have been offset since 2021 through a certified compensation scheme.

STRATEGIC GROWTH AMBITION

FINANCE OUR FUTURE
INCREASE EFFICIENCY, REALISE SYNERGIES AND OPTIMISE RESOURCE ALLOCATION

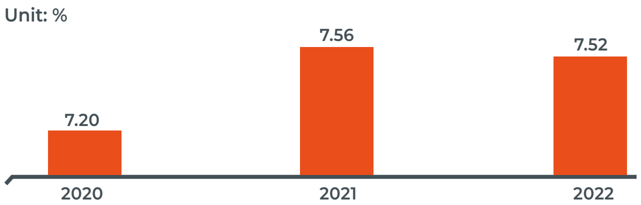
In 2022, Elia Group completed one of the largest rights issues in Belgium since 2015, raising €590.1 million. Moreover, Eurogrid GmbH secured €750 million with the issuance of its second green bond. These transactions provide the Group with the funding it needs to execute its investment programme and drive the energy transition.

KEY PERFORMANCE INDICATORS (KPIS) | **PROGRESS MADE SINCE 2020** | **HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS**

Return on Equity adjusted (RoE adj.)

The Return on Equity is the net profit attributable to the owners of ordinary shares divided by the equity attributable to ordinary shares adjusted for the value of the future contracts (hedging reserve).

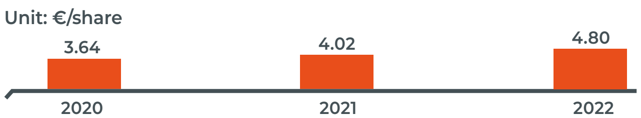
It provides an indication of the ability of the Group to generate profits relative to its invested equity.



- Elia Group delivered a net profit attributable to ordinary shareholders of €341.7 million, leading to a return on equity (adj.) of 7.52%.
- Elia Group is targeting a return on equity (adj.) of between 6% and 7% for 2023.

Earnings per share, adjusted (EPS)

Result attributable to owners of ordinary shares divided by the weighted average number of shares over the period.

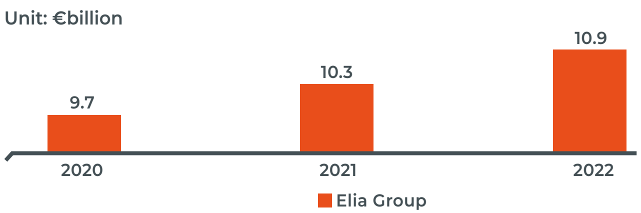


- EPS increased by 20% (+€0.8/share) following strong results driven by the realisation of investments in Belgium and Germany, a higher remuneration in Belgium following the capital increase and the important contribution from Nemo Link. Additionally, the results benefitted from a higher financial result in Germany due to the discounting of long-term provisions.
- For 2023, EPS will decrease due to higher costs linked to the growth of the group's activities, while 50Hertz benefitted in 2021 from an important revaluation of provisions due to the strong increase in forward interest rates.

Regulatory Asset Base (RAB)

The RAB of Elia Group is an important driver for determining the return on the invested capital in the TSOs through regulatory schemes.

It reflects 100% of Elia's RAB and 80% of 50Hertz's RAB.

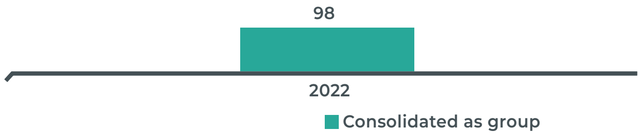


- Driven by the realisation of its investment programme, the RAB of Elia Group increased to €10.9 billion in 2022 (+5.8%).
- For 2023 to 2027, Elia Group expects a yearly growth of the RAB of around 14% driven by the execution of the €15.9 billion CAPEX plan.

STRATEGIC GROWTH AMBITION

REALISE OUR DIGITAL TRANSFORMATION

The Digital Transformation Office (DTO) was formally established and its role will be key for accelerating the digitalisation of the group's activities.

KEY PERFORMANCE INDICATORS (KPIS)	PROGRESS MADE SINCE 2020	HIGHLIGHTS FROM 2022, OUTLOOK FOR 2023 AND TARGETS
Investments in digitalisation CAPEX spend on the digitalisation of our activities and IT-related projects. Spending in this area will keep our system costs under control, increase the efficiency of our activities (including through ensuring that markets function better) and allow us to face the challenges brought about by the energy transition.	Unit: €million  	• In 2022, the group invested approximately €138 million in the digitalisation of our core business, allowing us to cope with increasing system complexity. • Realising the energy transition will not only lead to increasing grid investments but also lead to higher investments in digitalisation, allowing us to cope with increasing system complexity and growing interdependencies. ** Including acquisition of a fiber optic network (€22.1 million)*
Staff trained in digital foundations Number of employees from across all entities of Elia Group that have completed a digital training course.	Unit: #  	• A group-wide internal communication campaign was rolled-out to raise awareness about the challenges we are facing and the objectives of the DTO. • The Transformers community was established; this is formed of change agents who will support the DTO and its campaigns. • Target for 2023: having a total of 150 employees who have completed a digital foundation training course.

IN SHORT

- In 2023, we will continue to contribute to speeding up the energy transision
- Our investments and focus in 2023 will be on reinforcing the grid's backbone in a proactive manner and integrating flexibility into the system
- Appropriate permitting frameworks and the ability to provide our investors with a fair return will allow us to contribute to the acceleration of the energy transition

8 OUTLOOK 2023

WE WILL CONTINUE TO SPEED UP THE ENERGY TRANSITION

In line with ever more ambitious European and national targets related to renewable energy and decarbonisation, we will continue to speed up our activities to successfully tackle the climate and energy crises.

The geopolitical context has highlighted how society could benefit from accelerating the energy transition. This will not only reduce our dependence on fossil fuels - it will also contribute to more stable and affordable prices and protect consumers from price inflation in the gas and electricity markets.

Accelerating the energy transition will grant European industry with a great opportunity to make their processes more sustainable through green electrification and anchor their businesses in Europe, directly contributing to employment, prosperity and security of supply. This makes our mission to drive the energy transition even more relevant.

Given the complexity of our infrastructure projects, the need for additional staffing resources, the need to improve our IT architecture and associated tools to manage the increasing complexity of power system operations, we will experience increased pressure on our cost allocations in 2023 (the last year of the current regulatory cycle).

NO TRANSITION WITHOUT TRANSMISSION

The will and ambition to accelerate the energy transition are clearly there. New legislative possibilities are aimed at speeding up planning and permitting processes and the construction of offshore connections.

Those new legislative possibilities will contribute to further accelerating the development of the grid infrastructure that is urgently needed to integrate an ever-growing amount of renewable energy into the system and electrify industry and society to meet decarbonisation targets.

In 2023, the European Commission is expected to introduce additional measures to put the continent back on the map in terms of investments in renewables. The Green Deal Industrial Plan for the Net-Zero Age is Europe's ambitious response to the US Inflation Reduction Act. Amongst other acts, it will consist of a Net-Zero Industry Act to foster the industrial manufacturing of key technologies (including grid technologies) in the EU, a Critical Raw Materials Act to ensure the EU's security of supply in terms of key raw materials to be used in the green transition and a reform of the electricity market design.

The Green Deal Industrial Plan puts an important focus on accelerating the planning, financing and deployment of crucial (cross-border) infrastructure. Another important pillar of the Plan focuses on skills – both green and digital – at all levels and for all people.

FROM €9.6 TO €15.9 BILLION

Due to the faster implementation of our investment plans and the current inflationary environment, Elia Group's 2023-2027 CAPEX programme recently increased to €15.9 billion. Over the next five years, we estimate a total CAPEX of around €7.2 billion for Belgium and €8.7 billion for Germany.

Elia Group will continue on its sustainable finance journey. Elia Transmission Belgium issued its first green bond of €500 million in January 2023. This followed 50Hertz's successful placing of a second green bond of €750 million in 2022, securing liquidity for its grid expansion in Germany.

The overall ESG profile of both ETB and 50Hertz remains the key driver for attracting funds that are strongly committed to these areas.

Our business strategy anticipates social trends such as decentralisation, the growth in renewables, European integration and digitalisation. We are operating in a segment where organic and non-organic investment opportunities linked to the energy transition will continue to present themselves. This will bring us new opportunities and will strengthen the Group's growth and development.

AT THE FOREFRONT OF TECHNICAL & TECHNOLOGICAL CHANGES

The Elia group is currently working on the world's first energy islands: the artificial Princess Elisabeth Island, which will be constructed 45 km off the Belgian coast, and Bornholm Energy Island, which is located in the Baltic Sea. Both projects will be key for unlocking offshore wind potential in Belgium and Germany.

The Belgian energy island is a groundbreaking project that will also serve as an energy hub that will host the landing points of additional interconnectors with the UK (Nautilus) and Denmark (TritonLink). It follows the construction and 2020 commissioning of the world's first hybrid interconnector: the Combined Grid Solution in the Baltic Sea.

These projects demonstrate that Elia Group is once again at the forefront of technical and technological changes that are necessary for the success of the energy transition.

REINFORCEMENT OF THE BACKBONE

More volumes of renewable energy and a more integrated European grid means that the existing backbone must be planned and built in a proactive manner.

New onshore connections such as Ventilus and the Boucle du Hainaut in Belgium will provide additional hosting capacity that is very much needed. These projects will form vital parts of a highly meshed onshore 380 kV grid, so supporting the green electrification of industry and society. They will make the grid more robust, reliable and stable.

At 50Hertz, 65% of investments are linked to onshore projects: mainly direct current (DC) lines connecting renewable energy sources in the north and the Baltic Sea to main consumption centres in the south. This includes the North-South connection (SuedOstLink) and a new corridor which will lead to the German North Sea (NordOstLink).

MAKE FLEXIBILITY WORK!

The combination of increasing intermittent production and electrification have caused flexibility to rise in importance. The convergence of the electricity sector with other sectors (mobility, heat, industry...) will create societal value for consumers and ensure that our system costs decrease. The electric car will become part of smart house energy systems: people might charge their EV at work and then use that same energy stored in their car's battery to cook their dinner at home. The possibilities are endless.

From our perspective as an owner of two transmission system operators, it is important to spot the trends and integrate flexibility into the system in an appropriate way. Flexibility is a theme that the Elia group has been working on for many years now: we believe that creating value for society is good for the company itself. Flexibility will therefore be the central theme of the Elia group's 2023 vision paper.

This is a mock-up.

NEED FOR AN APPROPRIATE FRAMEWORK AND FAIR RETURN

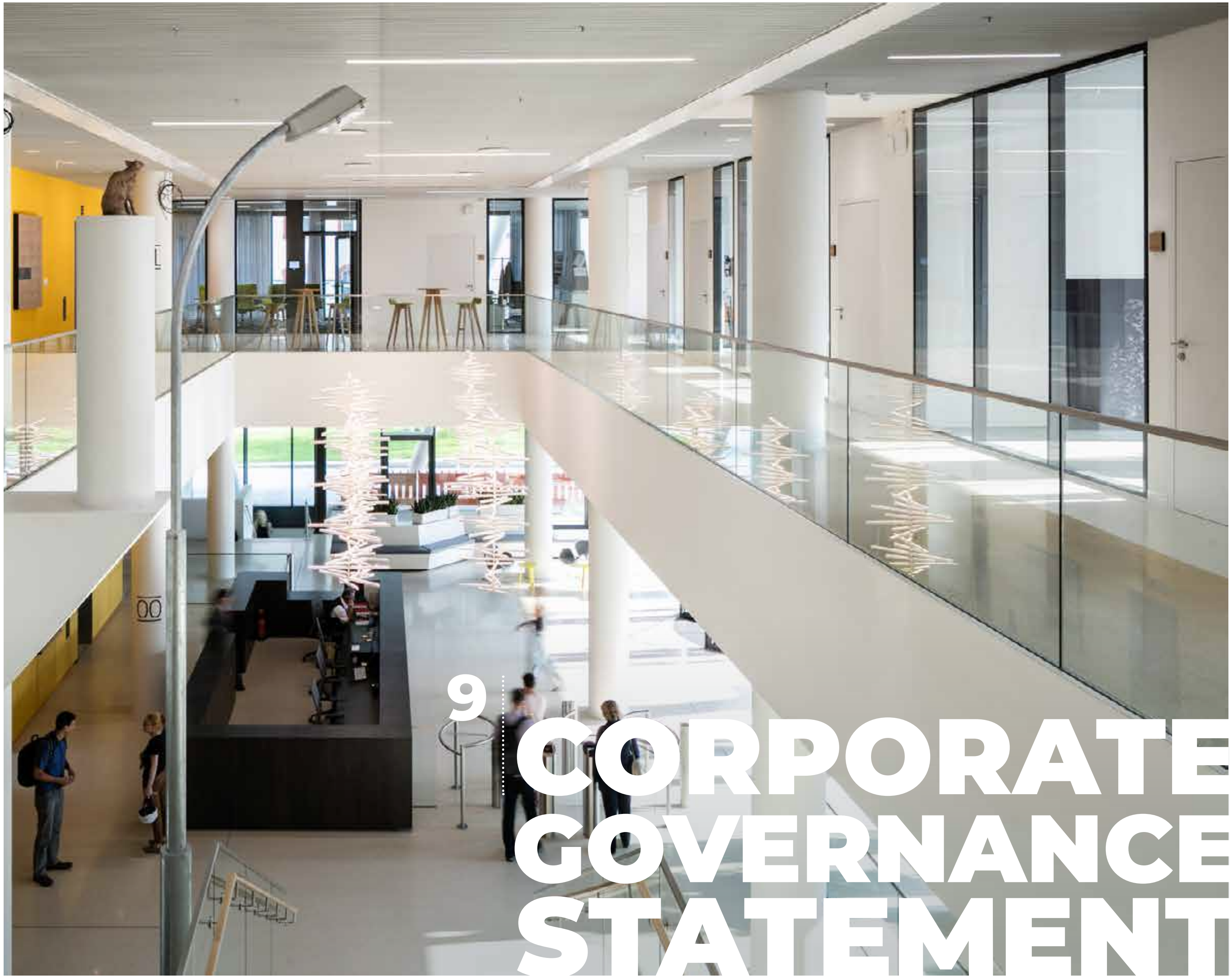
As is made clear above, we are working on many fronts at the same time. Each of these fronts has its own stakeholders working at their own pace. It is important to have governments, regulators, distribution system operators and the commercial sector on board so that infrastructure can be delivered on time, renewable energy can be integrated into the system and industrial decarbonisation is supported.

The context in which we are working has completely changed over the past year. We are operating in an inflationary environment which has to be taken into account. We would therefore like to once again highlight how important appropriate frameworks with regard to permitting and a fair return for investors are. Such frameworks will give us the required tools to fully support the acceleration of the energy transition.

WE BELIEVE THAT CREATING VALUE FOR SOCIETY, IS GOOD FOR THE COMPANY.

IN SHORT

- **At the end of 2022, Elia Group's Board of Directors was comprised of a chairperson, two vice chairpersons and 11 directors; the Nomination, Audit, Remuneration and Strategic Committees act as advisory committees to the Board of Directors**
- **Elia Group's Executive Management Board comprises five members**



9 CORPORATE GOVERNANCE STATEMENT

DIVISION OF ROLES

> WE ARE NO LONGER JUST A SYSTEM OPERATOR THAT HAS TO KEEP HIGH-VOLTAGE LINES AND TRANSFORMERS IN GOOD CONDITION; WE ARE AN INTERNATIONAL GROUP THAT IS AT THE CENTRE OF THE ENERGY TRANSITION AND IS STARTING TO DEVELOP INCREASINGLY COMPLEX ACTIVITIES TO DRIVE IT FORWARD.
>
> **Chris Peeters,**
> **CEO of Elia Group**

Since the Elia group is growing and diversifying its activities, its management structure was adjusted in 2022. Until November, Chris Peeters was the CEO of both Elia Group and Elia Transmission Belgium. The position has since been split into two roles. Chris is focusing on the Group's international growth and unregulated areas. Frédéric Dunon is responsible for Elia's regulated activities in Belgium.

Chris Peeters, CEO of Elia Group: Splitting the two positions is giving me more time to dedicate to topics like our digital transformation, the relationship with our German subsidiary (50Hertz), growth outside of our regulated markets, etc. Frédéric's is mainly focusing on our regulated activities as a local player in Belgium - just as his German counterpart, Stefan Kapferer, is doing via 50Hertz in Germany. A lot has changed in the last five years. Through our majority stake in 50Hertz, we have created a different kind of company. We are no longer just a system operator that has to keep high-voltage lines and transformers in good condition; we are an international group that is at the centre of the energy transition and is starting to develop increasingly complex activities to drive it forward.

Frédéric Dunon, Deputy CEO of Elia Transmission Belgium: Not a day goes by without people discussing the energy transition in the newspapers or on the news. As a system operator, we are right at the heart of it. We even occupy a steering function through many of our activities. Moreover, looking at the outlook for the next few years and our investment plans, it's clear that we are at the beginning of the transition. We must never cross two fundamental red lines. The first is that of health and safety. This remains our first priority; our attention to it must never wane. The second red line is that of social value: we pursue activities that will deliver profits to us, but social value and acting in the interest of society always comes first.

9.1 BOARD OF DIRECTORS

This corporate governance statement contains the main aspects of Elia Group SA/NV's corporate governance framework, including all relevant information on events affecting Elia Group SA/NV's governance during the financial year 2022.

In 2022 Elia Group SA/NV's corporate governance was based on the following pillars:

- **the (Belgian) 2020 Corporate Governance Code[1], which Elia Group SA/NV has adopted as its benchmark code;**
- **the (Belgian) Code of Companies and Associations[2];**
- **Elia Group SA/NV's Articles of Association[3];**
- **The Corporate Governance Charter of Elia Group SA/NV[4].**

This Corporate Governance Statement also includes the reasons for the deviations from the following provisions of the Corporate Governance Code 2020:
- Provision 5.6 on the maximum term of office of four years for a director ;
- Provision 7.6 on the partial remuneration of a non-executive director in the form of shares;
- Provision 7.9 on the setting of a minimum threshold of shares to be held by directors.

1 The (Belgian) 2020 Corporate Governance Code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).
2 The (Belgian) Code of Companies and Associations can be found on the website of the ministry of justice (http://www.ejustice.just.fgov.be/cgi_loi/wet.pl).
3 The Articles of Association of Elia Group SA/NV can be found on the website of Elia Group SA/NV (https://www.eliagroup.eu/en/about-elia-group/corporate-bodies).
4 The Corporate Governance Charter of Elia Group SA/NV can be found on the website of Elia Group SA/NV (https://www.eliagroup.eu/en/about-elia-group/corporate-bodies).

COMPOSITION OF THE MANAGEMENT BODIES AS AT 31 DECEMBER 2022

BOARD OF DIRECTORS

CHAIRPERSON

- **Bernard Gustin**, non-executive independent director

VICE-CHAIRPERSONS

- **Claude Grégoire**, non-executive director appointed upon proposal of Publi-T SC/CV
- **Geert Versnick**, non-executive director appointed upon proposal of Publi-T SC/CV

DIRECTORS

- **Michel Allé**, non-executive independent director[5]
- **Pieter De Crem**, non-executive director appointed upon proposal of Publi-T SC/CV
- **Laurence de l'Escaille**, non-executive independent director[6]
- **Luc De Temmerman**, non-executive independent director[7]
- **Frank Donck**, non-executive independent director
- **Cécile Flandre**, non-executive director appointed upon proposal of Publi-T SC/CV[8]
- Interfin SCRL/CVBA permanently represented by **Thibaud Wyngaard,** non-executive director appointed upon proposal of Publi-T SC/CV[9]
- **Roberte Kesteman**, non-executive independent director
- **Dominique Offergeld**, non-executive director appointed upon proposal of Publi-T SC/CV
- **Rudy Provoost**, non-executive director appointed upon proposal of Publi-T SC/CV
- **Pascale Van Damme**, non-executive independent director[10]

ADVISORY COMMITTEES TO THE BOARD OF DIRECTORS

NOMINATION COMMITTEE

- **Geert Versnick**, Chairman
- **Pieter De Crem**
- **Laurence de l'Escaille**[11]
- **Luc De Temmerman**
- **Frank Donck**

AUDIT COMMITTEE

- **Michel Allé**[12], Chairman
- **Frank Donck**
- **Roberte Kesteman**
- **Dominique Offergeld**
- **Rudy Provoost**

REMUNERATION COMMITTEE

- **Luc De Temmerman**[13], Chairman
- **Pieter De Crem**
- **Roberte Kesteman**
- **Dominique Offergeld**
- **Pascale Van Damme**[14]

STRATEGIC COMMITTEE

- **Dominique Offergeld**, Chairwoman
- **Michel Allé**[15]
- **Claude Grégoire**
- **Bernard Gustin**
- **Rudy Provoost**
- **Luc Hujoel**, standing invitee
- **Geert Versnick**, standing invitee

JOINT AUDITORS

- EY Réviseurs d'Entreprises SRL/BV, represented by Paul Eelen
- BDO Réviseurs d'Entreprises SRL/BV, represented by Felix Fank

EXECUTIVE MANAGEMENT BOARD

- **Chris Peeters** (Chief Executive Officer and TSO Head Elia)
- **Catherine Vandenborre** (Chief Financial Officer)
- **Stefan Kapferer** (TSO Head 50Hertz)
- **Peter Michiels** (Chief Human Resources, Internal Communication Officer and Chief Alignment Officer)
- **Michael Freiherr Roeder von Diersburg** (Chief Digital Officer)

SECRETARY-GENERAL

- **Siska Vanhoudenhoven**

5 Michel Allé was reappointed as non-executive independent director by the ordinary general meeting held on 17 May 2022.

6 Laurence de l'Escaille was appointed as non-executive independent director by the ordinary general meeting held on 17 May 2022 to replace Jane Murphy, who tendered her voluntary resignation as non-executive independent director of Elia Group SA/NV with effect from 17 May 2022. The mandate of Laurence de l'Escaille started at the end of the ordinary general meeting held on 17 May 2022.

7 Luc De Temmerman was reappointed as non-executive independent director by the ordinary general meeting held on 17 May 2022.

8 Cécile Flandre tendered her voluntary resignation with effect from 30 January 2023.

9 Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujoel, the Board of Directors, upon the proposal of Publi-T, co-opted Thibaud Wyngaard as non-executive director with effect from 1 January 2022. Subsequently, the ordinary general meeting held on 17 May 2022 appointed Interfin SCRL/CVBA, permanently represented by Thibaud Wyngaard, upon proposal of Publi-T as non-executive director. The mandate of Interfin SCRL/CVBA started at the end of the ordinary general meeting held on 17 May 2022.

10 Pascale Van Damme was appointed as non-executive independent director by the ordinary general meeting held on 17 May 2022 to replace Saskia Van Uffelen, whose mandate as non-executive independent director of Elia Group SA/NV terminated on 17 May 2022. The mandate of Pascale Van Damme started at the end of the ordinary general meeting held on 17 May 2022.

11 Laurence de l'Escaille was appointed as non-executive independent director by the ordinary general meeting held on 17 May 2022 to replace Jane Murphy, who tendered her voluntary resignation as non-executive independent director of Elia Group SA/NV with effect from 17 May 2022. The mandate of Laurence de l'Escaille started at the end of the ordinary general meeting held on 17 May 2022.

12 Michel Allé was reappointed as non-executive independent director by the ordinary general meeting held on 17 May 2022.

13 Luc De Temmerman was reappointed as non-executive independent director by the ordinary general meeting held on 17 May 2022.

14 Pascale Van Damme was appointed as non-executive independent director by the ordinary general meeting held on 17 May 2022 to replace Saskia Van Uffelen, whose mandate as non-executive independent director of Elia Group SA/NV terminated on 17 May 2022. The mandate of Pascale Van Damme started at the end of the ordinary general meeting held on 17 May 2022.

15 Michel Allé was reappointed as non-executive independent director by the ordinary general meeting held on 17 May 2022

BOARD OF DIRECTORS

APPOINTMENT PROCEDURE AND TERM AND EXPIRY OF DIRECTORSHIPS

Elia Group SA/NV is managed by a Board of Directors that is composed of at least ten (10) and maximum fourteen (14) members. At least three members of the Board of Directors are independent directors in the meaning of the applicable legal (article 7:87 of the Code of Companies and Association and provision 3.5 of the 2020 Corporate Governance Code) and statutory provisions.

All members are appointed by the general meeting of shareholders and may be dismissed by it.

The independent directors are proposed for appointment by the Board of Directors to the ordinary general meeting based on the recommendation of the Nomination Committee. The non-independent directors are appointed by the ordinary general meeting upon proposal of Publi-T SC/CV, in accordance with article 13.2 of the Articles of Association of Elia Group SA/NV.

The ordinary general meeting held on 17 May 2022 voted separately on each proposed (re-)appointment of a director in accordance with provision 5.7 of the 2020 Corporate Governance Code.[16]

The directors of Elia Group SA/NV are appointed or reappointed for a maximum term of six-years.

The maximum six-year term of the directorships diverges from the maximum four-year term recommended by the provision 5.6 of the 2020 Corporate Governance Code. The maximum six-year term is justified in light of the technical, financial and legal specificities and complexities that apply within the group and that require a certain level of experience achieved through continuity in the composition of the Board of Directors.

SPECIFIC REQUIREMENTS FOR MEMBERS OF THE BOARD OF DIRECTORS

The Articles of Association stipulate that the Board of Directors is composed exclusively of non-executive directors.

In addition, in accordance with the Articles of Association, the members of the Board of Directors may not be members of the supervisory board, the board of directors or bodies that legally representing an undertaking that fulfils any of the following functions: production or supply of electricity. Nor may the members of the Board of Directors carry on any other function or activity, whether remunerated or not, in favor of an undertaking falling under the preceding sentence.

In addition to the legal requirements regarding their independence (see above), the independent directors are appointed partly for their knowledge of financial management and partly for their relevant technical knowledge of the company's activities.

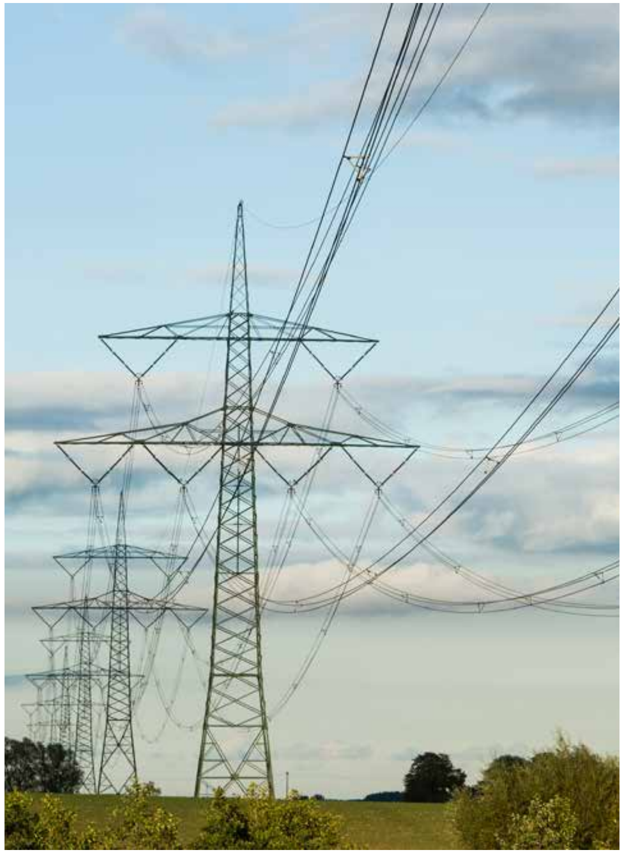
In accordance with the Articles of Association and the Code of Companies and Associations, at least one third of the directors must be of the opposite sex to the remaining two thirds.

In accordance with the Corporate Governance Charter of Elia Group SA/NV and in line with the provision 5.5 of the 2020 Corporate Governance Code, members of the Board of Directors may not accept more than five directorships in listed companies.

For the composition of the advisory committees, specific skills are required.

In addition to the legal and statutory selection criteria, the Board of Directors has approved on March 2, 2021, in application of provision 5.1 of the 2020 Corporate Governance Code, additional criteria applicable to all new directors. All these criteria can be found in the Corporate Governance Charter of Elia Group SA/NV published on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library').

The composition of the Board of Directors guarantees that decisions are taken in the interest of Elia Group SA/NV. This composition is based on a gender mix and on diversity in general, as well as on the complementarity of skills, experience and knowledge. Additionally, when renewing the directorships of the members of the Board of Directors, care must be taken to ensure that a linguistic balance is achieved and maintained within the group of directors of Belgian nationality.



16 It concerns the appointment of Laurence de l'Escaille (independent director), the appointment of Pascale Van Damme (independent director), the reapppointment of Michel Allé (independent director), the reappointment of Luc De Temmerman (independent director) and the appointment of Interfin SCRL/CVBA permanently represented by Thibaud Wyngaard (appointed upon proposal of Publi-T SC/CV).

CURRENT COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is currently composed of fourteen (14) directors. Seven (7) directors are independent non-executive directors, in the meaning of article 7:87 of the Code of Companies and Associations and provision 3.5 of the 2020 Corporate Governance Code. The seven (7) other non-executive directors are non-independent directors appointed by the ordinary general meeting upon proposal of Publi-T SC/CV, as per the current shareholder structure and article 13.2 of the Articles of Association of Elia Group SA/NV (see also the 'Shareholder structure' section on page 127 of this statement).

Diversity within the Board of Directors

Number of directors as at 31 December 2022	Unit	2022
Men	Aged 35 < 54	**2**
	Aged ≥ 55	**7**
Women	Aged 35 < 54	**3**
	Aged ≥ 55	**2**

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2021

Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujoel, the Board of Directors, upon the proposal of Publi-T SC/CV, co-opted Thibaud Wyngaard on 17 December 2021 as non-executive director with effect from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director was proposed to the ordinary general meeting held on 17 May 2022. The ordinary general meeting decided on 17 May 2022 to appoint upon proposal of Publi-T SC/CV, the Intercommunal Association in the form of a Cooperative Society of public law "Interfin", permanently represented by Thibaud Wyngaard, as non-executive director of the company.

Jane Murphy has tendered her voluntary resignation as non-executive independent director of Elia Group SA/NV with effect from 17 May 2022. To replace Jane Murphy, the ordinary general meeting has appointed Laurence de l'Escaille on 17 May 2022 as non-executive independent director as from that date.

The mandate as non-executive independent director of Elia Group SA/NV of Saska Van Uffelen terminated at the end of the ordinary general meeting held on 17 May 2022. Subsequently, the ordinary general meeting appointed Pascale Van Damme on 17 May 2022 as non-executive independent director as from that date.

TERM AND EXPIRY OF DIRECTORSHIPS

The directorships of Luc De Temmerman and Michel Allé were renewed at the ordinary general meeting of 2022 for a three-year term, starting after the ordinary general meeting held on 17 May 2022 and ending immediately after the 2025 ordinary general meeting relating to the financial year ending on 31 December 2024.

Frank Donck's directorship ends immediately after the 2027 ordinary general meeting relating to the financial year ending on 31 December 2026.

Geert Versnick, Pieter De Crem and Interfin SCRL/CVBA's (permanently represented by Thibaud Wyngaard) directorships will expire immediately after the 2026 ordinary general meeting relating to the financial year ending 31 December 2025.

The directorships Laurence de l'Escaille and Pascale Van Damme will expire immediately after the 2025 ordinary general meeting relating to the financial year ending 31 December 2024. This is also the case for the directorships of Michel Allé and Luc De Temmerman as mentioned here above.

The directorships of Bernard Gustin, Cécile Flandre, Claude Grégoire, Dominique Offergeld, Roberte Kesteman and Rudy Provoost will expire immediately after the 2023 Ordinary General Meeting relating to the financial year ending 31 December 2022.

For the sake of clarity, the end of term of the mandate each director referred to above is also mentioned in the following chart:

	End of term immediately after the Ordinary General Meeting to be held in	(relating to financial year ending)
Bernard Gustin, Chairman	2023	(2022)
Geert Versnick, Vice-Chairman	2026	(2025)
Claude Grégoire, Vice-Chairman	2023	(2022)
Michel Allé	2025	(2024)
Pieter De Crem	2026	(2025)
Laurence de l'Escaille	**2025**	**(2024)**
Luc De Temmerman	2025	(2024)
Frank Donck	2027	(2026)
Cécile Flandre	2023	(2022)
Interfin SCRL/CVBA	2026	(2025)
Roberte Kesteman	2023	(2022)
Dominique Offergeld	2023	(2022)
Rudy Provoost	2023	(2022)
Pascale Van Damme	2025	(2024)

End of term immediately after the Ordinary General Meeting to be held in	Number of directors
2023	6
2025	4
2026	3
2027	1

In accordance with the provisions of the Articles of Association, the Board of Directors is supported by four advisory committees: the Nomination Committee, the Audit Committee, the Remuneration Committee and the Strategic Committee. The Board of Directors ensures that these advisory committees operate in an efficient manner.

COMPETENCES OF THE BOARD OF DIRECTORS

Elia Group SA/NV has a one-tier ("*système moniste/monistisch system*") structure as governance model. The Board of Directors has, in accordance with article 17.2 of the Articles of Association, the power to perform all acts necessary or useful for achieving the statutory purpose, with the exception of those acts reserved by law or by the Articles of Association to the General Meeting. Thus, the Board of Directors has inter alia the following powers:

1° approval/amendment of the general strategy, financial and dividend policy of the company, including the strategic orientations or options for the company as well as the principles and problems of a general nature, in particular with regard to risk management and personnel management;

2° approval, follow-up and amendment of the business plan and budgets of the company;

3° without prejudice to other specific powers of the Board of Directors, entering into any commitment where the amount exceeds fifteen million euros (EUR 15,000,000), unless the amount as well as its main characteristics are explicitly provided for in the annual budget;

4° decisions on the corporate structure of the company and of the companies in which the company holds a participation, including the issue of securities;

5° decisions on the incorporation of companies and on the acquisition or transfer of shares (regardless of the manner in which these shares are acquired or transferred) in companies in which the company directly or indirectly holds a participating interest, insofar as the financial impact of this incorporation, acquisition or transfer exceeds two million five hundred thousand euros (EUR 2,500,000);

6° decisions on strategic acquisitions or alliances, significant divestments or transfers of core activities or assets of the company;

7° significant changes to accounting or tax policies;

8° significant changes in the activities;

9° decisions concerning the launch of or acquisition of participations in activities outside the management of electricity networks;

10° strategic decisions to manage and/or acquire new electricity networks outside Belgium;

11° in relation to **(i)** Elia Transmission Belgium SA/NV and Elia Asset SA/NV: monitoring their general policy as well as the decisions and matters referred to in 4°, 5°, 6°, 8°, 9° and 10° above; **(ii)** the key subsidiaries designated by the Board of Directors (other than Elia Transmission Belgium SA/NV and Elia Asset SA/NV): the approval and monitoring of their general policy as well as the decisions and matters referred to in 1° to 10° above; **(iii)** the subsidiaries other than the key subsidiaries: the approval and monitoring of their general policy as well as the decisions and matters referred to in the 4°, 5°, 6°, 8°, 9° and 10° above;

12° exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order inter alia to assess whether the company's business is being conducted in a due and proper way;

13° the powers granted to the Board of Directors by or by virtue of the Belgian Code of Companies and Associations or the Articles of Association.

In the framework of the risk management competence of the Board of Directors, the Board of Directors approved a reference framework for internal control and risk management, established by the Executive Management Board, that is based on the COSO II framework. The Board of Directors has also appointed a Compliance Officer who is responsible for monitoring the company's compliance with laws and regulations and for applying the relevant internal guidelines. The Compliance Officer reports at least once a year to the Board of Directors on the execution of his mission.

With respect to the exercise of its supervision oversight responsibilities (see item 12° hereabove), the Board of Directors is at least responsible for the following:

- exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order to, *inter alia*, assess whether the company's business is being conducted in a due and proper way;
- monitoring and reviewing the effectiveness of the advisory committees of the Board of Directors;
- taking all necessary measures to ensure the integrity and timely publication of the financial statements and other significant financial and non-financial information communicated to shareholders and potential shareholders;
- approving an internal control and risk management framework, set up by the Executive Management Board and evaluating the implementation of this framework. The Board of Directors also describes in the annual report the main features of the internal control and risk management systems of the Elia Group SA/NV;
- supervising the performance of the statutory auditors and the internal audit function, taking into account the review carried out by the Audit Committee.

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors and, to the extent necessary, to any third party acting on behalf of the company.

MEETINGS AND DECISION-MAKING

The Board of Directors meets whenever required in the interests of the company and at least once (1) per quarter. It must be convened whenever the company's interests so require and whenever at least two (2) directors so request. It deliberates validly in accordance with the rules that it lays down.

The meetings of the Board of Directors can be held via video conference, conference call or using other means of remote communication, provided all the members agree and the organisational principles of the Board are adhered to. The decisions of the Board of Directors can be taken in accordance with article 7:95, second paragraph of the Code of Companies and Associations by unanimous written agreement of the directors.

The Board of Directors constitutes a collegiate body in which the members strive for consensus in their deliberations.

The deliberations of the Board of Directors are set down in minutes. These minutes are filed in a special register.

ACTIVITY REPORT

In 2022, the Board of Directors of Elia Group SA/NV met eleven (11) times.

The Board of Directors primarily focused on strategic issues, the financial and regulatory situation of the company and its subsidiaries, the digitalization, the progress on major investment projects, various governance matters and the follow-up of the risks.

Members who were unable to attend usually granted a proxy to another member. In accordance with article 19.4 of the Articles of Association of the company, members who are absent or unable to attend may grant a written proxy to another member of the Board of Directors to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no director can hold more than two proxies.

Attendance rate	
Bernard Gustin, Chairman	11/11
Geert Versnick, Vice-chairman	10/11
Claude Grégoire, Vice-chairman	11/11
Michel Allé	11/11
Pieter De Crem	11/11
Laurence de l'Escaille (as from 17 May 2022)	**8/8**
Luc De Temmerman	10/11
Frank Donck	11/11
Cécile Flandre	11/11
Interfin SCRL/CVBA (permanently represented by Thibaud Wyngaard) (as from 17 May 2022)	7/8
Roberte Kesteman	11/11
Jane Murphy (until 17 May 2022)	3/3
Dominique Offergeld	11/11
Rudy Provoost	10/11
Pascale Van Damme (as from 17 May 2022)	6/8
Saskia Van Uffelen (until 17 May 2022)	3/3
Thibaud Wyngaard (until 17 May 2022)	2/3

CONFLICT OF INTEREST

The directors of Elia Group SA/NV must strictly observe the provisions of article 7:96 of the Code of Companies and Associations. The procedure of article 7:96 of the Code of Companies and Associations was not applied in 2022, as there were no conflicts of interest of a patrimonial nature within the meaning of article 7:96 of the Code of Companies and Associations. In the case of sensitive or confidential information, directors consult with the Chairman of the Board of Directors, in accordance with the Corporate Governance Charter

ADVISORY COMMITTEES

As set out above, in order to carry out its tasks and responsibilities effectively, the Board of Directors is supported by four (4) advisory committees: the Remuneration Committee, the Audit Committee, the Nomination Committee and the Strategic Committee (see below).

In principle, an advisory committee makes recommendations to the Board of Directors in certain specific matters for which it has the necessary expertise. The power of decision itself rests exclusively with the Board of Directors. The role of an advisory committee is therefore limited to providing advice to the Board of Directors.

The Board of Directors monitors the effectiveness of the advisory committees.

Members of the executive and senior management may be invited to attend advisory committee meetings to provide relevant information and insights into their areas of responsibility.

Each advisory committee reports to the Board of Directors after each meeting.

SECRETARY TO THE BOARD OF DIRECTORS

The Board of Directors appointed a Secretary General who advises the Board of Directors on all matters of governance. The Secretary General performs all administrative duties of the Board of Directors (agenda, minutes, filing, etc.) and ensures the preparation of documents necessary to carry out the tasks of the Board of Directors.

The role of the Secretary General includes inter alia:

- supporting the Board of Directors and its committees on all governance matters;
- preparing the Corporate Governance Charter and the Corporate Governance Statement;
- ensuring a good information flow within the Board of Directors and its committees and between the Executive Management Board and the Board of Directors;
- ensuring that the essence of the discussions and decisions at board meetings are accurately captured in the minutes; and
- facilitating induction and assisting with professional development as required.

Directors have individual access to the Secretary General.

INTERACTIONS WITH THE EXECUTIVE MANAGEMENT BOARD

The Chairman establishes a close relationship with the Chief Executive Officer and provides him with support and advice, while respecting the executive responsibility of the Chief Executive Officer.

The Chairman ensures effective interaction between the Board of Directors and the Executive Management Board.

There is a periodic, institutionalized interaction between the Board of Directors and the Executive Management Board in the form of a statutory reporting obligation on the part of the Executive Management Board to the Board of Directors.

The Chairman and Vice-Chairman of the Executive Management Board may, together or individually, participate in the meetings of the Board of Directors in an advisory capacity.

INTERACTIONS WITH THE SHAREHOLDERS

The Chairman of the Board of Directors ensures effective communication with shareholders and ensures that directors develop and maintain an understanding of the views of the shareholders and other significant stakeholders.

The Elia website also contains a calendar of periodic information and General Meetings (www.elia.be, under 'investors', Financial Calendar).

Shareholders and interested parties can always address their questions directly to the Investor Relations department (see for contact details: www.elia.be, under 'Investors').

EVALUATION

The Board of Directors' evaluation procedure is conducted in accordance with provision 9.1 of the 2020 Corporate Governance Code.

The Nomination Committee has prepared a new procedure in accordance with provision 9.2 of the 2020 Corporate Governance Code for evaluating the directors who are nominated for re-appointment. This evaluation procedure is carried out by the Nomination Committee and covers:

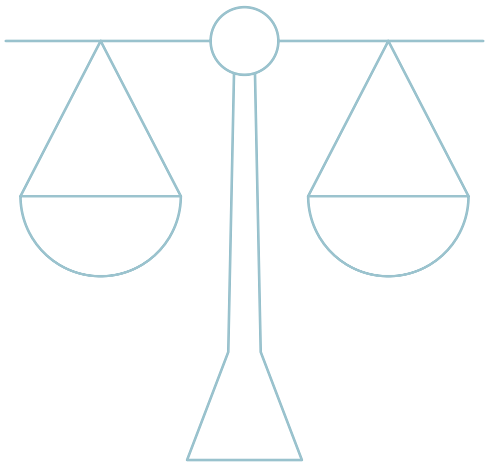
- the director's presence in board meetings and, where applicable, advisory board committees;
- the director's commitment in discussions and decision-making
- the director's constructive involvement in debates and decision-making;

An exit interview is organised by the Chairman of the Nomination Committee with the directors who are not proposed for re-election.

The results of the assessments carried out in accordance with provisions 9.1 and 9.2 of the 2020 Corporate Governance Code are discussed by the Board of Directors and, if necessary, any measure deemed appropriate for the proper functioning of the Board of Directors is taken, in accordance with provision 9.3 of the Corporate Governance Code 2020.

JOINT AUDITORS

The ordinary general meeting of Elia Group SA/NV held on 19 May 2020 reappointed EY Réviseurs d'Entreprises SRL/BV and appointed BDO Réviseurs d'Entreprises SRL/BV as auditors of the company for a period of three years. Their term of office will end immediately after the 2023 ordinary general meeting, relating to the financial year ending 31 December 2022. EY Réviseurs d'Entreprises SRL/BV is represented for the exercise of this office by Paul Eelen. BDO Réviseurs d'Entreprises SRL/BV is represented for the exercise of this office by Félix Fank.



9.2 SIGNIFICANT EVENTS IN 2022

AMENDMENTS TO THE ARTICLES OF ASSOCIATION FOLLOWING IMPLEMENTATION OF THE CAPITAL INCREASE RESERVED FOR STAFF MEMBERS

The extraordinary general meeting of Elia Group SA/NV of 21 June 2022 approved the proposed two-fold capital increase reserved for members of staff of the company and its Belgian subsidiaries. This two-fold capital increase has a maximum amount of € 6,000,000 (maximum of € 5,000,000 in 2022 and maximum of € 1,000,000 in 2023), subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favor of staff members of the company and its Belgian subsidiaries.

The issue price of the capital increase of 13 December 2022 was set at 104,34 EUR per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 15 October 2022 reduced by 16.66%. The total value of the December 2022 capital increase (including share premium) was € 4,999,972.80. 47,920 Class B shares in Elia Group SA/NV were issued.

Accordingly, articles 4.1 and 4.2 of the Articles of Association of Elia Group SA/NV relating to the share capital and the number of shares were amended on 13 December 2022.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION FOLLOWING THE CAPITAL INCREASE OF 28 JUNE 2022

Elia Group SA/NV successfully launched and completed a private placement of scrips with institutional investors. With the completion of the private placement of the scrips with institutional investors, an additional 11.36% of the new shares offered by Elia Group SA/NV were subscribed as part of its offering with preferential rights for a (maximum) amount of 590,113,192.50 EUR at 124.50 EUR per share. Thus, 100% of the offer with preferential rights was subscribed.

The payment of the subscriptions with dematerialised preferential rights, the realisation of the capital increase and the listing of the new shares on Euronext Brussels took place on 28 June 2022.

The latest version of Elia Group SA/NV's Articles of Association is available in full on the company's website (www.eliagroup.eu, under 'About Elia Group', 'Corporate Bodies').

OTHER SIGNIFICANT EVENTS

For the other significant events in 2022, see page 16 this report.

9.3 REMUNERATION COMMITTEE

COMPOSITION

The Remuneration Committee is composed of at least three (3) and maximum five (5) directors, of whom the majority are independent and at least one third non-independent.

The Remuneration Committee is currently composed of five (5) non-executive directors, of whom three (3) are independent.

COMPETENCES

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to article 7:100 of the Code of Companies and Associations and to article 16.1 of the Articles of Association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Executive Management Board and of the Board of Directors.

In particular, the Remuneration Committee exercises the following powers:

- it formulates proposals to the Board of Directors on the remuneration policy of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board and, if applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders' general meeting;
- it makes proposals to the Board of Directors on the individual remuneration of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board, including the variable remuneration (including, for the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations and the members of the Executive Management Board, exceptional remuneration in the form of bonuses) and long-term performance bonuses, whether or not linked to shares, in the form of stock options or other financial instruments, and severance payments, and, if applicable, on the proposals arising therefrom which the Board of Directors must submit to the shareholders' general meeting;
- it prepares the remuneration report which the Board of Directors attaches to the statement as mentioned in article 3:6, § 2 of the Code of Companies and Associations (that is submitted for consultative vote to the ordinary general meeting);
- it comments on the remuneration report at the ordinary general meeting.

ACTIVITY REPORT

The Remuneration Committee met six (6) times in 2022.

Attendance rate	
Luc De Temmerman, Chairman	6/6
Pieter De Crem	6/6
Roberte Kesteman	6/6
Dominique Offergeld	5/6
Pascale Van Damme (as from 17 May 2022)	3/3
Saskia Van Uffelen (until 17 May 2022)	3/3

Once a year Elia Group SA/NV evaluates its management staff in accordance with its performance management policy. This policy also applies to members of the Executive Management Board. The Remuneration Committee approved the proposed collective and individual targets for the Executive Management Board for 2022. Accordingly, the Remuneration Committee evaluates the members of the Executive Management Board on the basis of a series of collective and individual targets, of both a quantitative and qualitative nature, also taking into account the feedback from internal and external stakeholders. The current remuneration policy concerning the variable part of the Executive Management Board's remuneration takes into account the implementation of multi-year tariffs. Consequently, the remuneration policy for members of the Executive Management Board includes, among other things, an annual variable remuneration and long term incentive (LTI) spread out over the multi-year regulation period. The annual variable remuneration, which is connected with Elia Group SA/NV's strategy, has two components: the attainment of collective quantitative targets and the individual performances, including progress on net profit, infrastructure projects, safety and culture, security of (electricity) supply linked to sustainability and efficiency targets.

In addition, the remuneration policy foresees in the possibility to allocate exceptional cash bonuses for specific projects in specific, non-recurring cases.

During the financial year 2022, the following changes were made to the remuneration policy for the members of the Executive Management Board: (i) the weighting of the various components of the Executive Management Board members' remuneration and (ii) an adjustment of certain short- and long-term targets. This remuneration policy was approved by the ordinary general meeting held on 17 May 2022.

In addition, the Remuneration Committee prepared the remuneration report (financial year 2021) for consultative vote of the ordinary general meeting of 17 May 2022.

In view of provision 7.6 of the 2020 Corporate Governance Code, the Board of Directors has decided to follow the recommendation of the Remuneration Committee according to which a share based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals. In addition (and in deviation from provision 7.9 of the 2020 Corporate Governance Code), the Board of Directors decided not to impose a minimum threshold of shares to be held by the members of the Executive Management Board. The Board of Directors is indeed of the opinion that the way in which the remuneration of the members of the Executive Management Board is structured sufficiently contributes to the long-term interests and the sustainability of the company. Moreover, the fixed remuneration guarantees commitment in more difficult times whereas the variable remuneration and the LTI guarantee ambition in achieving the performance criteria that translate the company's strategy (see also the remuneration report for explanations as to provisions 7.6 and 7.9 of the 2020 Corporate Governance Code).

9.4 AUDIT COMMITTEE

COMPOSITION

The Audit Committee is composed of at least three (3) and maximum five (5) directors, of whom two (2) shall be independent directors.

The Audit Committee is currently composed of five non-executive directors, three (3) of whom are independent.

The members of the Audit Committee have a collective expertise in the field of the company's activities. At least one member of the Audit Committee must have sufficient expertise in terms of accounting and financial controlling.

Pursuant to article 3:6, §1, 9° of the Code of Companies and Associations, the annual report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. The internal rules of procedure of the Audit Committee provide that the professional experience of at least two members of the Audit Committee must be detailed in this report. The experience of Michel Allé, Chairman of the Audit Committee, and of Dominique Offergeld, member of the Audit Committee, are described in detail below.

Michel Allé (non-executive independent director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV since 17 May 2016 and Chairman of the Audit Committee) has degrees in physics civil engineering and economics (both from the Université Libre de Bruxelles (ULB)). Alongside his academic career as a professor of economics and finance (Solvay Brussels School, ULB's Ecole Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career in the service of the Prime Minister, as an advisor in the Science Policy Department. He was appointed director of the National Energy R&D Programme in 1982 and then director in charge of Innovative Companies. In 1987 he joined the Cobepa group where he held many positions, including Vice President of Mosane from 1992 to 1995. From 1995 to 2000 he was a member of the Cobepa group's Executive Committee. He then served as Chief Financial Officer of BIAC between 2001 and 2005 and as Chief Financial Officer of SNCB (Belgian Railways) between 2005 and 2015. He also has extensive experience as a director, including past and present roles at Telenet, Zetes, Eurvest (Nicols), D'Ieteren, Epic Therapeutics SA, Neuvasq Biotechnologies SA and Dreamjet Participations SA. He has chaired the Zetes Audit Committee.

Dominique Offergeld (non-executive director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV, appointed upon the proposal of Publi-T SC/CV) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur.

She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999.

In 2001 she became advisor to the deputy prime minister and minister for foreign affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigas and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and the Audit Committee of SNCB. Between 2014 and 2016, she was director of the minister for mobility's strategy unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES since August 2016, a position she also held between 2008 and 2014.

COMPETENCES

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to article 7:99 of the Code of Companies and Associations and article 15.1 of the Articles of Association, in particular responsible for:

- examining the accounts and exercising control over the budget;
- monitoring the financial reporting process;
- monitoring the information to be included in the so called non-financial statements of the annual reports (which are currently included in a sustainability report by the Company) according to Belgian and European legislation as well as the financial information requested by the Strategic Committee and forming the basis for the compliance with the Taxonomy legislation by the Elia group:
- monitoring the effectiveness of the company's internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit of the annual accounts, including follow-up on questions raised and recommendations made by the statutory auditors and, as the case may be, by the auditor responsible for monitoring the consolidated accounts;
- reviewing and monitoring the independence of the statutory auditors and, as the case may be, of the auditor responsible for monitoring the consolidated accounts, in particular regarding the provision of additional services to the company;
- formulating a proposal to the Board of Directors for the (re) appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment;
- as the case may be, investigating the issues giving rise to the resignation of the statutory auditors, and making recommendations regarding all appropriate actions in this respect;

- monitoring the nature and extent of the non-audit services provided by the statutory auditors;
- reviewing the effectiveness of the external audit process.

The Audit Committee makes recommendations on the selection, (re)appointment and resignation of the Head of Internal Audit.

At the beginning of each year, the Audit Committee asks the Head of Internal Audit for his or her “Annual Work Plan”. The Audit Committee ensures that an appropriate balance is struck between financial and operational audit work. This “Annual Work Plan” is communicated by the Head of Internal Audit to the Executive Management Board at the same time.

The Audit Committee evaluates at least once (1) a year the effectiveness of the internal control and risk management systems with the Head of Internal Audit, the external auditors and any experts whose intervention the Committee considers necessary.

The purpose of this assessment is to ensure that the main risks (including risks related to fraud and compliance with applicable laws and regulations) are properly identified, managed and reported.

The Audit Committee reviews the comments on internal control and risk management included in this statement of the company’s annual report.

In addition, the Audit Committee reviews the specific arrangements in place for the company’s employees to raise concerns, in confidence, about possible irregularities in financial reporting or other matters.

The Audit Committee may investigate any matter that falls within its remit. For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

ACTIVITY REPORT

The Audit Committee met eight (8) times in 2022.

Attendance rate	
Michel Allé, Chairman	8/8
Frank Donck	7/8
Roberte Kesteman	8/8
Dominique Offergeld	7/8
Rudy Provoost	7/8

In 2022, the Audit Committee examined the 2021 annual accounts, under both Belgian GAAP and IFRS as well as the half-yearly results as at 30 June 2022 and the 2022 quarterly results, in accordance with Belgian GAAP and IFRS rules. The Audit Committee also reviewed the yearly budget process and the group Business Plan for 2023-2027, including the financial policy and fundings.

In addition, the Audit Committee followed up the risk management activity and took note of the Internal Audits carried out and the recommendations made. The Audit Committee follows an action plan for each Internal Audit carried out, in order to improve the efficiency, traceability and awareness of the areas audited and thereby reduce the associated risks and provide assurance that the control environment and risk management are appropriate. The Audit Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the Internal Audit department. The Audit Committee noted the strategic risks and the ad-hoc risk analyses based on the environment in which the group operates.

The Audit Committee in 2022 also reviewed the process of the capital increases in 2022 and has assisted the Strategic Committee with potential M&A projects. Next to that, the Audit Committee considered the renewal of the mandate of the College of Statutory Auditors in 2022. Finally, the Audit Committee regularly examined compliance with legal requirements regarding non-audit services provided by the auditors.

9.5 NOMINATION COMMITTEE

COMPOSITION

The composition of the Nomination Committee respects provision 4.19 of the 2020 Corporate Governance Code but deviates from the Articles of Association of the company. Accordingly, the Nomination Committee is currently composed of five (5) directors, of whom a majority are independent.

COMPETENCES

In addition to its usual support role to the Board of Directors, the Nomination Committee is responsible for providing advice and support to the Board of Directors regarding the appointment of the directors, the Chief Executive Officer and the members of the Executive Management Board.

The Nomination Committee plans the orderly renewal of the directors. The Nomination Committee leads the process for the re-appointment of directors.

The Nomination Committee ensures that sufficient and regular attention is paid to the renewal of executive managers. The Nomination Committee also ensures that adequate talent development programs and diversity in leadership programs are in place.

ACTIVITY REPORT

The Nomination Committee met eight (8) times in 2022.

Attendance rate	
Geert Versnick, Chairman	8/8
Pieter De Crem	8/8
Laurence de l'Escaille (as from 17 May 2022)	4/4
Luc De Temmerman	6/8
Frank Donck	7/8
Jane Murphy (until 17 May 2022)	3/4

In line with its competences under the Articles of Association, the Nomination Committee dealt in 2022 in particular with the following matters: compliance with the requirements in the area of full ownership unbundling concerning the non-executive directors (article 13.1 of the Articles of Association of Elia Group SA/NV), proposal for the (re-)appointment of non-executive directors, follow up of future Board mandates to be renewed in 2023, the new composition of the Executive Management Board of Elia Transmission Belgium SA/NV and Elia Asset SA/NV and the composition of the advisory committees.

9.6 STRATEGIC COMMITTEE

COMPOSITION

The Strategic Committee is composed of not more than five (5) directors, two (2) of whom are independent.

The Strategic Committee is currently composed of five (5) directors, two (2) of whom are independent.

Two (2) directors are invited on a permanent basis to the meetings of the Strategic Committee.

Since 1 January 2022, Dominique Offergeld chairs the Strategic Committee, while Geert Versnick is a standing invitee. The other members of the committee are Michel Allé, Bernard Gustin, Claude Grégoire, Rudy Provoost (and Luc Hujoel as a standing invitee up until 31 December 2022).

COMPETENCES

Elia Group SA/NV respects provision 4.2 of the 2020 Corporate Governance Code.

The Strategic Committee has an advisory role and is responsible for providing advice and recommendations to the Board of Directors on the matters entrusted to it. The Strategic Committee has no decision-making powers and has therefore no authority to decide on the strategy of the Elia Group SA/NV.

The Strategic Committee is responsible for providing advice and recommendations to the Board of Directors concerning the company's business development activities and international investment policy in the broadest sense of the term, including the method of financing.

The Strategic Committee also advices the Board on the sustainability policy of Elia Group SA/NV as well as on the reporting of non-financial information in the annual report according to the Belgian and European legislation, including the European taxonomy legislation.

The Strategic Committee examines the issues raised without prejudice to the role of the other advisory committees set up within the Board of Directors.

ACTIVITY REPORT

The Strategic Committee met ten (10) times in 2022.

Attendance rate	
Dominique Offergeld, Chairwoman	10/10
Michel Allé	9/10
Claude Grégoire	8/10
Bernard Gustin	10/10
Rudy Provoost	9/10

9.7 EXECUTIVE MANAGEMENT

COMPOSITION OF THE EXECUTIVE MANAGEMENT BOARD ON 31 DECEMBER 2022*

CHRIS PEETERS
Chief Executive Officer and TSO Head Elia

CATHERINE VANDENBORRE
Chief Financial Officer

STEFAN KAPFERER
TSO Head 50 Hertz

PETER MICHIELS
Chief Human Resources, Internal Communication Officer, Chief Alignment Officer

MICHAEL FREIHERR ROEDER VON DIERSBURG
Chief Digital Officer

As mentioned above, Elia Group SA/NV has a one-tier structure (“*système moniste/monistich system*”) as governance model. In accordance with the possibility provided for by article 7:121 of the Code of Companies and Associations, and pursuant to its Articles of Association, the Board of Directors delegated the day-to-day management to an Executive Management Board (*Collège de gestion journalière/College van dagelijks bestuur*).

* Frédéric Dunon, Deputy CEO of Elia Transmission Belgium NV/SA and Elia Asset NV/SA is permanently invited as from the 1st of November 2022

COMPETENCES OF THE EXECUTIVE MANAGEMENT BOARD

In accordance with Article 17.3 of the Articles of Association, the Executive Management Board is responsible for, within the limits of the rules and principles of general policy and the decisions adopted by the Board of Directors of the company, all acts and decisions that do not exceed the needs of the daily management of the company, as well as those acts and decisions that do not justify the intervention of the Board of Directors for reasons of minor importance or urgency, including:

1° the day-to-day management of the company, including all commercial, technical, financial, regulatory and personnel matters related to this day-to-day management of the company, including, inter alia, all commitments (i) when the amount is less than or equal to 15 million euros (EUR 15,000,000) or (ii) when the amount as well as its main characteristics are explicitly provided for in the annual budget;

2° the regular reporting to the Board of Directors on its operational activities in the company in execution of the powers granted in accordance with article 17.3 of the Articles of Association, with due observance of the legal restrictions regarding access to commercial and other confidential data relating to net users and the processing thereof and the preparation of the decisions of the Board of Directors, including in particular:

(a) timely and accurate preparation of the annual accounts and other financial information of the company in accordance with the applicable accounting standards and company policy, and the appropriate communication thereof; (b) preparation of the adequate publication of key non-financial information about the company; (c) preparation of the financial information in the half-yearly statements that will be submitted to the Audit Committee for advice to the Board of Directors as part of its general task of monitoring the financial reporting process; (d) implementation of internal controls and risk management based on the framework approved by the Board of Directors, without prejudice to the follow-up of the implementation within this framework by the Board of Directors and the investigation conducted by the Audit Committee for this purpose; (e) submitting to the Board of Directors the financial situation of the company; (f) making available the information necessary for the Board of Directors to carry out its duties, in particular by preparing proposals on the policy issues set out in article 17.2 of the Articles of Association (see the powers of the Board of Directors above);

3° the regular reporting to the Board of Directors on its policy in the key subsidiaries designated by the Board of Directors and the annual reporting to the Board of Directors on its policy in the other subsidiaries and on the policy in the companies in which the company directly or indirectly holds a participating interest;

4° all decisions relating to proceedings (both before the Supreme Administrative Court and other administrative courts, as well as before the ordinary courts of law and arbitration tribunals) and in particular for taking decisions in the name and for the account of the company to file, amend or withdraw an appeal and to engage one or more lawyers to represent the company;

5° all other powers delegated by the Board of Directors.

The Executive Management Board has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, without prejudice to the powers of the Board of Directors.

MEETINGS AND DECISION-MAKING

The Executive Management Board generally meets at least once a month. Executive Management Board Members who are unable to attend usually grant a proxy to another Executive Management Board Member. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined), can be given to another member of the Executive Management Board, in accordance with the internal rules of procedure of the Executive Management Board. However, no member may hold more than two proxies. In 2022, the Executive Board met on 19 occasions.

Each quarter, the Executive Management Board submits a written report to the Board of Directors. The Executive Management Board reports at each meeting of the Board of Directors on all day-to-day management responsibilities, in particular the management by the group of the transmission system activities in the main Belgian and German affiliates of the group (Elia Transmission Belgium SA/NV, Elia Asset SA/NV and 50Hertz Transmission GmbH).

As part of its reporting in 2022, the Executive Management Board kept the Board of Directors informed of the company's/the group's financial situation, the follow-up of its investment programme (including the monitoring and development of major investment projects), the follow-up on the group's infrastructure (including as to maintenance and operations), the evolutions in the energy policy field (including the main decisions taken by regulators and administrations), human resources matters, safety and security issues, M&A/business development matters and the evolution of the share price. The Executive Management Board also follows-up most important group risks and their mitigation measures as well as the recommendations of the Internal Audit.

CHANGES IN THE COMPOSITION OF THE EXECUTIVE MANAGEMENT BOARD

There was no change in the composition of the Executive Management Board in 2022.

Frédéric Dunon, Deputy Chief Executive Officer of Elia Transmission Belgium SA/NV and Elia Asset SA/NV, is invited to attend the Executive Management Board of Elia Group SA/NV as from 1 November 2022. He is not a member of the Executive Management Board of Elia Group SA/NV.

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

Diversity within the Executive Management Board

Number of Executive Board Members as at 31 December 2020		
Men	Aged 35 < 54	1
	Aged ≥ 55	3
Women	Aged 35 < 54	1
	Aged ≥ 55	0

9.8 CODE OF CONDUCT, CODE OF ETHICS AND CORPORATE GOVERNANCE CHARTER

Code of Conduct

Following the entry into force of European Regulation No. 596/2014 on market abuse ('Market Abuse Regulation'), Elia Group SA/NV amended its Code of Conduct that aims to prevent members of key personnel and persons discharging managerial responsibilities in the group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their

Elia Group SA/NV securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services. This Code of Conduct is available on the website **www.elia.be** (under 'Company', 'Corporate Governance', 'Document library').

Code of Ethics

Elia Group SA/NV's Code of Ethics defines what Elia Group SA/NV regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees.

The Board of Directors and the Executive Management Board regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees.

Corporate governance charter and internal rules of procedure of the Board of Directors, the Board's advisory Committees and the Executive Management Board

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's advisory committees and the Executive Management Board can be found on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library'). The responsibilities of the Board of Directors and of the Executive Management Board are described in detail in the Articles of Association of the company and are therefore not exhaustively reiterated in the internal rules of the Board of Directors and of the Executive Management Board.

9.9 DISCLOSURE OBLIGATIONS

TRANSPARENCY RULES – NOTIFICATIONS DISCLOSURE BASED ON THE ACT ON MAJOR SHAREHOLDINGS OF 2 MAY 2007

Elia Group SA/NV received no notifications in 2021 within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

In accordance with article 15 of the Act of 2 May 2007, Elia Group SA/NV published on 29 June 2022, as a result of Elia Group SA/NV's right issue of € 590,113,068 and the issuance of 4,739,864 new shares, that it has issued a total of 73,467,919 shares. On 23 December 2022 Elia Group SA/NV published, as a result of Elia Group SA/NV's capital increase reserved for its staff and for the staff of its Belgian subsidiaries and the issuance of 47,920 new shares, that it has issued a total of 73,515,839 shares. See the press release published on www.eliagroup.eu (under 'News', 'Press releases', 'Regulated information').

DISCLOSURE BASED ON THE ACT ON TAKEOVER BIDS OF 1 APRIL 2007

On 23 November 2007 Publi-T SC/CV communicated to the company that it held on 1 September 2007 more than 30% of the securities with voting rights in the company. No update of this notification was notified by 1 September 2022.

The shareholder structure as at 31 December 2022, based on the transparency notifications received by Elia Group SA/NV up to that date, is the following:

SHAREHOLDER STRUCTURE

SHAREHOLDER	NUMBER OF SHARES (= DENOMINATOR)	TYPE OF SHARES	% OF SHARES	% OF VOTING RIGHTS
Publi-T	32,931,025	Class B & C	44.79%	44.79%
Publipart	2,437,487	Class A & B	3.32%	3.32%
Belfius Insurance	714,357	Class B	0.97%	0.97%
Katoen Natie group	6,839,737	Class B	9.30%	9.30%
Interfin	2,598,143	Class B	3.53%	3.53%
Other free float	27,995,090	Class B	38.08%	38.08%
Total	**73,515,839**		**100%**	**100%**

Items to be disclosed pursuant to article 34 of the Royal Decree of 14 November 2007

In accordance with article 3:6, §2, 7° of the Code of Companies and Associations, Elia Group SA/NV discloses hereafter the items referred to under article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

9.10 CAPITAL STRUCTURE

As at 31 December 2022, the capital of the company amounted to € 1,833,613,152.60, represented by a total of 73,515,839 shares, among which 1,836,054 Class A Shares (2,50% of the total share capital and voting rights), 38,838,953 Class B Shares (52,83% of the total share capital and voting rights) and 32,840,832 Class C Shares (44,67% of the total share capital and voting rights). All shares have no par value and are fully paid-up.

Class A and Class C shares are respectively held by Publipart SA/NV and Publi-T SC/CV. Pursuant to article 4.3 of the Articles of Association, all shares have the same rights irrespective of the class to which they belong, unless otherwise provided in the Articles of Association.

In this context, the Articles of Association provide that certain specific rights are attached to Class A and Class C shares with respect to (i) the appointment of members of the Board of Directors (article 13.2) and (ii) the approval of decisions of the General Meeting (articles 28.2 and 33.1).

Status on 13 December 2022	
Total capital	
€ 1,833,613,152.60	
Total number of securities conferring voting rights (by class)	
class A	1,836,054
class B	38,838,953
class C	32,840,832
TOTAL	**73,515,839**
Total number of voting rights (by class)	
class A	1,836,054
class B	38,838,953
class C	32,840,832
TOTAL (= denominator)	**73,515,839**
Total number of debentures convertible into securities conferring voting rights	none
Total number of rights, whether or not embodied in securities, to subscribe for securities conferring voting rights yet to be issued	none
Total number of shares without voting rights	none

RESTRICTION ON THE TRANSFER OF SHARES

Articles 4.3 and 4.4 of the Articles of Association provide **restrictions as to shareholding** by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits or if otherwise performing any of the functions of production or supply of electricity and/or natural gas.

Besides, Class A and C shares are subject to a preemptive right to the benefit, respectively of Class C and A shareholders, in accordance with article 9 of the company's Articles of Association.

HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS

See above for Class A and C shareholders rights.

CONTROL MECHANISM OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

There is no employee share scheme with such a mechanism.

RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS

Article 4.3 of the Articles of Association provides that voting rights attached to shares held directly or indirectly by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits, respectively, are suspended. In addition, article 11.2 of the Articles of Association stipulates that the company may suspend exercise of the rights attaching to securities that are subject to joint ownership, usufruct or pledge until such time as one person has been designated as the holder of these rights vis-a-vis the company

SHAREHOLDERS' AGREEMENT

The company is not aware of provisions of a shareholders' agreement that would restrict the transfer of shares or the exercise of voting rights otherwise than as stipulated in the Articles of Association.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of directors are governed by articles 12 and 13 of the Articles of Association. Their main provisions are described above.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The rules governing the amendment to the company's Articles of Association are provided by the Code of Companies and Associations as well as by article 29 of the Articles of Association. The Articles of Association may be amended by an extraordinary general meeting convened for that purpose. The object of the proposed amendments must be stated on the agenda. The extraordinary general meeting shall only validly adopt such resolution if at least 50% of the share capital is present or represented and with a majority of 75% of the votes cast, whereby abstentions are not taken into account either in the numerator or in the denominator. If the attendance quorum is not met at a first general meeting, a second general meeting may be convened and will decide without any attendance quorum requirement. If the amendments to the Articles of Association relate to the rights attached to a or several class(es) of shares, the quorum and majority requirements abovementioned apply within each category of shares. For certain specific matters (e.g. amendment of the purpose of the company), higher voting majorities may apply. Pursuant to article 28.2 of the Articles of Association, as long as the Class A and/or Class C shares represent more than twenty-five per cent (25%) of the total number of shares, no decision can be adopted by the general meeting, without prejudice to the majority provided for in the Articles of Association and the Code of Companies and Associations, unless such decision is approved by a majority of the Class A and/or Class C shares that are present or represented. If, in the case of an increase in the capital of the company, the Class A and/or Class C shares are diluted and no longer represent more than twenty-five per cent (25%) of the total number of shares, the Class A and/or the Class C shares will retain the aforementioned right as long as the Class C shares represent more than fifteen per cent (15%) of the total number of shares.

POWERS OF THE BOARD OF DIRECTORS, IN PARTICULAR TO ISSUE AND BUY BACK SHARES

With regards to the powers of the Board of Directors in general, reference is made to the section 'Competences of the Board of Directors' (see above).

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the company pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors of the company and, to the extent necessary, to any third party acting on behalf of the company. It also applies to the direct and, to the extent necessary, indirect subsidiaries of the company.

This power does not affect the possibilities of the Board of Directors, in accordance with the applicable legal provisions, to acquire own shares if no power by virtue of the Articles of Association or power by the General Meeting is required for this purpose.

Within the above framework, Elia Group SA/NV has entered into a liquidity agreement with Exane BNP Paribas providing the latter with the mandate to purchase and sale Elia Group SA/NV shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorized by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

SIGNIFICANT AGREEMENTS THAT MAY BE IMPACTED BY A CHANGE OF CONTROL OF THE COMPANY

There are no such agreements.

AGREEMENTS BETWEEN ELIA GROUP SA/NV AND ITS DIRECTORS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THE DIRECTORS RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THE EMPLOYMENT OF THE EMPLOYEES CEASES BECAUSE OF A TAKEOVER BID

No specific dismissal arrangements have been agreed outside the legal framework.

IN SHORT

- **This remuneration report relates to the remuneration of the members of the Board of Directors and of the Executive Management Board of Elia Group SA/NV during the financial year 2022. This remuneration report is based on the remuneration policy applicable in the company since 2022*.**

10 REMUNERATION REPORT

*The remuneration policy can be consulted using the following link. This remuneration policy applies within Elia Group SA/NV as from 1st January 2022

10.1 TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE MANAGEMENT BOARD

TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Elia Group SA/NV is composed of 14 non executive board members. The present report gives an overview of their remuneration for all their mandates within the Elia group.

Some members of the Board of Directors of Elia Group SA/NV are not member of the Board of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV.

Independent director Frank Donck and independent director Pascale Van Damme[1] are members of the Elia Group SA/NV Board of Directors only.

FIXED REMUNERATION

The fixed remuneration of the directors consists of an annual base salary of €12,500 for Elia Group SA/NV, €6,250 for Elia Transmission Belgium SA/NV and €6,250 for Elia Asset SA/NV and an attendance fee per meeting of the Board of Directors of €750 for Elia Group SA/NV, €375 for Elia Transmission Belgium SA/NV and €375 for Elia Asset SA/NV, starting with the first Board meeting attended by the director. The annual base salary and the attendance fee are increased by 100% for the Chairman of the Board of Directors of both Elia Group SA/NV and Elia Transmission Belgium SA/NV and Elia Asset SA/NV.

The annual base salary for each member of the Audit Committee, the Remuneration Committee, the Nomination Committee (Elia Group SA/NV) respectively the Corporate Governance Committee (Elia Transmission Belgium SA/NV / Elia Asset SA/NV) and the Strategic Committee (which only exists in Elia Group SA/NV) is set at €3,000 per committee of Elia Group SA/NV, at €1,500 per committee of Elia Transmission Belgium SA/NV and at €1,500 per committee of Elia Asset SA/NV. The attendance fee, starting with the first meeting attended by the member, for each member of a committee is set at €750 per committee meeting of Elia Group SA/NV, at €375 per committee meeting of Elia Transmission Belgium SA/NV and at €375 per committee of Elia Asset SA/NV. The annual base salary and the attendance fee are increased by 30% for each committee Chairman of both Elia Group SA/NV and Elia Transmission Belgium SA/NV and Elia Asset SA/NV.

The annual base salaries and attendance fees are indexed each year in January according to the consumer price index for the month of January 2016.

The annual base salaries and attendance fees cover all expenses, with the exception of (a) expenses incurred by directors domiciled outside Belgium during the exercise of their mandate (such as transport and subsistence expenses), insofar these directors are domiciled outside Belgium at the time of their appointment or, if the directors in question change their domicile after their appointment, after approval of the Remuneration Committee, (b) all expenses incurred by directors in the event a meeting of the Board of Directors is organized outside Belgium (e.g. in Germany) and (c) all expenses incurred by directors during their travels abroad in the framework of their mandate, at the request of the Chairman or the Vice-Chairmen of the Board of Directors.

All costs and fees are charged to the company's operating expenses.

All remunerations were granted in proportion to the duration of the directorship.

At the end of each first, second and third quarter an advance on the annual fees is paid to the directors. A final settlement is made in December of the current year.

The table below reflects the total fixed remuneration (including indexation) paid out to each director for all mandates within the Elia group during the financial year 2022 in execution of the rules set out above.

1 Pascale Van Damme's predecessor, Saskia Van Uffelen, was an independent director of Elia Group SA/NV and Elia Transmission Belgium SA/NV / Elia Asset SA/NV. Immediately after the ordinary general meeting of 17 May 2022 her mandate in Elia Group SA/NV expired. However, Saskia Van Uffelen remains an independent director of Elia Transmission Belgium SA/NV / Elia Asset SA/NV. Her mandate in Elia Transmission Belgium SA/NV / Elia Asset SA/NV has not expired.

DIRECTORS	FIXED REMUNERATION		TOTAL FIXED REMUNERATION
	Base salary	Attendance fees	
Michel ALLÉ	€ 41,695.40	€ 40,378.80	€ 82,074.20
Pieter DE CREM[2]	€ 43,093.00	€ 41,078.00	€ 84,171.00
Laurence DE L'ESCAILLE[3]	€ 22,385.10	€ 18,354.00	€ 40,739.10
Luc DE TEMMERMAN[4]	€ 45,189.40	€ 38,980.40	€ 84,169.80
Frank DONCK[5]	€ 21,547.00	€ 23,598.00	€ 45,145.00
Cécile FLANDRE[6]	€ 29,117.00	€ 16,606.00	€ 45,723.00
Claude GRÉGOIRE	€ 32,611.00	€ 23,598.00	€ 56,209.00
Bernard GUSTIN[7]	€ 61,728.00	€ 41,952.00	€ 103,680.00
Interfin SCRL -Thibaud WYNGAARD (permanent representative)[8]	€ 29,117.00	€ 13,110.00	€ 42,227.00
Roberte KESTEMAN[9]	€ 46,587.00	€ 49,818.00	€ 96,405.00
Jane MURPHY[10]	€ 13,358.85	€ 10,488.00	€ 23,846.85
Dominique OFFERGELD	€ 47,635.20	€ 47,196.00	€ 94,831.20
Rudy PROVOOST	€ 39,599.00	€ 33,212.00	€ 72,811.00
Pascale VAN DAMME[11]	€ 11,192.86	€ 7,866.00	€ 19,058.86
Saskia VAN UFFELEN[12]	€ 24,731.61	€ 17,480.00	€ 42,211.61
Geert VERSNICK[13]	€ 38,201.40	€ 33,911.20	€ 72,112.60
Total	**€ 547,788.82**	**€ 457,626.40**	**€ 1,005,415.22**

2 Peter De Crem's fees are paid to the company Ed Merc BV.
3 Director as from 17 May 2022.
4 Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm.V.
5 Frank Donck's fees are paid to the company Ibervest NV. Frank Donck is not a director in Elia Transmission Belgium SA/NV et Elia Asset SA/NV.
6 Cécile Flandre's fees are paid to the company Publi-T SC.
7 Bernard Gustin's fees are paid to the company Bernard Gustin SRL.
8 Director as from 17 May 2022.
9 Roberte Kesteman's fees are paid to the company Symvouli BV.
10 Director until 17 May 2022.
11 Director of Elia Group SA/NV as from 17 May 2022. However, Pascale Van Damme is not a director in Elia Transmission Belgium SA/NV and in Elia Asset SA/NV.
12 Director of Elia Group SA/NV until 17 May 2022. However, Saskia Van Uffelen is a director in Elia Transmission Belgium SA/NV and in Elia Asset SA/NV. Saskia Van Uffelen's fees are paid to the company Quadrature Cabinet Conseil SRL.
13 Geert Versnick's fees are paid to the company Fleming Corporation BV.

The tables below give a detailed overview of the fixed remuneration (including indexation) paid out to each director for the mandates within Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV respectively.

ELIA GROUP SA/NV	FIXED REMUNERATION OF THE DIRECTORS IN ELIA GROUP SA/NV									
	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION COMMITTEE		STRATEGIC COMMITTEE	
DIRECTORS	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 14,559.00	€ 9,614.00	€ 4,542.20	€ 7,953.40	-	-	-	-	€ 3,494.00	€ 7,866.00
Pieter DE CREM	€ 14,559.00	€ 9,614.00	-	-	€ 3,494.00	€ 6,992.00	€ 3,494.00	€ 5,244.00	-	-
Laurence DE L'ESCAILLE[14]	€ 9,026.58	€ 6,992.00	-	-	€ 2,166.28	€ 3,496.00	-	-	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 14,559.00	€ 8,740.00	-	-	€ 3,494.00	€ 5,244.00	€ 4,542.20	€ 6,817.20	-	-
Frank DONCK	€ 14,559.00	€ 9,614.00	€ 3,494.00	€ 7,866.00	€ 3,494.00	€ 6,118.00	-	-	-	-
Cécile FLANDRE	€ 14,559.00	€ 9,614.00	-	-	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 14,559.00	€ 9,614.00	-	-	-	-	-	-	€ 3,494.00	€ 6,992.00
Bernard GUSTIN Chairman of the Board of Directors	€ 29,118.00	€ 19,228.00	-	-	-	-	-	-	€ 3,494.00	€ 8,740.00
Interfin SCRI - Thibaud WYNGAARD (permanent representative)[15]	€ 14,599.00	€ 7,866.00	-	-	-	-	-	-	-	-
Roberte KESTEMAN	€ 14,559.00	€ 9,614.00	€ 3,494.00	€ 9,614.00	-	-	€ 3,494.00	€ 5,244.00	-	-
Jane MURPHY[16]	€ 5,386.83	€ 2,622.00	-	-	€ 1,292.78	€ 2,622.00	-	-	-	-
Dominique OFFERGELD Chairwoman of the Strategic Committee	€ 14,559.00	€ 9,614.00	€ 3,494.00	€ 5,244.00	-	-	€ 3,494.00	€ 4,370.00	€ 4,542.20	€ 11,362.00
Rudy PROVOOST	€ 14,599.00	€ 8,740.00	€ 3,494.00	€ 5,244.00	-	-	-	-	€ 3,494.00	€ 7,866.00
Pascale VAN DAMME[17]	€ 9,026.58	€ 5,244.00	-	-	-	-	€ 2,166.28	€ 2,622.00	-	-
Saskia VAN UFFELEN[18]	€ 5,386.83	€ 2,622.00	-	-	-	-	€ 1,292.78	€ 2,622.00	-	-
Geert VERSNICK Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee	€ 14,599.00	€ 8,740.00	-	-	€ 4,542.20	€ 9,089.60	-	-	-	-

14 Director as from 17 May 2022.
15 Director as from 17 May 2022.
16 Director until 17 May 2022.
17 Director as from 17 May 2022.
18 Director until 17 May 2022. However, Saskia Van Uffelen remains a director in Elia Transmission Belgium SA/NV and in Elia Asset SA/NV.

ELIA TRANSMISSION BELGIUM SA/NV DIRECTORS	FIXED REMUNERATION OF THE DIRECTORS OF ELIA TRANSMISSION BELGIUM SA/NV WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV[19]							
	BOARD OF DIRECTORS		AUDIT COMMITTEE		CORPORATE GOVERNANCE COMMITTEE		REMUNERATION COMMITTEE	
	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 7,279.00	€ 3,496.00	€ 2,271.10	€ 3,976.70	-	-	-	-
Pieter DE CREM	€ 7,279.00	€ 3,496.00	-	-	€ 1,747.00	€ 3,496.00	€ 1,747.00	€ 2,622.00
Laurence DE L'ESCAILLE[20]	€ 4,512.98	€ 2,185.00	-	-	€ 1,083.14	€ 1,748.00	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 7,279.00	€ 3,059.00	-	-	€ 1,747.00	€ 2,622.00	€ 2,271.10	€ 3,408.60
Cécile FLANDRE	€ 7,279.00	€ 3,496.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 7,279.00	€ 3,496.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 14,558.00	€ 6,992.00	-	-	-	-	-	-
Interfin SCRI - Thibaud WYNGAARD (permanent representative)[21]	€ 7,279.00	€ 2,622.00	-	-	-	-	-	-
Roberte KESTEMAN	€ 7,279.00	€ 3,496.00	€ 1,747.00	€ 3,059.00	€ 1,747.00	€ 3,496.00	€ 1,747.00	€ 2,622.00
Jane MURPHY[22]	€ 2,693.23	€ 1,311.00	-	-	€ 646.39	€ 1,311.00	-	-
Dominique OFFERGELD	€ 7,279.00	€ 3,496.00	€ 1,747.00	€ 2,622.00	-	-	€ 1,747.00	€ 2,185.00
Rudy PROVOOST	€ 7,279.00	€ 3,059.00	€ 1,747.00	€ 2,622.00	-	-	-	-
Saskia VAN UFFELEN[23]	€ 7,279.00	€ 3,496.00	-	-	-	-	€ 1,747.00	€ 2,622.00
Geert VERSNICK Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee	€ 7,279.00	€ 3,496.00	-	-	€ 2,271.10	€ 4,544.80	-	-

19 Ms Lieve Creten (resigned as of 17 May 2022) and Ms Els Neirynck (director as from 20 October 2022) are directors of Elia Transmission Belgium SA/NV, but are not directors of Elia Group SA/NV. Their remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. However, please note that their remunerations are in line with the remuneration policy and, thus, in line with the remuneration of the other directors of Elia Transmission Belgium SA/NV.

20 Director as from 17 May 2022.

21 Director as from 17 May 2022.

22 Director until 17 May 2022.

23 Directorof Elia Group SA until 17 May 2022. However, Saskia Van Uffelen remains a director in Elia Transmission Belgium SA/NV..

ELIA ASSET SA/NV DIRECTORS	FIXED REMUNERATION OF THE DIRECTORS OF ELIA ASSET SA/NV WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV[24]							
	BOARD OF DIRECTORS		AUDIT COMMITTEE		CORPORATE GOVERNANCE COMMITTEE		REMUNERATION COMMITTEE	
	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees	Annual base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 7,279.00	€ 3,496.00	€ 2,271.10	€ 3,976.70	-	-	-	-
Pieter DE CREM	€ 7,279.00	€ 3,496.00	-	-	€ 1,747.00	€ 3,496.00	€ 1,747.00	€ 2,622.00
Laurence DE L'ESCAILLE[25]	€ 4,512.98	€ 2,185.00	-	-	€ 1,083.14	€ 1,748.00	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 7,279.00	€ 3,059.00	-	-	€ 1,747.00	€ 2,622.00	€ 2,271.10	€ 3,408.60
Cécile FLANDRE	€ 7,279.00	€ 3,496.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 7,279.00	€ 3,496.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 14,558.00	€ 6,992.00	-	-	-	-	-	-
Interfin SCRl - Thibaud WYNGAARD (permanent representative)[26]	€ 7,279.00	€ 2,622.00	-	-	-	-	-	-
Roberte KESTEMAN	€ 7,279.00	€ 3,496.00	€ 1,747.00	€ 3,059.00	€ 1,747.00	€ 3,496.00	€ 1,747.00	€ 2,622.00
Jane MURPHY[27]	€ 2,693.23	€ 1,311.00	-	-	€ 646.39	€ 1,311.00	-	-
Dominique OFFERGELD	€ 7,279.00	€ 3,496.00	€ 1,747.00	€ 2,622.00	-	-	€ 1,747.00	€ 2,185.00
Rudy PROVOOST	€ 7,279.00	€ 3,059.00	€ 1,747.00	€ 2,622.00	-	-	-	-
Saskia VAN UFFELEN[28]	€ 7,279.00	€ 3,496.00	-	-	-	-	€ 1,747.00	€ 2,622.00
Geert VERSNICK Vice-Chairman of the Board of Directors and Chairman of the Nomination Committee	€ 7,279.00	€ 3,496.00	-	-	€ 2,271.10	€ 4,544.80	-	-

24 Ms Lieve Creten (resigned as of 17 May 2022) and Ms Els Neirynck (director as from 20 October 2022) are directors of Elia Asset SA/NV, but are not directors of Elia Group SA/NV. Their remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. However, please note that their remunerations are in line with the remuneration policy and, thus, in line with the remuneration of the other directors of Elia Asset SA/NV.

25 Director as from 17 May 2022.

26 Director as from 17 May 2022.

27 Director until 17 May 2022.

28 Director of Elia Group SA until 17 May 2022. However, Saskia Van Uffelen remains a director in Elia Asset SA/NV.

VARIABLE REMUNERATION

The members of the Board of Directors do not receive any variable remuneration.

PENSION

The members of the Board of Directors do not receive any additional remuneration or contribution to finance any pension costs.

OTHER COMPONENTS OF THE REMUNERATION

The members of the Board of Directors do not receive any remuneration other than the fixed remuneration.

EXTRAORDINARY ITEMS

The members of the Board of Directors have not received any non-recurring remuneration in the financial year 2022.

TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN 2021 AND IN 2022

The total remuneration of the members of the Board of Directors in 2022 for all their mandates within the Elia group amounted to €1.005.415,22 and is reflected in the table under heading 1.1.1., as no other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2022.

The total remuneration of the members of the Board of Directors in 2021 for all their mandates within the Elia group amounted to €923,888.60. No other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2021.

TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

The Executive Management Board of Elia Group SA/NV is composed of 5 members.

Three of them (Chris Peeters – the Chief Executive Officer, Catherine Vandenborre – Chief Financial Officer and Peter Michiels – Chief Human Resources & Internal Communications Officer, Chief Alignment Officer) also serve as member of the Executive Management Board of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV, one member (Stefan Kapferer) also serves as CEO of 50Hertz Transmission GmbH and one member (Michael Freiherr von Roeder von Diersburg) exclusively acts as member of the Executive Management Board of Elia Group SA/NV.

All the members of the Executive Management Board of Elia Group SA/NV have employee status[29].

FIXED REMUNERATION

The table below gives an overview of the total fixed remuneration, which only consists of an annual base salary paid in cash, in 2022 of the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2022.

MEMBER OF THE EXECUTIVE MANAGEMENT BOARD	TOTAL FIXED REMUNERATION PAID BY THE ELIA GROUP
Chris PEETERS Chief Executive Officer - Chairman	€ 590,432.14
Catherine VANDENBORRE Chief Financial Officer	€ 402,081.89
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 414,462.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 309,300.00
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 301,047.89
Total	**€ 2,017,323.92**

29. Mr Chris Peeters, Mrs Catherine Vandenborre and Mr Peter Michiels' employment contracts are subject to Belgian law and Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg's employment contracts are subject to German law.

VARIABLE REMUNERATION

The table below gives an overview of the total variable remuneration in 2022 of the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2022.

MEMBER OF THE EXECUTIVE MANAGEMENT BOARD	TOTAL VARIABLE REMUNERATION PAID BY THE ELIA GROUP	
	ONE-YEAR VARIABLE[30]	MULTI-YEAR VARIABLE
Chris PEETERS Chief Executive Officer – Chairman	€ 434,995.93	€ 154,204.57[31]
Catherine VANDENBORRE Chief Financial Officer	€ 237,568.38	€ 103,817.93[32]
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 213,945.28	€ 124,338.60[33]
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 157,155.33	€ 92,790.00[34]
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 175,620.64	€ 78,844.10[35]
Total	**€ 1.219.285,56**	**€ 553,995.20**

The amount of the variable remuneration reported is paid in cash or as part of an option plan.

The remuneration policy deals with the determination of an appropriate balance between fixed and variable remuneration, and between cash and deferred remuneration.

In view of provision 7.10 of the Corporate Governance Code 2020, the variable remuneration in the short term has been capped at 35% for the Chief Executive Officer and capped at 30% for the other members of the Executive Management Board of the total annual remuneration as defined by article 3:6, §3, third Alinea, 1°, a) of the Belgian Code of Companies and Associations.

In accordance with article 17.9 of the articles of association the Board of Directors has deviated from the requirements of section 7:91, second paragraph of the Belgian Code of Companies and Associations.

PENSION

The table below gives an overview of the total pension contributions paid for the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2022.

All pension plans for members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2022 were of the defined contribution type, with the amount paid before tax being calculated on the basis of the annual remuneration.

All pension contributions are fixed.

MEMBER OF THE EXECUTIVE MANAGEMENT BOARD	TOTAL PENSION CONTRIBUTIONS PAID BY THE ELIA GROUP
Chris PEETERS Chief Executive Officer - Chairman	€ 128,341.73
Catherine VANDENBORRE Chief Financial Officer	€ 89,473.39
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 102,057.78
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	NA[36]
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 64,147.37
Total	**€ 384,020.27**

30 The amount of the variable short-term remuneration for the members of the Executive Management Board that also serve as members of the Executive Management Board of Elia Transmission Belgium SA/NV and Elia Asset SA/NV, includes (i) a Bonus Pension Plan and (ii) an amount in cash in execution of the Collective Labour Agreement 90.

31 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2022 and will be paid in 2024, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2023. Note that Mr Chris Peeters received a pay-out during the financial year 2022 related to the financial year 2020-2021 (€ 162,135.54).

32 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2022 and will be paid in 2024, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2023. Note that Mrs Catherine Vandenborre received a pay-out during the financial year 2022 related to the financial year 2020-2021 (€ 120,402.98).

33 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2022 and will be paid in 2025, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2024. Note that Mr Stefan Kapferer received a pay-out during the financial year 2022 related to the financial year 2019-2020 (€ 169,368).

34 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2022 and will be paid in 2025, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2024. Note that Mr Michael Freiherr von Roeder von Diersburg did not receive a pay-out during the financial year 2022 related to the financial year 2019-2020.

35 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2022 and will be paid in 2024, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2023. Note that Mr Peter Michiels received a pay-out during the financial year 2022 related to the financial year 2020-2021 (€ 82,988.20).

36 Mr Michael Freiherr von Roeder von Diersburg did not receive pension contributions for the year 2022.

OTHER COMPONENTS OF THE REMUNERATION

The other benefits granted to the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2022 including guaranteed income in the event of longterm illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, reduced energy prices, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other minor benefits, are in line with the regulations applying to all company executives and local market standard.

EXTRAORDINARY ITEMS

No non-recurring remuneration (e.g. a specific bonus in view of a certain project) been awarded in 2022.

THE RELATIVE SHARE OF FIXED AND VARIABLE REMUNERATION

The table below gives an overview of the relative share of fixed and variable remuneration in 2022 of the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group in the financial year 2022.

To determine the relative share of fixed and variable remuneration, the relative share of the fixed remuneration was obtained by dividing the sum of the fixed components (in particular: the fixed remuneration (including the other benefits) and the pension contributions) by the amount of the total remuneration, multiplied by 100. The relative share of the variable remuneration was calculated by dividing the sum of the variable components (i.e. the variable remuneration and the extraordinary items of the remuneration) by the amount of the total remuneration, multiplied by 100.

MEMBER EXECUTIVE MANAGEMENT BOARD	RELATIVE SHARE OF FIXED AND VARIABLE REMUNERATION PAID BY THE ELIA GROUP
Chris PEETERS Chief Executive Officer - Chairman	56.32% - 43.68%
Catherine VANDENBORRE Chief Financial Officer	60.69% - 39.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	61.85% -38.15%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	56.53%-43.47%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	61.84% - 38.16%
Average	**59.20% - 40.80%**

TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD IN 2022

MEMBER OF THE ELIA GROUP SA/NV EXECUTIVE MANAGEMENT BOARD	FIXED REMUNERATION		VARIABLE REMUNERATION		EXTRA-ORDINARY ITEMS	PENSION CONTRIBUTIONS	TOTAL REMUNERATION	RELATIVE SHARE OF FIXED AND VARIABLE REMUNERATION
	Base salary	Other benefits	One-year variable	Multi-year variable				
Chris PEETERS Chief Executive Officer – Chairman	€ 590,432.14	€ 40,836.06	€ 434,995.93	€ 154,204.57	0	€ 128,341.73	€ 1,348,810.43	56.32% - 43.68%
Catherine VANDENBORRE Chief Financial Officer	€ 402,081.89	€ 35,535.25	€ 237,568.38	€ 103,817.93	0	€ 89,473.39	€ 868,476.84	60.69% - 39.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 414,462.00	€ 31,209.00	€ 175,172.30	€ 120,600.00	0	€ 100,250.00	€ 829,231.30	64.33% - 35.67%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 309.300,00	€ 15,741.81	€ 157,155.33	€ 92,790.00	0	NA	€ 574,987.14	56.53% - 43.47%
Peter MICHIELS Chief Human Resources & Internal Communications Officer, Chief Alignment Officer	€ 301,047.89	€ 47,188.64	€ 175,620.64	€ 78,844.10	0	€ 64,147.37	€ 666,848.64	61.84% - 38.16%
Total	**€ 2,017,323.92**	**€ 171,165.51**	**€ 1,219,285.56**	**€ 553,995.20**	**0**	**€ 384,020.27**	**€ 4,345,790.46**	**59.20% - 40.80%**

10.2 SHARE-BASED REMUNERATION

BOARD OF DIRECTORS

The members of the Board of Directors do not receive any share-based remuneration.

In view of provision 7.6 of the Corporate Governance Code 2020, the Remuneration Committee has examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021.

The Board of Directors of November 2020 has followed the recommendation of the Remuneration Committee and has decided that until further notice such share-based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals.

EXECUTIVE MANAGEMENT BOARD

The members of the Executive Management Board did not receive any share-based remuneration.

The members of the Executive Management Board, however, have the possibility to acquire shares either via the capital increases reserved for the staff of Elia Group SA/NV and its Belgian subsidiaries or via an offer to acquire shares for the staff of 50Hertz Transmission GmbH.

In addition, the members of the Executive Management Board are free to buy Elia Group SA/NV shares on the market.

In deviation of provision 7.9 of the Corporate Governance Code 2020, the Board of Directors has decided that there is no minimum number of shares to be held by the members of the Executive Management Board.

As at 31 December 2022, the members of the Executive Management Board held the following number of shares of Elia Group SA/NV:

ELIA GROUP SA/NV MEMBER OF THE EXECUTIVE MANAGEMENT BOARD	ON	NUMBER OF SHARES
Chris PEETERS Chief Executive Officer - Chairman	31.12.2022	4,968
Catherine VANDENBORRE Chief Financial Officer	31.12.2022	1,479
Stefan KAPFERER Chief Executive Officer 50Hertz	31.12.2022	450
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	31.12.2022	304
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	31.12.2022	1,347
Total	**31.12.2022**	**8,548**

10.3 SEVERANCE PAY

No severance payments were made in 2022 to the members of the Executive Management Board.

10.4 ANY USE OF THE RIGHT TO RECLAIM

Premiums paid for the previous period may be recovered in cases of proven fraud or financial statements containing significant errors.

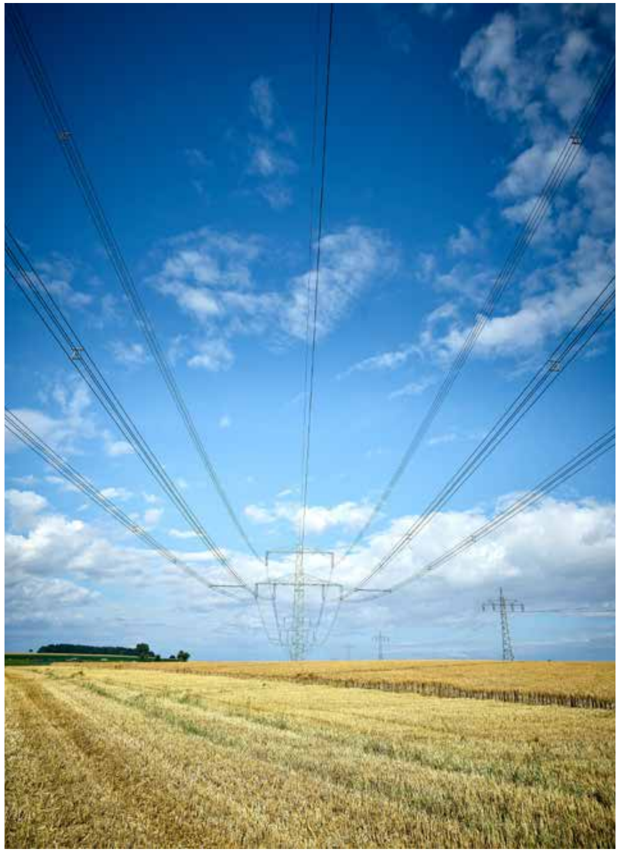
During the financial year 2022 there was no reason to exercise this right to reclaim.

10.5 INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY AND HOW PERFORMANCE CRITERIA WERE APPLIED

INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY

The objective of Elia Group SA/NV's remuneration policy is to attract, retain and reward the best talent so that Elia Group SA/NV can achieve its short- and long-term goals within a coherent framework. The Elia Group SA/NV Strategic Ambitions aim to (i) design, deliver and operate the future transmission grid infrastructure supporting renewable energy sources (RES) integration , (ii) further shape the (European) markets and ensure high security of supply, (iii) ensure sustainability of its activities, (iv) strengthen the position of the group through inorganic growth and expand into new business areas, (v) be a leader in health and safety and evolve its culture and talents, (vi) finance the future, (vii) realise its digital transformation, and (viii) increase efficiency, realize synergies and optimize resource allocation.

The total amount of remuneration paid out to the members of the Executive Management Board in the financial year 2022 has contributed to the long-term objectives and the sustainability of Elia Group SA/NV as the structure of the Executive Management Board's remuneration is designed to promote sustainable value creation by the company. The level of the fixed remuneration ensured that the Elia group could rely on a professional and experienced management. The granting of the short-term bonus ensured the realization of the performance criteria that translate the Elia group's strategy. The long-term success of the company was further stimulated by the long-term incentive plan, through which the members of the Executive Management Board are also rewarded in case of a.o. the realization of the acceleration of the energy transition.



INFORMATION ON HOW PERFORMANCE CRITERIA WERE APPLIED

SHORT-TERM VARIABLE REMUNERATION

The first pillar of variable remuneration is based on the achievement of a number of targets set by the Remuneration Committee at the beginning of 2022, with a maximum of 45% of variable remuneration relating to **individual targets** and a minimum of 70% to the achievement of Elia Group SA/NV 's **collective targets** ('short-term incentive plan').

With regard to **individual short-term targets**, the table below gives an overview of the individual targets and their relative weight.

MEMBER EXECUTIVE MANAGEMENT BOARD	INDIVIDUAL TARGETS	RELATIVE WEIGHTING OF THE PERFORMANCE CRITERIA
Chris PEETERS Chief Executive Officer - Chairman	Group development (growth)	25%
	Development of the Digital Transformationof the group	25%
	Development of the infrastructure to support the energy transition	25%
	Suporting the new leader of Elia Transmission / Elia Asset	25%
Catherine VANDENBORRE Chief Financial Officer	Investing in new sources of (inorganic) growth	30%
	New tariff methodology in Belgium	10%
	Financing the growth	30%
	Implement the One SAP-system	20%
	Developing the Digitalisation Transformation of the group	10%
Stefan KAPFERER Chief Executive Officer 50Hertz	Develop the Digitalisation Transformation of the group	20%
	Strengthening the position of the Elia group in Germany	20%
	Growth of the Offshore activities	20%
	Accelerating the development of the infrastructure	20%
	Improving financing	20%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	Leading the Digital Transformation of the group (Elia Digital Platform)	25%
	Laying the foundations for a digital business architecture and data-driven operations	25%
	Promoting digital evolution within the business (moving from project to product)	20%
	Employee development / responsabilisation and pride	15%
	Looking beyond the "core" activities	15%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	Reating a high performance organisation Creating a talent pool	40%
	Building a dynamic corporate and leadership culture	30%
	Supporting the Group's Digital Transformation	20%
	Sustainability: conducting improvement programmes in the areas of safety, diversity and governance	10%

In view of the fact that nearly all individual short-term targets were achieved or exceeded, the individual short-term remuneration awarded during the financial year 2022 amounts to € 116,970.66 for Mr Chris Peeters, to € 63,881.96 for Mrs Catherine Vandenborre, to € 58,439.14 for Mr Stefan Kapferer, to € 41,105.97 for Mr Michael Freiherr von Roeder von Diersburg and to € 45,706.01 for Mr Peter Michiels.

With regard to the **collective short-term targets**, the table below gives an overview of the overall collective short-term targets of the Executive Management Board members and their relative weight, as defined for the financial year 2022.

	BELGIUM & GERMANY	RELATIVE WEIGHTING OF THE PERFORMANCE CRITERIA
Financials	Net Profit (after tax) & Efficiency	20%
Results in non regulated areas	Delivery on targets of EGI / Re.alto/Windgrid	10%
Sustainable infrastructure	Sustainable grid development as a driver for energy transition (to integrate renewables and electrify)	30%
Sustainable Operations	Security of Supply / grid Reliability / Safety / ESG index	40%

In view of the fact that nearly all collective short-term targets were achieved or exceeded, the collective short-term remuneration awarded during the financial year 2022 amounts to € 318,025.27 for Mr Chris Peeters, to € 173,686.42 for Mrs Catherine Vandenborre, to € 129,914.63 for Mr Peter Michiels, to € 155,506.14 for Mr Stefan Kapferer and to € 116,049.36 for Mr Michael Freiherr von Roeder von Diersburg.

LONG-TERM VARIABLE REMUNERATION

The second pillar of the variable remuneration is based on multi-year criteria set for four years ('long-term incentive plan'). These amounts are reviewed at the end of each year depending on the realization of the long-term criteria and according to the criteria "on time, on budget and on quality".

The table below gives an overview of the overall collective long-term targets of the Executive Management Board members for the financial year 2022 and of their relative weight.

COLLECTIVE TARGETS	RELATIVE WEIGHTING OF THE PERFORMANCE CRITERIA
Financing	30%
Digital Transformation	20%
Capex – Building the infrastructure of the future	20%
Sustainable Development • Carbon Footprint • Environment • Governance	30%

In view of the fact that all long-term targets were achieved or exceeded, the collective long-term remuneration received during the financial year 2022 amounts to € 154,204.57 for Mr Chris Peeters, to € 103,817.97 for Mrs Catherine Vandenborre, to € 78,844.10 for Mr Peter Michiels, to € 124,338.60 for Mr Stefan Kapferer, and to € 92,790.00 for Mr Michael Freiherr von Roeder von Diersburg.[37]

10.6 DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION POLICY AND FROM THE PROCEDURE FOR ITS IMPLEMENTATION

There have been no derogations nor deviations from the remuneration policy as this policy was approved in 2021.

37 For Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg, these amounts will be paid in 2025, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2024.

10.7 COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND THE ELIA GROUP PERFORMANCE

The table below first gives an overview of the evolution in time over the last five years of respectively the total remuneration of the members of the Board of Directors of Elia Group SA/NV for all their mandates within the Elia group and of the total renumeration of the members of the Executive Management Board of Elia Group SA/NV for all their mandates within the Elia group. In this regard, one should bear in mind that, following the founding of Elia Transmission Belgium SA/NV and the conversion of Elia System Operator SA/NV into Elia Group SA/NV in 2019, the composition of the Executive Management Board has changed in 2020.

The table below further gives an overview of the evolution of the performance of the Elia group.

The average remuneration (on a full-time equivalent basis) of the employees of the Elia group in 2022 amounts to €102,995. The average remuneration of all employees is calculated as the total (IFRS-based) labor costs (exclusive social security contributions of the employer) divided by the number of employees on an FTE basis.

The ratio between the highest remuneration of a member of the Executive Management Board and the lowest remuneration of an employee of the Elia group, expressed on a full-time equivalent basis, in 2022 was 36.23.

TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF ELIA GROUP SA/NV

Annual Change	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021	2022 vs. 2021	2022
Board of directors	€ 885,128.26	-3%	€ 861,045.20	-2%	€ 844,529.77	9%	€ 923,888.60	9%	€ 1,005,415.22

TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD OF ELIA GROUP SA/NV

Annual Change	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021	2022 vs. 2021	2022
Total	€ 4,115,752.83	12%	€ 4,623,753.44	-31%	€ 3,199,058.00	10%	€ 3,533,715.59	23%	€ 4,345,790.46
CEO	€ 1,007,986.54	17%	€ 1,181,809.42	-20%	€ 949,206.00	12%	€ 1,063,598.01	27%	€ 1,348,810.43
Other members	€ 3,107,766.29	11%	€ 3,441,944.02	-35%	€ 2,249,852.00	10%	€ 2,470,117.58	21%	€ 2,996,980.03

PERFORMANCE OF THE ELIA GROUP

Annual Change (in millions)	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021	2022 vs. 2021	2022
Turnover	€ 1,931.80	20%	€ 2,319.00	7%	€ 2,473.60	16%	€ 2,859.7	44%	€ 4,113.3
EBIT	€ 502.60	13%	€ 569.70	2%	€ 578.50	-7%	€ 540.1	11%	€ 599.4
Normalized net income	€ 280.80	9%	€ 306.80	0%	€ 308.10	7%	€ 328,3	24%	€ 408.2

10.8 INFORMATION ON SHAREHOLDER VOTE

The general meeting of shareholders of Elia Group SA/NV of 17 may 2022 approved the 2021 remuneration report of Elia Group SA/NV with a majority of 84.61%.

IN SHORT

- The Elia group's risk intelligence system helps to anticipate unwanted events, supports the prioritisation of resources and fosters the organisation's resilience
- The group's risk management system is constantly adapted in line with new insights and contextual changes
- Reporting is included in line with the Task Force on Climate-Related Financial Disclosures Framework

11 FEATURES OF THE GROUP'S

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

GRI 102-17, GRI 102-30

11.1 RISK AND OPPORTUNITIES MANAGEMENT SYSTEM

GRI 2.12

The Elia group's ambition to deliver the infrastructure of the future and enable a successful energy transition to the benefit of consumers is being fulfilled amidst a highly challenging context. The complexity of the group's activities - particularly those of its two transmission system operators - is exacerbated by the following factors (to name but a few): changes to the European energy market; the large-scale deployment of renewable-based generation technologies that carry intermittent and harder to handle production patterns; increases in commodity prices, inflation and rises in energy bills due to the geopolitical context; resource bottlenecks and ageing infrastructure.

The Elia group's approach involves including this complex environment and these issues into a risk intelligence system that helps to anticipate unwanted events, supports the prioritisation of resources and, ultimately, fosters the organisation's resilience.

Our risk and opportunity management system allows us to identify, understand and manage the effect uncertainties have on the achievement of our objectives. As put by risk management expert James Lam: "*The only alternative to risk management is crisis management and crisis management is much more expensive, time consuming and embarrassing.*"

OUTLINE OF THE GROUP'S APPROACH TO RISK MANAGEMENT

Uncertainties may be the source of desirable events (opportunities) and may also lead to unwanted events (risks). Both fall within the scope of risk management. The most relevant opportunities are integrated into our strategy. Its implementation as well as the achievement of our objectives could be adversely impacted by a number of risks. To ensure that they are comprehensively and systematically managed, their potential impact is analysed across a range of 'risk dimensions', including health and safety, continuity of supply and profitability.

RISK MANAGEMENT PROCESS AND FRAMEWORK

The reference framework for internal control and risk management, established by the Executive Management Board and approved by Elia Group's Board of Directors, is rooted in the **COSO II Framework**, which includes best practice related to the assessment of business risks and ISO frameworks (e.g. ISO31000). The COSO Framework has five basic components which are closely linked to one another: control environment, risk management, control activities, information and communication, and monitoring. These provide an integrated procedure for internal control and risk management systems. The use and inclusion of its concepts in the group'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.

Our **risk management system is constantly improved**. It is adapted in line with the changing context and new insights. As an example, in 2022, the group conducted a double materiality assessment which considered the operating context, risks and opportunities and our stakeholder's needs and expectations. The output of this exercise was fed back into our risk and opportunity process. This demonstrates how the group is applying integrated thinking and supports the group's ability to create and sustain value over time. It is illustrated by the graph below.

RISK MANAGEMENT GOVERNANCE

In line with the above, **risk management is carried out at different levels** across the organisation (strategic, business/operational, project...) **and relies on the group's strategy and risk appetite** (or *the level of risk our organisation is prepared to accept in pursuit of its objectives*). Our risk management framework is intended to support decision-making. Our risk appetite is based on five dimensions which capture financial, reputational, health and safety and operational impacts as well as the estimated probability of each risk. Once a risk is identified as substantive based on the organisation's risk appetite, the risk owner, risk manager, experts and concerned stakeholders discuss it to ensure that all relevant contextual factors are adequately considered in its assessment, and analyse its impact on our strategy and value creation.

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

The Group Risk Reports were reviewed twice in 2022 by the Board of Directors and Audit Committee; alongside the Executive Management Boards, the latter contributed to the evaluation of the measures adopted in response to different risks. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and the Executive Management Board exchange views and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. This dialogue takes place in the frame of the risk management process, typically during the presentation of the Group risk reports or ad hoc risk exercises. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Operational management assesses the relevant risks and puts forward action plans. The Board of Directors, upon the advice of the Audit Committee, must approve any significant changes to assessment rules. Risk Management is instrumental for Elia Group to maintain its value for stakeholders and the community, and the team works with all departments with a view to optimising its ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

RISK FRAMEWORK/DOCUMENTS	CONCERNED ACTORS	ACTION	RESULT
Risk policy Group risk report	Board of Directors & Audit Committee	Challenge risk reporting Validation of the group's strategy	Oversight from the top of the organisation Tone setting
Risk policy Group risk report	Executive Management Boards (both at Group and TSO levels)	Challenge risk reporting Validation of the organisation's risk appetite Definition of the strategy	Oversight from the top Tone setting
Maintain corporate risk register	Group & local risk departments	Processing of contextual information[5] Preparation of the Group's risk reporting exercise Support for risk assessment Advice to business Monitoring of progress on action plans	Holistic view of risks and uncertainties Consistent risk assessment
Management of business risks **Maintain business risk register** **Business continuity plans**	Accountable directors and senior management	Translation of strategy into roadmaps Oversight of business risks Input to Group risk reporting Coordination of action plans	More resilient processes
Maintain business risk register	Action owners	Carrying out action plans	Risk reduction

5 Example: geopolitical, regulatory, market, internal

WHAT IS A 'SUBSTANTIVE RISK'?

Our processes aim to identify **substantive risks**, assess them, define and implement appropriate responses to them, communicate them to the Executive Management Board, Audit Committee and Board of Directors and monitor the effectiveness of mitigation measures. All the information collected throughout these processes is recorded in risk registers. Regular discussions held by risk managers and risk owners allow these registers to be kept up-to-date. Key elements and their potential impacts on value creation and the implementation of our strategy are summarised in risk reports.

An assessment of the **criticality** of each substantive risk is carried out by group-wide and local risk management staff along with relevant internal stakeholders. Criticality is a combination of the likelihood of the risk's occurrence, the estimated impact of the risk and the nature and volume of control and mitigation measures that would reduce its likelihood and/or impact.

We also assess when a risk is likely to emerge, as outlined in the table below.

Finally, we assess the **development** of these risks by assessing how their criticality has changed in comparison with the previous reporting exercise.

A similar process is used when assessing opportunities.

RISK DIMENSIONS OR EQUIVALENT	METRICS HIGHLIGHTING THE SUBSTANTIVE NATURE OF RISKS
Continuity of supply	Number of people impacted by supply disruption. A threshold of 250 thousand people is considered as substantive[6].
Reputation	An example of a substantive reputational impact would be a failure to deliver transmission infrastructure that supports the integration of renewable energy in a timely way.
Cash flow	Risks which, if they materialise, would lead to at least 10% of our total available liquidity being impacted.
Profit and loss	Risks which, should they materialise, would lead to an impact of 1.5% on our profit and loss.
Health and safety	Risks which, if they materialise, would lead to staff injuries and/or staff absences from work.
Threat to the implementation of our strategy or to value creation	Any threat which, if it materialises, may have an adverse impact on the implementation of our strategy. As an example, a threat to value creation in line with our key strategic initiatives concerning grids, system operations, market facilitation or to supporting the energy transition and especially its decarbonisation dimension.

ASSESSMENT OF THE IMPACT OF RISKS IN ACCORDANCE WITH DIFFERENT TIME FRAMES (IN YEARS)

	From	To	Examples
Short-term risks	**0**	**1**	Operational risks such as those related to security of supply and cyber-attacks could materialise within a year or two. Exceptions: extreme weather events and climate risks. Their frequency of return is typically in the order of 1 in every 100 years. This justifies the widening of the time-frame for short-term risks: between 0 and 5 years.
Medium-term risks	**2**	**5**	The tariff methodologies are set for periods of 4 years in Belgium and 5 years in Germany. Exception: for climate risks, a different range is used, spanning from 5 to 10 years
Long-term risks	**6**	**10**	The federal development plans, which outline the investments which are due to be made across the national transmission networks, each span periods of 10-20 years. Our sustainability ambitions, outlined in our ActNow programme, include targets for 2030 and 2040 (see page 35). Exception: as we explore different climate scenarios and undertake vulnerability assessments, longer time horizons are considered: 2030, 2040, 2050 and 2100. These horizons are aligned with the lifetime of major investments and new assets. This justifies the use of a wider range for what is considered to be 'long term': between 10 to 80 years.

6 This threshold is in line with the European Programme for Critical Infrastructure Protection (EPCIP), the EPCIP directive and the definition of critical infrastructure

MONITORING

The Elia group continually **re-evaluates the adequacy of its risk management approach**. Evaluation procedures include monitoring activities carried out as part of normal business operations and specific ad hoc assessments of selected topics.

The Internal Audit Team also plays a key role in these monitoring activities, as it conducts independent reviews of key financial and operational procedures, including risk mitigating actions. The findings of these reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate reporting procedures.

CLIMATE RISK MANAGEMENT

In order to foster continuous improvement in the management of climate risks, the Elia group has implemented several measures. The most important of these lies in the design of its strategy that aims to tackle the **root causes of climate change**, rather than just its consequences. Other relevant actions that seek to improve climate risk management include undertaking **a climate vulnerability assessment in line with EU taxonomy requirements**, benchmarking exercises undertaken with other TSOs, reviews of risks in line with the Task Force on Climate-Related Financial Disclosures **(TCFD) recommendations**, and the improved mapping of transitional and physical risks on our grid installations including subsequent measures to increase resilience towards heat, flooding or storms. Additionally, we are currently improving our development of different climate scenarios. We have mapped the critical company risks and opportunities along the TCFD categories. Furthermore, we provide more transparency about our exposure to climate-related risks in the TCFD disclosures included at the end of this chapter.

RISKS: CLIMATE

DESCRIPTION

The group is subject to certain physical and transitional climate risks. Physical climate risks may, if not adequately anticipated, lead to less favourable operating conditions for the group's assets or even damage them. Such circumstances may trigger risk factors related to contingency events and business continuity disruption. Next, the transition to a lower carbon economy implies extensive policy, legal, technology and market changes. Moreover, if the group is not able to meet relevant expectations in relation to the decarbonisation goals it has set, then this may have an adverse impact on its reputation.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
The Elia group **addresses the root causes of climate change** by being at the forefront of the energy transition and the decarbonisation of society: · **offshore evolution;** · **digital transformation;** · **leading role in the energy transition;** · **CAPEX realisation.**	The occurrence of extreme weather events such as storms, cold snaps, heatwaves, flooding, drought, and wildfires that may all damage infrastructure constrain the operation of the network and trigger risk factors related to contingency events and business continuity disruptions. The **ESG regulatory environment** is evolving really quickly. There is a risk that requirements might be interpreted differently and therefore the risk of a possible (perceived) failure to meet all requirements or expectations. The introduction of **stringent regulations related to greenhouse gas** emissions such as SF_6 may lead to increased maintenance costs, a difficulty to find alternative technologies or the writing off of assets that have not been fully amortised. **More frequent or severe heatwaves** may also lead to less optimal working conditions for teams in charge of executing our projects. Working procedures may need to be adapted to limit the impact on the people's wellbeing **Criticality** Up to **high**, depending on the decarbonisaton scenario. As an example, the most substantive impacts from the regulatory environment may be expected under an accelerated decarbonisation scenario. **Main affected time horizon** **Mid- to long-term time frame**	**Change in risk profile** =	**ActNow** focuses on five key dimensions that are aligned with the United Nations Sustainable Development Goals. **Infrastructure design**, considering stringent climate conditions and rolled out across all our infrastructure projects. **Climate vulnerability assessments** in line with EU taxonomy requirements. **2022 - Improvement of our climate scenarios: more detail**, a more complete set of climate parameters and time horizons adapted to our needs and the lifetime of our infrastructure. This is an enabler for enhanced vulnerability assessment in the face of climate risks, in line with the reporting requirement to use state-of-the-art climate scenarios.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Decarbonisation

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance

Links with TCFD categories: Physical climate risk (acute), Existing regulation, Emerging regulation, Technology

RISKS: SECURITY OF SUPPLY

DESCRIPTION

The security of electricity supply may be impacted in a number of ways, including through risks related to balancing, a failure to maintain the balance between demand and supply, and risks related to adequacy if there should be a shortage of energy supply. These may lead to adverse impacts, such as load shedding.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Develop new services creating value for customers in the energy system • Deliver the infrastructure of the future and develop and operate a sustainable power system	**Balancing risk** The growth in the number of renewable energy units connected to distribution systems across Europe and the number of connections to large offshore wind farms is creating new challenges for operational grid management, particularly in terms of the increased volatility of energy flows across our network. **Adequacy risk** The electrification of additional sectors across society will lead to a growth in electricity demand; the growth in renewable energy sources may be too slow to cover this increased demand. A higher short-term adequacy risk driven by the gas crisis and the unavailability of nuclear power plants in neighbouring countries has emerged.		National and international **collaboration for grid control**. Balancing risk stress tests, winter/emergency plans at national and ENTSO-E level. **2022- weekly adequacy reporting** in Belgium, in light of the limited availability of the French nuclear power plants and constrained gas supply. Power system stress tests (special analyses) were carried out in Germany to ensure power grid stability during the 22/23 winter period. Reforms to the market design to **unlock** more **flexibility**. Unlocking the potential held in **flexible load management**. Preparing an **integrated balancing market** at EU level, thereby enabling new market players and technologies as well as digital and consumer-centric initiatives. **Adequacy and flexibility studies** and the provision of highly relevant information to the authorities. **Capacity remuneration mechanism** in Belgium to guarantee the country's security of supply in the longer term. Dimension 1 of ActNow: **accelerating the decarbonisation** of the power sector.	1 Security of supply 2 Reliable, sustainable and affordable
	Criticality Up to **high:** criticality increases along with a poor anticipation of the penetration rate of renewables and the closure of large conventional electricity generation units. It is also impacted by the geopolitical context.	**Change in risk profile** ↗		
	Main affected time horizon **Short- and mid-term time frames**			

Links with business activities: System Planning, System Operations, Market Facilitation

Links with TCFD categories: Market, Energy sources, Resilience to physical risks, Reputational risk

RISKS: CONTINGENCY EVENTS AND BUSINESS CONTINUITY DISRUPTION

DESCRIPTION

Even if the transmission systems operated by the group are very reliable, the unavailability of one or more network elements (also called contingency events) may occur as a result of unforeseen events. In most cases, thanks to the meshed structure of our grid, the smooth operation of the network is challenged - nothing more. However, in more exceptional cases, incidents across the electricity system could lead to business continuity disruption.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future and develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Extreme weather events** (see climate risks)	Resilience to physical risks; Reputational risk	**Physical access management which includes** security screening for critical functions combined with limited access to control rooms and data rooms and additional security layers for critical infrastructure.	1 Security of supply
	Cyber-attacks (See Cyber & ICT risks).	Market; Energy sources; Reputational risk	Implementation of (IT) security measures, such as redundancy, which is built in by design for physical infrastructure and servers while high availability is foreseen for critical applications.	2 Safe and reliable infrastructure
	Sabotage and terrorism The transmission grids are spread across a large geographical area and are therefore exposed to possible acts of terrorism or sabotage.		Preventive, preparedness and emergency response measures, including business continuity plans and restoration plans, ensure solid prepration for facing crisis situations. Regular crisis exercises are held.	3 Reliable, sustainable and affordable energy system
	Equipment failure - The probability of occurrence of contingency events may increase if insufficient means and resources are invested in the maintenance of equipment. Moreover, offshore equipment deserves particular attention since the group has less experience with the related technology and remedial actions are more complex.	Resilience to physical risks; Reputational risk	**Asset condition monitoring** also supports timely maintenance action and reduces the risk of unplanned failure	
	Criticality Up to **high** under extreme scenarios	**Change in risk profile** =		
	Main affected time horizon **All time horizons**			

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Market, Energy sources, Resilience to physical risks, Reputational risk

RISKS: PERMITTING

DESCRIPTION

The group is subject to environmental and zoning laws, and is managing increased public expectations and concerns, which may impair its ability to obtain relevant permits and realise its anticipated investment programme or may result in additional costs.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future and develop and operate a sustainable power system	**Delay in permitting.** The need to obtain approvals and permits within certain time frames represents an important challenge for the timely implementation of projects related to the energy transition. Moreover, permits and approvals may be challenged in court, causing further delays. **Complex and changing environmental & wildlife protection regulations.** These regional, national and international regulations may change so that a stricter regulatory framework or enforcement policy might emerge, leading to additional costs for the group and delays to projects. Such costs include expenses relating to the implementation of preventive or remedial measures or the adoption of additional preventive or remedial measures to comply with future changes in laws or regulations. **Criticality** From **limited** to **high** for key projects supporting the energy transition **Main affected time horizon** **Short- and mid-term time frames** for key projects supporting the energy transition	Existing regulation, Reputational risk, Energy sources Existing regulation, Emerging regulation, Energy sources, Legal risks, Reputational risk **Change in risk profile** =	During the permitting phase of our projects, the group provides information in due time. Our permitting teams are in regular contact with the authorities. As part of key infrastructure projects, meetings are held with key political stakeholders. Information sessions are also organised for communities impacted by our projects. Transparency is ensured for external experts who are responsible for demonstrating the relevance of our projects and validity of the technical choices made. The German Government has introduced changes in the law to speed up permitting procedures, aiming to help speed up the realisation of projects. Bird diverters are installed on overhead lines to increase their visibility for birds. In September 2022, for the first time in Belgium, drones were deployed to install them. In woodland areas, corridors are created on either side of power lines. An ecological corridor management scheme was developed within the framework of the European LIFE programme. ActNow provides more concrete examples of actions that aim to avoid, reduce and offset environmental impacts.	1 Reliable, sustainable and affordable energy system 2 Preserving our ecosystems, community acceptance and engagement

Links with business activities: Infrastructure Design and Construction

Links with TCFD categories: Existing regulation | Emerging regulation | Energy sources | Legal risks | Reputational risk

RISKS: CYBER & ICT

DESCRIPTION

Despite all of the many precautions taken by the group, significant system hardware and software failures, compliance process failures, ICT failures, computer viruses, malware, cyber-attacks, accidents or security breaches could still occur. The risk of such events has been raised given the current geopolitical climate. Such events would have an adverse impact on continuity of supply or could result in a breach of legal or contractual obligations.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future and develop and operate a sustainable power system • Develop new services creating value for customers in the energy system	**Digitalisation and the adoption of new technologies and “”real first”” initiatives** The energy transition will necessarily involve more digitalisation, IoT, connectivity, etc. This will lead to significant changes in terms of the cyber risks we face. Moreover, the adoption of new technologies such as long-distance drones or robots may, in turn, increase the potential risk of failure or human mistakes and the impact of potential ICT failures. **Data protection** The group also collects and stores sensitive data, which includes its own data as well as that of its suppliers and business partners. The group is subject to several privacy and data protection rules and regulations, including the General Data Protection Regulation, which covers personal data, as well as the NIS Directive.” **Critical infrastructure** As operators of essential services and managers of grid critical infrastructure, the TSOs of Elia Group are subject to European, national and sector-specific regulations, such as the EPCIP directive, the NIS Directive and upcoming regulations such as the directive on Critical Infrastructure Resilience and the Network Code on Cybersecurity which impose a higher burden on TSOs to identify, assess and manage potential physical security and cybersecurity risks..	Market, Energy sources, Reputational risk	See also ‘Contingency events’ Implementation of preventive, detective and response IT security measures (e.g.: IT segmentation, redundancy, backups, failover mechanisms). Compliance with relevant regulations and implementation of IT security frameworks (e.g. ISO 27000). Employee awareness raising and training.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Security of information and IT systems
	Criticality **Up to high** in extreme circumstances	**Change in risk profile** ↗		
	Main affected time horizon **All time horizons**			

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Market, Energy sources, Reputational risk

RISKS: SUPPLIER

DESCRIPTION

The group depends on a limited number of suppliers and their ability to deliver high-quality equipment and/or deliver infrastructure works in a timely manner.

Any cancellation or delay in the completion of the group's projects could have an adverse effect on the group's contribution to the energy transition or sustainability programme which, in turn, could have a negative effect on the group's reputation.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system	**Capacity issues** Given the complexity of infrastructure works and electrical equipment, the increasing demand in the market for specialised skills and suppliers being in high demand, the group may not be able to find sufficient suppliers or supply capacity in order to realise its projects on time and within budget - or at all. . **Supply chain bottlenecks, scarcity of (critical) raw materials and increases in the price of raw materials** These elements have resulted in a significant increase in commodity and transportation prices, which have also affected supplier supply chains and have led to a general increase in the inflation rates. The increased geopolitical instability resulting from the war in Ukraine has amplified these effects. Furthermore, economic headwinds combined with increased inflation could lead to the insolvency of certain suppliers or partners on which suppliers rely. It must be noted that inflation is a pass through cost under the current tariff methodologies that Elia and 50Hertz are subject to. **Criticality** **limited** for many projects, but up to **high** if key projects supporting the energy transition are affected. **Main affected time horizon** **Short- and medium-term time frames**	 **Change in risk profile**	2022 - Improved capacity forecasts allowing earlier order placements to secure capacity for critical equipment. Measures to explore new markets, widen the range of suppliers and improve support for new suppliers. Further develop internal expertise related to critical technologies and tools. Harmonisation of equipment specifications to achieve a greater weight amidst a context of saturated markets for electrical equipment. The development of harmonised standards also supports efficiency and simplification. Elaboration of preparedness plans for future disruptions.	1 Safe and reliable infrastructure 2 Decarbonisation 3 Minimising waste and promoting circularity 4 Responsible governance practice

Links with business activities: Business Facilitators, Infrastructure Design and Construction, Grid Operations and %aintenance

Links with TCFD categories: Resilience to transitional risks, Energy sources, Reputational risk

RISKS: REGULATORY

DESCRIPTION

Any modification to the tariff methodologies, the permits and certifications needed to operate the grids or the group trustee obligations could affect the revenue, profits and/or financial position of the group. This could, in turn, have an adverse effect on the implementation of the group's infrastructure programme and its timely contribution to the energy transition.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Changes to the tariff methodologies** About 94% of the group's revenue is generated by the tariffs, which apply to the electricity networks it operates. These are determined by the tariff methodologies set by the regulators, typically for periods of four years in Belgium and five years in Germany. Some parameters used for the determination of the regulatory return are subject to uncertainties. Unfavourable changes to tariffs can adversely impact the energy transition infrastructure programme. In Belgium, a new tariff methodology has been approved for 2024-2027. The related tariff file will be submitted in 2023 and is subject to regulator's approval. **Modification of TSO permits and certifications** The operation of the regulated activities of the group depends on licenses, authorisations, exemptions and dispensations. These may be withdrawn or amended or additional conditions may be imposed on the regulated activities of the group. **Criticality** Medium to high **Main affected time horizon** **Mid-term time frames**	Market, Energy sources, Reputational risk **Change in risk profile** =	Regular contact with European & national authorities. Proactive anticipation of new directives & regulations. Membership of ENTSO-E, which can provide advocacy for changes which are aligned with our strategy. Safeguarding security of supply and enhanced and accelerated CAPEX delivery are our top priorities. Strong governance processes in place with a focus on compliance with regulatory decisions.	1 Security of supply 2 Safe and reliable infrastructure 3 Decarbonisation

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Market, Energy sources, Reputational risk

RISKS: FINANCING

DESCRIPTION

The ability of the group and its affiliates to access global sources of financing to cover their financing needs to fund their plans and refinance their existing indebtedness is a key component of the group's business and strategic plan. The group's financial position and (re-)financing capacity may be adversely impacted by a downgrading of the credit rating of any of its entities and/or a deterioration of the equity/debt ratio.
Next, the development of new activities outside of the group's regulated home markets may result in a lower predicability of results and cashflow and impact our funding needs as well.
Finally, there may be an adverse impact on the group working capital resulting from trustee obligations.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	If the credit rating of the group or its affiliates is downgraded, this could affect their ability to access capital markets and impact their financial position. The impact of certain **trustee obligations** on the working capital. As part of their role as TSOs, ETB and 50Hertz act as trustees. This covers the administration and coordination of certain national and regional levy systems on behalf of relevant authorities, mostly in relation to financial support for the development of renewable energy. To the extent that there may be a timing difference between the incurrence and recovery of related costs, these must be pre-financed by the group, leading to a temporary impact on its working capital. The current volatile energy markets may increase the costs incurred. If the group's **inorganic growth strategy** succeeds, this may result in less predictability and higher volatility in its revenues and additional financial debt at company level. **Criticality** Medium **Main affected time horizon** **Short- and mid-term time frames**	 **Change in risk profile** ↗	Ringfenced group structure with a separate S&P credit rating for Elia Group, Elia Transmission Belgium and Eurogrid. Diversified (including green) financing sources in equity and debt instruments and good balancing of the maturities of its funding. Daily short-term liquidity management with availability of credit lines and commercial paper programs to cover for urgent liquidity needs. Involvement in the design of regulatory/trusteeship mechanisms.	1 Reliable, sustainable and affordable energy system 2 Decarbonisation

Links with business activities: Business Facilitators, Services for Electrification, Trusteeship

Links with TCFD categories: Reputational risk, Energy sources, Products/services

RISKS: TALENT

DESCRIPTION

A lack of qualified staff may result in insufficient expertise and know-how which is needed to realise the group's strategic objectives.
Given how highly specialised and complex the nature of its business is, if the group does not manage to attract the human resources and expertise it needs, the risk of failing to implement its strategy will increase (delays, failure to manage the increasing complexity of network operation, delays in CAPEX realisation which supports the energy transition, etc.).

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Talent attraction and retention** The group must succeed in attracting and retaining the necessary specific technical expertise to support its development and its digital transformation. **Wellbeing** Society has great expectations for the group in terms of the energy transition. This, combined with volatile energy markets, puts significant pressure on our teams, which may have an adverse effect on the wellbeing of our staff and increase risks to their wellbeing. **Alignment between culture and strategy** The group's culture and workforce must be fully aligned with the group's strategy, in order to successfully implement it. However, aligning corporate culture takes time. **Criticality** Medium **Main affected time horizon** **Short- and mid-term time frames**	Market, Energy sources, Reputational risk (Talent attraction and retention) Energy sources, Reputational risk (Wellbeing) **Change in risk profile** =	**New Way of Working policies provide a flexible framework, which includes homeworking. This ensures a healthy balance between virtual and in-person, between work life and private life, while also supporting our sustainability ambitions by limiting transport-related CO_2 emissions.** **Employee-employer discussions** We regularly check in with employees about potential issues they have encountered at work, using these discussions to inform the development of our work policies **Diversity, equity & inclusion initiatives** Diversity and inclusion is a priority for our group. Our hiring processes are designed to support inclusive recruitment. Moreover, our organisation aims to foster inclusive leadership and an open and ethical company culture. **A reinforced focus on culture**, a programme to enhance leadership skills, is currently being rolled out. **Wellbeing initiatives** The wellbeing of our employees is essential for our group. It falls under the scope of our Care 4 Energy programme. 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 delivered by a wellbeing officer or psychologists. The group also supports its employees to take part in sports activities and organises regular surveys to monitor the wellbeing of its employees.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Decarbonisation 5 Employee health, safety and wellbeing 6 Talent acquisition and development 7 Diverse and inclusive workforce

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Market, Energy sources, Reputational risk

RISKS: HEALTH & SAFETY

DESCRIPTION Accidents, asset failure or external attacks may cause harm to people which may lead to liabilities.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES	TCFD CATEGORY	RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Grow beyond our current perimeter to deliver societal value	**Human errors** Even the most qualified and trained staff can make mistakes. **Contractor's risk** If the safety culture is not embedded into the working practices of our contractors, the risk of dangerous situations increases. " **Offshore safety risk** The accessibility constraints linked to offshore platforms makes it challenging to plan out timely interventions. **Wellbeing** The wellbeing of people strongly supports their ability to focus and remain aware of hazardous situations X (see climate risk) **Criticality** Up to high **Main affected time horizon** **All**	Energy sources; Physical climate risk **Change in risk profile** =	**Safety systems and processes** The group and its relevant affiliates have put a Global Prevention Plan in place consisting of a Health and Safety system, process and procedure management and unwanted event follow-up applications, proactive site visits and a supported prevention attitude. 50Hertz is ISO450001 certified." **Strong Safety culture** Action is taken to ensure a proper safety culture. This aims to create a constructive and trusting environment that encourages staff and contractors to adopt responsible behaviour (Safety Culture Ladder initiated at Elia Transmission Belgium). Alongside this, specific actions are taken which target specific situations and/or workforces (e.g. 'project safety with contractors' project)." **Wellbeing initiatives see 'Talent risk'.**	1 Safe and reliable infrastructure 2 Employee health 3 Safety and wellbeing

Links with business activities: Infrastructure design and Construction; Grid Operations and Maintenance; Services for Electrification

Links with TCFD categories: Energy sources; Physical climate risk

OPPORTUNITIES: GREEN FINANCING

		TCFD CATEGORY		
DESCRIPTION	If we successfully embed climate change considerations into our business model, then we will have access to financing linked to ESG criteria which will facilitate our ability to finance our infrastructure portfolio. Moreover, if we achieve a high level of compliance with the EU taxonomy, then we will have more financial leeway and it will be easier to attract equity and debt.			
KEY STRATEGIC INITIATIVES	**UNCERTAINTIES**		**RESPONSES**	**LINK WITH MATERIAL ISSUES TOPICS**
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Unclear or changing requirements** related to non-financial reporting. **Large number of non-financial frameworks which are** possibly conflicting or can generate burdens. **Criticality** Medium **Main affected time horizon** **Mid-term time frame**	**Change in risk profile** =	**Reporting in line with EU Taxonomy** **The group was one of the first TSOs to publish a case study on the EU Taxonomy in November 2021."** **2022 - Ongoing improvement of climate scenarios** **This is an enabler for achieving an enhanced vulnerability assessment regarding climate risks, in line with the reporting requirement to use state-of-the-art climate scenarios."** **2022 - Anticipation of new requirements (CSRD...)** **This includes, for example, enhancements in the risk reporting that foster alignment with TCFD principles, as they are strongly linked to CSRD.**	1 Reliable, sustainable and affordable energy system 2 Decarbonisation 3 Preserving our ecosystems 4 Employee health, safety and wellbeing 5 Transparent and open communication with stakeholders

Links with business activities: Infrastructure Design and Construction

Links with TCFD categories: Reputational risk, Market, Existing regulation, Emerging regulation

OPPORTUNITIES: LEVERAGE ON THE EXPERTISE ACQUIRED IN BE AND GE

TCFD CATEGORY

DESCRIPTION	Supporting the energy transition outside of our regulated home markets (especially through offshore development) may lead to new growth opportunities for the group.

KEY STRATEGIC INITIATIVES	**UNCERTAINTIES**		**RESPONSES**	**LINK WITH MATERIAL ISSUES TOPICS**
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Grow beyond our current perimeter to deliver societal value	**Country specificities** A sound understanding of local markets, remuneration mechanisms, permitting processes and stakeholder management is part of our risk management process, so supporting investment decisions and successful project delivery. **Competition** with other players, particularly those with a local presence in other segments of our value chain. Specific **supplier risk** assessments (for example, the capacity linked to offshore equipment) are also constrained. **Partnership risk** that encompasses how sound our partners' ethical standards are and what their financial strength is.		The group has an offshore strategy in place. Among other things, this led to the creation of WindGrid in 2022: an affiliate that builds on the offshore expertise of Elia and 50Hertz. Another affiliate, EGI, offers consultancy expertise to international customers. Build up of country knowledge through working with local actors and analysis of regulatory frameworks. Active exploration of business development opportunities.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Decarbonisation 5 Community acceptance and engagement 6 Transparent and open communication with stakeholders 7 Responsible governance practices
	Criticality Medium	**Change in risk profile** ↗		
	Main affected time horizon **Mid-term time frame**			

Links with business activities: System Planning, Infrastructure Design and Construction, Market Facilitation, Services for Electrification

Links with TCFD categories: Reputational risk, Market, Products/services, Energy sources

OPPORTUNITIES: ENERGY TRANSITION GRID INFRASTRUCTURE PROJECTS

TCFD CATEGORY

DESCRIPTION

Realising grid infrastructure projects supports the energy transition as well as the development of European markets and enhances European security of supply, all in the interest of society. Industrial players as well as end consumers are increasingly interested in having access to green energy, hence the importance of grid infrastructure to transport this energy.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES		RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Grow beyond our current perimeter to deliver societal value	**Anticipate future infrastructure needs** The timing of the energy transition still contains uncertainties, for example the speed at which electric vehicles will be integrated into the system, the speed of electrification of industrial processes and the timing for the widespread adoption of heat pumps. **Criticality** High **Main affected time horizon** **Short- and mid-term time frame**	**Change in risk profile** =	**Perform projections of future electricity needs** This includes long-term studies regarding the integration of electric vehicles or adequacy and flexibility studies. **Enhanced CAPEX delivery** The implementation of federal development plans is carried out to a high standard. **The risk management of infrastructure projects** aims to support the delivery of high-quality projects on time and within budget. **The harmonization of equipment specifications** aims to give the group greater weight amidst a context of saturated markets for electrical equipment. The development of harmonised standards also supports efficiency and simplification.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Decarbonisation 5 Community acceptance and engagement 6 Transparent and open communication with stakeholders 7 Responsible governance practices

Links with business activities: System Planning, Infrastructure Design and Construction

Links with TCFD categories: Market, Energy sources

OPPORTUNITIES: DIGITALISATION TO MANAGE INCREASING COMPLEXITY

TCFD CATEGORY

DESCRIPTION

The Elia group believes a new way of managing the future power system is required in order to maximise the benefits of the energy transition. This will be enabled by digitalisation, which will connect all electrical devices and players across the system. The emergence of new digital technologies will enhance our capabilities related to gathering, transferring, processing and visualising data, and will increasingly automate the management of the power system.

KEY STRATEGIC INITIATIVES	UNCERTAINTIES		RESPONSES	LINK WITH MATERIAL ISSUES TOPICS
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Speed of transformation process** for both internal processes and for society. **Cyber-attacks** If not properly implemented, digitalisation may lead to new vulnerabilities which could expose the grid to attacks. **Criticality** High **Main affected time horizon** **Mid- and long-term time frame**	**Change in risk profile** ↗	Development of our own Modular Control Centre System (MCCS), a new digital grid control system. The rollout of a Consumer-Centric Market Design to eliminate the barriers in the current market design which prevent small flexibility assets from participating in the market. See also 'Consumer Empowerment'. Embracing new technologies such as the cloud, big data, IoT, AI and blockchain.	1 Security of supply 2 Safe and reliable infrastructure 3 Reliable, sustainable and affordable energy system 4 Decarbonisation

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Resource efficiency, Energy sources, Market

OPPORTUNITIES: TRAINING

		TCFD CATEGORY		
DESCRIPTION	The digitalisation of our activities increases the need for new expertise; this can be ensured by retraining our employees. Training helps to improve performance management in the workplace as well as staff skills; it also increases their knowledge and may eventually lead to higher job satisfaction.			
KEY STRATEGIC INITIATIVES	**UNCERTAINTIES**		**RESPONSES**	**LINK WITH MATERIAL ISSUES TOPICS**
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Ability of employees to cope with change, and apply newly gathered skills** **Criticality** Medium **Main affected time horizon** **Mid- and long-term time frames**	**Change in risk profile** =	Staff training in different areas including technical, economic, IT, language and soft skills is delivered via Elia Academy. The Elia Group Digital Academy and DOTS, our Digital Online Training School, provide learning trajectories to build up digital skills across the group. Agility of our processes.	1 Employee health, safety and wellbeing talent acquisition and development

Links with business activities: System Planning, Infrastructure Design and Construction, Grid Operations and Maintenance, System Operations, Market Facilitation, Trusteeship, Services for Electrification, Business Facilitators

Links with TCFD categories: Resource efficiency, Energy sources, Market

OPPORTUNITIES: DIVERSITY AND INCLUSION

		TCFD CATEGORY		
DESCRIPTION	New ways of working and diversity, equity and inclusion are opportunities for attracting new talented staff to the group and increasing the performance and resilience of the organisation. Different backgrounds and mindsets support innovation - one behaviour we want to develop.			
KEY STRATEGIC INITIATIVES	**UNCERTAINTIES**		**RESPONSES**	**LINK WITH MATERIAL ISSUES TOPICS**
• Deliver the infrastructure of the future & develop and operate a sustainable power system • Develop new services creating value for customers in the energy system • Grow beyond our current perimeter to deliver societal value	**Adaptation of our working processes to the needs of new employees.** **Attractiveness of the group as an employer.** **Criticality** Medium **Main affected time horizon** **Mid- and long-term time frame**	**Change in risk profile** =	Diversity, equity and inclusion is an integral part of our talent management strategy, with a dedicated roadmap and internal ambassadors. Our hiring processes are designed to support inclusive recruitment. The company's culture aims to foster inclusive leadership. 2022- Organisation of awareness raising session on the inclusion of people with disabilities.	1 Safety and wellbeing, talent acquisition and development, diverse and inclusive workforce

Links with business activities Business Facilitators

Links with TCFD categories Market Energy sources Reputational risk

OPPORTUNITIES: CONSUMER EMPOWERMENT

		TCFD CATEGORY		
DESCRIPTION	If the right market signals are sent to consumers, they may be able to help keep the system and grid in balance through adapting/shifting their electricity consumption to more suitable times.			
KEY STRATEGIC INITIATIVES	**UNCERTAINTIES**		**RESPONSES**	**LINK WITH MATERIAL ISSUES TOPICS**
• Develop new services creating value for customers in the energy system	**Speed of digitalisation, since** digitalisation is an enabler for consumer empowerment. **Time to reach an agreement with interested parties** This includes (for example) DSOs and car manufacturers. **Criticality** High **Main affected time horizon** **Mid-term time frame**	**Change in risk profile** =	Customer centricity initiatives like our Consumer-Centric Marked Design that aims to encourage the large-scale participation of demand side flexibility. See also Digitalisation opportunity 2022- Partnership with BESIX to give smart buildings an active role in the electricity system. 2022- Agreement between Elia Group, re.alto and Volkswagen subsidiary Elli to accelerate the integration of electric vehicles into the electricity system and further decarbonise society. 2022 - Report on Belgium's consumer flexibility potential prepared by Delta Energy & Environment. It analyses the potential for load shifting and peak load reduction.	1 Security of supply 2 Reliable, sustainable and affordable energy system 3 Decarbonisation 4 Community acceptance and engagement 5 Security of information and IT systems

Links with business activities: System Planning, Market Facilitation, Services for Electrification

Links with TCFD categories: Market, Energy sources, Products/services

11.2 INTERNAL CONTROL SYSTEM

GRI 2-15, GRI 2-16, GRI 2-26

ORGANISATION OF INTERNAL CONTROL

The Elia group's **internal control system supports the company's risk assurance processes** and relies on clearly defined **roles and responsibilities** at all levels of the organisation. Pursuant to Elia Group's articles of association, the Board of Directors established an Executive Management Board as well as various committees to help it fulfil its duties: the Audit Committee, the Strategic Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee is, pursuant to Article 7:99 of the Belgian Code of Companies and Associations and the articles of association, responsible in particular for items (ii), (iii), (iv) and (v) below. The Board has charged the Audit Committee with the following main 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 process and its effectiveness;

(v) monitoring the statutory audit of annual and consolidated accounts, including following up on any issues raised or recommendations made by external auditors;

(vi) reviewing and monitoring the independence of external auditors,

(vii) formulating a proposal for submission 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 on a quarterly basis.

MAIN CONTROL ACTIVITIES

The Elia group has established **internal control mechanisms across different organisational levels** to ensure compliance with standards and internal procedures that are geared to the proper management of identified risks. These include:

(i) clear **task separation**, 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) an i**ntegrated audit approach**, 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 procedure**s through the use of the Business Process Excellence Intranet, which centralises policies and procedures. Departmental managers are responsible for establishing activities that control the risks inherent to their departments.

11.3 INTERNAL CONTROL SYSTEM

Financial reporting objectives include:

(i) ensuring financial statements comply with widely accepted accounting principles;

(ii) ensuring that the information presented in financial results is both transparent and accurate;

(iii) using accounting principles appropriate to the sector and the company's transactions;

(iv) ensuring the accuracy and reliability of financial results.

The activities undertaken by Elia Transmission Belgium SA/NV and 50 Hertz Transmission GmbH, as electricity transmission system operators in relation to their physical installations, contribute significantly to the group's financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations.

ROLES AND RESPONSIBILITIES

Under the supervision of the Chief Financial Officer, the Accounting and Finance Department is responsible for **statutory financial and tax reporting and the consolidation** of Elia Group's subsidiaries. The Finance Department helps the Executive Board by providing, in a timely manner, correct and reliable financial information to aid decision-making (related to monitoring the profitability of activities) and the effective management of corporate financial services. **External financial reporting** – one of Elia Group's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; and (iii) specific reporting obligations applicable to listed companies. The Controlling Department monitors **analytical accounting and reporting** and assumes responsibility for all financial reporting in a regulatory context. The Investor Relations Department is responsible for specific reporting applicable to listed companies. With regard to the financial reporting process, the tasks and responsibilities of all employees in the Accounting and Finance Department are clearly defined, so enabling the production of financial results that accurately and honestly reflect Elia Group's financial transactions. A **detailed framework of tasks and responsibilities** identifies the main control duties and the frequency with which tasks and control duties are performed. An International Financial Reporting Standards (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 across the group. The Accounting and Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same enterprise resource planning software, which has a range of integrated controls and supports task separation as appropriate. The roles and responsibilities of all employees are clearly defined in line with the Business Process Excellence methodology.

The **structured approach** developed by the Elia group helps to ensure that **financial data is both exhaustive and precis**e, and takes into account the deadlines for activity reviews and the actions of key players, so as to ensure adequate control and accounting processes.

RISK MANAGEMENT

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.

CONTROL ACTIVITIES

For all significant financial reporting risks, the Elia group adopts **appropriate control mechanisms to minimise the probability of error**. Clearly defined roles and responsibilities related to the closing procedure for financial results are in place. Measures that ensure each stage is appropriately followed up are in place - this includes the publication of a detailed agenda of all activities undertaken by group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure that unusual and significant transactions, accounting checks and adjustments and company transactions and critical estimates are all under control. The combination of all these elements ensures the reliability of our financial results. Regular **internal and external audits** also contribute to the quality of our financial reporting. As it identifies the risks that may affect the achievement of financial reporting objectives, the Executive Board takes into account the possibility of any misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. The Internal Audit Team performs specific audits based on the risk assessment related to potential fraud, with a view to avoiding and preventing any instances of fraud.

INFORMATION AND COMMUNICATION

The members of staff who are responsible for **financial reporting** regularly meet with other internal departments (operational and control departments) to identify financial reporting data. They validate and document the critical assumptions underpinning booked reserves and the company's accounts. At a group level, the consolidated results are broken down into segments and validated by means of a comparison with historical figures and through a comparative analysis of forecasts and actual data. This financial information is sent to the Executive Board on a monthly basis and is discussed each quarter with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

MONITORING

Monitoring activities in the financial reporting process include:

(i) the monthly reporting of **strategic indicators** to the Executive Board and management;

(ii) following up on key operational indicators at a departmental level;

(iii) a **monthly financial report**, including an assessment of variations as compared with the budget, comparisons with preceding periods and events which are liable to affect cost controlling.

Consideration is also given to third-party feedback from a range of sources, such as:

(i) stock market indices and reports published by ratings agencies;

(ii) the share value;

(iii) reports published by federal and regional regulators relating to compliance with legal and regulatory frameworks; and

(iv) reports published by financial analyst and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows the Elia group to keep on making improvements.

Besides the activities performed by the Internal Audit Team that ensure the effectiveness of the internal control and risk management system of the financial reporting process, Elia Group's legal entities are also subject to external audits, which generally entail an evaluation of internal control processes and notes relating to (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.

11.4 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATED TO THE NON-FINANCIAL REPORTING PROCESS

Sustainability lies at the heart of our business strategy. Elia Group has therefore established an internal control and risk management system for the non-financial reporting process. Non-financial information is often defined as Environmental, Social and Corporate Governance (ESG) information. This ESG information is mostly disclosed through key performance indicators (KPIs), some of which are included in this report. The complete set of ESG KPIs can be found in our Sustainability Report.

We have integrated ESG objectives into our strategic planning and resource allocation processes and have set targets related to 'priority' ESG topics (please see page 35, which outline our Act-Now programme, and our Financial Report). These priority topics are identified following the double materiality assessment. We have established processes and controls that ensure the regular monitoring, measuring, validating and reporting of these KPIs.

The relevant roles and responsibilities regarding ESG KPIs are explained in the Sustainability Report.

In order to prepare for the implementation of the European Corporate Sustainability Reporting Directive (CSRD), the Elia group has voluntarily opted to gradually increase the number of audited KPIs that are published in its Sustainability Report.

INTEGRITY AND ETHICS

Elia Group's integrity and ethics are a crucial aspect of our internal control environment. The Board of Directors and the Executive Management Board regularly communicate and revisit these principles in order to clarify the mutual rights and obligations of the company and our employees. These rules are shared with all new employees, and compliance with them is formally included in employment contracts.

Elia Group's Code of Ethics (the "Code of Ethics") defines what Elia Group regards as correct ethical conduct and sets out the policy and a number of principles related to the avoidance of conflicts of interest. 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, the misuse of privileged information and market manipulation is prohibited. This is confirmed by **Elia Group's Code of Conduct** (the "Code of Conduct"), that helps to prevent employees from breaching any Belgian legislation with regard to the use of privileged information or market manipulation.

Senior management consistently ensures that employees comply with **internal values and procedures** and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts.

Elia Group and its employees do not use gifts or entertainment to gain competitive advantage over other organisations. Facilitation payments are not permitted by the group. 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 the group's Supplier Code of Conduct and all associated regulations. The Supplier Code of Conduct contains internationally accepted principles regarding ethical conduct, the protection of human rights, health and safety practices, and environmental and social considerations. In order to use this set of principles to positively impact our supply chain, a risk-based approach is in place. For all purchasing categories, we assess the risks based on traditional supply chain risks and supply chain sustainability risks.

The Elia group offers its employees the opportunity to express their concerns about possible **breaches of the Code of Ethics** without fear of negative repercussions or unfair treatment. In addition to internal reporting channels, external reporting systems exist that allow internal employees and external stakeholders to anonymously raise issues about possible breaches of the Code of Ethics which may harm the group's reputation and/or interests.

Issues can also be raised with local management teams, HR, and the Compliance Officer. Following this, they will be handled in an objective and confidential manner, in line with the whistleblowing procedure.

The Internal Audit Team's annual activities include a number of actions and verification audits designed to act as **specific safeguards against fraud**. Any findings are reported to the Audit Committee. In 2022, no relevant findings relating to financial fraud were reported in the audits that were part of 2022's annual audit plan.

11.5 CLIMATE-RELATED DISCLOSURES

(TASK FORCE ON CLIMATE-RELATED DISCLOSURES [TCFD] REPORT)

The core mission of the Elia group is to drive the energy transition by supporting the integration of RES into the electricity system to foster decarbonisation.

Our double materiality exercise (see chapter entitled 'Our mission, vision and strategy') identified security of supply, the need to provide safe and reliable infrastructure and a sustainable and affordable energy system for all end users as material topics.

These topics carry risks and opportunities. The risks associated with climate change are especially important for the group, given our ambition to deliver the right infrastructure to support the energy transition, in line with national and European targets. Such risks include those associated with regulatory changes, new consumer needs, technological choices and physical risks to our infrastructure and the operation of the system. However, as electrification spreads across society and we work towards decarbonisation, a host of opportunities are also offered up to us.

GOVERNANCE

Since our core business is inherently linked to driving the energy transition, sustainability and climate-related responsibilities lie with our executive bodies: they drive the implementation of our strategy and oversee the group's progress. Specific arrangements have been put in place, including ones which affect our Board of Directors, to ensure that ActNow is fully embedded across the organisation. Indeed, the Group Sustainability Office (GSO) acts as an overarching entity that defines ActNow ambitions for the whole of the group and then ensures both that the group's sustainability-related actions are consistent over time and continuously improved. The GSO reports to individuals from the Executive Management Board. Local sustainability boards in Belgium and Germany ensure that the implementation of sustainability-related activities is supported and monitored in Elia and 50Hertz.

This governance structure is described in detail in the 2022 Sustainability Report.

Board of Directors	• Strategy & Audit Committee validates strategy & sustainability targets on a yearly basis & issues general recommendations • Endorses the strategic evolutions of the Group incl. its sustainability dimensions • Meets with relevant Board Committees once a year
Management board	Elia Group Management Board • Validates the group's sustainability ambitions and strategy • Sponsorship • Oversees climate-related issues via the Group CFO • Oversees climate R&O to assist the board Local Executive Management Boards • Climate R&O are reviewed and discussed on a monthly basis • Validates climate R&O priorities and informs the board
Group Sustainability Office	• Defines the Elia group's vision, mission & targets • Adapts global strategy to reflect ESG elements • Drives strategic initiatives related to ESG aspects • Tracks progress of overall sustainability dimensions • Reports to Management Boards
Local sustainability boards	• Tracks progress of local sustainability dimensions • Validates local roadmaps & ESG initiatives • Give guidance & support on key sustainability matters
Sustainability managers	• Translate ESG requirements into needed local activities • Defines action plans for the local entities of the group • Coordinates local projects and activities
Dimension leader	• Monitors and steers implementation of local action plans (in both entities) in their respective dimension

Incentives related to the management of climate-related issues

Executive remuneration is linked to the fulfilment of the company's climate change objectives. The variable remuneration of our executive management team includes components related to short- and long-term goals, including the completion of projects that aim to support the energy transition and decarbonisation (for example, this covers connecting offshore assets or large onshore RES to the grid on time, supporting innovation in grid operations and the system integration of RES, the realisation of infrastructure that will allow the long-distance transport of electricity, etc.) and the implementation of objectives included in Dimension 1: Climate Action.

Knowledge and capacity building

The members of the Board of Directors are selected based on their knowledge, experience and ability to evaluate all technical, financial, regulatory, social and HR matters linked to the business of a TSO. ESG-related capacity building within our governance bodies is a key element of ActNow. Please see the 'Governance' section of the 2022 Sustainability Report for further information.

DIMENSION 1 OF ACTNOW: CLIMATE ACTION EMBEDDED INTO OUR STRATEGY

As outlined in the chapter entitled 'Our vision, mission and strategy', Dimension 1 of ActNow is both the first and most consequential dimension of the programme. The table below outlines the objectives included in Dimension 1 in more detail. The short-, medium- and long-term risks and opportunities associated with each of these objectives are described in the section entitled 'Risk and opportunities management system'.

ACTNOW DIMENSION 1 CLIMATE ACTION					
Challenge	**OUR SOCIETAL CHALLENGE** Speed up the decarbonisation of the power sector	**OUR CORPORATE CHALLENGE** Decarbonisation of our own activities			
Objective	**Objective 1** Enabling the decarbonisation of the power sector	**Objective 2** Reach carbon neutrality in system operations by 2040	**Objective 3** Reach carbon neutrality in our own activities by 2030	**Objective 4** Transition to a carbon-neutral value chain for new assets & construction work	**Objective 5** Increase climate resilience
Focus	Climate change mitigation				Climate change adaptation
	Grid development Market development and system operations Electrification	Grid losses Balancing and redispatching	Progressive SF_6 phase-out in new assets Green substations Mobility	Procurement and technical design	Climate change scenarios Grid and asset planning and dimensioning Anticipation and handling of extreme weather disasters
Emissions	System-wide	Scope 2[7]	Scope 1, 2 and 3	Scope 3	
KPIs	RE share (%) Environmental EU Taxonomy-aligned CAPEX (%) Length of lines commissioned (km)	Carbon intensity of electricity production mix (BE&DE) (tCO_2eq/kWh) CO_2 Footprint of grid losses ($ktCO_2eq$)	SF_6 leakage rate (%) Green substations Surface (m^2)	Emissions from purchases (spent-based) (tCO_2eq)	Grid reliability

7 Scope 1, 2 and 3 emissions are explained in further detail on page 176.

OBJECTIVE 1: SPEED UP THE DECARBONISATION OF THE POWER SECTOR

Grid development

Our biggest contribution to accelerating the energy transition is via the strengthening and expansion of the power grid as fast as possible in order to facilitate the integration of growing amounts of renewable energy into the system and to allow industry and society to further electrify.

Elia and 50Hertz are both responsible for aligning their activities with the ambitions of the Belgian and German governments, respectively (known as the Nationally Determined Contributions). The main grid development and reinforcement needs are identified and described in the Federal Development Plans that both TSOs are legally required to publish at regular intervals (see page 58). See the chapter entitled 'Our business model' for further information. In parallel, both TSOs have initiated closer exchanges with RES developers and industry to better anticipate their grid needs that often materialize within fewer years than the target dates of the Grid Development Plans.

In order to develop a grid which is fit for meeting future challenges, we analysed multiple scenarios to better understand the impact for the network and to better foresee the investments needed. The scenario's encompass those developed by ENTSO-E & ENTSO-G, the European association of electricity (and gas) transmission system operators in the context of the TYNDP (Ten-Year Network Development Plan), which are supported by future climate projections, considering two possible scenarios for 2050: RCP 4.5 and RCP 8.5.

Market development and system operations

In addition to our efforts to accelerate grid development, we are also working on further developing market products and a more suitable market design to facilitate the integration of variable RES into the grid and unlock consumer flexibility. By upgrading our system operations, we are keeping pace with the rapid increase in intermittent renewable energy in the system.

The adoption of electric vehicles (EVs) and heat pumps is accelerating, opening the door to new ways for consumers to interact with the electricity system. However, the large-scale participation of demand side flexibility is slow. One key reason for this is that the current market design includes several barriers which prevent the active participation of small flexibility assets. Our Consumer-Centric Market Design addresses these barriers. It will offer new opportunities for consumers to develop their business models. It will allow the efficient integration of more renewable energy into the system and allow consumers to reap the benefits of their investments in flexible assets (such as heat pumps, EVs, solar PV and electrical boilers). All this supports the faster decarbonisation of society.

In order to manage the secure operation of a system that relies on renewable energy, 50Hertz and Elia will use a new modular network control system in the future. With this cutting-edge Modular Control Center System (MCCS), TSOs will ensure that generation and consumption are always balanced, so that the system remains stable around the lock, largely without feed-in from fossil fuel power plants. The MCCS vision, architecture, and product solutions are meant to be shared and co-developed with peers (e.g., other international TSOs) as part of an MCCS NextGen community.

Electrification

A core element of European decarbonisation involves the electrification of industry and society at large. Leveraging on our enabler role in the European power sector, we are assessing the potential of electrification with industrial players such as Linde, ArcelorMittal, and Total (who are active players in our grid regions) in order to identify the best possible ways to meet their growing electricity needs. We are assessing suitable locations for new data centres and hydrogen production facilities in order to speed up their deployment and ensure the system is ready to cope with them.

Corporate challenge

Decarbonisation of our own activities

OBJECTIVE 2: REACH CARBON NEUTRALITY IN SYSTEM OPERATIONS BY 2040

Minimise the increase in grid losses

Grid losses along lines and cables are an inevitable and inherent part of electricity transmission. They depend on factors such as the distance electricity has to be transported across, its current, and voltage. Grid losses are a source of GHG emissions related to grid operation; these emissions are the main category of Scope 2 emissions for a TSO. As higher amounts of renewable energy are integrated into the system, the amount of CO_2 associated with these losses will decrease over time.

We have set ourselves the goal of reducing the CO_2 footprint of our grid losses by 28% by 2030. This was recognised as a Science-Based Target by the Science Based Targets Initiative in July 2022. Given the current energy crisis, this target is becoming increasingly challenging to meet. Our focus remains on the integration of growing amounts of RES into the system.

OBJECTIVE 3: REACH CARBON NEUTRALITY IN OUR OWN ACTIVITIES BY 2030

Strategy for phasing out SF_6

Sulphur hexafluoride is a greenhouse gas (GHG) with very high electrical insulating properties that is mainly used in electrical switchgear. However, it also has a very high global warming potential (23,500 kg CO_2e/kg SF_6) and when leaks happen, they generate GHG emissions (this is the main cause of our Scope 1 emissions). We have designed and approved a new asset policy that favours alternatives to SF_6.

In the short term, we have set ourselves the target of reducing the use of SF_6 by 50% in all new assets built by 2030 (compared with SF_6 volumes which were initially planned). In the long term, we will stop using it completely in new installations in accordance with upcoming EU F-gas regulation. At the same time, we are continuing to focus on keeping our leakage rate as low as possible. We were able to successfully do this in 2022, since our leakage rate was only 0.13%.

Sustainable Substations

With the goal of making our substations more sustainable and energy efficient in mind, we have developed new building standards for our substations, including those related to heating and cooling installations and smart temperature control. In addition, we are also renovating our existing substation buildings to further increase their efficiency.

In Belgium, we have taken the decision to install 60,000 m^2 of solar panels across our premises by 2030, which will have a peak load of 7 MW of solar energy. This energy will then be used to meet some of our own consumption needs. A similar initiative is being rolled out through pilot projects across some of 50Hertz's buildings.

The promotion of biodiversity and reduction of negative impacts on ecosystems is another of ActNow's points of focus; please refer to the 2022 Sustainability Report for more details.

Mobility

We are making good progress on reducing our mobility-related emissions: we are reducing our fuel consumption and electrifying our fleet (both company cars and our technical vans). A mobility budget was introduced in 2022 across our entities in Belgium and a bike leasing programme was rolled out across our German entities.

OBJECTIVE 4: MOVE TOWARDS A CARBON NEUTRAL VALUE CHAIN FOR NEW ASSETS & CONSTRUCTION WORKS

CO_2 Accounting Platform

The emissions related to new assets and construction work are categorised as Scope 3 emissions. They are related to upstream value chain emissions categories that are more challenging to accurately calculate as the information has to be gathered and sent to us by our suppliers. We are currently developing a CO_2 accounting platform to increase our data maturity.

Green procurement

Green procurement is carried out in close collaboration with our suppliers. In the future, we will closely track the improvements that our suppliers apply to their designs, production methods and project execution methods. Precise data will allow us to concentrate on actions which have the biggest potential impact.

Internal Carbon Price (ICP)

Over the past year, we embedded an internal carbon price into various public tenders for electrical equipment and are using it to take important internal business decisions. Currently, we are working on integrating it into our business processes.

Engagement with our suppliers is key

In July 2022, we signed a second call to action aimed at our suppliers called "The Greener Choice".

Climate change adaptation

OBJECTIVE 5: INCREASE CLIMATE RESILIENCE

In 2022, we added a fifth objective to our Climate Action dimension. As a system operator, we carry the responsibility of ensuring a reliable electricity system for society. We therefore want to increase the resilience of our assets so that they can withstand extreme weather conditions such as floods, heat waves and storms.

Vulnerability Assessment

The physical climate risks to which the group is subject fall into two categories: chronic and acute. Based on the best climate scenario information available to us, our vulnerability assessment of the group's activities was furthered in 2022, in line with the technical screening criteria of the EU Taxonomy Delegated Act. This assessment highlighted the possible harmful effect of heatwaves, cold waves/winter incidents, storms, flooding, droughts and wildfires. All these phenomena are acute physical risks, which could lead to less favorable operating conditions for the group's assets or even damage them. Such circumstances may trigger business continuity disruption and may need contingency plans to be activated. Given the critical nature of the group's infrastructure and the fact that its assets are spread over a wide territory (in particular its overhead line infrastructure), the group's assets are regarded as facing a heightened vulnerability to physical climate risks, as is the case for other system operators and utilities.

Local climate scenarios

In order to further work on adapting our infrastructure to protect it against physical climate risks, we are currently developing local climate scenarios (RCP 2.6, RCP 4.5, RCP 8.5 and overshoot) with support from the University of Hamburg (Hereon Climate Service Center Germany). This is an ongoing exercise.

More resilient construction norms

It is worth noting that as grid reliability is one of the most important TSO responsibilities, many existing construction measures and processes (e.g. EU technical standards, emergency preparedness management measures) applicable to our grid already encourage climate adaptation elements to be included in their design - even if other drivers were behind these. Examples include the redundancy of grid elements and the inclusion of stringent climate requirements in specifications.

RISK MANAGEMENT

The assessment of climate-related risks is integrated into our multi-disciplinary group-wide risk management process. Risks are identified and prioritised according to their probability of occurrence; their time horizons; the magnitude of potential associated financial impacts; and the nature and volume of associated control and mitigation measures. Substantive risks and responses are closely followed up on and communicated to executive management and Board of Directors.

Further information can be found at the start of this chapter.

Climate risk has been formally added as a separate corporate risk to our corporate risk register and in risk reporting in 2020. Indeed, the possibility of changes in temperature patterns, sea levels, the contours of flood-prone areas, or even the frequency and severity of extreme weather may lead to less favorable operating conditions for the group's assets.

However, as explained in the introductory part of this section, climate change being at the core of our business activities, climate-related risks and opportunities in all their subcategories are already integrated into each corporate risks and opportunities of our corporate risk register.

The risks and opportunities we face are extensively described on **page 150.**

MAIN CLIMATE-RELATED RISKS AND OPPORTUNITIES	RISKS		OPPORTUNITIES
	REGULATION(S)	PHYSICAL CLIMATE THREATS	ENERGY TRANSITION GRID INFRASTRUCTURE PROJECTS
Risk/opportunity type	Transition	Physical	Energy source
Description	Strengthening of current and/ or emerging new regulations	Physical damage to assets and infrastructure	Investment programme in grid infrastructure projects
Scope	1. SF_6 2. Carbon taxing 3. Reporting	4. Extreme weather events 5. More frequent or severe heatwaves	6. New offshore and onshore 7. Reinforcement of onshore 8. Development of interconnectors
Criticality	Up to high	Up to high	High Virtually certain[8]
Main affected time horizon	Mid- to long-term	Mid- to long-term	Short- and mid-term
Financial impacts	Increased cost quantified	Business continuity, increased costs quantified on the basis of historical information	Returns on investment in low-emission technology quantified
Methodology	Cost analysis in light of regulated framework	Improvement ongoing: implementation of scenario analysis planned in Q1 of 2023	Cost estimation
Management response	ActNow Dimension 1 Objective 3, Dimension 5	ActNow Dimension 1 Objective 5	Investment programme (ActNow Dimension 1 Objective 1)

8 As explained in Elia's 2024-2034 Federal Development Plan

METRICS AND TARGETS

DIMENSION 1 **Climate action**	**OBJECTIVE 1** **Enabling the decarbonisation of the power sector**	**OBJECTIVE 2** **Reach carbon neutrality in system operations by 2040**	**OBJECTIVE 3** **Reach carbon neutrality in our own activities by 2030**	**OBJECTIVE 4** **Transition to a carbon-neutral value chain for new assets & construction work**	**OBJECTIVE 5** **Increase climate resilience**
Target Description	Fulfil national grid development plans for RES connection, facilitate RES integration and support industry to electrify	-28% grid losses emissions by 2030	Continue to improve SF_6 leakage management to remain well below 0.25% 90% mobility emissions	60% of mature scope 3 data by 2023	Keep asset failures at a minimum and adapt assets to climate change in the long-term
Metric	RE share % Environmental EU taxonomy-aligned CAPEX (%)	Carbon intensity of electricity production mix ((tCO_2eq/kWh) – Belgium /Germany	Mobility emissions ($ktCO_2eq$) SF_6 leakage rate (%)	Scope 3 categories Purchased Goods and Services and Capital Goods	Grid reliability (%) Belgium / Germany
Base year 2019	BE 16.6% / GE 60% -	BE 170 / GE 408 1,022 tCO_2eq	7.3 $ktCO_2eq$ 0.15%	655 $ktCO_2$ eq[1] (spend-based calculation)	BE: 99.99% GE: 99.86%
Result 2021	BE 21.2 / GE 56.1 -	BE 117/ GE 420 1,063 tCO_2eq	5.5 $ktCO_2eq$ 0.13%	n.a.	BE: 99.99% GE: 99.83
Result 2022	BE 23.9 / GE 65.1 99.87%[2]	BE 127/ GE 432 1,173 tCO_2eq	6.3 $ktCO_2eq$ 0.13%	2,049 $ktCO_2eq$ (spend-based calculation)	BE: 99.99% GE: 99.79

ICP evolution: The ICP will be re-evaluated based on yearly results.

Carbon footprint calculation

GHG EMISSIONS ($KTCO_2$)		**2019**	**2021**	**2022**
Scope 1 **Direct greenhouse gas emissions 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 natural gas consumption for heating and fleet fuel consumption	16.76	16.85	17.01
Scope 2 location-based **Indirect greenhouse gas emissions resulting from the generation of purchased or acquired energy consumed by the organisation (technical and administrative consumption)**	These emissions are mainly due to grid losses that are unavoidable when transmitting electricity	1,036.92	1,092.82	1,202.91
Scope 1+2 location-based		1,053.79	1,109.68	1,219.92
Scope 3 **All other indirect greenhouse gas emissions (not included in scope 2) that occur across the value chain**	Construction work and materials are the main source of such emissions	655		2,049

1. 1st assessment (rough one) values btw are not very comparable
2. We disclose a EU taxonomy aligned value for the first time for the 2022 reporting period

MISCELLANEOUS

GHG emissions are calculated based on the GHG protocol methodology. For information about our carbon footprint calculation, see the chapter entitled 'Topic-specific disclosures – Energy & Emissions' in the 2022 Sustainability Report.

External assurance

Scope 1 and Scope 2 emissions are included in the set of sustainability indicators that were externally audited. Please see the External assurance section of the 2022 Sustainability Report.

Project-based carbon credits (voluntary offset)

We purchase project-based carbon credits (verified to Gold Standard) to offset emissions related to SF_6 leakages and business flights (3,525 credits in 2022).

Sustainable finance

EU Taxonomy for environmentally sustainable economic activities

The activities relating to the transmission of electricity, which are associated with NACE code 35120, were assessed as being taxonomy-eligible.

Please find further information related to EU taxonomy in the dedicated section of the 2022 Sustainability Report.

Revolving Credit Facilities (Sustainability-Linked Loan)

Elia disposes over a fully undrawn €650 million sustainability-linked revolving credit facility.

Green bonds

Eurogrid secured liquidity for grid expansion through the placement of its second Green Bond of €750 million at a rate of 3.279% and a term of nine years. The Green Bond will finance selected on- and offshore projects, such as the SuedOstLink, significantly increasing the integration of and transportation capacities for renewable energy across 50Hertz's area. The issuing of this bond is aligned with the EU Action Plan on Climate Change and marked an important milestone in 50Hertz' strategic ambition of "100% by 2032".

Elia published its Green Finance Framework end of 2021, outlining 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 ActNow.

For metrics related to fostering biodiversity and other ESG indicators, please refer to the 2022 Sustainability Report.

Low-carbon R&D

Alongside the development of the grid, Elia is also looking at innovative ways to reduce the direct impact of its activities on carbon emissions. Some examples: At infrastructure level, we are currently testing SF_6 alternatives to insulate our equipment. In terms of system operations, Elia is looking at better ways to integrate more renewables and create transparency about their real-time use. Technologies like blockchain could play a key role in certifying sources of energy and sources of flexibility. It could therefore be key for Elia in guaranteeing that the energy and capacity used to operate the grid comes from green energy sources or batteries charged with green energy.

Hybrid interconnectors and energy island projects are other relevant examples. These are more efficient uses of technology and will eventually lead to the establishment of a meshed European grid which will comprise several interconnected energy hubs. These projects are very complex from technological, political and regulatory perspectives. As an example, the Princess Elisabeth Island (see page 19) constitutes a big leap forward for the energy transition. More volumes of renewable energy and a more integrated European grid also means that the existing onshore electrical backbone must be reinforced. The onshore high-voltage grid must not restrict international cooperation and must be built in a proactive manner.

External communication

We regularly update our stakeholders about our climate ambitions, sustainability-linked projects, changing targets and progress through channels such as our half- and full-year press releases and livestreamed events.

We have also responded the CDP Climate Change Questionnaire on an annual basis since 2017; in 2022, we obtained a score of B.

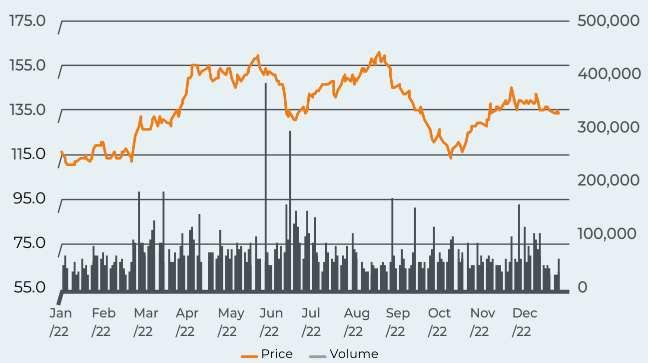
IN SHORT

- **The Elia group delivered solid financial results in 2022 which were linked to the realisation of investments in Belgium and Germany**
- **The Elia Group share price closed the year at €132.80, which was an increase of 13.91% compared with the end of 2021**

12 ELIA GROUP ON THE STOCK EXCHANGE

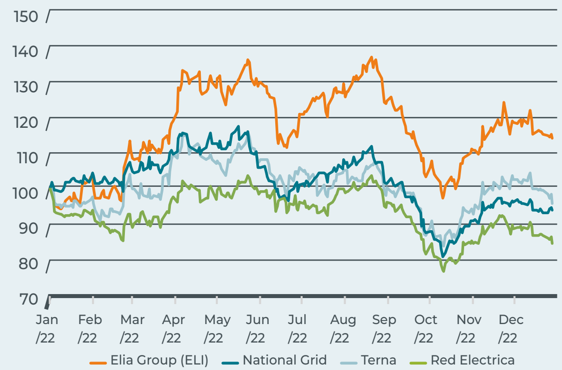
12.1 ELIA GROUP ON THE STOCK EXCHANGE

CHANGES IN PRICE AND TRADED VOLUMES



CHANGES IN THE ELIA GROUP SHARE TRACKED AGAINST THE BEL20 INDEX

CHANGES IN THE ELIA GROUP SHARE TRACKED AGAINST THE SHARE PRICE OF ITS EUROPEAN COUNTERPARTS



The energy transition has become a matter of socioeconomic protection. We were already accelerating the energy transition because of the climate crisis. The geopolitical situation caused by the prolonged conflict between Russia and Ukraine and continued commodity price pressures have added an extra sense of urgency to our work. Despite this challenging context, the Elia Group share remained resilient, again confirming the organisation's status as leading group of European TSOs at the forefront of the energy transition.

Driven by the highly regulated nature of our activities, Elia Group delivered solid financial results linked to the realisation of investments in Belgium and Germany and the strong performance of Nemo Link.

The Elia Group share price closed the year at €132.80, which was an increase of 13.91% compared with the end of 2021 (when it stood at €116.58). On 10 January 2022, the share price hit a low of €110.01; it recorded a high of €159.50 on 22 August 2022. The approved dividend of €1.75 for 2021 was paid, leading to a total yearly return of 26.11%, meaning it outperformed peers and the BEL20 Index. Elia Group was awarded the BEL20 award for the strongest increase in market capitalisation within the indicated peer group over the year 2022.

The liquidity of the Elia Group share increased to 66,626 in shares traded per day in 2022. In June 2022, Elia Group launched a rights issue of €590.1 million through the issuance of 4,739,865 new ordinary shares at an issue price of €124.50 per share; this was the largest rights issue on Euronext Brussels over the last 6 years. Against a backdrop of broader market uncertainties relating to inflation, monetary policies and ongoing geopolitical tensions, shareholders continued to place confidence in Elia group's mission and management. The amounts raised will allow the Elia group to finance important investment projects that will drive the energy transition forward in its home markets. The listing of the new Elia Group shares on Euronext Brussels took place on 28 June 2022. With 73,515,839 shares outstanding, the company's market capitalisation stood at €9,762,903,419 at the end of December 2022.

STRONG PERFORMANCE OF THE ELIA GROUP SHARE IN 2022 AMIDST TURBULENT MARKETS

12.2 INFORMATION ON TREASURY SHARES – LIQUIDITY AGREEMENT

The Special General Meeting of Shareholders held on 18 May 2021 conferred Board of Directors with the power to acquire the company's own shares, without the total number of own shares held by Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that could not be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power was conferred for a period of five years from 4 June 2021 onwards. It applies to the Board of Directors of Elia Group SA/NV and, to the extent necessary, to any third party acting on behalf of Elia Group SA/NV.

In view of the above, Elia Group SA/NV entered into a liquidity agreement with Exane BNP Paribas, providing the latter with the mandate to purchase and sell Elia Group shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorised by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

Table I provides an overview of the treasury shares acquired or disposed of in 2022 within the framework of the liquidity agreement. Table II provides a more specific overview of the disposals of treasury shares in 2022.

TABLE I: TREASURY SHARES ACQUIRED OR DISPOSED OF IN 2022

	NUMBER OF SHARES	ACCOUNTING PAR VALUE	PERCENTAGE OF CAPITAL	CONSIDERATION FOR THE ACQUIRED OR TRANSFERRED SHARES (€)
Situation as of 31/12/2021 (a)	7,248	24.94	0.01%	
Treasury shares disposed of in 2021	452,289	24.94	0.62%	62,208,731
Treasury shares disposed of in 2022[9] (c)	446,057	24.94	0.61%	61,263,998
Situation as of 31/12/2022 (d) = (a)+ (b) -(c)	13,480	24.94	0.02%	726,347

TABLE II: OVERVIEW OF THE DISPOSALS OF TREASURY SHARES

DATE	NUMBER OF SHARES	ACCOUNTING PAR VALUE	PERCENTAGE OF CAPITAL	AVERAGE PRICE (€)	LOWEST PRICE (€)	HIGHEST PRICE (€)
2022	446,057	24.94	0.61%	137.3	110.20	161.70

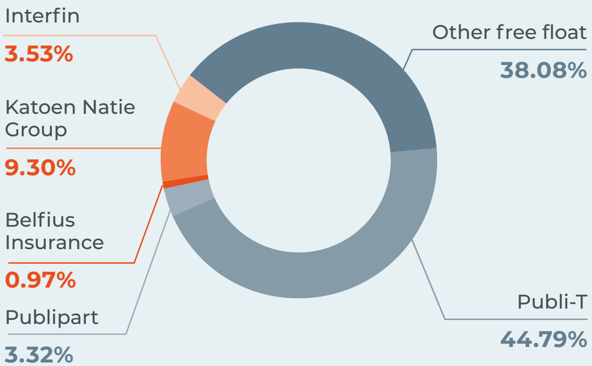
The voting rights of all treasury shares are suspended by law. As of 31 December 2022, Elia Group SA/NV had 13,480 treasury shares that were not entitled to dividend rights.

FINANCIAL CALENDAR	
14 April 2023	Publication of 2022 Annual Report
16 May 2023	General meeting of shareholders
17 May 2023	Quarterly statement for Q1 2023
01 June 2023	Payment of 2022 dividend
26 July 2023	Publication of 2023 half-year results
26 November 2023	Quarterly statement for Q3 2023

9 As the shares were disposed of on Euronext Brussels, Elia Group SA/NV has no information on the identity of the acquirers.

SHAREHOLDER STRUCTURE

Based on transparency declarations received by the company (in accordance with the Act of 2 May 2007 and the Royal Decree of 14 February 2008).



DIVIDEND

On 22 February 2022, Elia Group SA/NV's Board of Directors decided to propose a nominal dividend of €140.4 million or €1.91 per share (gross) to the general meeting of shareholders on 17 May 2022, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders. This constituted an increase in dividend for the sixth consecutive year and an increase of 9.14% compared with 2020. This resulted in a net dividend of €1.337 per share.

The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC and Belfius. Dividend payouts for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia Group SA/NV will pay out dividends on registered shares directly to shareholders.

52.3%

contribution of Germany to the net profit attributable to the Elia Group

1.91€

gross dividend per share

DIVIDEND POLICY

On 21 March 2019, the Board of Directors formally approved the policy it intends to apply when proposing dividends to the general meeting of shareholders. Under this policy, the full-year dividend growth is intended not to be lower than the increase of the Consumer Price Index ("inflation") in Belgium. The policy supports the group's long-term ambition to offer a secure dividend in real terms to shareholders while at the same time enabling the group to sustain a strong balance sheet that is needed to fund the group's investment programme.

Nevertheless, future dividends will remain dependent upon the results of the group (which are affected by a number of factors which are outside the company's control) as well as the company's financial situation, financing needs (in particular, capital expenditures and investment plan) and business perspectives.

The proposed dividend represents a payout ratio of 41.1% of the IFRS reported profit attributable to owners of ordinary shares.

INVESTORS

For any questions regarding Elia and its shares, please contact:

Elia

Investor Relations, Boulevard de l'Empereur 20
1000 Brussels, Belgium

Tel.: +32 2 546 74 29
Fax: +32 2 546 71 80
E-mail: investor.relations@elia.be

Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia Group website **www.eliagroup.eu**

12.3 KEY FIGURES

(in € million)	2022	2021	2020	2019	2018	2017[10]
Consolidated results						
Total revenue and other income	4,113.3	2,859.7	2,473.6	2,319.0	1,931.8	867.1
EBITDA (*)	1,111.8	1,006.9	1,005.6	930.2	750.5	455.4
Results from operating activities (EBIT) (*)	599.4	540.1	578.5	569.7	502.6	324.6
Net finance costs	(43.6)	(106.6)	(141.5)	(139.6)	(93.2)	(76.5)
Income tax	(147.5)	(105.2)	(129.1)	(121.0)	(102.2)	(39.6)
Adjusted net result (*) [11]	408.2	328.3	308.1	306.2	280.8	203.4
Reported net result	408.2	328.3	307.9	309.1	307.1	208.5
Non-controlling interest	*47.2*	*33.1*	*38.5*	*35.5*	*25.7*	*0.0*
Hybrid securities	*19.2*	*19.2*	*19.3*	*19.3*	*6.2*	*0.0*
Profit attributable to owners of ordinary shares	341.7	276.0	250.1	254.3	275.2	208.5

(in € million)	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Consolidated balance						
Total assets	20,594.3	18,144.3	15,165.6	13,893.4	13,754.3	6,582.3
Equity attributable to owners of the company	5,319.6	4,552.0	4,173.2	4,022.3	3,447.5	2,563.3
Equity attributable to owners of the parent – ordinary shareholders	*4,681.3*	*3,850.6*	*3,471.8*	*3,320.9*	*2,741.3*	*2,563.3*
Equity attributable to owners of the parent -Hybrid securities holders	*701.4*	*701.4*	*701.4*	*701.4*	*706.2*	*0.0*
Net financial debt	4,431.6	4,886.3	7,465.0	5,523.1	4,605.6	2,689.1

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Other key figures						
Regulatory Asset Base (RAB) (bn EUR) [12]	10.9	10.3	9.7	9.1	9.2	7.4
Dividend per share (EUR)	1.91	1.75	1.71	1.69	1.66	1.62
Return on Equity (%)	6.79%	6.49%	6.46%	6.80%	8.16%	8.14%
Return on Equity (adj.) (*)	7.52%	7.56%	7.20%	7.66%	10.04%	8.14%
Earnings per share (adj.) (EUR) (*)	4.80	4.02	3.64	3.91	4.52	3.42
Equity per share (EUR)	62.8	56.0	50.5	48.4	44.9	42.1
Number of shares (period-end)	73,502,359	68,728,055	68,720,695	68,652,938	61,015,058	60,901,019

(*) Detailed glossary of definitions is included in Appendix
10 The Group applies IFRS 15 under the full retrospective method, under which comparative figures for the financial year 2017 have been restated.
11 The adjusted net result was introduced in 2019 as an Alternative Performance Measure. This represents the Normalised net result in prior years.
12 The Regulatory Asset Base includes 60% of the RAB of 50Hertz until 2017 and 80% of the RAB from 2018. In 2019, the composition of the RAB no longer included EEG and similar surcharges due to changes in regulation.

IN SHORT

- **Acceleration of CAPEX up by 25% compared to 2021, grid investments totalling €449.5 million in Belgium and €1,085.5 million in Germany**
- **Strong grid reliability of 99.99% and 99.79% in Belgium and Germany respectively, while ensuring operational excellence, quality and efficiency**
- **Net profit Elia Group share of €341.7 million leading to a return on equity (adj.) of 7.52%**

13 MANAGEMENT REPORT AND ANALYSIS OF 2022 RESULTS

13.1 2022 HIGHLIGHTS

- Acceleration of CAPEX up by 25% compared to 2021, grid investments totalling €449.5 million in Belgium and €1,085.5 million in Germany
- Strong grid reliability of 99.99% and 99.79% in Belgium and Germany respectively, while ensuring operational excellence, quality and efficiency
- Powering Industry towards Net Zero, the Elia group's vision paper on anchoring European industry through electrification and low-carbon electrons
- Net profit Elia Group share of €341.7 million leading to a return on equity (adj.) of 7.52%
- A dividend of €1.91 per share will be proposed at General Meeting on 16 May 2023

The Russian invasion of Ukraine in February 2022 returned a sense of urgency to the European energy debate. The geopolitical crisis and record-breaking energy prices have prompted the European Union to take stronger ownership of its energy production and more rapidly fulfil its commitments to renewable energy, decarbonisation and electrification.

In April, the German government passed its so-called 'Easter package', which included a number of legislative changes and the introduction of new frameworks related to renewable energy and power grids and markets. Alongside eliminating the EEG levy for consumers (see pages 84 and 189), the country is now aiming for 80% of its gross electricity consumption to be covered by renewables by 2030. Additional targets included in the package are reaching 160 GW of onshore wind energy by 2040 and reaching at least 30 GW, 40 GW and 70 GW of offshore wind energy by 2030, 2035 and 2045 respectively. The package also saw renewable energy being defined as an overriding matter of public interest and security, which should speed up the permitting processes associated with new renewable projects and reduce delays associated with legal appeals.

In May 2022, the European Commission published its REPowerEU Plan, which builds on the European Green Deal (2019) and Fit for 55 legislative package (2021). The plan aims to reduce Europe's dependence on Russian fossil fuels. It focuses on the diversification of Europe's energy supplies, energy saving measures and increasing clean power.

The building of 'leading' grid infrastructure is critical for matching society's ambition to accelerate the transition. Since areas with high amounts of renewable energy sources (RES) are often remote, the need for long-distance electricity transmission is rising. Moreover, areas with complementary production patterns need to be connected as the availability of RES is not equally distributed across Europe.

13.2 ELIA GROUP

KEY FIGURES (IN € MILLION)	2022	2021	DIFFERENCE (%)
Revenue, other income and net income (expense) from settlement mechanism	4,113.3	2,859.7	43.8%
Equity accounted investees	39.5	49.4	(20.0%)
EBITDA	1,111.8	1,006.9	10.4%
EBIT	599.4	540.1	11.0%
Adjusted items	0.0	0.0	n.r.
Adjusted EBIT	599.4	540.1	11.0%
Net finance costs	(43.6)	(106.6)	(59.1%)
Adjusted net profit	**408.2**	**328.3**	**24.3%**
Net profit	**408.2**	**328.3**	**24.3%**
Non-controlling interests	*47.2*	*33.1*	*42.6%*
Net profit attributable to the group	***361.0***	***295.2***	***22.3%***
Hybrid securities	*19.2*	*19.2*	*0.0%*
Net profit attributable to owners of ordinary shares	***341.7***	***276.0***	***23.8%***
KEY FIGURES OF THE FINANCIAL POSITION (IN € MILLION)	**2022**	**2021**	**DIFFERENCE (%)**
Total assets	20,594.3	18,144.3	13.5%
Equity attributable to owners of the company	5,319.6	4,552.0	16.9%
Net financial debt	4,431.6	4,886.3	(9.3%)
Net financial debt, excl. EEG position	7,367.6	6,996.3	5.3%
KEY FIGURES PER SHARE	**2022**	**2021**	**DIFFERENCE (%)**
Reported earnings per share (in €) (Elia share)	4.80	4.02	19.5%
Return on equity (adj.) (%) (Elia share)	7.52	7.56	(0.5%)
Equity attributable to owners of the company per share (in €)	62.8	56.0	12.1%

Results

Elia Group's (adjusted) net profit increased by 24.3%, reaching €408.2 million, driven by the strong performance of the regulated activities, offset partially by a lower contribution from Nemo Link (due to the cumulative cap) and costs to support the Group's international offshore ambitions.

Looking at the various segments, Elia Transmission (Belgium) achieved strong results with an adjusted net profit of €156.9 million (+€25.9 million). The higher result is mainly due to a higher fair remuneration driven by the increase of equity, a higher performance on incentives, positive contribution from employee benefits, as well as the one-off tariff compensation for the financial cost linked to the capital increase.

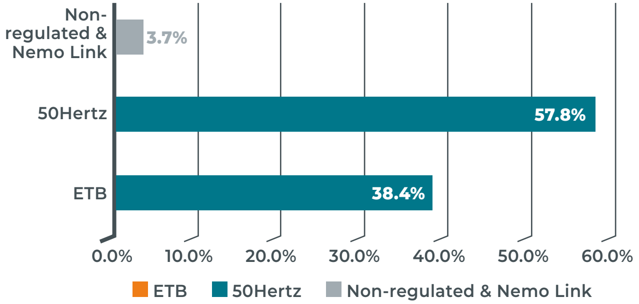
In Germany, 50Hertz Transmission (Germany) (on a 100% basis) recorded a higher adjusted net profit of €236.1 million (+€70.7 million). The result is mainly driven by higher investment remuneration from asset growth, higher financial result driven by lower long-term provisions and a reduction in operational costs. This is partially offset by higher depreciations and lower regulatory settlements.

The non-regulated segment and Nemo Link posted a lower adjusted net profit of €15.2 million (-€16.7 million), which is driven by the strong performance of Nemo Link reaching the cumulative cap but offset by the higher holding and other costs for the further expansion of its international offshore activities.

No adjusting items were recorded over 2022.

The net profit of Elia Group attributable to the owners of ordinary shares (after deducting the €47.2 million in non-controlling interest and €19.2 million attributable to hybrid securities holders) was up by 23.8%, reaching €341.7 million.

ELIA GROUP'S (ADJUSTED) NET PROFIT PER SEGMENT

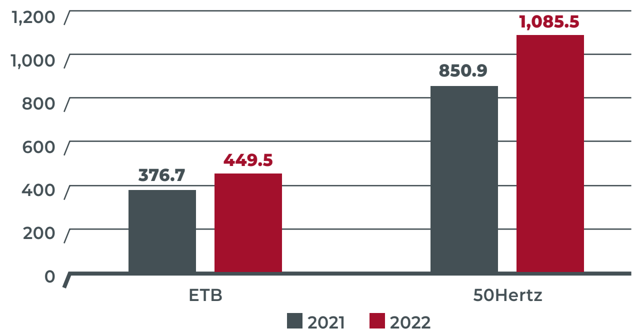


Capital expenditures

In line with society's desire to accelerate the integration of renewable energy into energy systems, the Elia group is making good progress on key projects in Belgium and Germany. These are aimed at strengthening their respective grid backbones and subsea connections, so facilitating the decarbonisation of society.

In 2022, Elia Group invested €1,535.0 million. Focusing on strengthening the internal backbone in both the Belgian and German grids, the development of the necessary offshore infrastructures allowing the integration of increasing amounts of renewable energy into the grid and to further support the digitalisation of our infrastructure, leading to a growth of the Regulatory Asset Base (RAB) of 5.98%.

ELIA GROUP INVESTMENTS IN 2022 TOTALS €1,535.0 MILLION



GOOD PROGRESS MADE ON MAJOR INFRASTRUCTURE WORKS

BELGIUM | Further reinforcement of the grid backbone

In April, work began on the Mercator-Bruegel project, which involves the reinforcement of the high-voltage overhead line between the Mercator substation in Kruibeke and Bruegel substation in Dilbeek. The line forms an important part of the backbone of the Belgian high-voltage grid. Its reinforcement will mean that it will be able to transport increased electricity flows (up to 6 GW), so helping to secure the country's electricity supply in future.

As part of the second phase of the Boucle de l'Est project, the existing Bévercé-Bronromme-Trois-Ponts 70 kV overhead line is being replaced by a new double 110 kV line which will run along a distance of 25 km. After two years of construction work, the line was commissioned at the end of 2022. The Boucle de l'Est project, which is being carried out in several phases, will ensure the reliability of Belgium's electricity network and help the grid accommodate increasing amounts of renewable energy.

In December, Elia Transmission Belgium (ETB) and RTE officially unveiled the reinforcement of the Avelgem-Avelin interconnector that links Belgium to France. The Avelgem-Avelin connection is now equipped with high-temperature low-sag conductors, state-of-the-art technology which enables twice the amount of power to be carried across it (from 3 to 6 GW). This will contribute to ensuring security of supply in both countries and will strengthen the integration of the European electricity market.

GERMANY | Expansion of both the on- and offshore grid

Two further sections of the 380 kV overhead line Nordring Berlin were completed in March 2022 following construction work that lasted for 17 months. 75 additional pylons were erected during this period, which means that the largest part of the replacement work for this line has been completed. The remaining sections are due to be completed before the end of 2023. The overhead line is key for transporting growing volumes of renewable energy from the northeast of Germany to consumption centres and for securely supplying the Berlin metropolitan area with an increasing share of renewable energy in the long term.

Along with DSO MITNETZ STROM, 50Hertz opened the new substation of Altdöbern in Lusatia in June to facilitate the integration of renewable energy into the grid. The substation is helping to ensure that the region will be provided with a secure and reliable electricity supply and is facilitating the transport of electricity from surrounding wind and solar farms via the 50Hertz transmission grid to consumption centres.

In June, construction work was started on the largest ground-mounted photovoltaic system in Europe. Located near Leipzig, the site of the 'Energiepark Witznitz' covers 500 hectares. Once completed, the solar farm will have a total capacity of 650 MW and will be connected to the 380 kV 50Hertz grid. The farm is due to be commissioned in March 2023.

In July, the German Federal Administrative Court reached a final decision regarding the Uckermark Line, which is due to be 115 kilometres long. The 380 kV line will supply Berlin with electricity generated by biomass and wind power stations in Brandenburg. The planning of the Uckermark line dates back to 2005. In 2022, the Court finally gave its approval for the line to be built - a decision that took 17 years. If we want to take climate protection seriously, we can no longer afford such long procedures. In October 2022, the 40 kilometre southern section of the Uckermark Line (GE) was put into operation following almost two years of construction work. The 380 kV line begins to the north of the substation in Neuenhagen, near Berlin and join an existing line in the vicinity of Golzow, near Britz.

Moreover in July, the Arcadis Ost 1 wind farm was connected to 50Hertz's grid. This followed the installation of the electrical equipment on the Arcadis Ost offshore substation in Aalborg, Denmark, and the installation of the transformer platform onto its monopole foundation in the Baltic Sea.

Half of the underground work relating to the replacement of the land-based section of the KONTEK cable was completed by July. The cable, which runs across a distance of 150 kilometres and can carry up to 600 MW of electricity, has allowed Germany and Denmark to exchange power with each other since it was constructed in 1995. The subsea section of the cable was replaced by Energinet in 2010. 50Hertz, which is responsible for the land-based section of the cable in Germany, was granted permission to replace the latter in 2022.

In October, tunneling work was officially started as part of the Berlin diagonal power link. The tunnelling work will take up to two years to complete and is being carried out with an underground drilling machine that can be used at depths of up to thirty metres. The line itself, which is due to be commissioned in 2028, will be an important link in the high-voltage grid in and around the German capital.

NET DEBT & CREDIT METRICS

(IN € MILLION)	2022	2021
Net debt	4,431.60	4,886.30
Leverage (D/E) (incl. NCI & hybrid))	1.5x	1.6x
Net debt / EBITDA	4.0	4.9
EBITDA / Gross interest	9.3	9.1
Average cost of debt	1.70%	1.67%
% fixed of gross debt	100.00%	100.00%

Elia Group carried a total net financial debt of €4,431.6 million (-€454.7 million) at the end of 2022. This decrease was primarily driven by the cash from the capital increase that took place at the end of June (€590.1 million) and partly offset an increase of the net debt at 50Hertz.

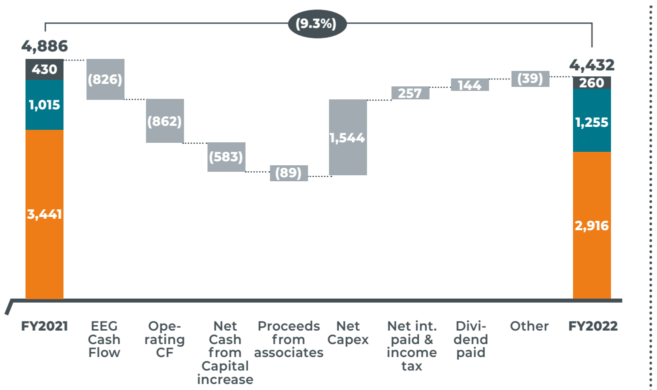
The increase in net debt in Germany (+€240.4 million) was mainly attributable to the realisation of the investment programme and the high energy costs impacting negatively the operating cash flow, partly offset by a high EEG cash inflow (+€826.0 million) which resulted from the very high energy market prices.

In Belgium, Elia's net debt dropped by €524.8 million mainly driven by the organic growth being financed entirely by cash flow from operating activities and proceeds from the capital increase allocated to the Belgian segment (€290.1 million).

Besides accessing the equity market, Elia Group also tapped into the debt market to strengthen and secure its liquidity position for the further expansion of the grid. As part of the Group's sustainable finance ambitions, Eurogrid GmbH issued its second green bond in September for €750 million at a fixed rate of 3.28%, securing part of the liquidity for its upcoming on-and offshore projects supporting the integration of renewable energy. After this transaction, Elia Group's average cost of debt increased slightly to 1.7% (+3 bps).

Following the announcement of a €15.9 billion CAPEX programme for the period 2023-2027 as well as the revised financial policy targets, **S&P Global** affirmed Elia Group's BBB+ rating but revised the outlook to negative from stable at the end of December 2022.

2022 NET DEBT EVOLUTION (€m)



13.3 ELIA TRANSMISSION IN BELGIUM

ELIA TRANSMISSION KEY FIGURES (IN € MILLION)	2022	2021	DIFFERENCE (%)
Revenue, other income and net income (expense) from settlement mechanism	1,561.3	1,199.5	30.2%
Revenues	*1,420.4*	*1,009.8*	*40.7%*
Other income	*147.6*	*68.3*	*116.1%*
Net income (expense) from settlement mechanism	*(6.7)*	*121.4*	*(105.5%)*
Equity accounted investees	2.4	2.3	4.3%
EBITDA	476.4	432.2	10.2%
EBIT	262.0	227.1	15.4%
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*262.0*	*227.1*	*15.4%*
Net finance costs	(62.4)	(63.1)	(1.1%)
Income tax expenses	(42.7)	(32.9)	29.8%
Net profit	**156.9**	**131.0**	**19.8%**
Adjusted items on net profit	*0.0*	*0.0*	*n.r.*
Adjusted net profit	***156.9***	***131.0***	***19.8%***
KEY FIGURES OF THE FINANCIAL POSITION (IN € MILLION)	**2022**	**2021**	**DIFFERENCE (%)**
Total assets	7,848.6	7,153.5	9.7%
Total equity	2,907.1	2,445.5	18.9%
Net financial debt	2,916.2	3,441.0	(15.3%)
Free cash flow	254.1	(117.6)	(316.1%)

Elia Transmission's revenue was up 30.2% compared with last year, increasing from €1,199.5 million to €1,561.3 million. Revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base, one-off tariff compensation for the financial cost linked to the capital increase (i.e. portion allocated to ETB) and higher costs for ancillary services. Higher ancillary services resulted from the high gas prices caused by the war in Ukraine and, to a lesser extent, the increase in imbalance volume caused by the increase in the share occupied by renewables in the energy mix.

EBITDA rose to €476.4 million (+10.2%) due to a higher regulated net profit, higher depreciations linked to the growing asset base and higher financial costs all passed through into revenue. The EBIT increase was more pronounced (+15.4%), mainly due the lower depreciations of assets not covered by tariffs, being the intangible assets expensed during the previous regulatory period and activated under IFRS and for leasing contracts. The contribution of equity-accounted investments remained flat at €2.4 million, linked to the contribution from HGRT.

Net finance cost slightly decreased (-1.1%) compared with the previous year. This was mainly driven by the higher activation of borrowing costs due to the growth of the asset base (€2.1 million) and partially offset by other financial costs. The financial costs linked to Elia Group's capital increase were allocated to the Belgian regulated activities on a pro-rata basis in accordance with the use of proceeds. Under IFRS, these costs (€3.6 million) are directly accounted through equity. During 2022, ETB did not tap into the debt market and had a well-balanced debt maturity profile. The average cost of debt remained at 1.9% at the end 2022 and all outstanding debt had a fixed coupon.

Elia Transmission achieved solid results, with an (adjusted) net profit rose by 19.8% to €156.9 million, mainly due to the following:

1. A higher fair remuneration (+€12.1 million) due to asset growth and higher equity. The increase in equity was mainly driven by the proceeds allocated to the Belgian regulated activities (€290.1 million) following Elia Group's capital increase. Additionally, the fair remuneration benefitted from the capital grant received from the Federal Government in relation to the Princess Elisabeth Island (€73.1 million net of deferred tax) and recognised as part of the regulated equity.
2. Increase in incentives (+€1.4 million), reflecting a solid operational performance, primarily linked to a better performance on the incentive for innovation, customer satisfaction and influenceable costs and partially offset by lower incentive for interconnection capacity. Driven by the growth of the activities, the efficiency gain on controllable costs slightly decreased compared with the previous year, while the net contribution from incentives benefitted from a reduction in the average tax rate due to a higher innovation income deduction.
3. Employee and other provisions (+€7.9 million), mainly driven by higher contributions to plan assets.
4. Higher capitalised borrowing costs due to a higher level of assets under construction (+€1.7 million).
5. A one-off tariff compensation for the financial costs linked to the capital increase (+€3.6 million).
6. Regulatory settlements and the reversal of provision for the influenceable incentive following the Saldi 2021 review (+€2.2 million).
7. Other (-€3.0 million): this was primarily due to share-based payment expenses linked to the capital increase in favour of members of staff (-€1.7 million),deferred tax effects (-€2.4 million) and other restatements (-€0.6 million), partially offset by the lower depreciation of software and hardware (+€1.4 million) and less damage to electrical installations compared with the previous year (+€0.3 million).

Total assets increased by €695.1 million to €7,848.6 million due to the realisation of the investment programme and higher liquidity.

Net financial debt dropped to €2,916.2 million (-15.3%), as ETB's CAPEX programme was fully financed by the proceeds from the capital increase and by cash flows from operating activities, which were positively impacted by higher cash inflows from levies and the cap surplus paid by Nemo Link (€69.1 million, which needs to be returned to the tariffs). The sustainability-linked RCF (€650 million) and the commercial paper (€300 million) were fully undrawn at the end of 2022. S&P Global confirmed ETB's rating at BBB+ with a stable outlook at the end of 2022.

Equity increased to €2,907.1 million (+€461.6 million) mainly due to: the partial reservation of the 2022 profit (+€95.8 million); the net proceed from the capital increase of €286.6 million (i.e. the portion allocated to Belgian regulated activities net of issuing cost); the capital increase reserved for staff, including share-based payment expenses (€6.7 million); the fair value of an interest rate hedge (+€48.9 million); and a lower allocation of equity towards Nemo Link (+€24.5 million). This was partially offset by the revaluation of post-employment benefit obligations (-€0.8 million).

13.4 50HERTZ TRANSMISSION IN GERMANY

50HERTZ TRANSMISSION KEY FIGURES (IN € MILLION)	2022	2021	DIFFERENCE (%)
Revenue, other income and net income (expense) from settlement mechanism	2,592.6	1,716.9	51.0%
Revenues	*2,222.4*	*1,569.9*	*41.6%*
Other income	*125.9*	*95.1*	*32.4%*
Net income (expense) from settlement mechanism	*244.4*	*51.9*	*370.9%*
Equity accounted investees	0.0	0.0	n.r.
EBITDA	611.5	534.0	14.5%
EBIT	314.1	272.9	15.1%
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*314.1*	*272.9*	*15.1%*
Net finance costs	27.3	(34.7)	(178.7%)
Income tax expenses	(105.3)	(72.8)	44.6%
Net profit	**236.1**	**165.4**	**42.7%**
Of which attributable to Elia group	***188.9***	***132.3***	***42.8%***
Adjusted items on net profit	*0.0*	*0.0*	*n.r.*
Adjusted net profit	***236.1***	***165.4***	***42.7%***
KEY FIGURES OF THE FINANCIAL POSITION (IN € MILLION)	**2022**	**2021**	**DIFFERENCE (%)**
Total assets	11,638.1	9,941.3	17.1%
Total equity	2,180.6	1,928.7	13.1%
Net financial debt	1,255.3	1,014.9	23.7%
Net financial debt, excl. EEG position	4,191.3	3,124.8	34.1%
Free cash flow	(359.2)	2,889.4	(112.4%)

50Hertz Transmission's total revenue and other income increased compared to 2021 (+51.0%), growing from €1,716.9 million to €2,592.6 million. The two main drivers of this increase are the energy revenues (+€700.5 million), due to the due to the continuing rise in energy prices, and the net regulatory income from settlement mechanism (+€192.5 million).

EBITDA increased to €611.5 million (+14.5%). The growing asset base benefitted the investment remuneration (+€77.6 million). The opex costs decreased as 50Hertz ramped down from a peak in the maintenance cycle while focussing on operational efficiency and safety, while also benefitting from capitalised dismantling costs that were passed through under the offshore cost-plus regulation (+€11.8 million). Furthermore, the losses on asset disposal and trade debtors were reduced (+€5.6 million). In order to ensure the energy transition is a success and manage the increasing complexity of system operations in the future, 50Hertz continued to expand its talent pool, leading to additional staffing costs (-€16.3 million), which was compensated for by the higher own work capitalised (+€14.2 million). Furthermore, EBITDA benefited from one-off revenues from the regulatory settlement and related provisions amounting to €23.4 million (-€18.9 million). This settlement was mainly related to an agreement on the offshore lump sum for the year 2018, while in 2021 it originated from the refund of clawback amounts as part of the transition towards the Capital Cost Adjustment model in 2024.

There was a less pronounced increase in **EBIT** (+€41.2 million) which was driven by increasing depreciations (-€37.3 million) following the commissioning of projects like Ostwind 2 (first cable system and Arcadis Ost 1 platform). Furthermore, operating provisions decreased slightly compared with 2021 (+€1.1 million). No adjusted items occurred in 2022.

The (adjusted) net profit increased to €236.1 million (+42.7%) as a result of:

1. Higher investment remuneration (+€54.4 million) following the growth of the asset base.
2. Higher financial results (+€43.4 million), driven primarily by the revaluation of long-term provisions.
3. Decreased OPEX and other costs (+€12.3 million).

These effects were partially offset by:

4. Higher depreciations (-€26.1 million) due to the commissioning of projects.
5. Lower regulatory settlement prior years (-€13.2 million).

Total assets rose by €1,696.8 million compared with 2021, mainly due to a favorable development of the EEG business (+€826.0 million) and the execution of the investment programme (€1,085.5 million). The free cash flow totalled -€359.2 million and was heavily affected by the high investment programme as well as the time-lag in recovering the high energy costs. The cash flow on the EEG account only partially compensated for these effects (+€826.0 million). The parliament decided to reduce the EEG surcharge to zero as of 1 July 2022 in order to relieve households and companies given increased electricity costs. In future, the costs for promoting RES will be financed through the Energy and Climate Fund. 50Hertz will continue to act as a trustee.

The total equity increased by €251.9 million to €2,180.6 million. This increase is primarily driven by the capital increase (€250 million). Since 2021, 50Hertz applies hedge accounting for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. Due to the drop in energy prices in the last quarter of the year, the fair value of these contracts decreased to €129.6 million. Considering a deferred tax effect, a hedge reserve amounting to €90.8 million was recorded in other comprehensive income. As the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current and future profitability of the company.

13.5 NON-REGULATED ACTIVITIES & NEMO LINK

NON-REGULATED ACTIVITIES AND NEMO LINK KEY FIGURES (IN € MILLION)	2022	2021	DIFFERENCE (%)
Total revenues and other income	44.7	36.8	21.5%
Equity accounted investees	37.1	47.1	(21.2%)
EBITDA	24.3	40.8	(40.4%)
EBIT	23.6	40.3	(41.4%)
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*23.6*	*40.3*	*(41.4%)*
Net finance costs	(8.8)	(8.9)	(1.1%)
Income tax expenses	0.4	0.5	(20.0%)
Net profit	**15.2**	**31.9**	**(52.4%)**
Of which attributable to Elia group	***15.2***	***31.9***	***(52.4%)***
Adjusted items on net profit	*0.0*	*0.0*	*n.r.*
Adjusted net profit	***15.2***	***31.9***	***(52.4%)***
KEY FIGURES OF THE FINANCIAL POSITION (IN € MILLION)	**2022**	**2021**	**DIFFERENCE (%)**
Total assets	1,946.5	1,654.0	17.7%
Total equity	1,445.4	1,142.9	26.5%
Net financial debt	260.1	430.4	(39.6%)

Non-regulated revenue increased by 21.5% to €44.7 million compared to 2021. This is the result of higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz and partially offset by lower revenues generated by Elia Grid International ('EGI') (-€4.2 million), as prior year's revenues benefited from the commissioning of a turnkey project, while the international consulting business is slowly increasing as a result of the pandemic revival.

Equity-accounted investments contributed €37.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**. With an availability rate of 99.1%, Nemo Link remains one of the highest performing assets of its kind in the world.

In 2022, geopolitical tensions put pressure on electricity markets, especially across the European continent because of the region's dependence on Russian gas. This pressure was increased by the historically low level of nuclear availability in France. The spot NBP gas, which drives the UK electricity price, was traded from May to October with a significant discount compared to TTF gas, the reference gas price in Europe. This was because Great Brittan was better supplied by gas compared to the continent. As a result, Nemo Link was used very frequently for exports towards Belgium; it demonstrated its value to Belgian consumers by providing them with electricity at lower prices to help with the energy crisis. The Nemo Link interconnector highlights the importance of similar links in providing Belgium with access to energy that is produced outside of the country whilst contributing to the functioning of competitive international market operations.

This exceptional situation during 2022 led to revenues of Nemo Link amounting to €282.6 million, so exceeding (for the first time since it began operating) the cumulative revenue cap by €137.6 million. Its total net profit reached €74.2 million for 2022, with a contribution to Elia Group's net profit amounting to €37.1 million.

EBIT dropped to €23.6 million (-€16.7million). This decrease was primarily due to the lower contribution from Nemo Link (-€9.9 million) and the higher operating costs for the holding and WindGrid driven by the pursuit of inorganic growth ambitions (-€6.7 million). Following the drop in revenues, the contribution from EGI (-€0.6 million) and re.alto (-€0.4 million) decreased.

Net finance cost remained flat at €8.8 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The pro-rata costs linked to the capital increase of Elia Group and allocated to Elia Group SA and Eurogrid International respectively are directly recognised in equity under IFRS (€3.5 million).

(Adjusted) net profit decreased by €16.7 million to €15.2 million, mainly as a result of:

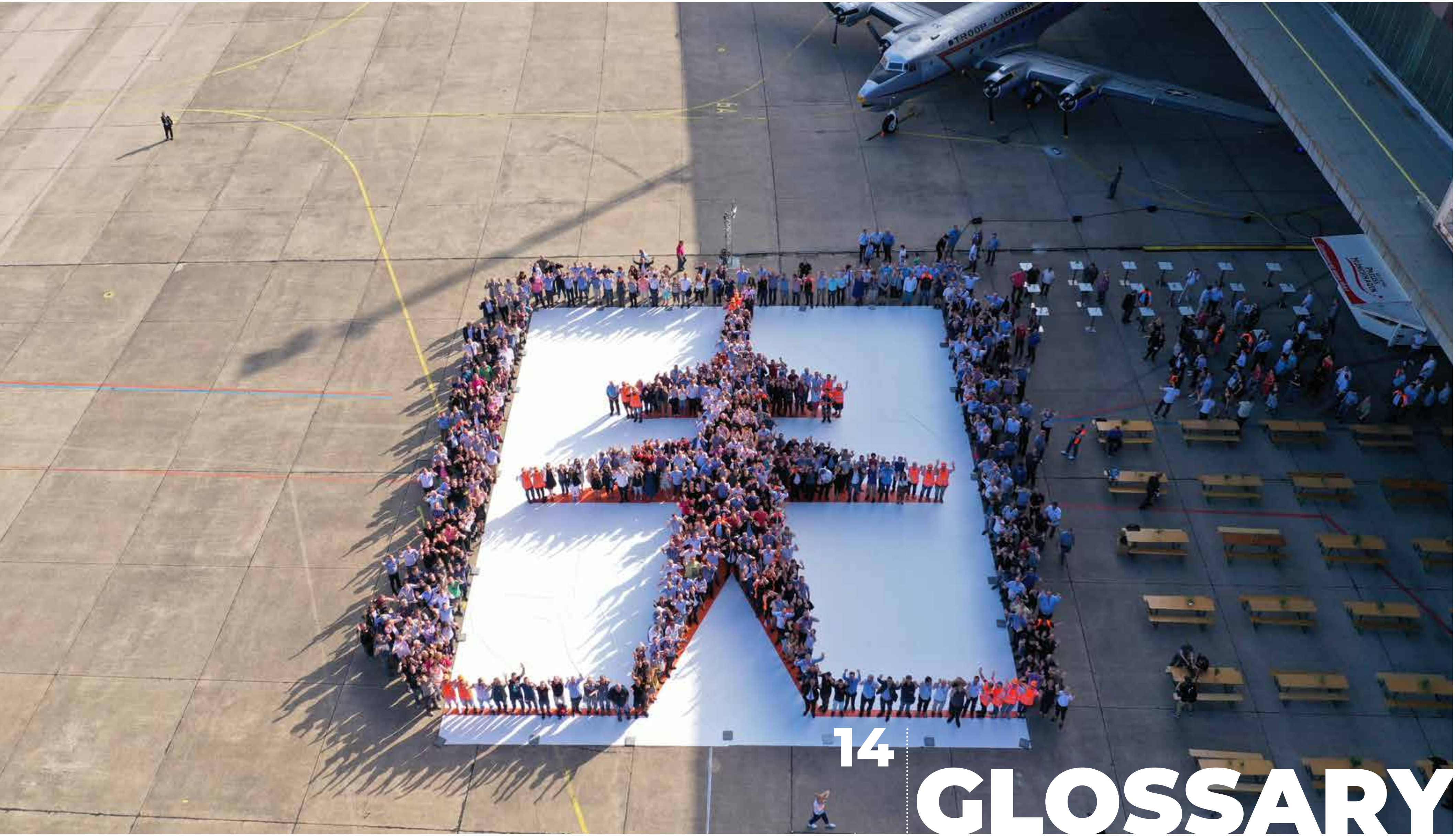
1. Lower contribution from Nemo Link (-€9.9 million).
2. Higher costs driven by the establishment of WindGrid and business development activities (-€6.9 million).
3. Lower contribution from re.alto (-€0.6 million).
4. Other items (+€0.7 million) driven by lower regulatory rejections (+€0.1 million), lower other non-regulated costs (+€0.8 million) and partially offset by a lower contribution from EGI (-€0.2 million).

Total assets increased by 17.7%, amounting to €1,946.5 million (+€292.5 million), primarily driven by the net proceeds from the capital increase allocated to the non-regulated segment (+€98.8 million) and dividend payments from subsidiaries offset by the payment of last year's dividend (-€120.3 million). This led to a drop in net financial debt of €170.3 million to €260.1 million.

13.6 ADJUSTING ITEMS - RECONCILIATION TABLE

(IN € MILLION) – PERIOD ENDED 31 DECEMBER 2022	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Nihil	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

(IN € MILLION) – PERIOD ENDED 31 DECEMBER 2021	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Nihil	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**



14 GLOSSARY

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

GENERAL TERMS

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

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

Adjusted net profit: Adjusted net profit is defined as net profit excluding adjusted items. Adjusted net profit is used to compare the Group's performance between years.

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

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

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

Carbon dioxide equivalent (CO_2e): A measure of how much a greenhouse gas contributes to global warming when compared with carbon dioxide.

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

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

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

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

Double materiality: 'Materiality' is a principle that guides organisations as they define what is significant for their businesses and, therefore, should be disclosed in their reporting. A topic meets the criteria of double materiality if it is significant from a financial perspective, impact perspective, or both.

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

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

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

Earnings per share: Results attributable to owners of ordinary shares / the weighted average number of shares over the period.

EBIT: Earnings before interest and taxes - result from operating activities, which are used for the Group's operational performance. 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 expenses, plus the share of equity-accounted investees.

EBITDA: Earnings before interest, taxes, depreciation and amortisations - result 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 of the Group's operational performance, thereby extracting the effect of depreciations, amortisation and changes in provisions of the Group.

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

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

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

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

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

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

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

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

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

Flexibility: This is a measure of how much an energy system is able to cope with short-term fluctuations in production and consumption. These fluctuations are associated with the integration of increasing amounts of **intermittent renewable energy sources** into energy systems. It is expected that **flexibility assets** will play an increasing role in the stabilisation of the grid as RES amounts rise.

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

Global Reporting Initiative (GRI) standards: These voluntary standards provide a framework for governments and organisations to use when demonstrating accountability for the impact they have on the environment, economy and people.

Global warming potential (GWP): This is a measure of how much a particular gas contributes to global warming relative to CO_2. The larger the GWP of a given gas, the more this gas warms the Earth compared to CO_2 over the same time period.

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

Greenhouse gas (GHG): Gases that contribute to the warming of the Earth's temperature. GHGs which are produced as a result of human activities include carbon dioxide, methane and sulphur hexafluoride **(SF_6)**.

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

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

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

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

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

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

Net zero: A term indicating balance being achieved between the amount of carbon dioxide (CO_2) a country or region emits into the atmosphere and the carbon it removes from the atmosphere.

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

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

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

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

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

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

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

Sector coupling: This refers to the integration of the energy supply sector with end use sectors such as heating, transport and industry; ultimately, sector coupling seeks to decarbonise these sectors of society through the use of green electricity. It includes, for example, the **electrification** of devices in the areas of heating or transport, so that these electrified devices can operate as **flexibility assets**; and the production of green hydrogen for industrial use.

SF_6: Chemical formula of 'sulphur hexafluoride'. SF_6 is used as an insulation and switching gas in gas-insulated high-voltage switchgear. It has excellent electrical properties, is non-toxic, and is chemically stable. However, the global warming potential of SF_6 is 23,500 times higher than CO_2.

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

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

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

INTEGRATED REPORTING TERMS

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

Capitals: Resources and relationships that an organisation depends on to create value. The Integrated Reporting Framework includes six categories of capitals: financial; manufactured (which we have termed 'assets' throughout this report); intellectual (including organisational know-how and its brand and reputation); human (which we have termed 'employees and subcontractors'); social and relationship; and natural (termed 'environmental').

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

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

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

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

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

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

REPORTING PARAMETERS

Registered offices

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

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

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

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

The registered office of WindGrid is located at
Boulevard de l'Empereur 20
1000 Brussels, Belgium

The registered office of re.alto is located at
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Reporting period

This annual report covers the period from 1 January 2022 to 31 December 2022.

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

WE WOULD LIKE TO THANK EVERYONE WHO CONTRIBUTED TO THIS ANNUAL REPORT.

elia group

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FAST-FORWARDING THE GREEN TRANSITION

SUSTAINABILITY REPORT 2022

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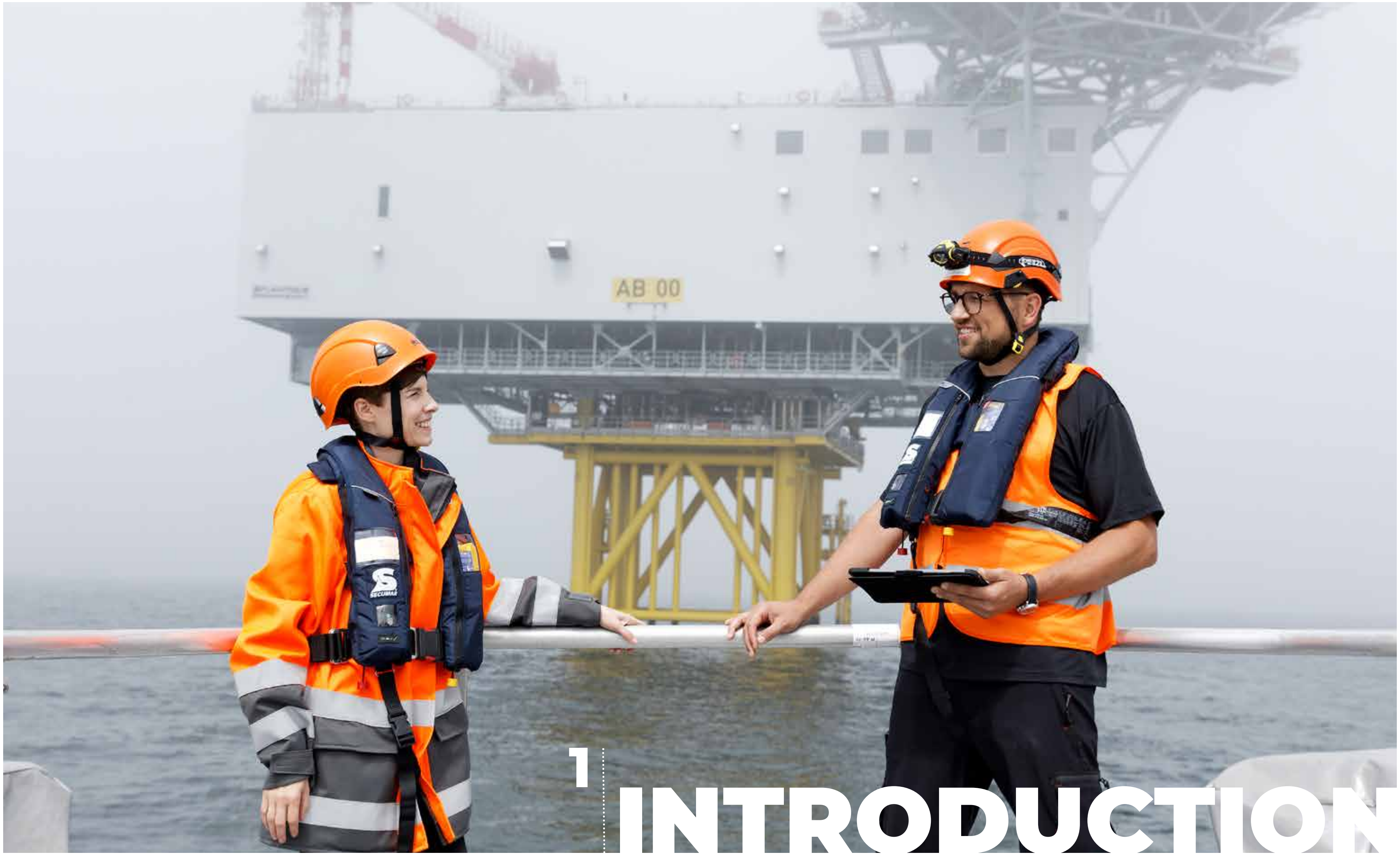


1 INTRODUCTION

ABOUT THIS REPORT

This Sustainability Report provides transparency on the Elia group's performance in terms of sustainability in 2022 and describes the integration of sustainability into our strategy (see Section 2. Strategy). This annual Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI). GRI Standards serve as best practice that can be used by organisations when carrying out 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 72** for a full overview of these indicators.

Some of these disclosures are included in other reports; please see the GRI content index at the end of the document

This is Elia Group SA/NV's fifth annual sustainability report and it covers the period from 1 January 2022 to 31 December 2022.

A key selection of 2022 metrics were externally verified and are marked in this report with the sign "**V**". Please find the External assurance report on **page 68**.

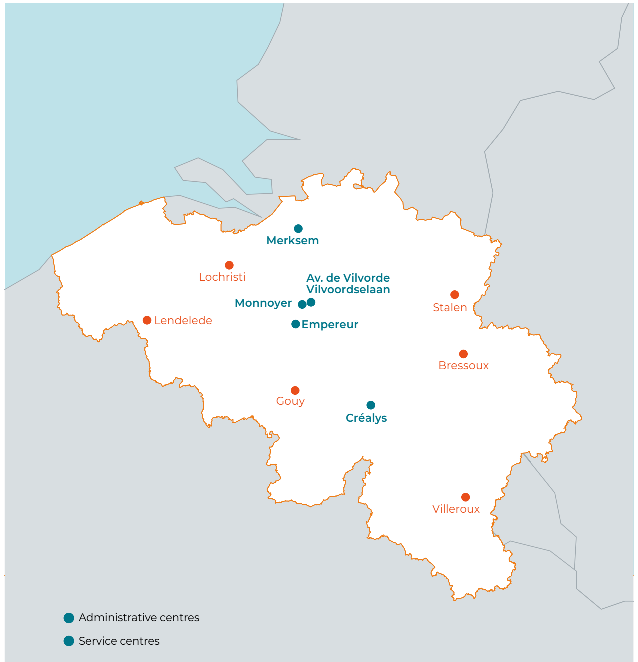
ELIA GROUP

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

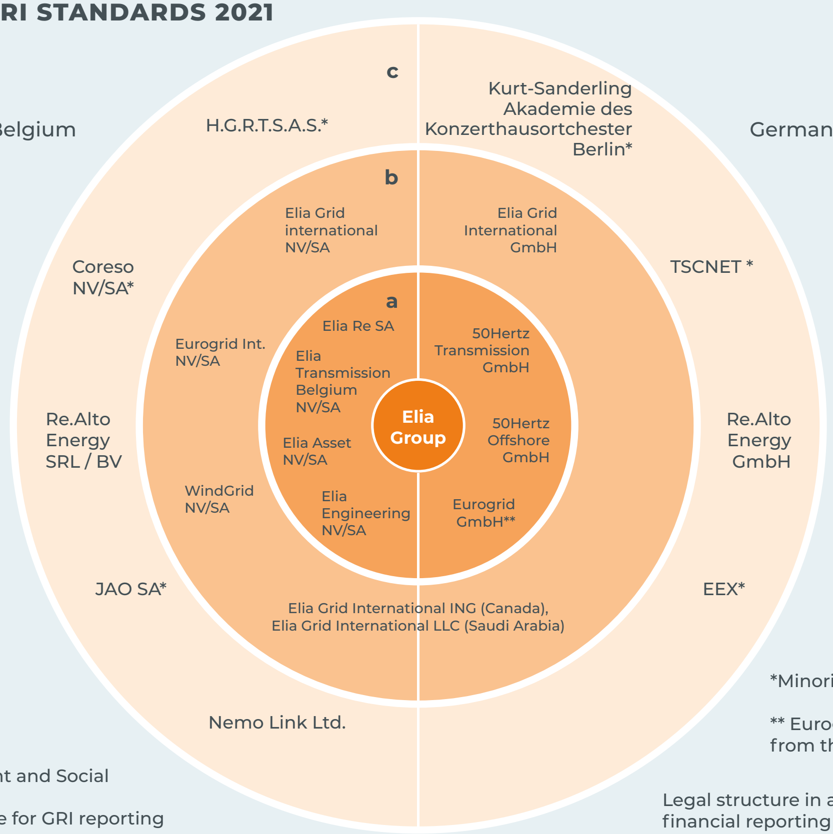
Together, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate around 20,000 km of high-voltage connections that supply power to around 30 million end users 24 hours a day, 365 days a year. Our group is one of Europe's top 5 TSOs. Any reference to Elia Transmission Belgium SA/NV in this report refers to the following companies: Elia Transmission Belgium SA/NV, Elia Asset SA/NV (EA) and Elia Engineering SA/NV (EE) (unless expressly stated otherwise). Any reference to 50Hertz Transmission GmbH in this report includes the following companies: 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (unless expressly stated otherwise).

More information about the Elia group can be found in the **2022 Integrated Annual Report** and 2022 Financial Report.

The Elia group's main responsibilities are developing and maintaining the electrical grid, managing the balance between the consumption and generation of energy, and facilitating access to the market. The Elia group also develops innovative solutions in order to better integrate renewables into the system, balance the network and truly put the consumer at the centre of the future energy system.



REPORTING BOUNDARIES ALONG GRI STANDARDS 2021



*Minority shareholdings below 25%

** Eurogrid GmbH is excluded from the Health and Safety metrics

a – Environment and Social
b – Social
c – Out of scope for GRI reporting

Legal structure in accordance to consolidated financial reporting (see Note 7: Group structure).

This report covers Elia Group entities shown in the chart in sections A and B.

The entities in section A represent the regulated business activities of Elia Group. The sustainability-related performance of these entities is described in this report in full. Section B includes the non-regulated entities of Elia Group. For these entities, this report mainly provides key figures about staff (see chapter entitled 'Employment').

Section C shows Elia Group's investments for the equity interest is below 25%. No information about these minority shareholdings is provided in this report. In addition, investments in the start-up re.alto and the Nemo Link joint venture are outside the reporting boundaries of this report. re.alto is the first European digital marketplace for energy data and services. It was, founded by the Elia Group in 2020 as core investor. Nemo Link is a joint venture between Elia Transmission Belgium and National Grid Interconnector Holdings Limited (UK); this venture operates the interconnector that links the Belgian and British grids together.

2 GENERAL DISCLOSURES

A. SUSTAINABILITY GOVERNANCE [GRI 2-12]

ROLES AND RESPONSIBILITIES

Sustainability is rooted in the very nature of the Elia group's business activities, as expressed in the group's vision: "A successful energy transition for a sustainable world". To be able to fulfil this vision in the best possible way, we have clearly defined sustainability-related roles and responsibilities across the organisation. These enable sustainability-related targets and activities to be embedded across Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH and closely managed. Elia Group officers have been put in place at the Group level for a number of key areas, including Safety, Risk Management, Talent Management, Procurement, Strategy and EU Affairs. Elia Group CEO Chris Peeters is responsible for sustainability-related issues across the whole of the Group. At a local level, the management of these areas and different responsibilities are described in the figures below.

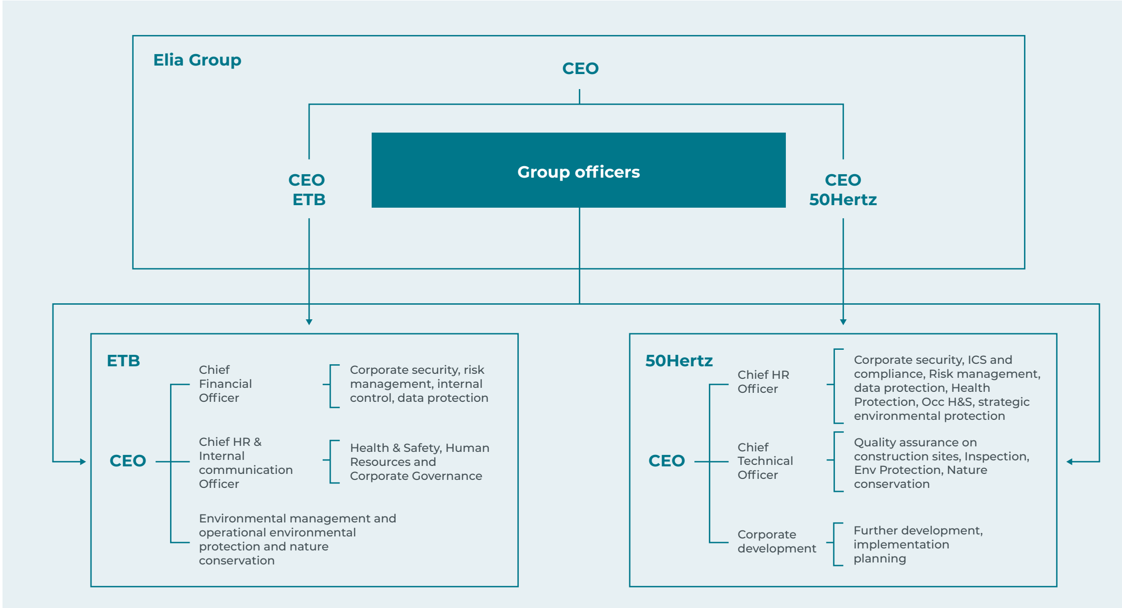
Our sustainability programme, ActNow, and related ambitions are defined at Elia Group level by the Group Sustainability Office (GSO). The GSO then ensures the consistency of the actions taken by the group and ensures it continuously improves its performance in the area of sustainability. ActNow comprises five dimensions, each of which include specific targets for the Group, Elia Transmission Belgium SA/NV and 50Hertz to reach. For a detailed description of our ActNow programme and its dimensions, please see the chapter entitled 'Our vision and strategy' in the 2022 Integrated Annual Report.

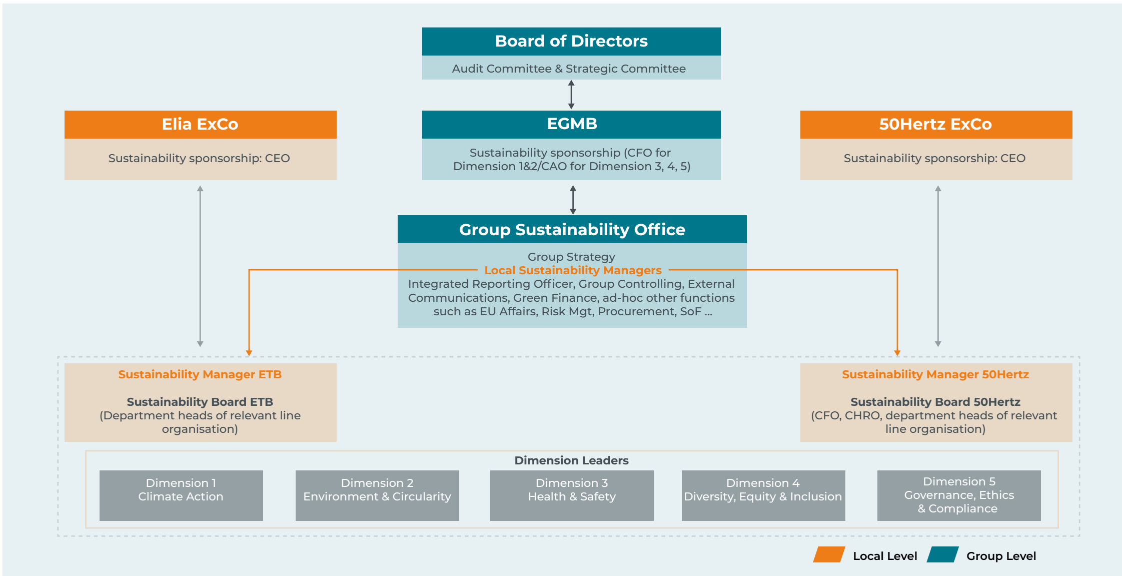
INCENTIVES AND REMUNERATION

Elia Group SA/NV transparently discloses the total remuneration of each of the members of the Board of Directors and of the Executive Management Board in the Corporate governance statement included in the 2022 Integrated annual Report. This includes details about the basic features of the remuneration system and the fixed and variable total remuneration of management staff as well as their company pensions and other benefits they receive.

COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY [GRI 2-17]

Informative sessions and workshops are organized to increase the Group's and local Executive Management Committees on various sustainability-related topics, e.g. the ESG current and emerging regulations and their operational impact.



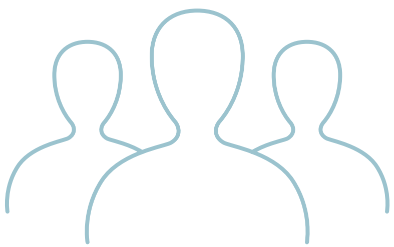


		MAIN TASKS	RESPONSIBILITIES
GROUP LEVEL	**Board of Directors (BoD)**	• The Strategy and Audit Committees validate the strategy (incl. sustainability targets) on a yearly basis and issue general recommendations in relation to these • Endorses the strategic changes that the Group undergoes, including in terms of its sustainability dimensions	• Endorses the sustainability-related areas of the group's strategy
GROUP LEVEL	**Elia Group Management Board (EGMB)**	• Regular strategy review to validate major changes in overall strategy, ambitions and targets • Takes key decisions relevant for group strategy • Raises relevant topics with BoD • Sponsorship for sustainability aspects • Chief Financial Officer for Dimensions Climate action, Environment & circularity • Chief Alignment Officer for Dimensions H&S, DEI, Governance/Ethics/Compliance	• Endorses sustainability-related areas (such as top KPIs) in the Group's strategy • Evolve ambition levels of Act Now over time
GROUP LEVEL	**Group Sustainability Office (GSO)**	**Define ESG vision, mission and targets & adapt global strategy to reflect ESG** • Discuss conceptual topics and development of respective approaches/positions (e.g. anticipated legislative requirements, reporting standard, application of voluntary frameworks) • Propose changes to group sustainability strategy & targets to EGMB • Monitor risks related to the realization of the sustainability strategy • Sounding board for sustainability communication • Enrich discussion & foster exchange on sustainability topics **Drive strategic initiatives** • Set-up working groups to work on sustainability related topics • If needed steering of group-level implementation projects **Review progress of overall sustainability ambitions** • Monitor overall progress in the various dimensions • Review group-level ambitions for Act Now • Ensure group-wide consistency of sustainability efforts	• Develop the sustainability dimension of the strategy • Definition of group-level action plan • Conceptual development & monitoring of sustainability trends/regulations • Coordination of transversal group projects
LOCAL LEVEL	**Local Executive Management Committees (ExCo)**	• Endorses action plans, implementation plans and roadmaps • Solves local issues that cannot be decided by Local Sustainability Boards	• Local Sustainability Sponsorship
LOCAL LEVEL	**Local Sustainability Boards**	• Validate local roadmap & targets once a year • Take all decisions on local sustainability matters that don´t need to be decided by local ExCo according to statutory • Give guidance & support on key sustainability matters (including local roadmaps) • Solve local issues (key topics brought to agenda by Sustainability Manager) • Trigger bottom-up engagement from local departments • Get input and positions on high-level sustainability issues/ questions	• Local Sustainability Steering and Development
LOCAL LEVEL	**Sustainability Manager**	• Translate ESG requirements into needed local activities (roadmap, milestones, activities) • Track & report local progress with respect to Act Now ambitions • Coordinate local implementation projects & activities • Manage key implementation projects • Participate in and contribute to Group Sustainability Office • Ensure regular communication of successes, etc.	• Definition of local roadmaps (incl. KPIs, milestones & activities) • Coordination of local projects & activities • Secures local ESG Ratings
LOCAL LEVEL	**Dimension leaders**	• These 5 staff members occupy various roles across the group; they are each appointed to one of the ActNow dimensions. They monitor and steer the development and implementation of local action plans. • Support local Sustainability Managers in the development of dimension activity roadmaps & milestones • Facilitate activities and deliver on sustainability targets in their dimension • Measure performance and share progress made on their dimension	• Organisation and quality management of data collection • Definition of Local Roadmaps (incl. KPIs, milestones & activities) along with Sustainability Mangers • Coordination of local projects & activities • ActNow progress monitoring

B. BASIC INFORMATION

MEMBERSHIP ASSOCIATIONS [GRI 2-28]

The Elia group is committed to renewable energy, climate and environmental protection, human rights and the integration of European electricity markets. It furthers its work in these areas via different associations and initiatives.



	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.	✓					✓

POLICIES AND PRACTICES

[GRI 2-23 / GRI 2-24 / GRI 2-25 / GRI 2-26 / GRI 2-27 / GRI 2-29]

The Elia Group SA/NV is committed to ensuring it has solid corporate governance practices in place, as outlined in its group-wide Code of Ethics. The latter aims to ensure that staff and the group act in accordance with the ten principles of the UN Global Compact in the areas of human rights, labour standards, environmental protection and anti-corruption. In line with this, Elia Transmission Belgium 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.

Human resources

Remuneration policies and incentives

The Elia group's remuneration policy focuses on attracting and retaining the best talent, rewarding performance and supporting a culture of feedback and continuous development. 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 band (which are discussed during "weighing committees"). The factor of the compensation of the highest paid employee of 50Hertz Transmission GmbH compared to the median of the total annual compensation of all employees of 50Hertz is 7.3.

In accordance with legislation in Belgium and Germany as well as European regulations, Elia Group SA/NV subsidiaries are obliged to prepare a report which transparently outlines 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 their individual targets. All employees receive regular performance reviews and career development sessions. Some collective targets also relate to sustainable corporate governance, such as compliance with occupational health and safety measures and, at 50Hertz Transmission GmbH, successful stakeholder dialogues. In addition, through the Elia Group share ownership programme, employees are given the opportunity to benefit from the business' success during the previous financial year. For the ninth time in 2022, every employee was offered shares at a preferential price.

Elia Group SA/NV transparently discloses the total remuneration of each of the members of the Board of Directors and of the Executive Management Board; these include the fixed and variable total remuneration of management staff as well as their company pensions and other benefits. The basic features of the remuneration system are explained and detailed in the section Remuneration of our Board in our **2022 Integrated Annual Report**.

Dialogue with unions and staff representatives

The Elia Group 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. Cross-company discussions are organised by Elia Group's European Works Council, which includes representatives from Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH. Elia Group SA/NV ensures that employment-related decisions are taken in an impartial and non-discriminatory manner through monthly meetings and preliminary consultations with union representatives that occur at local and Group levels.

Collective bargaining agreements [GRI 2-30]

Elia Transmission Belgium SA/NV negotiates collective agreements for its 'non-exempt' staff with other organisations across the energy sector. For 'exempt' staff members, their salary is based on internal equity combined with market competitiveness, their level of maturity, their respect for corporate values and safety leadership, and performance – all irrespective of gender. In Germany, the Mining, Chemical and Energy Industrial Union (IG BCE) negotiates collective agreements with the Employers' Association of Energy and Utility Companies (AVEU). For the first time since 2013, a separate collective agreement for 50Hertz Transmission GmbH was negotiated in 2020 and a decision was taken to continue discussions about general working conditions (collective bargaining agreement). Additional offers related to retirement benefits and health make 50Hertz Transmission GmbH an attractive employer.

Discussions about employee interests are also hosted by the European Works Council of Elia Group SA/NV. Beyond collective bargaining agreements and company agreements, the Elia Group SA/NV is also committed to internationally established guidelines, such as the core labour standards of the International Labour Organization (ILO: C87, C98 and C135) and the labour rights outlined in the UN Global Compact.

The Elia Group SA/NV is committed to promoting diversity out of conviction and in accordance with ILO Convention 111. The group is committed to welcoming and supporting all employees regardless of their characteristics. All employees are therefore equally valued regardless of their ethnicity, age, gender, sex, sexuality, religious affiliation, political views, nationality or socioeconomic background.

Human Rights Policy

A group-wide Human Rights Policy was published in the reporting year. The policy document outlines our commitment to human rights and explains how we at Elia Group implement this commitment in our business operations. Clear links are made with our ActNow programme and sustainability topics. Topics such as discrimination, data protection, working conditions and environmental impact are clearly addressed and their importance for our operations described. Furthermore, the policy explains how we take responsibility for our supply chain - a move which is also increasingly expected by political leaders and society. The Human Rights Policy is a further step towards meeting the existing legal requirements in Germany as well as the expected EU Directive on human rights due diligence. Within the framework of the EU taxonomy[1], the required "minimum social safeguards" can thus continue to be addressed.

We are also improving our human rights due diligence in general, including through systematic risk assessments, a grievance mechanism that is provided to staff, procedures for remediation and comprehensive reporting on our progress.

(Link Human Rights Policy)

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 staff employment contracts.

The Code of Ethics 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.

Please also refer to section Internal control and risk management system related to the non-financial process in our **2022 Integrated Annual Report**.

(**Link Code of Ethics**)

Supplier Code of Conduct

All parties involved in procurement must comply with Elia Group SA/NV's Supplier Code of Conduct and all related regulations. Elia Group SA/NV's Supplier Code of Conduct is published both internally and externally and addresses following themes:

- ethical conduct: anti-corruption and bribery, conflict of interests, confidentiality of information, fair competition, appropriate handling of intellectual property rights, and the anti-money laundering statement;
- health and safety considerations;
- environmental areas;
- social aspects.

Employees involved in procurement and payment processes are regularly provided with training and awareness-raising sessions related to these topics.

(Link Supplier Code of Conduct)

1 A framework agreement for the classification of "green" or "sustainable" economic activities in the EU

COMPLIANCE WITH LAWS AND REGULATIONS [GRI 2-27]

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

[**Legal Framework BE**]

Elia Group SA/NV is subject to the rules of good governance applicable to listed companies. Additional relevant information can be found in the corporate governance statement in our **2022 Integrated Annual Report**. The Elia Group SA/NV actively monitors the emergence of European, national or local regulations.

Anti-corruption

Due to their legal status as electricity TSOs, Elia Transmission SA/NV and 50Hertz Transmission GmbH are subject to a wide range of legal and regulatory rules in their respective countries, which stipulate three basic principles: non-discriminatory behaviour; confidential treatment of information; and transparency towards all electricity market participants with regard to non-confidential market information. Elia Group subsidiaries have company charters, guidelines and other documents that outline the behaviour we expect our employees to demonstrate and enact. These documents set out the Elia group's understanding of correct ethical conduct and make it clear that the company complies with the law and does not tolerate corruption. These principles are translated into organisational measures that are must be adhered to.

A policy defining and addressing bribery and corruption was published as part of our Code of Ethics.

For further information, please refer to Section Internal control in the **2022 Integrated annual report**.

Political influence

Elia Group TSOs are responsible for contributing to political debate in their respective countries and to the development of legislation. We carry out our advisory role in a transparent manner. As legal monopolies with public responsibilities, our TSOs communicate their viewpoints with the best interests of society in mind.

The Elia group is a trusted advisor when it comes to topics such as the fulfilment of the energy transition, ensuring a secure supply of electricity as renewable energy levels increase, and the expansion of the grid. As an increasing amount of energy policies that impact the activities of Elia Transmission SA/NV, 50Hertz Transmission GmbH and the societies in which they operate is set at a European level leading to the creation of a European Affairs Team at Group level. This team monitors all relevant legislation and regulation and participates in European public and political debates through the means of public position statements and publications.

Both Elia Transmission SA/NV and 50Hertz Transmission GmbH are listed on the EU Transparency Register and are committed to its Code of Conduct. Link to EU Transparency Register website **Elia Transmission Belgium SA/NV** and **50Hertz Transmission GmbH**.

In 2022, neither Elia Transmission Belgium SA/NV nor 50Hertz Transmission GmbH made any donations to politicians or political parties.

C. STAKEHOLDER ENGAGEMENT

APPROACH TO STAKEHOLDER ENGAGEMENT

[GRI 2-29]

The Elia Group SA/NV sees open and truthful communication with its stakeholders as an integral part of its business success. This is reflected in its material topics (see GRI 3 - Material Topic #10 and #11). Early and open communication with all stakeholders - both from across society and those affected by our projects - enhances the realisation of our infrastructure projects in Belgium and Germany. Regular interactions with the scientific community, especially through research and development projects, are part of the way we ensure that our projects are innovative and one of to the ways we further the integration of renewable energy into the system. Regular contact with political representatives is also a key for us.

Please also refer to Section Fostering Stakeholder interactions of our 2022 Integrated Annual Report and material topics #10 and #11.

PROCESSES TO REMEDIATE NEGATIVE IMPACTS

[GRI 2-25]

The development of the extra-high voltage grid is crucial for integrating more and more renewable energy into the system. In upgrading and expanding our grid, the Elia Group SA/NV seeks to minimise the impact of our projects, assets and activities on people and the environment, including natural habitats. In concrete terms, this means that Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH only build new lines once all other options for increasing grid capacity have been explored. Ecological and social sustainability as well as a clear commitment to environmental protection and resource conservation are integral parts of our corporate strategy. Through ActNow, we have set ourselves concrete objectives in the fields of climate protection, biodiversity and the eco-design of our assets. The Elia group's environmental management system is based on the principles of compliance with commitments and the continuous improvement of our environmental performance. Internal policy documents define responsibilities and processes, and identify environmental risks and targets. Measures to achieve objectives in these areas are monitored and improved. Legal requirements are regularly monitored and evaluated and, if necessary, embedded across organisation activities and plans. Increasingly, ISO standards such as ISO 14001 are being used.

MECHANISMS FOR SEEKING ADVICE AND RAISING CONCERNS

[GRI 2-26]

The Elia Group SA/NV offers its employees the opportunity to express their concerns about alleged breaches of the group's Code of Ethics without fear of reprisal and/or unfair treatment.

An external system EthicsAlert for reporting possible breaches of integrity exists; the latter is compliant with the EU Whistleblowing Directive. Internal employees as well as external stakeholders can anonymously raise their concerns via this platform. Violations of these codes can also be reported to management, HR, or the Compliance Officer. Their concerns will be handled in an objective and confidential manner, in line with the whistleblowing procedure.

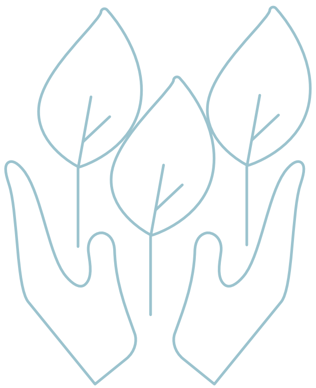
Elia Transmission Belgium SA/NV - Incidents	Total	Reviewed	Treated	Resolved
Discrimination, DE&I	1	1	1	1
Fraud, non-compliance with internal policies and procedures	2	2	2	2
Non-compliance with laws and regulations	0	0	0	0
Corruption	0	0	0	0
Other	0	0	0	0

50Hertz Transmission GmbH - Incidents	Total	Reviewed	Treated	Resolved
Discrimination, DE&I	1	1	1	1
Fraud, non-compliance with internal policies and procedures	0	0	0	0
Non-compliance with laws and regulations	0	0	0	0
Corruption	0	0	0	0
Other	0	0	0	0

D. ESG STRATEGY

Our approach to the management of sustainability-related areas is constantly developed further, as outlined in our group-wide ActNow programme and in our ESG reporting. The ActNow targets, indicators and measures are aligned with the UN Sustainable Development Goals; they are regularly reviewed, revised and developed, so that we can improve our performance over time. We also have roadmaps in place for planning out our steps. In 2022, we expanded ActNow to include two additional SDGs under the dimensions of 'Climate Action' (SDG 9 Industry, Innovation & Infrastructure) and 'Environment & Circular Economy' (SDG 14 Life Below Water).

In 2022, we reassessed and revised the sustainability topics which are material to our organisation through different stakeholder interactions. The existing materiality matrix was largely confirmed and further developed (**see next section: Materiality**).



ACT NOW
FOR A SUSTAINABLE WORLD

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 13 CLIMATE ACTION | 7 AFFORDABLE AND CLEAN ENERGY

1 CLIMATE ACTION

- Enabling decarbonisation of the power sector
- Carbon neutrality in system operations by 2040
- Carbon neutrality in our own activities by 2030
- Transition to a carbon-neutral value chain for new assets and construction works
- Increase climate resilence

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND

2 ENVIRONMENT & CIRCULAR ECONOMY

- Preserve and strengthen ecosystems and biodiversity
- Embed circularity in our core business processes
- Ensure compliance with environment performance standards

8 DECENT WORK AND ECONOMIC GROWTH

3 HEALTH & SAFETY

- Going for zero accidents
- Build our safety culture
- We are all safety leaders
- We strive for heath and wellbeing of our staff

10 REDUCED INEQUALITIES

4 DIVERSITY, EQUITY & INCLUSION

- Inclusive leadership across the organisation and engaging all staff
- Inclusive recruitment and selection practices in hiring processes
- Equal opportunities for all staff
- Open and inclusive company culture and healthy work-life balance
- Recognition of societal DEI role

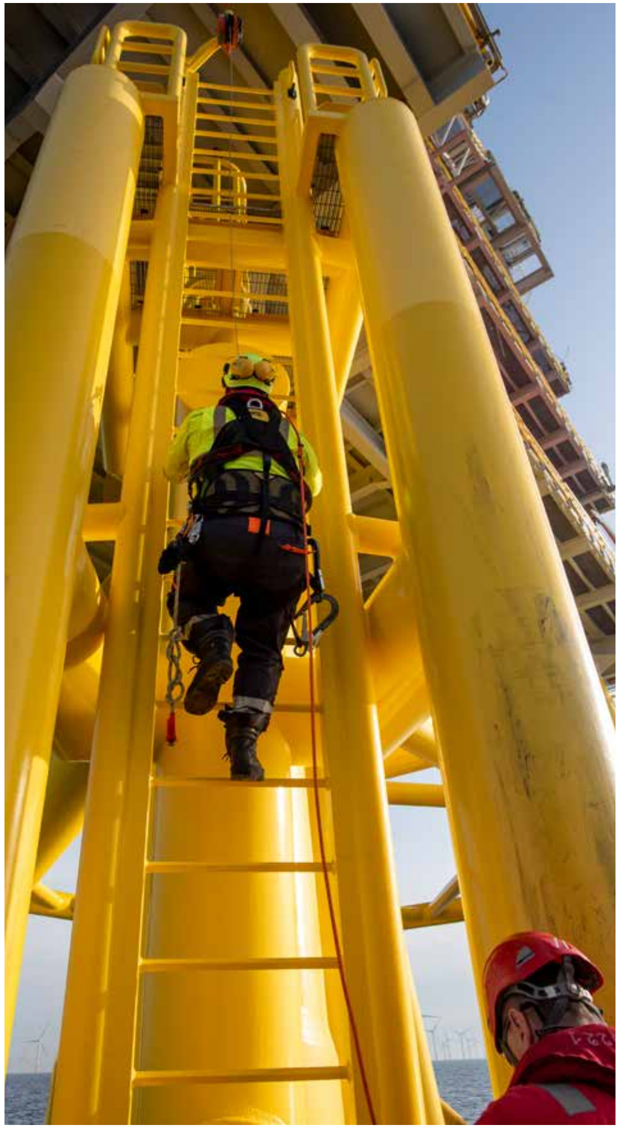
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

5 Governance, Ethics & Compliance

- Governance: Accountable rules & processes
- Ethics: Sustainable mindset & behaviours
- Compliance: Conformity with external & internal rules
- Transparency: Openness & meaningful stakeholder dialogue

3 MATERIALITY

A. PROCESS TO DETERMINE MATERIAL TOPICS [GRI 3-1]



In the reporting year 2022, 50Hertz Transmission GmbH and Elia Transmission Belgium SA/NV re-assessed the sustainability topics which had been identified as material before, in line with the double materiality analysis principles of the GRI Standards. These newly defined material topics apply equally to 50Hertz Transmission GmbH in Germany and Elia Transmission Belgium SA/NV in Belgium.

As part of a multi-stage process, the existing list of topics were revised, updated and supplemented on the basis of the previous materiality analysis (valid until the end of 2022) in order to comply with future regulations, trends and reporting standards. Further relevant topics from the GRI Sector Standards for Utilities and the standards of the Sustainability Accounting Standards Board (SASB) were added to the list. Finally, important topics identified by industry peers completed the process. This new list was then used in stakeholder interviews.

In order to gain a better understanding of the importance of these topics and so develop a new materiality matrix, in-depth interviews were conducted with stakeholders (see following section entitled "Stakeholders involved") as well as internal and external experts from Belgium and Germany. The aim was to gain a detailed understanding of current and potential positive and negative impacts of Elia group on society and the environment in relation to each topic. As part of this process, the impacts that society and the environment have on the group were also defined. Short-term and long-term impacts were considered, as well as the severity of each impact and their importance in terms of positive business development. Fact sheets were then produced for each topic, with a detailed qualitative description of the internal and external influencing factors, combined with a rating (high, medium and low influence) assigned to each by experts.

Based on these ratings, the topics were then ranked for a first time. Senior management then re-examined this based on the fact sheets. This then led to the materiality matrix included below, which was presented to the management and the Group Sustainability Board. CEO Chris Peeters has validated this new materiality matrix.

The findings of the project feed into our strategic analysis and validate Elia group's mission and strategy, that is in line with our internal and external stakeholders expectations.

The results of the updated double materiality will serve:

- As a compass for strategic decision-making processes;
- To revalidate Elia Group's mission and strategy;
- As basis for the identification of the disclosure requirements for the Group's sustainability reporting.

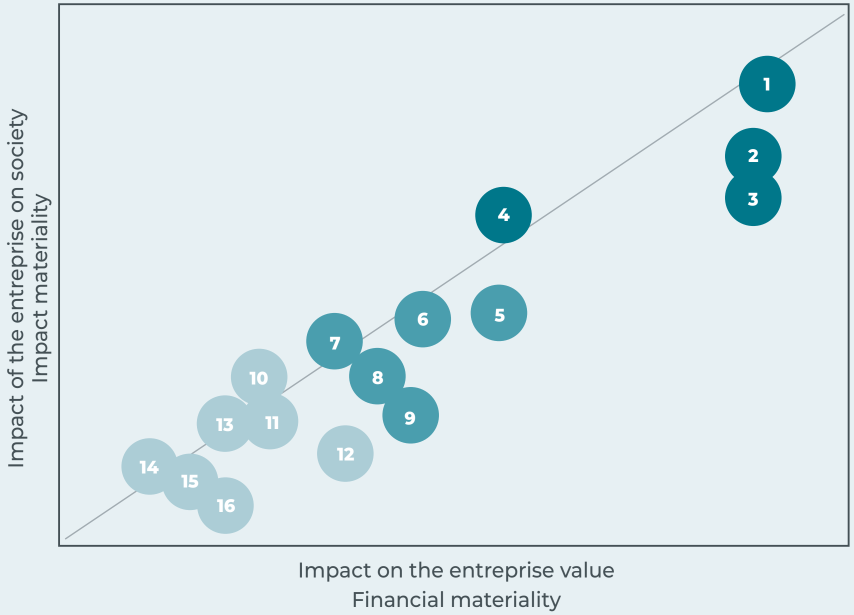
STAKEHOLDER INVOLVEMENT

A stakeholder mapping exercise was carried out by analysing stakeholders from across the group's value chain. The stakeholder groups "shareholders and investors", "government and public authorities", "associations, NGOs and academics" as well as "suppliers" and "employees" were identified as important interest groups. German and Belgian members of these groups were assigned to internal experts at the group. Interviews and assessments of key topics were then conducted with all stakeholders. Further stakeholder workshops have been planned for 2023 in Belgium and Germany; these will provide further insights about the material topics.

B. LIST OF MATERIAL TOPICS [GRI 3-2]

DOUBLE MATERIALITY MATRIX

THE COMBINATION OF IMPACT AND FINANCIAL MATERIALITY LEADS TO A CONSOLIDATED SCORE AND RANKING



LEGEND

- Lowest materiality
- Medium materiality
- Highest materiality

Ranking	Topic	Definition
1	Security of supply	Keeping the lights on around the clock
2	Safe and reliable infrastructure	Delivering and operating safe & reliable transmission grid infrastructure
3	Sustainable energy system	Building and operating the infrastructure needed to decarbonise our society
4	Affordable energy system	Promoting a cost effective integration into the EU energy market
5	Security of information and IT systems	Ensuring the privacy of our customer data and the security of our IT infrastructure
6	Decarbonisation	Running our operations in a carbon neutral way and facilitating this up and downstream (incl. carbon and SF_6 emissions)
7	Preserving our ecosystems	Preserving ecosystems (land, biodiversity (fauna & flora), water) surrounding our infrastructure
8	Employee health, safety and wellbeing	Providing a safe & healthy work environment for all staff
9	Talent acquisition and development	Finding new talents and providing training & development opportunities for all staff
10	Transparent and open communication with stakeholders	Engaging proactively with stakeholders from the very start of our infrastructure projects & providing useful information to all stakeholders
11	Community development & engagement	Putting our knowledge and resources to the benefit of communities in need (energy affordability and accessibility) and engaging in transparent, clear and constructive dialogue with our stakeholders
12	Resilient supply chain practices	Securing resilient supplier relations and preventing possible supply chain disruption
13	Responsible governance practices	Running our daily activities in a responsible and ethical way
14	Minimising waste and promoting circularity	Preserving resources by minimizing waste and promoting circular practices
15	Sustainable supply chain practices	Translating our ethical and sustainable principles into the procurement process
16	Diverse and inclusive workforce	Offering an inclusive and supportive work environment for all staff

Sixteen material topics were identified. The issues that were rated as having the highest impact on business development and society relate to Elia Group's mission statement: system security, grid stability and the sustainable and affordable integration of renewable energy into the system.

The results of the new double materiality exercise serve as a guide for strategic decisions to be taken; they help us to prioritise our fields of action, enhance the management of sustainability-related areas and contribute to the transparent reporting we carry out.

Changes from the previous materiality matrix

As mentioned above, as the new materiality matrix was being developed, last year's matrix was reviewed. Some of this year's topics were rated as more important, whilst others were rated as less influential (-). The table below outlines these changes in importance.

During the expert interviews, additional topics and more differentiation of some topics became necessary. This relates to: (2) Safe and reliable infrastructure, (3) Sustainable energy system, (5) Security of information and IT systems, (11) Community development and engagement, (12) Resilient supply chain pratices, (15) Sustainable supply chain practices and (14) Minimising waste and promoting circularity.

MATERIALITY MATRIX 2021	2021 RANKING	MATERIALITY MATRIX 2022	2022 RANKING
Network availability and reliability	1	Security of supply	1
Operational environmental protection	7	Preserving our ecosystems (1/2)	7 (-)
Climate-relevant emissions and climate adaptation	6	Decarbonisation	6 (-)
System and market integration of RES	4	Affordable energy system	4
Employee health, safety and wellbeing at work	8	Employee health, safety and wellbeing	8 (+)
Transparency and openness	10	Transparent and open communication with stakeholders (1/2)	10 (-)
Corruption and bribery	13	Responsible governance practises	13
Real stakeholder dialogue	10	Transparent and open communication with stakeholders (2/2)	8 (+)
Biodiversity	7	Preserving our ecosystems (2/2)	(+)
Job creation and skills development	9	Talent acquisition and development	(+)
Diversity and equal opportunities	16	Diverse workforce and inclusive workplace	16

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, workshops with stakeholders on different ESG topics are due to take place starting the first quarter of 2023. In the future, our annual Stakeholders Day will be used as an opportunity to systematically gather external stakeholder feedback on actual and potential impacts and their significance for Elia Group SA/NV, whilst an internal survey of Senior Management will be used to update the priorisation of the material topics.

C. MANAGEMENT OF MATERIAL TOPICS [GRI 3-3]

The Elia group is committed to accelerating the energy transition. It provides the infrastructure needed for this in an efficient and effective way, so contributing to socioeconomic prosperity and helping to decarbonise society. We carry out our activities in the interest of society, although sometimes the interests of our stakeholders might conflict with the organisation's. We try to reconcile these and handle any differences in the best possible way through regular exchanges with our stakeholders. Risk areas are identified and assessed as part of a systematic risk management process. The following pages relate to the most material topics and their relevance for sustainability. Additional information on our approach to risk management is described in detail in Section 11. Features of the group's internal control and risk management systems of our 2022 Integrated Annual Report.

CORE MATERIAL TOPICS

#01 SECURITY OF SUPPLY

ESG Field of impact: Social

SDG reference: 7 AFFORDABLE AND CLEAN ENERGY

GRI reference: GRI 2-21, GRI 201
Sector specific disclosures

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • Reliable and sustainable electricity supply • Contributes to socioeconomic prosperity Enables industry to operate efficiently and contributes to economic wellbeing • Contributes to the creation of stable jobs and has positive	**direct**	**actual**

MANAGEMENT

KEEPING THE LIGHTS ON AROUND THE CLOCK

Together, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate around 20,000 km of high-voltage connections that supply power to around 30 million end users 24 hours a day, 365 days a year.

Grid and asset planning and development

Grid development and reinforcement needs are identified and described in the Federal Development Plans (GE / BE) that both TSOs are legally required to publish at regular intervals.

Innovation

The Elia group continuously seeks out new solutions and new technology that will support its teams in their daily activities as they pursue quality, efficiency, reliability and safety. 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. In line with this, SDG9 (Industry, innovation and infrastructure) was added to our ActNow programme in 2022.

Our Consumer-Centric Market Design

Launched in 2021, our proposed Consumer-Centric Market Design aims to lower the barriers for new market parties to participate in the supply of flexibility for the system.

Capacity Remuneration Mechanism

The introduction of a capacity remuneration mechanism for the Belgian market is part of the federal government's energy strategy, which lays out a number of new measures designed to guarantee Belgium's security of supply in the long term. The mechanism ensures Belgium's secure electricity supply after the (partial) phase-out of nuclear energy in 2025. Through the CRM, market participants who offer capacity to the market and do not receive further subventions are financially supported. The Belgian government, in close consultation with the European authorities, has opted for a market-wide CRM. This means that both existing and new capacity types using any type of technology can participate in CRM auctions.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Ensuring legal compliance with the energy law regulatory framework (national and EU) • System management - monitoring of frequency, voltage and resource loads in real-time operation • Redispatching - national and international • Voltage stability / reactive power management • Efficient utilisation of the grids • Grid reconstruction including renewable energy sources	2022 Integrated Annual Report Performance metrics: Grid reliability
Strategic network planning in line with national plans • Identification and development of energy scenarios • Identification of measures for network optimisation, network reinforcement and network expansion • Definition of grid connection rules • Ensuring non-discriminatory grid connections	Federal Development Plans + Adequacy and flexibility Study for Belgium 2022-2032
National and international cooperation • Active participation and management of European initiatives for cross-border management, trading, digitalisation: e.g. Coreso, Entso-e, JAO, TSCNET	50Hertz Transmission GmbH and Elia Transmission Belgium SA/NV, together with the transmission system operators and power exchanges operating in Austria, Belgium, Croatia, the Czech Republic, France, Germany, Hungary, Luxembourg, the Netherlands, Poland, Romania, Slovakia and Slovenia, have expanded load flow-based market coupling. The coordinated identification of cross-border transmission capacities enables a higher integration of the electricity markets concerned and thus achieves social welfare effects.
Electricity trading - 24/7 selling and purchasing on the power exchanges • Procurement of control and substitute energy	
Digitalisation • Digitalisation and compliance play a central role in the above-mentioned key topics • Digital transformation - front-runner in terms of new digital projects, eg. modular grid control system	The annual Open Innovation Challenge (OIC)[2] allows the Elia group to maintain close ties with a broad ecosystem of start-ups and small and medium-sized enterprises (SMEs) Re.alto, The Nest, IO.Energy Innovation week in Berlin under the theme of Co-creating the future together with our ecosystem First offshore innovation day Hackathon
Consumer-Centric Market Design • Designing a market model that removes all barriers in order to encourage decentralised flexibility to take part in the market	

2 The OIC is open to start-ups from around the world. The winning team receives funding to develop their project with the Elia group, is offered mentoring from staff and is able to raise the visibility of their start-up. The 2022 Open Innovation Challenge was focused on sustainability: Polish start-up Sentrisense won the challenge with its sensor that monitors the operational state of overhead lines using digital analysis.

#02 SAFE AND RELIABLE INFRASTRUCTURE

ESG Field of impact: Environmental & Social

SDG reference: 9 Industry, innovation and infrastructure; 13 Climate action; 14 Life below water; 15 Life on land

GRI reference: Sector specific disclosures

GRI 203

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • Electricity infrastructure is linked to inconveniences and risks, such as noise, property value depreciation, environmental risks, health risks, etc.	**Direct**	**Actual**
• Due to the scale of its projects, the Elia group can have a large impact on jobs in the supply chain • Security of assets - the increasing severity and frequency climate change-related consequences can have a physical impact on Elia Group's infrastructure	**Direct**	**Potential**

MANAGEMENT

DELIVERING AND OPERATING SAFE & RELIABLE TRANSMISSION GRID INFRASTRUCTURE

The Elia group prioritises its infrastructure projects by considering the current status of our assets and future needs. Our long-term investments in projects (CAPEX delivery), which we are dedicated to delivering on time, within budget and to a high standard of quality with a maximum focus on safety, actively contribute to shaping solutions that meet our stakeholder needs and create value for wider society. We undertake regular surveys, analyses and discussions with local and regional stakeholders throughout the project design and construction phases to identify the best possible solutions related to technology, routing and integration into the surrounding landscape. The Elia group's stakeholders are continuously analysed and defined. Depending on the topic, 50Hertz Transmission GmbH and Elia Transmission Belgium SA/NV interact with public authorities, political parties, local citizens, civil society (including organisations that represent environmental, economic, and agricultural or other interests) and clients directly connected to their grid. The group uses a wide range of different means to encourage public participation and feedback. A public reference framework exists which seeks to mitigate the impacts of new infrastructure projects. The steering and realisation of the individual construction measures is ensured by means of various construction and engineering guidelines as well as regulations for the operation of the switchgear, overhead lines and cable systems, which can be called up at any time and are up to date.

Climate resilience

Our grid is part of the solution to climate change. However, it also needs to be designed, operated, and (where necessary) adapted to withstand the impacts of climate change, such as extreme heat waves, storms, heavy precipitation (possibly with flooding), and extreme cold waves. Grid reliability is one of the most important facets of our work. Many existing construction requirements and processes (e.g. EU technical standards, emergency preparedness management) which are applicable to our grid have already been encouraging the construction of grid infrastructure which can withstand climate change (e.g. redundancy of grid elements, stringent climate requirements in specifications), even if these requirements did not emerge from climate change-related concerns.

See also Material Topic #07 "Preserving our ecosystems" and Material Topic #01 Security of supply – Innovation Management

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Permits, public participation • Obtaining permits under public law • Obtaining building rights • Early discussions with authorities, associations, politicians and citizens	EU Taxonomy Vulnerability assessment Emergency preparedness, see Sector-specific disclosures GE Repower EU, position paper
Risk management • Regular recording and assessment of risks in ESG areas • Contingency risk • Risk assessment on physical, climate-related risks - Strengthen resilience in the face of climate change impacts - Keeping asset failure to a minimum - Local scientific consideration of long-term climate impacts on our assets	ActNow Dimension 1 – Objective 5
Reliability, preservation and expansion of the grid • New construction, strengthening and retrofitting • Strategic selection and technical planning • Technical guidelines and requirements • Deployment of new technologies • Asset management and security	Asset Performance Management & Optimization (APMO): condition and risk-based maintenance of our technical assets

#03 SUSTAINABLE ENERGY SYSTEM

ESG Field of impact: Environmental & Social

SDG reference: 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

GRI reference: GRI 203, GRI 302, GRI 306

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • Decarbonising society and industry by increasing the share of renewable energy in the system	**Indirect**	**Actual**
Environment • Reducing air pollution and CO_2 emissions	**Direct**	**Actual**
• Impact of grid on local fauna and flora, both on land and at sea (through the materials and products used, transport, use of land, emissions, etc.)	**Direct**	**Actual**

MANAGEMENT

BUILDING AND OPERATING THE INFRASTRUCTURE NEEDED TO DECARBONISE OUR SOCIETY

As part of our corporate challenge to reduce our own emissions, we are committed to making our own activities carbon-neutral by 2030, operating a carbon-neutral power grid by 2040, assessing and reducing the carbon footprint of our supply chain and including a carbon price in our decision-making processes.

Reach carbon neutrality in system operations by 2040

Minimising grid losses

Grid losses are an inevitable and inherent part of electricity transmission. They depend on factors such as the distance electricity has to be transported across, its current, and voltage. They are as a source of CO_2 emissions related to the operation of the grid. As increasing amounts of RES are integrated into the system, the amount of CO_2 associated with those losses will decrease over time. We have set this target by joining the Science Based Target Initiative (SBTi) with the goal of “well below 2 degrees”. Our individual reduction targets are aligned to this goal.

Reach carbon neutrality in own activities by 2030

Minimising CO_2 emissions

The most important building blocks for achieving this are the phasing out of SF_6, the energy efficiency of assets and buildings and actions regarding mobility, in particular the decarbonisation of our fleet.

For further information, please refer to Chapter TCFD in our 2022 Integrated Annual Report and Section IV A Energy and Emissions.

Preserve and strengthen ecosystems and biodiversity and embedding the circular economy in our core processes

Implementing circularity and biodiversity favourable actions helps cutting GHG emissions, the development of such actions is part of our ActNow Programme.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Reducing our carbon footprint • CO_2 neutrality in system operations - Reduction in CO_2 emissions from grid losses by 28% by 2030 - Increasing the possibilities for integrating renewable energy into the grid to minimise the CO_2 emissions of grid losses	**ActNow Dimension 1 – Objective 2**
• CO_2 neutrality of own activities - Policy-based responsible use of SF_6 and minimisation of loss rate to below 0.25% - SF_6-Phase out - new asset policy favours alternatives to SF_6. In the long term, the removal of SF_6 from new installations in accordance with upcoming EU F-gas regulation. We have set ourselves the target of reducing the use of SF_6 by 50% in all new assets built by 2030 (compared with SF_6 volumes which were initially planned). - Energy efficiency and emissions reduction initiatives (science-based targets, green substations, mobility)	**ActNow Dimension 1 – Objective 3** **Topic-specific disclosures [Energy and Emissions]**
• Move towards a carbon-neutral value chain for new assets and construction work - Introduction of an internal CO_2 price - Transition from case-by-case application of the internal CO_2 price to its application to all investment decisions - Carbon-neutral value chain (CO_2 accounting platform, green procurement, green works)	**ActNow Dimension 1 – Objective 4**
Nature conservation and circularity • Design and implementation of nature conservation projects • Developing new and improving existing approaches to the circularity of our assets	The Elia Group, together with Energinet, has agreed on the construction of two artificial islands as interconnectors between Belgium and Denmark. In addition to the planned nature-inclusive design of the islands, other projects that contribute to marine biodiversity will be funded. **ActNow Dimension 2 – Objective 1** **Material topic 7** **ActNow Dimension 2 – Objective 2** **Material topic 14**

#04 AFFORDABLE ENERGY

ESG Field of impact: Environmental & Social

SDG reference: 7 AFFORDABLE AND CLEAN ENERGY

GRI reference: GRI 203

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • Independence from fossil fuel imports and an increase in the share of renewable energy leading to more affordable consumer prices in the long term	**Indirect**	**Actual/Potential**
• Increased complexity of system operations caused by increasing integration of RES and decentralisation of production is causing increase in costs for flow control and redispatching	**Direct**	**Actual**

MANAGEMENT

BUILDING AND OPERATING THE INFRASTRUCTURE NEEDED TO DECARBONISE OUR SOCIETY

Elia group is driving the decarbonisation of the power sector (see material topic #06), so contributing to Europe meeting its Green Deal targets. For example, the Elia Group believes that interconnectors, especially those linking offshore wind farms across borders, are necessary to achieve the goals of the European Green Deal. In addition, interconnectors help to stabilise electricity prices through cross-border exchanges. The Belgian-British Nemo Link and the German-Danish Combined Grid Solution demonstrate the importance of such connections for access to energy generated outside the country, while contributing to the functioning of a competitive international market. As part of our Consumer Centricity Programme, solutions are being sought for the energy supply of the future. We want to ensure that security of supply (see material topic #01), efficiency and consumer interests are safeguarded in a system dominated by renewable power generation with a wide range of existing and new electrical applications. This requires long-term investment in digitising how we operate.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Consumer-Centric Market Design • Improving short-term dispatching by increasing competition and lowering barriers to flexible participation • Enabling consumer participation through a variety of services, e.g. freedom to choose energy supplier for different appliances and allowing the full participation of e-assets (e.g. solar panels, electric vehicles, heat pumps) in electricity markets	**ActNow Dimension 1 – Objective 1** Studies are regularly produced and published on topics relating to the integration of renewable energy and the associated challenges and impacts on the grid, industry and society. Last year's vision paper focused on the electrification of industry. The 50Hertz initiative "100 percent by 2032: New Energy for a Strong Economy" aims to achieve 100 percent coverage of electricity consumption by renewables in the 50Hertz grid area as early as 2032. The initiative supports renewable energy suppliers in implementing their projects more quickly and industry in its efforts to decarbonise its processes. This will make an effective contribution to combating climate change and strengthening sustainable industrial centres. Together. Faster. Climate neutral. Position-Paper "Together towards climate neutrality"
Decarbonising the electricity sector • Achieving 100% share of renewable energy in annual electricity consumption • Congestion management	2022 Integrated Annual Report Performance metrics: Ratio of renewable energy

MATERIAL TOPICS

#05 SECURITY OF INFORMATION AND IT SYSTEMS

ESG Field of impact: Environmental & Social

Sector-specific disclosures: Security and Emergency management

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • Cyberattack or data security breach: If the Elia group's information and IT infrastructure is not secure enough to ward off possible cyber-attacks or breaches, this could lead to operational consequences (e.g. power cuts) and destabilise the European energy grid, in turn impacting numerous customers and businesses in Europe	**Indirect**	**Potential**
• Protection of data: The Elia group gathers and handles large amounts of data which are necessary for network to function in a stable way, including personal data. If the Elia group's IT infrastructure is not secure enough to withstand possible cyberattacks or data breaches, this will impact the privacy of people concerned.	**Direct**	**Potential**

MANAGEMENT

As an operator of critical infrastructure, we have to ensure that information is securely stored on systems that are necessary for maintaining security of supply. The processing, storage and communication of information must be designed in such a way that the availability, confidentiality and integrity of the information and our critical systems are ensured. The reinforcement of the robustness and security of our IT and network systems is a key recurring component in preserving the confidentiality of critical data.

A Chief Digital Officer exists at Group level. Data Protection Officers (DPO) at Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH ensure that the Elia group processes the personal data it holds (from staff, customers, providers or any other individuals) in compliance with the General Data Protection Regulation (GDPR).

Best practice is exchanged at a national level across the utility sector as well as at a European level (via ENTSO-E). Moreover, ENTSO-E and the European NIS directive set out regulatory requirements that the TSOs have to comply with. This led to the creation of the Information Security Management System (ISMS) Programme in 2020.The ISMS is a framework of policies and controls that aim to manage security and security risks across the entire organisation. The programme was launched as part of good governance and as an enabler to meet the regulatory requirement of designing, creating and implementing an ISMS in line with the ISO27001 certification.

Information security risks are systematically identified and dealt with through an established security process. We evaluate the threat landscape and associated developments to be able to put the right risk mitigation measures in place.

COMMITMENTS, POLICIES AND MEASURES

One data classification model is in place for the whole of the group. This enables data owners to easily and correctly classify their data so adequate security measures can be applied and this ensures consistency across the group.

Certification of the Information Security Management System (ISMS): The ISMS of 50Hertz Transmission GmbH was recertified according ISO27001 in 2020. Elia Transmission Belgium SA/NV is planning to be ISO 27001 certified in 2023. re.alto obtained the certification in 2022: the start-up is a marketplace dedicated to the exchange of energy data and services. Data security is crucial in this regard and obtaining the certification has reinforced its ambitions.

ENTSO-E also requires TSOs to comply with a specific set of security measures when exchanging information with other TSOs and carries out compliance audits to verify their application: these external audits were successfully passed.

RELEVANT PUBLICATIONS AND ACTIONS

In the reporting year, no successful cyberattacks were carried out against Elia Transmission Belgium SA/NV or 50Hertz Transmission GmbH; moreover, no damage was caused by information security incidents.

No data breaches were notified to the data protection authorities (GDPR violations).

Continuous awareness improvement: regular newsletters, e-learning implementation, phishing campaigns

The 50Hertz Transmission GmbH data centres were designated as "highly available" at Level 3 following an independent audit which evaluated and certified the operational security of its data centres (based on DIN EN 56000).

#06 DECARBONISATION

ESG Field of impact: Environmental

SDG reference: 13 CLIMATE ACTION

GRI reference: GRI 302

IMPACT	INVOLVEMENT	LIKELIHOOD
Society Our main contribution to a successful energy transition in the interest of society lies with the integration of growing amounts of RES into the system in order to speed-up decarbonisation.	**Direct**	**Actual**
Environment An electricity grid with growing amounts of RES provide the users with electricity produced with decreasing GHG emissions.	**Direct**	**Actual**

MANAGEMENT APPROACH

The Elia group supports the EU's carbon reduction targets as well as those of the Belgian and German governments, mainly by integrating large volumes of renewable energy into the system via the operation and development of its grid. Besides speeding up the decarbonisation of the power sector, we are working on the decarbonisation of our own activities within the Dimension 1 of our ESG Programme ActNow.

Please refer to the TCFD section of the 2022 Integrated Annual Report for extensive information related to this topic

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Speed-up decarbonization of the power sector This is further described in the TCFD Section of the 2022 Integrated Annual Report	**ActNow Dimension 1 Climate Action Objective 1** EU Taxonomy eligible CAPEX, OPEX and Turnover – please refer to [*EU Taxonomy Report*] section Together, Faster, Climate-Neutral White paper on hybrid interconnectors "Powering Industry towards Net Zero".

#07 PRESERVING OUR ECOSYSTEMS

ESG Field of impact: Environmental

SDG reference:

GRI reference: GRI 304

IMPACT	INVOLVEMENT	LIKELIHOOD
Environment The development and maintenance of our grid impacts the surrounding landscape, fauna and flora. Since our seas are set to become the power hubs of the future (meaning we will build much more offshore infrastructure over the coming years), our assets will impact the marine environments they are in, particularly during their construction.	**Direct**	**Actual**

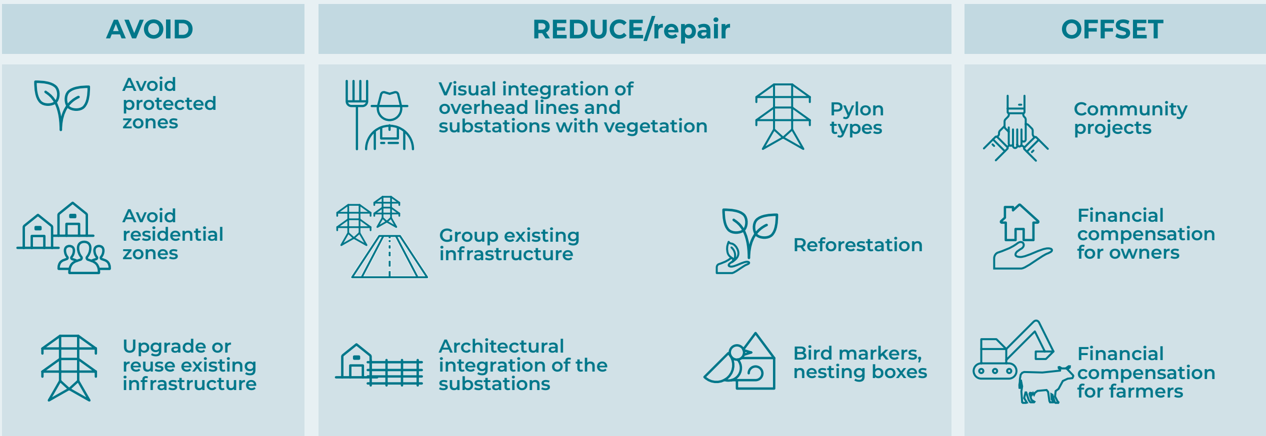
MANAGEMENT

We strive to limit the impact of our projects on the areas we work in, and either refrain from causing avoidable disturbances to nature and landscapes, or to ensure such disturbances are reduced to a minimum (in line with avoidance and minimisation requirements).

In line with our legal requirements, we carry out environmental impact assessments (EIA) early on in projects, to minimise the potential disturbances we could cause to nature. A Strategic environmental assessment (SEA) also has to accompany the Belgian Federal Development Plan when it is published.

Following these assessments, a corridor for a power line is then identified. As part of a next step, the exact route that the power line will follow is established. It is at this moment that protection and compensation measures which have a positive impact on local ecosystems and biodiversity are identified. These are identified with help from external environmental planners, routing experts and, if necessary, other science and nature conservation experts. In order to avoid unnecessarily impacting the landscape, lines are adapted to suit the local landscape conditions.

Essential to the group's approach is the 'mitigation hierarchy', which aims to prevent or avoid negative impacts on nature. It also provides advice about protecting biodiversity throughout project lifecycles, from early planning through to decommissioning and repowering. The application of this mitigation hierarchy means we can avoid, minimise, restore and – where necessary – offset negative impacts on biodiversity; the hierarchy is described in the figure below.



As part of every grid reinforcement project we undertake, we implement different measures that can have a positive impact on ecosystems and biodiversity - most of the time together with local stakeholders and environmental experts to ensure the relevance of the measures we take. If preventive or corrective measures cannot help address the negative 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 measures exists.

As part of Dimension 2 'Environment &Circular Economy' of our ActNow programme, we are working on better integrating our assets into their surrounding environment to reduce and compensate for our impact. Another focus of our sustainable substation programme is the promotion of biodiversity. The ISO14001 certification of our environmental management has also been identified as one of the actions. SDG14 ('Life below water') was added to our ActNow Programme as we are now placing more emphasis on developing our projects in order to strengthen biodiversity in the North and the Baltic Seas.

In terms of prevention, the Elia group is committed to undertaking effective water and soil conservation measures. Since the company's business activities do not involve significant amounts of water consumption or the regular release of process-linked effluents, our corporate responsibility does not relate to a reduction in water consumption. Instead, we must focus on water management in grid and substation projects and prevent water and soil pollution through accidental leaks of hazardous substances used in our equipment.

COMMITMENTS, POLICIES AND MEASURES

We have developed a framework regarding different types of compensation measures which aim to minimise our impact on the environment that surrounds our infrastructure projects; these measures include compensation for farmers and the integration of our assets into the landscape. Clear and structured policies are available on our website.

We have set ourselves 3 objectives in terms of environmental protection and fostering biodiversity:

- **Preserve and strengthen ecosystems and biodiversity**

Bird protection: With the help of leading European and local environmental organisations[3], Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have identified the sections of its grid that pose the greatest danger to birds. These are gradually being fitted with bird markers, which reduce the probability of bird collisions by making them more visible to birds.

On a group level, we want to have bird markers installed along 600 km of our overhead lines by 2030.

Nesting boxes are also being installed along the bottom or the top of our pylons, depending on the species we are aiming to protect.

Ecological corridor management: We undertake this under our overhead lines that go through forests. Whilst ensuring that our grid can be safely operated, we either minimise our interventions[4] in these areas so that natural habitats can once again flourish under our lines or implement management measures that benefit biodiversity.

Since 2012, Elia Transmission Belgium SA/NV has been a front-runner in this area. Indeed, we developed a 7-year LIFE project (EU-funded and together with the French TSO, RTE). In 2018, we 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. The other objective of this project was to further monitor the biodiversity improvement. The results are highly encouraging, with 98% of evaluated sites showing conclusive outcomes.

By 2030, our ambition is that Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH manage 90% of all of our forest corridors in a way that supports biodiversity.

Substations: We foster green areas around our existing infrastructure to encourage biodiversity and reduce the negative impacts of our assets on the ecosystem. By the end of 2022, we had also banned the use of all herbicides from all of our sites in Belgium and Germany.

Offshore: With regard to our offshore projects, mitigation measures are principally implemented during the construction phase of our projects. These aim 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 our assets during their construction).

RELEVANT PUBLICATIONS AND ACTIONS

EXAMPLES OF COMPENSATION MEASURES

Planting
Planting tree aisles and rows, hedges, orchards

Forestry
Forest restructuring, first afforestation

Hydraulic engineering
Pond renaturation, restoring straightened rivers to their original condition, creating small bodies of water, renaturation of flowing and still bodies of water

Others
Cabling medium voltage lines

Demolition
Unsealing, demolition of buildings in community outdoor areas

Species protection
Building amphibian protection facilities, nesting aids, bat habitats, reptile habitats, species protection towers

ActNow Dimension 2 Objective 1

62 % of our high-voltage overhead lines identified as critical for birds are equipped with markers
In 2022 we successfully tested of the use of drones to install these markers along our lines
Elia Transmission Belgium SA/NV, along with other partners[5], received funding from the European LIFE programme for their joint "SafeLines4Birds" project, which targets specific endangered bird species

81 % of our forest corridors are ecologically managed

Further information about these projects can be found on this website: http://www.life-elia.eu/

Topic-specific disclosures [Biodiversity]

Future Belgian Energy Island: As Elia Transmission Belgium SA/NV designs and constructs this island, it is going beyond just minimising the impact of its activities on the marine ecosystem through the adoption of 'Nature Inclusive Design'. Along with a group of nature and conservation experts, Elia Transmission Belgium SA/NV is currently working on designing the island in such a way that it will have positive effects on flora and fauna and encourage habitats to flourish.

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are both signatories of RGI's Marine Grid Declaration, which sets out guiding principles for avoiding, minimising and (where possible) eliminating negative impacts on the marine environment

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- **Circularity embedded in our core business processes**

There is a strong link between circularity and the preservation of biodiversity. The development of circularity actions is part of our ActNow Programme.

ActNow Dimension 2 Objective 2

See Material topic [#14 Minimizing waste and promoting circularity]

- **Ensure compliance with environment performance standards**

Reaching ISO14001 Certification: 50Hertz's environmental management system was externally audited and ISO 14001 certified for the first time in 2022. The implementation of an environmental management system ISO 14001 certified in Belgium is due to occur in 2024.

ActNow Dimension 2 Objective 3

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3 Brandeburg State Environmental agency, RGI; NABU, Natuupunt and Natagora

4 The standard – historical – maintenance policy for overhead lines involved ensuring that a corridor under our lines was kept clear of all vegetation with a rotary slasher every eight years

5 Transmission system operators RTE in France and REN in Portugal and several nature and bird protection organisations

Prevention

The main potential source of soil, ground and surface water pollution 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. The tanks are fitted with a hydrocarbon separator and an additional coalescence filter with an automatic shut-off valve to ensure that rainwater that falls on the facilities can be drained without causing pollution. We have developed processes to immediately cope with the impacts of leakages in the accidental event of hazardous substance leaks and employees are trained to detect early signs of these types of events.

Another water management aspect relates to rainwater that ends up on our high-voltage facilities (transformers), impermeable (roofs, asphalt roads) and permeable surfaces (gravel roads). When building new substations and when expanding or renovating existing substations, we ensure that rainwater that ends up on the installations (transformers) is always drained without any (oil) contamination, we increase the permeability of surfaces[6] and explore reuse and infiltration solutions (some of them can have a positive impact on biodiversity).

A significant part of Belgian soil is polluted as a direct result of nearby or in situ (prior use) industrial activities or the backfilling of areas with polluted soil. Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH has mapped the soil condition of its own land in order to plan out remediation activities.

50Hertz Transmission GmbH ensures that the Baltic Sea is protected during its activities through a variety of measures. For example, throughout the planning stage for offshore platforms, care is taken to ensure that no hazardous substances are leaked into the sea and that equipment with biodegradable hydraulic oil is used wherever possible.

6 This is carried out by constructing roadways with reinforced gravel pits (asphalt on concrete is no longer used). Drainage gutters are avoided for existing paving and natural runoff and infiltration are provided next to the road.

#08 EMPLOYEE HEALTH, SAFETY AND WELLBEING

ESG Field of Impact: Social

SDG reference: 8 DECENT WORK AND ECONOMIC GROWTH

GRI reference: GRI 403

IMPACT	INVOLVEMENT	LIKELIHOOD
Society		
• Occupational Health and Safety As high-voltage electricity transmission system operators, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate assets and infrastructure which can cause harm to people if accidents, asset failure or external attacks occur.	**Direct**	**Actual**
• Wellbeing Investing in healthy, safe and happy employees means that the wellbeing of our workforce is ensured; this is a prerequisite to providing the infrastructure for a successful energy transition.	**Direct**	**Actual**

MANAGEMENT

The safety and welfare of all individuals (Elia group's staff, subcontractors and staff from partner organisations) is a key priority for the group and its subcontractors. Our group-wide ambition is to ensure that all our employees and subcontractors arrive home safe and sound every day. We also want to ensure the wellbeing of our staff. We have high ambitions and these require a fit and healthy workforce, capable of dealing with the challenges and potentially stressful elements of each job.

Occupational health and safety measures are included in our corporate strategy. Health protection and occupational safety topics are an integral part of weekly meetings held by senior management. A group-wide Safety Officer position was established in 2020 to ensure that our approaches to health and safety are aligned across the group.

Having a Health and Safety Management system that is certified by external parties is one of the components of our approach to the area.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
Elia Group's subsidiaries have adopted a Health and Safety Policy, undertake regular safety analyses and promote a culture of safety cross the organisation. The Elia group has high safety standards in place which all of its employees, subcontractors and everyone who comes into contact with its infrastructure are required to follow. The *Health and Safety at Work Guideline* is binding for all employees.	
• **We aim for zero accidents** We strive to minimise accidents as much as possible, especially those caused by activities which carry high amounts of risk, like construction work, work at height, civil engineering work, and offshore activities. Our approach covers all of our employees, our subcontractors and individuals who work on or in the vicinity of our infrastructure. Our target over the next few years is to have the number of incidents with contractors decrease by 2.5% every year. We closely monitor leading indicators like those related to the reporting of unsafe situations and near-misses.	ActNow Dimension 3 Objective 1 TRIR Elia Group (own staff) 4.6 ***incident investigation*** Ad hoc safety flashes: good practice reminders or the identification of specific risks associated with particular tools
• **We maintain a solid culture of safety** Reaching our health and safety goal requires more than just the adoption of procedures and guidelines. We actively work towards ensuring that everyone is personally involved in ensuring their own safety and the safety of their colleagues and continuously train our staff. Training for all employees who work across our 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. 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. All employees are regularly instructed about workplace-specific hazards and the measures they can implement to avoid them. 'Safety for Contractors' programme: The Elia group also provides training materials, training and tests for subcontractors; we want to invest in good safety behaviour and support our suppliers in encouraging this in their staff, too. We want to grow together by taking joint measures to prevent accidents and ensure all of our on- and offshore sites are safe places for people to work in.	ActNow Dimension 3 Objective 2 Inspections Training Compulsory training with periodical updates Site visits: 1,791

• **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. The Elia group is committed to actively developing 'safety leadership' in all of its employees. Certification: Health & Safety management system: the H&S management system of 50Hertz Transmission GmbH is ISO45001 certified. The H&S Management system of Elia Transmission Belgium SA/NV carries a Safety Culture Ladder Certification Level 3.	**ActNow Dimension 3 Objective 3**
• **We ensure and promote the health and wellbeing for our staff** The early detection and prevention of work-related illnesses and the preservation of employability are integral components of our approach to occupational health and safety. To support these, appropriate occupational health care, which focuses on individual protection and the prevention of health conditions, is ensured. In addition, the Elia group provides its staff with regular medical consultations, flu vaccinations and advice regarding ergonomics in the workplace for all employees. Confidential counselling delivered by external, qualified therapists is available for employees at any time in the event that they should suffer from stress, conflict or suffer from substance addiction.	**ActNow Dimension 3 Objective 4** Offline campaign Health rate: 96.1% Topic-specific disclosures Occupational Health and Safety

#09 TALENT ACQUISITION AND DEVELOPMENT

ESG Field of impact: Social

SDG reference: 8 DECENT WORK AND ECONOMIC GROWTH

GRI 401, GRI 404

IMPACT	INVOLVEMENT	LIKELIHOOD
Society The Elia group's infrastructure projects require a large number of specialists. To fill these positions in the best possible way, an effective approach to HR and is necessary	**Direct**	**Actual**

MANAGEMENT

The Elia group owes its success entirely to the success of its employees. It is the group's responsibility to help them develop their skills, foster their health and commitment, involve them in decisions and guarantee equal opportunities for all. To realise our vision and master the challenges of tomorrow, the group needs motivated employees, since they are a key success factor in times of constant change.

Within the senior management team, responsibility for staff strategy issues lies with the Group Chief Alignment Officer and the Group Talent Management Officer.

Elia group employees are offered individually tailored further training sessions[7] and the opportunity to complete relevant qualifications. Programmes for enhancing employee skills and encouraging career transitions also exist (this includes programmes related to innovation, intrapreunership, change management and external education).

Succession planning ensures that sufficient numbers of potentially suitable employees are available for all management positions and that vacancies are filled by internal candidates wherever possible. To this end, talent is identified and promoted, for example through programmes for 'young professionals' that are jointly developed and offered across the group.

COMMITMENTS, POLICIES AND MEASURES

Talent@Elia Group is one of our top projects, it was established to ensure our organisation can succeed amidst the ever-changing context of the energy transition and can fulfil its digital transformation needs. The framework developed as part of this project aims to enable our business strategy and to create an attractive, motivating environment for the talent we have and need.

The Elia group attracts qualified young talent via its own in-house training programmes. These include a 24-month trainee programme, internships and opportunities for students to join the group whilst completing diplomas or degrees (in cooperation with local universities).

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

Leadership programme: We work in a rapidly evolving environment. We want to prepare our leaders to become role models who embody the values and standards of our company and who are able to confidently guide their employees through challenging times. This involves strong, inclusive leadership and promoting and embracing diversity within our teams. It also involves dealing with uncertainties and safeguarding the physical and mental wellbeing of our staff.

RELEVANT PUBLICATIONS AND ACTIONS

Top Employer label 2022 (for the 5th year in a row) for Elia Transmission Belgium SA/NV

"Most wanted employer" label for 50Hertz Transmission GmbH

Topic-specific disclosures Employment

7 This is in addition to training related to technical and safety skills, which are required to perform our core business activities (training specifically focusing on safety is detailed in in Material topic #8 Employee health, safety and wellbeing)

#10 TRANSPARENT AND OPEN COMMUNICATION WITH STAKEHOLDERS

ESG Field of impact: Social

SDG reference: 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

GRI reference: GRI 2-29, GRI 2-25, GRI 2-26

IMPACT	INVOLVEMENT	LIKELIHOOD
Society The involvement of relevant stakeholder groups plays an important role in sustainable grid expansion. Involving stakeholders as early as possible in our infrastructure projects helps to improve their understanding of society's need for a grid, and optimises its approval and development.	**Direct**	**Actual**

MANAGEMENT

In its role as a trusted advisor, the Elia group regularly communicates and exchanges information with its stakeholders.

The Elia group's stakeholder environment is continuously analysed and defined. Depending on the topic, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH interact with public authorities, political parties, local citizens, civil society (including organisations that represent environmental, economic, and agricultural or other interests) and clients directly connected to their grid. The method and frequency of engagement for each stakeholder group is detailed in the Section Fostering Stakeholder interactions of our 2022 Integrated annual report.

The Elia group is convinced that involving all stakeholders early on in their projects is vital for ensuring the success of the energy transition. Our approach is to contact and inform all parties of upcoming projects in order to ensure their voices are heard. A transparent and consistent approach, which aims to meet societal requirements, improves the acceptance of our projects by local communities. Furthermore, this approach is adopted from the outset of projects so that community concerns can be addressed. To achieve this objective, the relevant departments in Belgium and Germany have developed a communication and public acceptance methodology; this ensures that stakeholder engagement and communication is embedded into the grid development process. In turn, this ensures that our costs are controlled, the timing of projects can be adhered to and we are able to deliver necessary projects which are aligned with the interests of society. As a new project is being explored, discussions with relevant stakeholders are held during the very early stages of project planning. During the design phase of our projects, we mainly work with civil society, local municipalities and representatives from academia. Public consultations are also held regarding grid development plans. As projects become more concrete, discussions and information exchange are organised for local citizens and communities.

COMMITMENTS, POLICIES AND MEASURES

Public acceptance

Internal, project-related guidelines regulate timelines and the dissemination of information regarding project planning, approval processes, public participation and stakeholder management. These guidelines also include best practice and recommended courses of action based on experience, enabling the company to continuously develop its standardised public participation toolbox.

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH communicate and cooperate transparently with their stakeholders throughout the entire project development process. In addition to holding legally required preliminary public information meetings, we also organise information sessions for local residents. It is crucial for us to make sure interested stakeholders are able to find the information they need. Our website includes a specific section which is dedicated to providing information about our current and future infrastructure projects.

Elia Transmission Belgium SA/NV has made sure it has involved 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.

Against the backdrop of the COVID-19 pandemic, we have adapted how we inform citizens and local authorities of our plans: we now employ digital communication channels more frequently than we used to; this includes hosting 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 relevant health and safety restrictions.

RELEVANT PUBLICATIONS AND ACTIONS

117 Public info-dialogue sessions related to grid projects

These sessions are supplemented by invitation letters; citizen information packs; videos; brochures; flyers; roll-ups; press conferences and press releases; digital newsletters; Facebook posts; information videos; telephone hotlines; and communication disseminated via email.

Website Elia Infrastructure projects

Dedicated websites Ventilus & Boucle du Hainaut
GE South-East link

Users' Group (elia.be)

Stakeholder dialogue The Elia group regularly measures the customer satisfaction level of its key stakeholders (including distribution system operators, grid users, producers, access responsible parties, user Groups, etc.) through surveys. Elia Transmission Belgium SA/NV maintains constant contact with its customers and partners through its Users Group, which comprises grid user representatives. 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. Due to 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 such requests (7 working days following receipt). Should a request arise via a contact centre, Elia Transmission Belgium SA/NV offers information and free electromagnetic field measurements to the owners of land and buildings located near its facilities.	50Hertz Transmission GmbH often participates in the exchange of best practice regading public participation; for example, it is a founding member of Renewables Grid Initiative (RGI) and a member of the DialogGesellschaft e. V and the Bertelsmann Foundation's Alliance for Diverse Democracy.
Trade associations: active participants in ENTSO-E & RGI: stakeholders channels	ENTSO-E and RGI
Communication events ESG ActNow progress: In October 2022, a livestreamed event was held in which the Elia group gave its stakeholders an update on its efforts to integrate more and more renewable energy into the system while helping to ensure security of supply and the progress it had made on ActNow.	Stakeholder Day Elia's partner event on Monday 25 April Live Stream ActNow YouTube channel, LinkedIn and Twitter accounts

#11 COMMUNITY DEVELOPMENT AND ENGAGEMENT

ESG Field of impact: Social

GRI reference: GRI 207

IMPACT	INVOLVEMENT	LIKELIHOOD
Society • The Elia group makes a significant contribution to gross domestic product (GDP) through its major infrastructure projects in the form of direct, indirect and induced economic effects. • In addition, 50Hertz Transmission GmbH and Elia Transmission Belgium SA/NV support a variety of projects across their grid areas in the fields of culture, energy, environmental education and youth and social issues.	**Direct**	**Actual**

MANAGEMENT

The Elia group is clearly committed to its regional responsibilities and economic development.

Community engagement

We take our responsibility towards society seriously. That's why Elia Transmission BelgiumSA/NV and 50Hertz Transmission GmbH support a wide range of projects in the fields of culture, energy and environmental education or youth and social affairs across their grid areas.

COMMITMENTS, POLICIES AND MEASURES

Local added value/supporting local initiatives

In addition to undertaking compensation and mitigation measures (see topic #8 "Preserving our ecoystems"), an additional approach was developed to compensate local communities for any disruptions caused during work on high-impact projects. This involves making a financial contribution to community funds, so supporting local communities affected by infrastructure work.

In 2017, Elia Transmission Belgium SA/NV established a partnership with Be Planet to develop and support citizen-led ecological transition projects in municipalities where 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, ensures it is used in line with its objectives and oversees the careful selection of the citizen projects which will receive 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.

We undertake a number of biodiversity measures with the ecological engineering consultant Ecofirst. The implementation of the measures is carried out (whenever the technical conditions allow it) in collaboration local adapted work or social rehabilitation companies.

On 16 March 2022, Ukraine and Moldova's electricity grids were successfully synchronised with the Continental European Power System, meaning the stability of their grids has been supported since. At the request of the Ukrainian government, several European transmission system operators sent electrical equipment to Ukraine throughout the year. In doing so, 50Hertz Transmission GmbH and Elia Transmission Belgium SA/NV joined a number of other TSOs from across Europe who provided Ukrenergo with the equipment it needed to keep its grid operational as it came under attack from Russia.

RELEVANT PUBLICATIONS AND ACTIONS

The interactive exhibition "Turning Energy Together" developed by 50Hertz and the Independent Institute for Environmental Issues (UfU e. V.) explains the energy transition to schoolchildren in an accessible and engaging manner.
In 2022, 2.26 tonnes of our hardware (including laptops, docking stations, printers, screens and carrying cases) were donated to schools and non-profit organisations.

Be Planet | Be Planet

50Hertz supports artists across its grid area and cooperates with museums.

Elia Transmission Belgium SA/NV donated four generators and other electrical equipment to Ukrenergo (the TSO which manages Ukraine's high-voltage grid). 50Hertz Transmission GmbH sent 16 emergency generators, 50 LED spotlights and some other smaller electrical items to Ukraine.

#12 RESILIENT SUPPLY CHAIN PRACTICES

ESG Field of impact: Governance

GRI reference: GRI 204

IMPACT	INVOLVEMENT	LIKELIHOOD
Society The expansion and operation of our infrastructure depends on a network of resilient suppliers across our grid areas and beyond. Any disruption to this supplier network would result in delays that could jeopardise the pace of the energy transition.	**Indirect**	**Potential**

MANAGEMENT

Strategic purchasing by Group Procurement

The Elia group is required to comply with European tendering rules. Adherence to these rules and other internal guidelines ensure that every supplier receives the same non-discriminatory and transparent treatment and that the information sent to them is treated confidentially. Suppliers are selected based on an assessment of multiple criteria.

Purchasing is centrally undertaken by the Group Procurement Team. The latter is responsible for the strategic procurement of materials, assets and services that are necessary for the construction, operation and maintenance of the Elia group's assets. This approach enables efficiency and improves communication with the group's supplier network. To ensure long-term success, building good, long-term stakeholder relationships with suppliers is essential. The goal is to retain existing suppliers while developing new sources of supply. In addition, Group Purchasing strives to minimise supply chain risks by diversifying individual supplier groups across country borders.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
The Elia Group SA/NV is obliged to comply with European tendering rules. Compliance with these rules and other internal guidelines ensures that each supplier receives the same non-discriminatory and transparent treatment and that the information provided to them is treated confidentially. Suppliers are selected on the basis of an evaluation of several criteria	Share of suppliers EU/Non-EU: 97.2% at 50Hertz Transmission GmbH

#13 RESPONSIBLE GOVERNANCE PRACTICES

ESG Field of impact: Governance

SDG reference : 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

IMPACT	INVOLVEMENT	LIKELIHOOD
Society Running our daily activities in a responsible, ethical and accountable way is essential for sustainable corporate success.	**Direct**	**Potential**

MANAGEMENT

The Elia group is committed to ensuring it has solid corporate governance practices in place, as outlined in its group-wide Code of Ethics. In line with this, Elia Transmission Belgium 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 encouraging 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. Please find further details about this in the section [*Policies and Practices*].

COMMITMENTS, POLICIES AND MEASURES

- Governance: Accountable rules & processes
- Ethics: Sustainable mindset and behaviors
- Compliance: Conformity with external and internal rules
- Transparency: Openness and meaningful stakeholder dialogue

We have designed two ESG indexes, the Governance Index and the Compliance Index. These indexes will embed ESG factors into our business activities and decision-making processes. They are each composed of twelve commitments that we want to achieve by the end of 2024. Please see our website. Examples of this year's achievements include the publication of a Group-wide Human Rights Policy and the fact that 20% of the variable remuneration of our executives and senior managers is linked to ActNow objectives. Moreover, in 2021, the Elia group has started adopting an integrated reporting approach as part of the publication of its annual report. This constitutes a stakeholder-focused approach to our corporate reporting that provides a complete picture of how our business activities create value in the short, medium and long term.

RELEVANT PUBLICATIONS AND ACTIONS

ActNow Dimension 5 Objective 1
ActNow Dimension 5 Objective 2

ActNow Dimension 5 Objective 3

ActNow Dimension 5 Objective 4

Governance index: 8/12
Compliance index: 9/12

#14 MINIMISING WASTE AND PROMOTING CIRCULARITY

ESG Field of impact: Environment

SDG reference: 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

GRI reference: GRI 306

IMPACT	INVOLVEMENT	LIKELIHOOD
Environment We generate waste through our maintenance work and infrastructure projects, but opportunities for circularity and recycling exist.	**Direct**	**Actual**

MANAGEMENT

The Elia group is required to comply with waste management rules in our respective operating zones. When dealing with waste that cannot be avoided, the principle we follow is reuse – recycle – recover – dispose. This is addressed by Dimension 2 of our ActNow Programme, which relates to a 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.

COMMITMENTS, POLICIES AND MEASURES

We comply with all national and federal laws and regulations. Waste is removed by authorised waste management companies, who collect, transport and recycle hazardous and non-hazardous waste. On our construction sites, contractors must comply with environmental legislation and sort the site waste they produce. Waste management companies provide information about the way our waste is disposed of (and necessary certificates). Depending on the operating zone, we are also required to report periodically the yearly quantities of specific waste types we produce to the authorities.

50Hertz Transmission GmbH adheres to the legally stipulated recycling requirement (recycling before disposal) in Germany: its recycling rate is around 90%.

Circularity embedded in our core business processes

As part of the ActNow Programme, we have set ourselves objectives in terms of environmental protection and the fostering biodiversity. One of these is related to circularity. In 2022, we started an evaluation programme to enhance our work in this area. We aim to accelerate the circularity of our assets, including those elements which are supplied by external providers.

RELEVANT PUBLICATIONS AND ACTIONS

Almost a 100% recycling rate for our transformers and pylons

Waste management plans

Waste registers

ActNow Dimension 2 Objective 2

#15 SUSTAINABLE SUPPLY CHAIN PRACTICES

ESG Field of impact: Environmental & Social

SDG reference: 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

GRI references: GRI 308, GRI 414

IMPACT	INVOLVEMENT	LIKELIHOOD
Environment Through the environmental standards that the Elia group adopts and the procurement choices it makes (e.g., purchasing products with a lower carbon footprint; using long-lasting materials; using recyclable materials; choosing local products; amending transport methods etc.), it is setting an example for the sector, influencing its entire supply chain and its peers and encouraging them to use greener solutions. **Society** Through the social standards the Elia group sets and complies with (e.g., health and safety, ethics standards, quality standards) and its selection of partners and suppliers, it sets an example for the sector, influencing the entire supply chain and its peers.	**Indirect**	**Potential**

MANAGEMENT

The Elia Group is obliged to comply with European tendering rules. Compliance with these rules and other internal guidelines ensures that every supplier receives the same non-discriminatory and transparent treatment and that the information provided to them is treated confidentially. To ensure that business partners also comply with internationally applicable rules on human rights - such as the prohibition of forced and child labour - sustainability and ethics are essential components of the supplier and service provider assessment. The Elia Group requires its suppliers to behave lawfully and ethically to protect human and labour rights, health and safety, information security and environmental protection. This is set out in the Supplier Code of Conduct (SCoC), which is attached to all tender and contract documents. All suppliers are required to comply with the SCoC.

In addition, the Elia Group Human Rights Policy Statement makes clear references to the relevant ActNow dimensions 3 (Health and Safety), 4 (Diversity, Equality and Inclusion) and 5 (Governance, Ethics and Compliance) and communicates this internally and externally to all stakeholders. Further purchasing initiatives are planned at Group level. For example, strategic suppliers will be surveyed by an external service provider (EcoVadis) on sustainability aspects, including human rights due diligence, and the result will be expressed in an overall score, the so-called ESG rating. In new framework agreements, suppliers will be required to undergo an annual EcoVadis rating during the term of the contract, which will be reviewed by the purchasing department. The sustainability weaknesses resulting from the rating are the basis for action plans, which are requested by Purchasing as needed. The long-term goal is to include all strategic suppliers in a uniform ESG rating. The successive expansion of supply chain management on sustainability topics will continue in the coming years

Further information on the SCoC can be found in section 1 “Policies & practices”.

Suppliers are selected based on the assessment of several criteria. Sustainability-related criteria are included in the contracts and general purchasing conditions signed by our suppliers. By incorporating strict ethical principles into the procurement process, the Elia group seeks to have a positive impact on the environment in which it operates. It also aims to avoid risks arising from non-compliance with certain rules and standards along its the supply chain. To improve this process, a Group Procurement Manager was recruited.

To use these principles to make a positive impact on our supply chain, we have developed a risk-based approach. We assess the risks associated with all purchasing categories based on traditional supply chain risks and sustainability-related supply chain risks.

In addition, we conduct regular site inspections. As part of these inspections, human rights due diligence is carried out in addition to reviews of risks related to accidents and employee health. Sanctions are imposed in instances where violations are found to have occurred. Measures aimed at avoiding such risks are also implemented, primarily through discussions with the partners involved.

The risk of human rights violations occurring are currently considered to be rather low, as sourcing is mainly focused on domestic and EU suppliers which generally have to adhere to stricter laws in this area. However, it could become more important in view of the possible expansion of sourcing markets abroad (see material topic #12 Resilient supply chain practices).

Going forward, we will move from using internal carbon pricing (ICP) on a case-by-case basis in our sourcing decisions to embedding it across all parts of the investment decision-making process.

COMMITMENTS, POLICIES AND MEASURES	RELEVANT PUBLICATIONS AND ACTIONS
In 2018, a Supplier Code of Conduct was published. This includes internationally recognised principles regarding ethical conduct and health and safety and environmental and social considerations. This code applies to each of the Elia group’s suppliers and is always included in documents alongside European procurement procedures. In order to improve our accounting of GHG emissions related to our supply and value chain (scope 3 GHG emissions related to new assets and construction work, see Topic-specific disclosures A.Energy and Emissions), we are improving our CO_2 accounting process in order to better identify the sources of emissions; this will enable us to focus our efforts on addressing and reducing them. 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 GHG emissions related to their goods and services. This will enable us to compare different available options.	Adherence to supplier code of conduct >80% Purchasing conditions have been homogenised on a group level and split into procurement categories; they are available on our website Collaboration with Ecovadis Open letter with other TSOs to suppliers on sustainability (‘The Greener Choice’)

#16 DIVERSE AND INCLUSIVE WORKFORCE

ESG Field of impact: Social

SDG reference: 10 REDUCED INEQUALITIES

GRI reference: GRI 405

IMPACT	INVOLVEMENT	LIKELIHOOD
Society We are working on making sure our workforce reflects the societies we work in (for example by actively addressing the fact that our workforce is male-dominated and changing this), the Elia group can set an example for society at large and increase the diversity of its staff.	**Direct**	**Actual**

MANAGEMENT

We are a company that puts the interest of society first. As a consequence, we should be a good reflection of society in all its diversity. We want to create an inclusive environment that provides opportunities for everyone. We want to ensure all staff members feel comfortable, welcome and supported to progress and flourish within the company. This is not just about meeting numbers and quotas. Gender diversity is not the only criterion - as we continue to expand internationally, diversity in all its forms will grow.

The Elia group is committed to promoting diversity out of conviction and in accordance with ILO Convention 111 and strictly condemns any form of discrimination in all work-related situations. All employees are treated equally regardless of their ethnicity, age, sex, gender, sexual orientation, religious affiliation, political views, national or social origin or other characteristics. The Elia group is committed to valuing all employees and their abilities equally.

As part of Dimension 4 of ActNow ('Diversity, Equity & Inclusion') we have set ourselves targets in these areas.

COMMITMENTS, POLICIES AND MEASURES

- Inclusive leadership across the organisation and engaging all staff

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

Awareness about DEI issues are raised amongst staff through DEI ambassadors, training and internal communication

- Inclusive recruitment and selection practices in hiring processes

One of 50Hertz's concrete targets includes increasing the proportion of women in the workforce (both in leadership positions and in senior management positions) to at least 30% by 2030.

- Equal opportunities for all staff

"Women in Leadership" initiative

- Open and inclusive company culture and healthy work-life balance
- Recognition of societal DEI role

50Hertz is working with Annedore-Leber-Berufsbildungswerk to support young people with disabilities as they start their careers.

Elia Group is a member of the Platform for equality in the energy sector. The Platformwas established by the European Commission, it unites different actors from across the sector who want to create an environment in which everyone has equal chances to succeed. It involves working with other partners and sharing best practice.

RELEVANT PUBLICATIONS AND ACTIONS

ActNow Dimension 4 Objective 1

DEI data dashboard

Across the Elia group, we have 52 Diversity and Inclusion ambassadors

ActNow Dimension 4 Objective 2

ActNow Dimension 4 Objective 3

ActNow Dimension 4 Objective 4

International Day against Homophobia, Transphobia and Biphobia (17 May)

ActNow Dimension 4 Objective 5

Equality platform for the energy sector

4 TOPIC-SPECIFIC DISCLOSURES

A. ENERGY AND EMISSIONS

MANAGEMENT APPROACH

Please refer to
- Climate-related disclosures (TCFD) section in our **2022 Integrated Annual Report**
- **Material topic 3 Sustainable energy system**
- **Material topic 15 Sustainable supply chain practices**

CONSUMPTION AND CARBON FOOTPRINT

[GRI 302-1] [GRI 305-1] [GRI 305-2]

BELGIUM

ENERGY CONSUMPTION	UNIT	BASE YEAR 2019	2020	2021	2022
fleet (diesel)	L	1,520,107.72	1,257,612.56	1,318,535.45	1,356,943.26
fleet (gasoline)	L	153,161.16	142,285.74	196,405.90	254,416.84
heating (natural gas)	MWh	4,227.79	3,419.82	4,865.74	3,598.51
heating (diesel)	L	16,500.00	13,328.00	9,638.00	8,780.00
backup systems (diesel)	L	-	-	-	15,873.00
electricity consumption (technical and admin sites)	MWh	-	-	-	2,991.73
electricity consumption substations - with meters	MWh	-	-	-	3,059.86
electricity consumption substations - without meters	MWh	25,750.00	25,750.00	25,750.00	24,586.00

OTHER EMISSIONS SOURCES	UNIT	BASE YEAR 2019	2020	2021	2022
airco leakages (R407C)	kg	44.00	0.00	0.00	-
airco leakages (R134A)	kg	0.00	145.00	0.00	94.00
airco leakages (R410A)	kg	0.00	4.00	0.00	-
regional grid losses	MWh	547,383.00	539,061.00	558,922.00	515,327.00

(Entities included are Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering SA/NV, Elia Asset SA/NV)

	2019	2020	2021	2022
SF_6 LEAKAGE RATE (%)	0.22	0.19	0.13	0.15 V

(Entities included are Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering SA/NV, Elia Asset SA/NV)

Definitions and comments:

- Starting in 2022, the consumption of our backup systems is included.
- Electricity consumption (technical and admin sites) includes office buildings and technical sites and excludes substations.
- The consumption of the HV substations is – for a minor part – based on physical values (substations with meters) and on an estimated consumption (substations without meters). Starting in 2022, we report separately on the electricity consumption of substations with meters. The values will increase in accordance with the rollout of the programme to equip substations with meters. The estimated consumption has been reevaluated in 2022 leading to adjustments of the figures (see restatements below).

Restatements:

The estimated consumption of the HV substations has been reevaluated in 2022, leading to a restatement for years 2019 to 2021

Definitions:

SF_6: Chemical formula of 'sulphur hexafluoride'. SF_6 is used as an insulation and switching gas in gas-insulated high-voltage switchgear. It has excellent electrical properties, is nontoxic and is chemically stable. However, the global warming potential of SF_6 is 23,500 times higher than CO_2.

SF_6 leakage rate = amount of SF_6 leaked during the year/the average amount of SF_6 gas stored in the compartments.

The SF_6 leakage is calculated based on the weight registration of SF_6 bottles and containers when transactions (e.g. refills) with SF_6 gas are done.

Restatement

The 2021 SF_6 leakage rate value was restated due to an update of the calculation methodology.

GHG EMISSIONS (t CO_2 eq)		EMISSIONS CATEGORY	BASE YEAR 2019	2020	2021	2022
Direct - Scope 1		SF_6 leakages	5,875.00	5,663.00	4,387.22	5,488.90
		fleet (diesel)	3,815.47	3,156.61	3,309.52	3,419.50
		fleet (gasoline)	349.21	324.41	447.81	580.07
		heating (natural gas)	782.14	632.67	900.16	665.72
		heating (diesel)	43.23	34.92	25.25	22.13
		backup systems (diesel)	-	-	-	40.00
		airco (R407C)	71.46	-	-	0.00
		airco (R134A)	-	188.50	-	122.20
		airco leakages (R410A)	-	7.70	-	0.00
		Total	**10,936.51**	**10,007.81**	**9,069.96**	**10,338.52** V
Indirect - Scope 2 (location-based)	Calculation with external emission factor	regional grid losses	93,055.11	90,023.19	86,073.99	Not available
		electricity consumption (technical and admin sites)	-	-	-	
		electricity consumption substations - with meters	-	-	-	
		electricity consumption substations - without meters	4,377.50	4,300.25	3,965.50	
		Total	**97,432.61**	**94,323.44**	**90,039.49**	
	Calculation with own emission factor	regional grid losses	79,917.92	83,662.27	65,393.87	65,395
		electricity consumption (technical and admin sites)	-	-	-	379.65
		electricity consumption substations - with meters	-	-	-	388.30
		electricity consumption substations - without meters	3,759.50	3,996.40	3,012.75	3,119.96
		Total	**83,677.42**	**87,658.67**	**68,406.62**	**69,282.91** V
Total scope 1 & 2 (location-based)	Calculation with external emission factor	-	108,369.11	104,331.25	99,109.45	Not available
	Calculation with own emission factor	-	94,613.92	97,666.48	77,476.58	79,621.42 V

(Entities included are Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Engineering SA/NV, Elia Asset SA/NV)

Definitions and comments:

- Starting in 2022 the emissions related to our backup systems are included
- Only regional grid losses are taken into account. Federal grid losses are excluded from the CO_2 emissions calculation in accordance with Art. 104 of the Code of Conduct (Gedragscode) stipulated by the CREG

The following calculation standards and emission factors were used to determine the GHG emissions:

1. For SF_6: Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard /IPCC 5th ARS
2. For gasoline, diesel, natural gas, airco leakages: Bilan GES Ademe (as of 29/03/2019)
3. For electricity:

External emission factor: the European Environment Agency (EEA). The 2022 emission factor is not published at the time of reporting.

Own emission factor: self-calculation is based on Belgium's annual energy mix.

Restatements:

A new methodology has been implemented regarding SF_6 leakages calculation, which has led to a restatement of the associated emissions for year 2021.

The estimated consumption of the HV substations has been reevaluated in 2022, leading to a restatement of the associated emissions for years 2019 to 2021

Scope 2 emissions based on external emission factors (EEA) have been restated for 2020 and 2021 in accordance with the corresponding annual emission factors.

GERMANY

ENERGY CONSUMPTION	MWH	%	t CO_2-EQ
Electricity	63,627.87	89.82	34,168
District heating	1,182.55	1.67	331
Fuel (petrol)	808.28	1.14	163
Fuel (diesel)	0.16	0.00	0.04
Natural gas	5,219.39	7.37	1,388
Total energy consumption	**70,838.25**	**100.0**	**36,050.04**

Data source: External energy audit carried out in line with DIN EN 16247-1 in 2019 for the year 2018

Other emissions sources:

SF_6 LEAKAGE RATE (%)	2019	2020	2021	2022
	0.11	0.19	0.14	0.11 V

Definitions:

SF_6: Chemical formula of 'sulphur hexafluoride'. SF_6 is used as an insulation and switching gas in gas-insulated high-voltage switchgear. It has excellent electrical properties, is nontoxic and is chemically stable. However, the global warming potential of SF_6 is 23,500 times higher than CO_2.

SF_6 leakage rate = amount of SF_6 leaked during the year/the average amount of SF_6 gas stored in the compartments.

The SF_6 leakage is calculated based on the weight registration of SF_6 bottles and containers when transactions (e.g. refills) with SF_6 gas are done.

GHG EMISSIONS (t CO_2 eq)	EMISSIONS CATEGORY	BASE YEAR 2019	2020	2021	2022
Direct - Scope 1	SF_6 leakages	4,257	8,300	5,984	4,959
	backup systems (diesel)	7	0	0	0
	fleet	1,521	1,351	1,586	1,574
	heating (natural gas)	147	102	215	139
	Total	**5,932**	**9,753**	**7,785**	**6,671 V**
Indirect - Scope 2 (location-based)	grid losses	928,860	832,500	997,920	1,107,648
	heat	264	287	346	233
	electricity consumption (administrative)	2,482	2,123	2,465	2,318
	electricity consumption (technical)	21,636	20,070	23,683	23,427
	Total	**953,242**	**854,980**	**1,024,414**	**1,133,626 V**
Total scope 1&2 (location-based)		**959,175**	**864,733**	**1,032,198**	**1,140,297 V**

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH, Eurogrid GmbH)

Definitions and comments:

- Electricity consumption (technical) includes technical sites and substations.
- The following calculation standards and emission factors were used to determine the GHG emissions:
- For SF_6: Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard; SF_6: IPCC 5th ARS
- For gasoline, diesel, electricity, natural gas: Umweltbundesamt 2017 Scope 2 Guidance

Restatements:

- The value of the emission factor for electricity is adjusted by the Umweltbundesamt on a 3-year basis. This has led to a modification of the grid losses-related and electricity consumption emissions
- Minor adjustments were also made regarding gas consumption-related emissions

GHG EMISSIONS INTENSITY

[GRI 305-4]

Elia Transmission Belgium SA/NV

- GHG emissions intensity ratio = 1.16 tCO_2eq/GWh
- Numerator: scope 1 & 2 location-based
- Denominator:electricity transmitted (68.61 TWh)

50Hertz Transmission GmbH

- GHG emissions intensity ratio = 10.20 tCO_2eq/GWh
- Numerator: scope 1 & 2 location-based
- Denominator: electricity transmitted (111.8 TWh)

OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

[GRI 305-3]

BE SCOPE 3	CATEGORY ELIA GROUP DESCRIPTION	REPORTING YEAR EMISSIONS (tCO_2eq)	METHODOLOGY
Upstream	Purchased goods and services	361,596	Spend-based
	Capital goods	240,136	Spend-based

The following calculation standard has been used: Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard

GE SCOPE 3	CATEGORY ELIA GROUP DESCRIPTION	REPORTING YEAR EMISSIONS (tCO_2eq)	METHODOLOGY
Upstream	Purchased goods and services	1,447,016	Spend-based
	Capital goods	430.138	Spend-based

The following calculation standard has been used: Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard

REDUCTION OF ENERGY CONSUMPTION AND GHG EMISSIONS [GRI 302-4] [GRI 305-5]

SBTi validated Elia Group's GHG emission reduction target : Elia Group commits to reduce absolute scope 1 and 2 GHG emissions 28% by 2030 from a 2019 base year.

The SBTI's Target validation Team has determined that this target is in line with the well-below 2°C trajectory.

This will be achieved through reduction initiatives related to the following emissions categories:

1. SF_6

   1.A. Leakage management

   The group target (including the values consolidated for Elia Transmission Belgium SA/NV and 50Hertz Transmis sion) for 2030 is to maintain the leakage rate below 0.25%.

   1.B. Phase-out

   We have set ourselves the target of reducing the use of SF_6 by 50% in all new assets built by 2030 (compared with SF_6 volumes which were initially planned).

2. Substations consumption (note that for the SBTi reduction target, assumptions were considered for this metric)

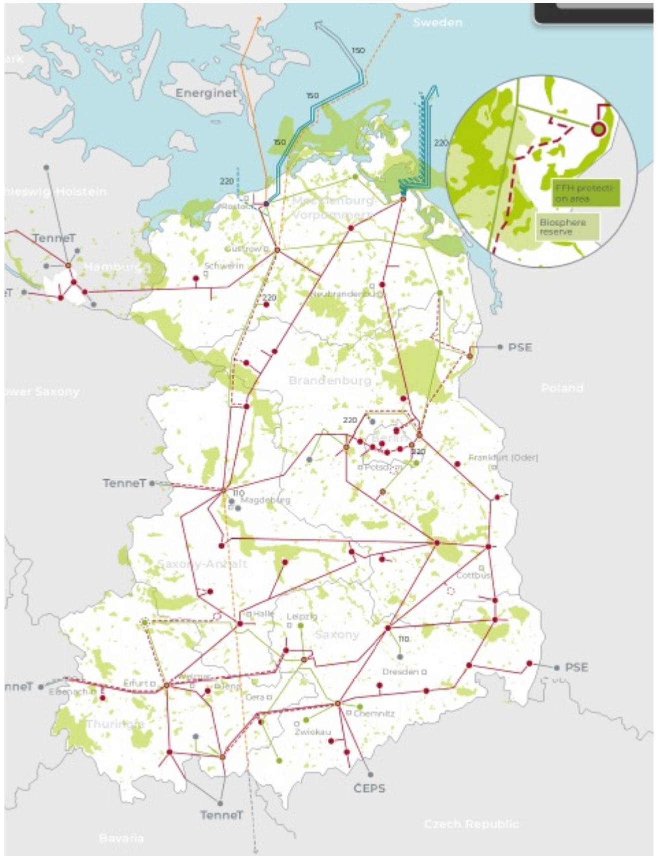
3. Mobility

Please refer to **our 2022 Integrated annual report in the section Climate-related disclosures (TCFD)** for further details.

B. BIODIVERSITY

MANAGEMENT APPROACH

Please Refer to **Material topic 7: 'Preserving our ecosystems'**

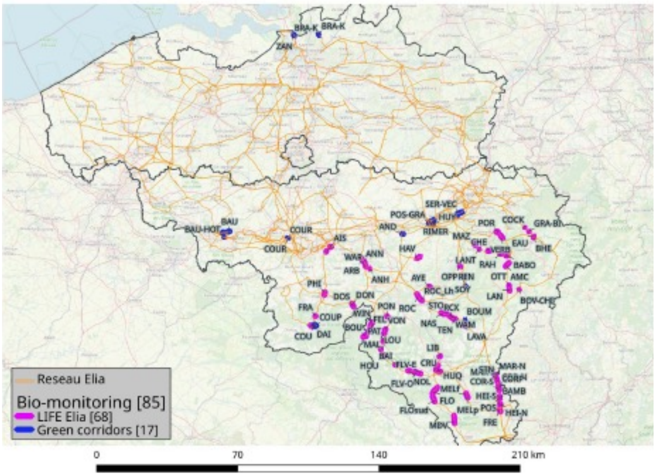


OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS [GRI 304-1]

The total length of Elia Transmission Belgium SA/NV located in Natura 2000 areas (on land and sea) is 665 km.

Please see below the situation for 50Hertz Transmission GmbH.

HABITATS PROTECTED OR RESTORED [GRI 304-3]



ELIA TRANSMISSION BELGIUM SA

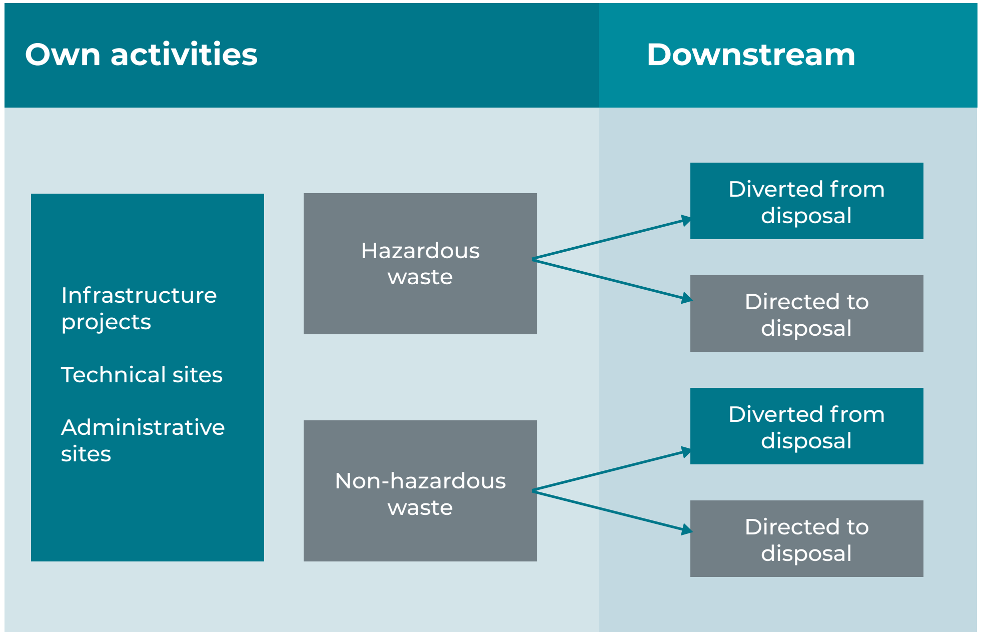
MEASURES	UNIT	CUMULATIVE SURFACE (TOTAL IN 2022)
Grazing pastures	ha	80.9
Restored forest edges	ha	215.4
Planted forest edges	ha	130.1
Forest edges – restoration and plantation	ha	50
Dry grasslands	ha	7.5
Wet meadows	ha	16.2
Dry meadows	ha	105.3
Dry heaths	ha	20.1
Orchards	ha	27.5
Ponds	Number	173

50HERTZ TRANSMISSION GMBH

COMPENSATION MEASURES (HA)	2022	2021	2020
in planning and realization	119	153	268
in maintenance	376	371	249
Terminated	331	313	297

C. WASTE

VISUAL PROCESS FLOW OF INPUTS, ACTIVITIES, OUTPUTS [GRI 306-1]



MANAGEMENT OF SIGNIFICANT WASTE-RELATED IMPACTS [GRI 306-2]

Please Refer to **Material topic 14: 'Minimising waste and promoting circularity'**

WASTE

[GRI 306-3] [GRI 306-4] [GRI 306-5]

BE	2020	2021	2022
hazardous waste (tons)	729.01	535.54	936.12
non-hazardous waste (tons)	631.99	646.51	196.42
waste total (tons)	1,361	1,182.05	1,132.54
recycling rate (%)	98.41	99.5	100

The data below covers the waste collected in our administrative and technical centers. Waste from construction sites is not included.

All recovery operations happen offsite

All disposal operations happen offsite

GE	2020	2021	2022
hazardous waste (tons)	5,973	21,225	7,973
non-hazardous waste (tons)	93,228	163,536	89,783
waste total (tons)	99,261	184,761	97,756
recycling rate (%)	95	89	95

All recovery operations happen offsite

All disposal operations happen offsite

D. EMPLOYMENT

EMPLOYEES

[GRI 2-7]

BE		2020	2021	2022
Grand Total	**Total**	**1,455**	**1,491**	**1,540 V**
Gender	Male	1,170	1,198	1,226 V
	Female	285	293	314 V
Age	<30	171	157	178 V
	30-50	882	925	950 V
	>50	402	409	412 V
Full/part time	Full-time staff	1,333	1,347	1,411 V
	Part-time staff	122	144	129 V

(Entities 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)

GE		2020	2021	2022
Grand Total	**Total**	**1,279**	**1,409**	**1,587 V**
Gender	Male	967	1,063	1,186 V
	Female	312	346	401 V
Age	<30	114	132	161 V
	30-50	807	904	1,031 V
	>50	358	373	395 V
Full/part time	Full-time staff	1,191	1,322	1,486 V
	Part-time staff	88	87	101 V

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH*, Eurogrid GmbH and Elia Grid International GmbH)

*50Hertz Offshore has no employees

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES [GRI 405-1]

For Diversity of our governance bodies, please refer to **our 2022 Integrated Report** Section Corporate Governance Report.

EMPLOYMENT CATEGORY		2020	2021	2022
Directors	**Total**	**8**	**8**	**12 V**
	Male	5	5	9 V
	Female	3	3	3 V
	% women	**37.5**	**37.5**	**25**
Senior managers	**Total**	**35**	**40**	**44 V**
	Male	29	33	35 V
	Female	6	7	9 V
	% women	**17.14**	**17.50**	**20.45**
Line managers*	**Total**	**614**	**642**	**238 V**
	Male	474	494	198 V
	Female	140	148	40 V
	% women	**22.80**	**23.05**	**16.81**
Employees	**Total**	**798**	**801**	**1,246 V**
	Male	662	666	984 V
	Female	136	135	262 V
	% women	**17.04**	**16.85**	**21.03**

(Entities 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)

Starting with 2022, new definitions apply:

* Line managers are staff members with internal direct reports (excluding Directors and Senior Managers)

Employees are staff members who are not line managers, Senior Managers or Directors

Note that the "line manager" definition has been changed in 2022 to ensure the alignment with the 50Hertz's definition. This has led to a change in the 2022 total number of employees and line managers compared to 2020 and 2021.

EMPLOYMENT CATEGORY		2020	2021	2021
Directors	**Total**	**5**	**5**	**5 V**
	Male	4	4	4 V
	Female	1	1	1 V
	% women	**20**	**20**	**20**
Senior managers	**Total**	**45**	**42**	**44 V**
	Male	37	33	33 V
	Female	8	9	11 V
	% women	**17.78**	**21.43**	**25**
Line managers	**Total**	**101**	**107**	**121 V**
	Male	87	89	96 V
	Female	14	18	25 V
	% women	**13.86**	**16.82**	**20.66**
Employees	**Total**	**1,133**	**1,260**	**1,422 V**
	Male	843	941	1 057 V
	Female	290	319	365 V
	% women	**25.60**	**25.32**	**25.67**

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH*, Eurogrid GmbH and Elia Grid International GmbH)

*50Hertz Offshore has no employees

Line managers are staff members with internal direct reports (excluding Directors and Senior Managers)

Directors are not included in the headcount for the German segment

Employees are staff members who are not line managers, Senior Managers or Directors

WORKERS WHO ARE NOT EMPLOYEES [GRI 2-8]

Total number of workers who are not employees and whose work is controlled by the organization:

Elia Transmission Belgium SA/NV: 686 (calculated as an average across the reporting period)

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER [GRI 401-1]

Please refer to Material topic 9: 'Talent acquisition and development'

BE		2020		2021		2022	
		Number	Rate	Number	Rate	Number	Rate
New employee hires	Total	100	6.49	96	6.23	149	9.68
	<30	26	1.69	38	2.47	70	4.55
	30-50	55	3.57	55	3.57	72	4.68
	>50	19	1.23	3	0.19	7	0.45
	Male	73	4.74	78	5.06	111	7.21
	Female	27	1.75	18	1.17	38	2.47
Employee turnover	Total	63	4.45	64	4.43	87	5.78
	<30	4	5.03	7	7.04	9	6.12
	30-50	26	3.01	28	3.13	41	4.39
	>50	33	6.99	29	6.44	37	8.71
	Male	48	4.20	52	4.47	73	6.05
	Female	15	5.49	12	4.26	14	4.70

(Entities 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)

GE		2020		2021		2022	
		Number	Rate	Number	Rate	Number	Rate
New employee hires	Total	191	14.93	204	14.48	262	16.51
	<30	61	4.77	66	4.68	72	4.54
	30-50	71	5.55	125	8.87	172	10.84
	>50	59	4.61	13	0.92	18	1.13
	Male	135	10.56	148	10.50	182	11.47
	Female	56	4.38	56	3.97	80	5.04
Employee turnover	Total	43	3.36%	78	5.54%	79	4.98%
	<30	5	0.39%	14	0.99%	12	0.76%
	30-50	20	1.56%	39	2.77%	34	2.14%
	>50	18	1.41%	25	1.77%	33	2.08%
	Male	34	2.66%	58	4.12%	54	3.40%
	Female	9	0.70%	20	1.42%	25	1.58%

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH*, Eurogrid GmbH and Elia Grid International GmbH)

*50Hertz Offshore has no employees

Definitions:

- **New hires:** New hires include all new employees who were both planned for in the budget and those who weren't. Employees who take on a new role in the organisation are not included in this number.
- **Turnover:** 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 (%)** = (annual total turnover) / ((number of employees beginning of year+ number of employees end of year)/2) * 100

PARENTAL LEAVE [GRI 401-3]

All staff members are entitled to take parental leave.

BE		2020		2021		2022	
		Number	Rate	Number	Rate	Number	Rate
Total	**Total**	**111**	**7.63**	**105**	**7.04**	**117**	**7.60**
	Male	58	3.99	52	3.49	1	0.06
	Female	52	3.57	49	3.29	117	7.60
Full-time	**Total**	**34**	**2.34**	**33**	**2.21**	**43**	**2.79**
	Male	18	1.24	16	1.07	74	4.81
	Female	117	8.04	108	7.24	1	0.06
Deduction of full-time	**Total**	**77**	**5.29**	**72**	**4.83**	**1**	**0.06**
	Male	40	2.75	36	2.41	0	0.00
	Female	40	2.75	36	2.41	0	0.00

(Entities included are 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/V)

NOTE: It is not possible to report on the total number of staff members who are or have been entitled to this type of leave, as they may have already taken it whist working at another company.

GE		2020		2021		2022	
		Number	Rate	Number	Rate	Number	Rate
Full-time	**Total**	**67**	**5.24%**	**79**	**5.61%**	**102**	**6.43%**
	Male	47	3.67%	51	3.62%	73	4.60%
	Female	20	1.56%	28	1.99%	29	1.83%

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH*, Eurogrid GmbH and Elia Grid International GmbH)

*50Hertz Offshore has no employees

RETIREMENT [G4 EU15]

BE	IN 5 YEARS	IN 10 YEARS
Directors	0	0.06
Senior managers	0.06	0
Staff members	1.95	1.95

(Entities 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).

Staff members include lines managers and employees.

GE	IN 5 YEARS		IN 10 YEARS	
	Male	Female	Male	Female
Directors	20.00%	0.00%	40.00%	0.00%
Senior managers	11.36%	0.00%	36.36%	0.00%
Line managers	4.13%	0.00%	11.57%	0.00%
Employees	5.06%	1.05%	10.90%	2.67%

(Entities included: 50Hertz Transmission GmbH, 50Hertz Offshore GmbH*, Eurogrid GmbH and Elia Grid International GmbH)

*50Hertz Offshore has no employees

E. OCCUPATIONAL HEALTH AND SAFETY

MANAGEMENT APPROACH

Please refer to **Material Topic 8: 'Employee health, safety and wellbeing'**

The main types of work-related injuries are contusions, head or neck pain, abrasions and cuts.

WORK-RELATED INJURIES CAUSED BY ACCIDENTS

[GRI 403-9]

BE	Accidents statistics*	2020	2021	2022
Employees	Number of hours worked (million hours)	2.20	2.21	2.29
	Number of employees injured with at least 1 missed workday	1	8	2
	Number of work-related fatalities	0	1	0
	Accident frequency rate (1)	0.50	3.60	0.90
	Total recordable injury rate (TRIR) (2)	5.01	6.79	4.37 V
	Accident severity rate (3)	0.00	0.14	0.07
	Fatal accidents	0	1	0
Contractors	Number of hours worked (million hours)	3.27	3.43	3.70
	Number of work-related accidents (with & without lost time)	27	48	42
	Accident frequency rate (1)	5.81	7.86	6.76
	Total recordable injury rate (TRIR) (2)	8.26	13.97	11.36 V
	Fatal accidents	0	0	0
Own staff & Contractors	Total recordable injury rate (TRIR) (2)	6.95	11.16	8.69 V

*work-related accidents without commuting accidents

(1) Number of work-related accidents with lost time >1day* 1,000,000/ number of hours worked

(2) TRIR = number of recordable injuries*1.000.000/number of hours worked.
Recordable injury = any work related injury or illness that requires more than first aid treatment and/or restriction of work motion. For contractors, the worked hours are estimated starting from actual invoices and based on an allocation key for labor cost in function of material groups and a yearly indexed hourly rate (2023: 59.8 EUR/hour)

(3) Number of lost days due to work-related accidents in calendar days*1,000 / number of hours worked

Restatements:

The 2019-2021 figures for TRIR contractors are restated as the allocation keys used in the calculation method have been updated. The trend 2019-2022 based on prior method and new method remains similar.

GE	Accidents statistics *	2020	2021	2022
Own staff	Number of employees injured with at least 1 missed workday	6	5	6
	Number of work-related fatalities	0	0	0
	Accident frequency rate (1)	3.7	2.4	2.7
	Total recordable injury rate (TRIR) (2)	5.9	5.3	4.9 V
	Accident severity rate (3)	0.03	0.01	0.03
Contractors	Number of work related accidents (with & without lost time)	22	36	36
	Number of work-related fatalities	0	0	1

*work-related accidents without commuting accidents

(1) Number of work-related accidents with lost time >1day* 1,000,000/ number of hours worked

(2) TRIR = number of recordable injuries*1.000.000/number of hours worked Recordable injury = any work related injury or illness that requires more than first aid treatment and/or restriction of work motion.

(3) Number of lost days due to work-related accidents in calendar days * 1.000.000/number of hours worked

F. TRAINING AND EDUCATION

MANAGEMENT APPROACH

Please refer to **Material topic 9: 'Talent acquisition and development'**

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE [GRI 404-1]

BE	female	male
Average hours of training per year per employee	16.05	29.22

GE	2020	2021	2022
Average hours of training per year per employee	8.67	12.56	14.3

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS [GRI 404-3]

100 % of our staff members receive regular performance and career development reviews.

G. DIVERSITY AND EQUAL OPPORTUNITY

Please refer to

- **Material topic 16 Diverse and inclusive workforce**
- D. Employment [GRI 405-1]

H. LOCAL COMMUNITIES AND COMMUNICATION EVENTS

Please refer to

- **Material topic 11: 'Community development and engagement'**
- Fostering stakeholder interactions in our **2022 Integrated Annual Report**

I. SUPPLIER SOCIAL & ENVIRONMENTAL ASSESSMENT

MANAGEMENT APPROACH

Please refer to

- General disclosures – Policies and practices – Supplier code of conduct
- **Material topic 15: 'Sustainable supply chain practices'**

J. TAX

Please find our tax guidelines on **our website**:

COUNTRY-BY-COUNTRY REPORTING

[GRI 207-4]

BE TAX REVENUE IN MILLION €	2020	2021	2022
Corporate income tax	50.03	37.03	41.80
Property tax	12.59	12.30	12.93
Turnover tax (VAT invoiced)	432.48	491.90	433.79
Input Tax (VAT charged)	433.64	505.48	618.93

GE TAX REVENUE IN MIO. €	2020	2021	2022
Value added tax *	905.2	1,216.6	1,882.2
Input tax *	905.6	1,274.4	2,003.7
Corporate tax *	70.1	18.2	43.3
Property tax **	0.5	0.5	0.5
Trade tax **	60.1	23.1	41.4

* Indirect influx to local authorities of states and municipalities via financial redistribution between the states

** Direct influx to local authorities of states and municipalities

5 SECTOR-SPECIFIC DISCLOSURES

A. GRID [G4-EUS-EU4]

LENGTH OF LINES

BE	2020		2021		2022	
Voltage	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV	69.5	0	69.5	0	69.5	0
380 kV	40	923	41	940	41	940
320 kV	49	0	49	0	49	0
220 kV	161	301	162	300	162	302
150 kV	686	1,935	717	1,926	749	1,926
110 kV	0	8	0	9	0	25
70 kV	304	2,399	324	2,370	331	2,316
36 kV	1,915	8	1,865	8	1,844	8
30 kV	75	22	64	22	64	22
Total lines/ cables	3,299.5	5,596	3,291.5	5,575	3,309.5	5,539
Total	**8,896**		**8,867**		**8,849**	

* the Nemo Link interconnector (140 km) is a joint venture (50/50) between National Grid Inteconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, and Elia Transmission Belgium SA/NV.

Restatement: the 2021 value of the 30 kV underground cables has been corrected compared to the 2021 Sustainability report

GE	2020		2021		2022	
Voltage	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV	15	0	15	0	15	0
380 kV	55	7,330	55	7,330	55	7,480
220 kV	293	2,397	293	2,342	290	2,370
150 kV	295	0	295	0	290	0
Total lines/ cables	658	9,727	658	9,672	650	9,850
Total	**10,385**		**10,325**		**10,500**	

SUBSTATIONS AND SWITCHES

BE	2020	2021	2022
Substations >=150 kV (#)	299	300	300
Substations <150 kV (#)	507	507	505
HDVC* Converter station (#)	2	2	2
Total	808	809	807

* High-Voltage Direct Current (HVDC)

GE	2020	2021	2022
Substations >=150 kV (#)	65	66	67
Substations <150 kV (#)	9	9	10
HDVC* Converter station (#)	2	2	2
Total	76	77	79

GRID RELIABILITY

BE	2020	2021	2022
Number of incidents <150kV	31	20	23
Number of exceptional events	0	1	0
Average Interruption time (minutes) >=150kV	0.85	0.34	0.36
Average Interruption time (minutes) <150kV	2.04	0.85	2.06
Maximum AIT for the current period	2.10	2.10	2.10
Energy not transported/not served with internal responsibility	327.92	143.53	187.38
Onshore grid availability at connection points	0.9999936	0.99999564	0.9999969

GE	2020	2021	2022
Disturbance rate	1.18	1.16	0.92
All TSOs	1.59	1.59	Available in June 2023

Onshore availability = 1 – AIT (internal Elia + intrinsic risk) / (# minutes in the year)

GRID LOSSES

BE	UNIT	2020	2021	2022
Federal grid losses (>= 150 kV)	MWh	717,811.00	918,071.00	838,496.00
Regional grid losses (<150 kV)	MWh	539,061.00	558,922.00	515,327.00
Total	MWh	1,256,872.00	1,476,993.00	1,353,823.00

GE	UNIT	2020	2021	2022
Total grid losses	TWh	2.22	2.376	2.564

B. SECURITY AND EMERGENCY MANAGEMENT AND ASSET MANAGEMENT

CRITICAL INFRASTRUCTURE

For the Elia group, security does not stop at company boundaries. For example, staff are trained in crisis management and crisis communication with internal and external stakeholders during regular crisis team exercises. Not only are the existing structures, processes and reporting channels reviewed and continuously improved, but crisis team members and employees are also intensively trained in the skills needed to deal with unexpected and high-stress events in a level-headed manner and are also trained to take quick and appropriate crisis management decisions. These and other measures serve to continuously increase the resilience of the Elia group in a holistic manner. In addition to the training offered to all members of the crisis team, reviews are undertaken of property protection concepts and general corporate security is further developed.

EMERGENCY AND RESTORATION

[G4-EUS-DMA Disaster/ Emergency Planning and Response]

Should a crisis occur (as a result of a natural disaster, malicious attack or a fuel shortage), Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have crisis management procedures to follow which consist of 3 main plans, as outlined below.

- **The crisis management plan describes** the roles, responsibilities and processes related to crisis management. Emergency management is planned for based on different emergency scenarios known as Standardised Emergency Preparedness Plans (SEPPs). The emergency plans contain appropriate measures and reporting and information processes which must be followed.
- **The system defence plan:** this includes automatic and manual measures which aim to prevent abnormal situations from developing (including blackouts), to limit the impact of disturbances and to stabilise the electric power system when it is in an 'Emergency' state. These measures aim to return the system to a 'Normal' or 'Alert' state as soon as possible with minimal impact on grid customers and society. In accordance with the system defence plan, both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have established load shedding and other plans to be executed by themselves or related distribution operators; these include demands which need to be manually or automatically performed to prevent the worsening of an electricity crisis.
- **The restoration plan:** this includes a set of actions that can be used after a disturbance which has had large-scale consequences (e.g. a blackout). These actions are intended to return the electricity system to a 'Normal' state. Both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH regularly train their operator teams by organising simulated exercises with relevant stakeholders and partners (such as distribution system operators or generation companies). In general, system operators regularly practice handling abnormal and crisis situations by undertaking theoretical and practical training.

TSOs must regularly test their ability to restart the system. These restart tests - also called black start tests - are part of TSO grid reconstruction plans. TSOs 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. Simulations and theoretical training sessions related to emergency and restoration plans are provided for the operators of the national control centre and the regional control centres.

ASSET MANAGEMENT

Our employees play an important role in the management of the life cycles of our assets, from their technical development through to the development of asset fleet strategies. Decisions regarding our assets are taken based on incident analyses, reviews, technical analyses, condition monitoring, risk analysis and associated impacts. Decisions are always based on technical expertise, taking into account the impact of costs (OPEX and CAPEX) and risks.

C. ELECTRIC AND MAGNETIC FIELDS

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) which have an extremely low frequency, as is also the case for all electric devices, including domestic appliances.

Strict regulations apply to electric and magnetic fields in Germany, which are governed by the Federal Immission Control Act. 50Hertz Transmission GmbH complies with these limits. 50Hertz Transmission GmbH takes the concerns of interested parties seriously, carries out on-site measurements with them and implements associated measures if necessary. Although no direct causal link can be established between exposure to such fields (through electricity transmission infrastructure) and human health, Elia Transmission Belgium SA/NV takes EMFs very seriously, considering each grid project carefully and supporting scientific studies that improve the understanding of this area. Elia Transmission Belgium SA/NV makes annual financial contributions (amounting to €305,000 in 2022) to scientific research on the subject. In this vein, it supports the Belgian Bio-ElectroMagnetics Group (BBEMG), whose scientific independence is enshrined in a cooperation agreement. At an international level, Elia Transmission Belgium SA/NV has 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 Transmission Belgium SA/NV access to the results of international research studies carried out in the area. Elia Transmission Belgium SA/NV communicates transparently on EMFs using a number of different channels: a dedicated website; information leaflets; a brochure; newsletters; information sessions (attended by independent experts where possible); and, following requests from local residents, it carries out free measurements of EMFs 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 Transmission Belgium SA/NV assesses future exposure to such fields by means of specific calculations (modelling); mitigation/reduction measures are applied where necessary.

D. NOISE

Noise can be caused by transformers in high-voltage substations, high-voltage lines, pylons and other equipment. Underground lines do not cause any noise. Strict guidelines apply for both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH (no noise pollution). The main source of noise pollution across the grid is associated with transformers. 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 measurements of the noise emitted by existing transformers, a simulation is carried out of the situation after the construction or upgrade of a transformer in order to estimate the level of noise it will produce. Elia Transmission Belgium SA/NV also conducts noise studies when it receives complaints.

6 ENVIRONMENTAL EU TAXONOMY REGULATION

A. CONTEXT

The European Union (EU) has become a global front-runner in terms of sustainability legislation and standardisation. Since the publication of the European Green Deal (2019) and its commitment to become the world's first carbon-neutral continent by 2050, the EU has continued to reinforce a complex and consistent system of legal requirements, which are aimed at embedding environmental and social sustainability considerations into the national laws of its Member States.

To realise its ambitions, the EU has set in motion an Action Plan for Financing Sustainable Growth (2018), which contains three clear objectives:

- reorient capital flows to sustainable investment;
- mainstream sustainability into risk management;
- foster transparency and long-termism in financial and economic activities.

The first measure undertaken as part of this plan was the creation of the EU Taxonomy Regulation 2020/852. This is a classification system for economic activities that are environmentally sustainable and that substantially contribute to one or more of six environmental objectives, while not harming the other objectives and in compliance with minimum social safeguards.

The EU Taxonomy and its disclosure requirements – which can be narrowed down to three main metrics or KPIs – offer a high-level view of a non-financial organisation's contribution to environmental objectives. It also stands as an opportunity for companies to demonstrate to market participants that their economic activities are in line with the transition to a net zero society and are resilient in the long run.

Sustainable finance has a key role to play in the EU delivering on its climate and sustainability ambitions and policy objectives that it has outlined both in the Green Deal and in its international commitments.

In the future, non-financial companies that can demonstrate a high percentage of Taxonomy-alignment will be able to access additional financing opportunities that they need for their sustainable business activities. By enabling businesses to thrive while disconnecting the economic growth from the environmental pressure, the EU Taxonomy will channel financial flows into sustainable investments. Moreover, by defining what is environmentally sustainable, the Taxonomy Regulation will help financial stakeholders plan and report on their efforts to support the transition to a climate-neutral economy.

This chapter contains the disclosures for Elia Group's KPIs, as required by Regulation EU 2020/852 and the related Delegated Acts.

B. ELIA GROUP, AN EARLY ADOPTER

Sustainability lies at the heart of the group's business activities and it is enshrined in our vision, our societal mission, and our group strategy. We are committed to operating a sustainable business, which involves transparency and taking a proactive approach in our reporting.

We have followed the development of the EU Taxonomy very closely from its inception through to its passing into regulation. We grasped the opportunity to move to reporting in line with its requirements ahead of time, making us a front-runner among our European peers in this regard: in 2021, we published our '**EU Taxonomy Case Study'**, which assessed the Taxonomy alignment of our activities, and voluntarily disclosed our methodology and implementation process. The EU Taxonomy has provided us with an opportunity to fine-tune our own strategic approach and we are fully committed to maintaining strong alignment with it.

ELIA GROUP KEY FIGURES 2022

99.78%
Taxonomy-aligned turnover

99.87%
Taxonomy-aligned CAPEX

99.49%
Taxonomy-aligned OPEX

Elia Group's detailed EU Taxonomy disclosures are available in the following **Excel table**

C. OUR PROCESS

Our assessment of Elia Group's eligibility and alignment with the EU Taxonomy was prepared in line with the following:

- the EU Taxonomy Regulation 2020/852, published in the Official Journal of the European Union on 22 June 2020;
- the Climate Delegated Act and Annex 1 and Annex 2 (Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021);
- the Disclosure Delegated Act and Annex 1 (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021);
- the Draft Report on Minimum Safeguards published by the Platform on Sustainable Finance in July 2022;
- the Draft Commission Notice 1 and 2 published on 19 December 2022.

Our EU Taxonomy eligibility and alignment assessment included a five-step approach, as outlined below. Economic activities that fulfill the requirements along these steps are considered 'aligned' with the Taxonomy. The last step involved the calculation of corresponding percentages for eligible and aligned turnover, CAPEX and OPEX.

1. **Eligibility:** the economic activity needs to be "Taxonomy eligible" (i.e. covered by the criteria in the Climate Delegated Acts and its annexes);
2. **Technical Screening Criteria (TSC):** the economic activity is analysed based on the fulfillment of criteria for "substantial contribution" to at least one environmental objective out of the following six:
   i. Climate change mitigation;
   ii. Climate change adaptation;
   iii. Sustainable use and protection of water and marine resources;
   iv. Transition to a circular economy;
   v. Pollution prevention and control; and
   vi. Protection and restoration of biodiversity and ecosystems.
3. **Do No Significant Harm analysis:** while substantially contributing to one of the environmental objectives, the economic activity should not harm any of the other remaining five;
4. **Compliance with Minimum Social Safeguards:** the economic activity should respect the social principles while contributing to environmental objectives;
5. **KPI calculation:** percentages for Taxonomy eligible and aligned turnover, CAPEX and OPEX, are calculated based on results obtained from previous steps.

D. TAXONOMY-ELIGIBLE AND NON-ELIGIBLE ECONOMIC ACTIVITIES

The decisions over eligibility and non-eligibility were based on comparing the economic activities of each entity of the Elia Group with the activities described in the Climate Delegated Acts. Please see chapter "The Elia group at a glance" of the **2022 Integrated Annual Report** for a full overview of Elia Group's legal structure.

This exercise was conducted in relation to affiliates reported in the different segments as explained in sections 4 ('Segment reporting') and 7 ('Group structure') of the consolidated financial statements.

Based on Taxonomy guidelines and notices published by the European Commission, the legal entities Nemo Link, JAO, HGRT, Coreso, TSCNET and EEX were excluded from the eligibility and alignment assessment (both from the numerators and denominators of the KPIs), since they qualify as investments accounted for using the equity-method (joint ventures and associates) in the consolidated financial statements.

Segment: Elia Transmission Belgium

ENTITY	NACE CODE / DESCRIPTION	ACTIVITY DESCRIPTION	CORRESPONDENCE WITH THE CLIMATE DELEGATED ACTS	DECISION ON ELIGIBILITY
Elia Transmission Belgium SA/ NV	35120 Transmission of electricity	Elia Transmission Belgium is the Belgian transmission system operator for extra-high-voltage and high-voltage electricity (30,000–400,000 volts).	4.9 'Transmission and distribution of electricity'	Yes
Elia Transmission Belgium SA/NV	42220 Construction of electricity and telecommunications network	Construction activities	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Elia Asset SA/NV	35120 Transmission of electricity	Elia Asset is the company that owns all the assets across the high-voltage grid and is responsible for the 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, excluding surveying activities	Engineering and technical consultancy activities	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Elia RE	65200 Reinsurance	Elia RE is an insurance captive	No perfect fit identified with the activities described in the Climate Delegated Regulation	No

Segment: 50Hertz Transmission

ENTITY	NACE CODE / DESCRIPTION	ACTIVITY DESCRIPTION	CORRESPONDENCE WITH THE CLIMATE DELEGATED ACTS	DECISION ON ELIGIBILITY
50Hertz Transmission GmbH	35120 Transmission of electricity	50Hertz Transmission is the TSO which operates the extra-high-voltage grid in the north and east of Germany.	4.9 'Transmission and distribution of electricity'	Yes
50Hertz Offshore GmbH	35120 Transmission of electricity	The business activities of 50Hertz Offshore cover the planning, construction and maintenance of electricity lines as well as the associated plants and facilities for connecting offshore wind turbines/farms primarily erected in the Baltic Sea to the grid.	4.9 'Transmission and distribution of electricity'	Yes
Eurogrid GmbH	64200 Holding company	80% of this is owned by Elia Group; it comprises the activities of 50Hertz, the German TSO. The remaining 20% is held by the German state-owned Bank Kreditanstalt für Wiederaufbau («KfW»).	No perfect fit identified with the activities described in the Climate Delegated Regulation	No

Segment: Non-regulated activities

ENTITY	NACE CODE / DESCRIPTION	ACTIVITY DESCRIPTION	CORRESPONDENCE WITH THE CLIMATE DELEGATED ACTS	DECISION ON ELIGIBILITY
re.alto Energy BV/ SRL	63110 Data processing, hosting and related activities	A start-up founded in August 2019 that manages a marketplace which is dedicated to the exchange of energy data and services	8.2 'Data-driven solutions for GHG emissions reductions	Yes
Elia Group SA/NV	64200 Holding company	Elia Group acts as a holding company	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Eurogrid International SA/ NV	70220 Business and other management consultancy activities	Eurogrid International invests in electric utility-related companies and provides support services to its customers, including its own daughter companies	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
Elia Grid International SA/ NV	70220 Business and other management consultancy activities	Consultancy and engineering services in the international power sector	No perfect fit identified with the activities described in the Climate Delegated Regulation	No
WindGrid SA/NV	35120 Transmission of electricity	Elia Group's newest subsidiary, that will leverage the group's expertise acquired in offshore development and focus on the area outside of the group's regulated perimeters	4.9 'Transmission and distribution of electricity'	Yes

E. TAXONOMY KPIS AND ACCOUNTING METHODS

The accounting methods for calculating the shares of eligible and aligned activities were based on the provisions of Annex 1 of the Delegated Regulation 2178/2021.

The concepts of 'numerator' and 'denominator' apply as follows: if X/Y, then X = numerator and Y = denominator.

Double counting in the allocation in the numerator of turnover, CAPEX and OPEX across economic activities was prevented as each entity undertakes one economic activity only. Consequently, turnover, OPEX and CAPEX cover economic activities that are either completely Taxonomy-eligible or not at all. The only exception is Elia Transmission Belgium, which undertakes two economic activities (one taxonomy-eligible, one not). The turnover of the Taxonomy not eligible activity is well delineated: OPEX is not material and CAPEX does not exist for this activity.

The expenditure funded by the issuance of green bonds is consolidated in the numerators and the denominators of the KPIs. The adjusted aligned KPIs calculated according to the guidelines from the Draft Commission Notice 1 and 2 from December 2022 can be accessed in the following **Excel data table**

TURNOVER

The turnover used in the KPI calculation is based on the accounting policies mentioned in the section entitled 'Consolidated financial statements' in 3.4.1 'Income' (IFRS 15 –Revenues) of Elia Group's 2022 Financial Report and the consolidated results reported in 4.5 'Reconciliation of information on reportable segments to IFRS amounts' which report the revenues for the different segments under which the following items are considered:

	Numerator(*)	Denominator
Additions for PPE (including leases)	Yes	Yes
Additions for intangible assets (including leases)	Yes	Yes

(*) Numerator is adjusted for the legal entities / activities not qualifying as taxonomy-eligible.

Therefore, the total considered turnover in 2022 which was included in the denominator of the turnover KPI was **€ 3,853.72 million.**

CAPEX

The CAPEX used in the KPI calculation is based on general accounting policies, mentioned in the section entitled 'Consolidated financial statements' in 3.3.1 'Property, plant and equipment' ("PPE") (IAS 16), 3.3.2 'Intangible assets' (IAS 38) and 3.3.16 'Leases' (IFRS 16) of Elia Group's 2022 Financial Report.

The movements related to these assets are disclosed in section 4.5 'Reconciliation of information on reportable segments to IFRS amounts', under the subtitle 'capital expenditures' and are included in the calculation as follows:

	Numerator(*)	Denominator
Additions for PPE (including leases)	Yes	Yes
Additions for intangible assets (including leases)	Yes	Yes

(*) Numerator is adjusted for the legal entities / activities not qualifying as taxonomy-eligible

The total considered CAPEX in 2022 which was included in the denominator of the CAPEX KPI was **€ 1,585.83 million.**

OPEX

For determining the OPEX KPI, we applied the definition as described in the Reporting Delegated Regulation and the ESMA final report entitled "Advice on Article 8 of the Taxonomy Regulation" which was published on 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.

The total considered OPEX which meets the above definition was included in the denominator of the OPEX KPI; no adjustments were made to the numerator as the OPEX identified is fully related to eligible activities.

The OPEX KPI in 2022 represents an amount of **€134.31 million.**

F. INTERPRETATION AND ASSESSMENT OF THE TECHNICAL SCREENING CRITERIA (TSC)

SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The Taxonomy Regulation requires non-financial undertakings to assess the alignment of their business activities with at least one of the six environmental objectives. We chose the climate change mitigation objective and analysed the alignment of our business activities with it, in accordance with the three steps of the alignment process (substantial contribution, DNSH, Minimum Social Safeguards).

In line with the Disclosure Delegated Act and Annex 1 (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021) for the *climate change adaptation* objective we only assessed the substantial contribution of our activities to this objective.

We considered the criteria outlined in section '4.9 Transmission and distribution of electricity' from Annex I and Annex 2 of the Climate Delegated Act. The criteria for the other four environmental objectives are expected to be officially approved by the EU's institutions in the next period.

According to criteria outlined in the Climate Delegated Act,

"*Transmission and distribution infrastructure or equipment is in an electricity system that complies with **at least one** of the following criteria:*

a. the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;

b. more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;

c. the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period".

We opted for criteria (a), which is a direct fit for the group's transmission activities. Interconnectors that link energy transmission grids in different countries together contribute to the sustainability of the European energy sector by enabling the trading of energy and increasing energy efficiency. Interconnectors do this by reducing the cost of meeting electricity demand while improving security of supply and facilitating the cost-effective integration of the growing amount of renewable energy sources into the system. A well-integrated energy market is a fundamental prerequisite to achieving the EU's energy and climate objectives in a cost-efficient way.

On a **voluntary basis**, the Elia group documented that its electricity transmission activities are also compliant with criteria (b).

Furthermore, the TSC for transmission of electricity specifies which parts of the infrastructure should be considered as 'non-aligned'.

More precisely, the TSC refer to infrastructure dedicated to creating a direct connection or the expansion of an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh (measured on a lifecycle basis). The associated revenues, CAPEX and OPEX to these identified connection parts were evaluated as 'non-aligned' and eliminated from the numerators of the KPIs during the assessment process.

The following TSC refers to the installation of metering infrastructure, which must meet the requirements of smart metering systems outlined in Article 20 of Directive (EU) 2019/944. Article 20 of Directive 2019/944 provides that where the deployment of smart metering systems is positively assessed as a result of the cost benefit assessment, or where smart metering systems are systematically deployed after 4 July 4 2019, Member States shall deploy smart meters in accordance with European standards that meet certain requirements. The Elia group's business activities of electricity transmission in Belgium and Germany comply with European and national regulatory requirements regarding smart meter rollout and are aligned with the activities of our peers in this regard.

SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE ADAPTATION

According to Annex 1 of the Disclosure Delegated Act, non-financial undertakings need to provide a breakdown of the capital and operational expenditures allocated to substantial contribution to climate change adaptation.

While we consider the transmission of electricity and integration of renewable energy into the grid to be economic activities which drive the energy transition and the fight against climate change, we also take measures to increase the resilience of our assets against climate risks.

In particular, these measures include:

- ensuring compliance with construction standards;
- defining stringent climate parameters in electrical equipment specifications;
- aligning with the risk preparedness plan for the electricity sector and with preventive, preparedness and emergency response measures (business continuity plan and restoration plan);
- implementing regular crisis exercises.

Climate change adaptation features are embedded into the construction of our grid from the design phases onwards. Grid reliability is one of the most important objectives for a TSO and many existing measures and processes foster climate change adaptation elements.

Based on the above, the interpretation and methodology followed by the Elia group was to include the financials associated with projects which have climate change resilience as a main driver in the assessment for substantial contribution to climate adaptation. The EU guidelines published at the end of 2022 strengthen this interpretation. As mentioned in the Draft Commission Notices, "*where the adaptation solution is an inherent part of the design of the new asset that is itself climate change mitigation aligned, it could be difficult to distinguish climate change adaptation related CAPEX from climate change mitigation related CAPEX. In that case, CAPEX under climate change mitigation could also cover the CAPEX on the inherent adaptation solution. […] In such situations, the CAPEX should be reported under climate change mitigation objective only.*"

In 2022, we carried out a benchmarking exercise which involved comparing our risk management practices with those of our peers, exploring and updating which are the physical climate risks that had been evaluated as material to their economic activities, the investment plans to address them and the processes for identifying the reporting figures. It resulted that some TSOs across Europe face a specific mix of climate risks due to their geographical locations (e.g. wildfires, ice accretion), while a common reference to the majority is the exposure of the overhead lines to storms and extreme winds. In order to further confirm the adaptation of our infrastructure against physical climate risks, we are currently analysing local long-term climate scenarios (RCP 2.6, RCP 4.5, RCP 8.5 and overshoot) with support from the Climate Service Center at Helmholtz-Zentrum Hereon.

In light of this, for 2022 we identified the CAPEX allocated to projects that increase the resilience of our grid against storms and strong winds as substantial contribution to the climate adaptation objective. The share out of the total Taxonomy-aligned CAPEX is 5.95%, corresponding to transmission of electricity in Belgium and Germany and to a value of €94.16 million. The OPEX for these activities is immaterial.

G. DO NO SIGNIFICANT HARM (DNSH)

Meeting the DNSH criteria means that an activity which significantly contributes to one of the environmental objectives does no significant harm to any of the other objectives. Once our electricity transmission activities were assessed against the climate change mitigation criteria for their significant contribution to it, we performed further assessments of the five remaining objectives in relation to DNSH. Note that the DNSH criteria for "climate change mitigation" is not applicable, as we had already performed the substantial contribution analysis on this objective; moreover, the "sustainable use and protection of water and marine resources" objective of '4.9. Transmission and distribution of electricity' had not been published by the EU at the time of our reporting, meaning it was not evaluated.

CLIMATE CHANGE ADAPTATION

An in-depth group-wide exercise was performed to identify and assess material climate risks, derive vulnerability assessments for the major risks identified and list and assess the adequacy of the current portfolio of adaptation measures. The exercise allowed us to highlight the possible harmful effect of heatwaves, cold waves, storms, droughts and wildfires. All these phenomena fall under the category of acute physical risks.

The occurrence of such risks could lead to less favorable operating conditions for the group's assets or even damage them. Such circumstances may trigger risk factors for contingency events and business continuity disruption. Given the critical nature of the group's infrastructure and the fact that its assets are spread over a wide territory (especially its overhead lines), the group's assets are regarded as facing a heightened vulnerability to physical climate risks (such as storms and extreme winds), as is the case for other system operators and utility owners. However, as mentioned previously, we design our infrastructure in such a way that harsh climate conditions are already taken into account. All new lines are designed to withstand severe wind loads and some projects which increase the capacity of existing lines include the reinforcement of existing towers so that they are aligned with current standards. The increasing maturity of climate scenarios will continue to provide insights into less well-known extreme phenomena. This greater awareness may trigger revisions of the standards which specify how structural design should be conducted in Europe.

TRANSITION TO A CIRCULAR ECONOMY

For this objective, Elia in Belgium uses a waste hierarchy criteria to the waste produced by maintenance and infrastructure works and has established a list of guidelines for subcontractors (general technical specifications) for different types of projects. Moreover, Elia has established a waste management policy for its administrative and local technical sites (service centres), which includes contracts with authorised collectors who specialise in the collection, transport and recycling of hazardous and non-hazardous waste. When required, Elia appoints an independent expert to draw up a demolition plan ('sloopopvolgingsplan') in line with relevant regulations. Elia is currently developing an environmental data management tool which covers waste management. The tool will allow us to track and report on the waste flows in our upstream and downstream value chain and provide information on related impacts, risks and opportunities. For example, the tool will provide visualisations of where and how much waste has been withdrawn, consumed or discharged during Elia's activities and services.

In Germany, 50Hertz implements a waste management plan across all its buildings and projects and the disposal routes for all of its materials are clearly defined and checked. This process is standardised using internal guidelines and is in line with the EU Taxonomy requirements, as it ensures maximum re-use and waste separation.

POLLUTION PREVENTION AND CONTROL

The activities of Elia in Belgium are aligned with the International Finance Cooperation's (IFC) Environmental, Health and Safety Guidelines related to construction site activities for overhead high-voltage lines. Moreover, Elia complies with EU regulations 1999/519/EG and 2013/35/EU related to electromagnetic fields (0-300 GHz). Finally, less than 1% of Elia's transformers contain polychlorinated biphenyls (PCB) and a phasing-out plan is currently being implemented for its transformers to be PCB-free by 2024. The amounts related to transformers containing PCB were excluded from the calculations for the alignment KPIs.

In 2022, 50Hertz was recertified for ISO 45001 in Health and Safety and the ISO certifications cover the IFC guidelines. There are no known exceptions from across the network in terms of existing assets with higher emissions than the 300GHz emissions threshold. 50Hertz does not have any PCB in its assets.

PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS

Elia in Belgium publishes Environmental Impact Assessments (EIA) or screening depending on project specificities, an Appropriate Assessment (AA) where applicable in accordance with Directive 2011/92/EU, and carries out environmental assessments in accordance with Directive 2009/147/EC (Birds) and 92/43/EC (Habitats). Elia goes beyond merely respecting the associated obligations: it engages in dialogue with local communities, non-governmental organisations and different government organisations to define how each project should be realised in the most efficient and respectful way in terms of local and nature impacts. In the future, the status of compensation and mitigation measures will be followed up on by Elia's staff based on a Community Relations Passport (CR Pass). A pilot project for its implementation was launched in 2022.

In Germany, 50Hertz set up a tool for monitoring the implementation of compensation and mitigation measures in line with the aforementioned EU regulations. 50Hertz can confidently state that it is fully aligned with the requirements of the EU Taxonomy.

H. MEETING THE REQUIREMENTS OF THE MINIMUM SOCIAL SAFEGUARDS

In accordance with the Taxonomy Regulation, for a business activity to be considered as 'aligned', a process must be established to ensure compliance with the following guidelines and international legislation:

- the OECD Guidelines for Multinational Enterprises;
- the UN Guiding Principles on Business and Human Rights;
- the fundamental conventions identified in the Declaration of the International Labour Organization (ILO) on Fundamental Principles and Rights at Work;
- the International Bill of Human Rights.

The Minimum Social Safeguards set out social and governance criteria so that entities that carry out environmentally beneficial activities are not doing significant harm to the rest of the objectives. Thus, additional environmental criteria and criteria which promote innovation, research, development or science and technology and which result from the international guidelines were not considered to be relevant in the context of the Elia group's assessment for compliance with the Minimum Social Safeguards.

This interpretation was strengthened by the draft report published by the Platform on Sustainable Finance. In this light, the substantive topics which remain material for the analysis are:

- human rights (including labour and consumer rights);
- bribery, bribe solicitation and extortion;
- taxation;
- fair competition.

The Elia group complies with international guidelines which extend beyond its collective agreements and company agreements, such as the core labour standards of the International Labour Organization (ILO: C87, C98 and C135) and worker's rights set out in the UN Global Compact. The Elia group is also subject to the rules of good governance applicable to listed companies, including the Belgian Corporate Governance Code.

The group's Code of Ethics and Human Rights Policy are available **online**.

Moreover, all suppliers entering new framework agreements are required to have an EcoVadis rating, which evaluates how well a company has integrated the principles of sustainability and corporate social responsibility into its business activities. 50Hertz's purchasing policies are also built on the basic principles of the UN Global Compact with respect to human rights, terms of employment and anti-corruption. Most of the Elia group's suppliers are located inside the EU, which leads to a lower risk for a breach of human and labour rights.

Other measures addressing human rights include:

- asking suppliers to commit to a common and binding code of conduct before starting their mission;
- carrying out risk assessments for suppliers where necessary;
- introducing a functional grievance mechanism for bribery and corruption, which will be extended to other human rights issues in future.

Furthermore, a transversal working group was set up in 2022 to follow the development of the supply chain law in Germany and to further search for alignment between the Minimum Social Safeguards and the future Corporate Sustainability Due Diligence Directive (CSDDD).

The Elia group also confirmed it has good governance practices in place, in particular with respect to:

- sound management structures, as described in the 'Roles & Responsibilities' pages of the **its website**;
- employee relations: the Elia group is committed to freedom of association, collective bargaining and the protection of employee representatives - particular emphasis is placed on trust and constant cooperation with all trade unions;
- remuneration of staff: the Elia group transparently discloses management team salaries in its remuneration report, including fixed and variable total remuneration as well as company pensions and other benefits for management;
- tax compliance and transparency as outlined in the **company's Tax Guidelines**, with a particular focus on a risk-averse tax strategy, which always aligns with our general conduct of business.

I. BREAKDOWN OF ELIA GROUP'S KPIS FOR EU TAXONOMY ELIGIBILITY AND ALIGNMENT IN 2022

The last steps taken as part of the Taxonomy analysis was the calculation of the KPIs: Taxonomy eligible and aligned turnover, CAPEX and OPEX.

A top-down approach was applied when calculating the KPIs, meaning non-eligible and not-aligned turnover, CAPEX and OPEX were excluded from the total figures disclosed in the financial statements.

Elia Group's alignment with DNSH criteria and its compliance with the Minimum Social Safeguards lead to the conclusion that the KPIs are mainly impacted by:

- the non-eligibility of the group's consultancy activities and other activities not related with electricity transmission;
- the non-alignment of the eligible transmission of electricity activities is especially due to existing direct connections to power plants that do not meet the TSC;
- PCB contaminated assets from our electricity transmission activities in Belgium.

A detailed breakdown of the KPIs is available in the following **Excel table**

7 EXTERNAL ASSURANCE

EY Bedrijfsrevisoren
EY Réviseurs d'Entreprises
De Kleetlaan 2
B - 1831 Diegem

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Independent auditor's assurance report

Scope

We have been engaged by Elia Group NV/SA (the "Company") to perform a limited assurance engagement (hereafter referred to as "the Engagement"), to report on certain sustainability indicators of the Company as listed in Appendix 1 (the "Subject Matter") and as included in the sustainability report 2022 (the "Report") for the period from 1 January 2022 to 31 December 2022.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining sustainability indicators included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Elia Group

In preparing the sustainability indicators as listed in Appendix 1 and included in the Report, Elia Group NV/SA applied the reporting standards of the Global Reporting Initiative ("GRI") and the Greenhouse Gas Protocol, as well as a set of own reporting criteria as disclosed in the Report (the "Criteria").

Elia Group's responsibilities

Elia Group's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), published by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our Engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

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

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included amongst others:

- Obtaining an understanding of the reporting processes for the Subject Matter;
- Evaluating the consistent application of the Criteria;
- Interviewing relevant staff at local level responsible for data collection, reporting and calculation of the Subject Matter;
- Interviewing management and relevant staff at corporate level responsible for consolidating and carrying out internal control procedures on the Subject Matter;
- Interviewing relevant staff responsible for reporting the Subject Matter in the Report;

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- Determining the nature and extent of the review procedures for each of the locations contributing to the Subject Matter;
- Obtaining internal and external documentation that reconcile with the Subject Matter;
- Validate the mathematical accuracy of the calculated KPIs;
- Performing an analytical review of the data and trends in the Subject Matter at the corporate consolidated level as well as at the level of the individual locations;
- Evaluating the overall presentation of the Subject Matter in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our review, nothing has come to our attention that make us to believe that the Subject matter as listed in Appendix 1, of Elia Group included in the Report for the period from 1 January 2022 to 31 December 2022, was not prepared, in all material respects, in accordance with the Criteria.

Diegem, 13 April 2023

EY Bedrijfsrevisoren BV
Represented by

Paul Eelen*
Partner
*Acting on behalf of a BV

23PE0058

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Appendix 1

KPIs in scope of this limited assurance engagement ("Subject Matter"):

- Scope 1 Total GHG Emissions (t CO2 eq) (Belgium and Germany)
- Scope 2 Total GHG Emissions (t CO2 eq) (Belgium and Germany)
- Employment and diversity incl. following indicators: (Belgium and Germany)
  - The total number of employees, and a breakdown by gender, age and full/part time
  - The total number of employees per employment category, and a breakdown by gender
- SF_6 Leakage rate (%) (Belgium and Germany)
- TRIR - Total Recordable Injury Rate (for Belgium with and for Germany without contractors)

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8 REFERENCES

A. GRI CONTENT INDEX

Statement of use	[Name of organization] has reported in accordance with the GRI Standards for the period [reporting period start and end dates].
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	G4 - Electric Utilities Specific (EUS)

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GENERAL DISCLOSURES					
GRI 2: General Disclosures 2021	2-1 Organizational details	Integrated Annual Report 2022 - The Elia Group at a glance - Legal structure	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	Introduction - Reporting boundaries			
	2-3 Reporting period, frequency and contact point	Introduction			
	2-4 Restatements of information	*Restatements are located in the sections where such restatement is necessary*			
	2-5 External assurance	Appendix External assurance			
	2-6 Activities, value chain and other business relationships	Integrated Annual Report 2022 - The Elia Group at a glance	-	-	-
	2-7 Employees	Topic-specific disclosures - Employment Integrated Annual Report 2022 - The Elia Group at a glance - Headcount and grid	-	-	-
	2-8 Workers who are not employees	Topic-specific disclosures - Employment	-	-	-
	2-9 Governance structure and composition	Integrated Annual Report 2022 - Corporate Governance Statement	-	-	-
	2-10 Nomination and selection of the highest governance body	Integrated Annual Report 2022 - Corporate Governance Statement	-	-	-
	2-11 Chair of the highest governance body	Integrated Annual Report 2022 - Corporate Governance Statement	-	-	-
	2-12 Role of the highest governance body in overseeing the management of impacts	Integrated Annual Report 2022 - Features of the Group's internal control and risk management systems	-	-	-
	2-13 Delegation of responsibility for managing impacts	General disclosures - Sustainability Governance	-	-	-
	2-14 Role of the highest governance body in sustainability reporting	General disclosures - Sustainability Governance	-	-	-
	2-15 Conflicts of interest	General disclosures - Policies and practices Integrated Annual Report 2022 - Internal control system	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	Integrated Annual Report 2022 - Risk and opportunities management system Integrated Annual Report 2022 - Internal control system	-	-	-
	2-17 Collective knowledge of the highest governance body	Sustainability Governance Integrated Annual Report 2022 - Corporate Governance Statement"	-	-	-
	2-18 Evaluation of the performance of the highest governance body	Integrated Annual Report 2022 - Remuneration of Board of Directors and Executive Mangement Board	-	-	-
	2-19 Remuneration policies	Integrated Annual Report 2022 - Remuneration of Board of Directors and Executive Mangement Board	-	-	-
	2-20 Process to determine remuneration	Integrated Annual Report 2022 - Remuneration of Board of Directors and Executive Mangement Board	-	-	-
	2-21 Annual total compensation ratio	Basic information - Policies and practices	-	-	-
	2-22 Statement on sustainable development strategy	Integrated Annual Report 2022 - Interview with Chris Peeters and Bernard Gustin	-	-	-
	2-23 Policy commitments	Basic information - Policies and practices	-	-	-
	2-24 Embedding policy commitments	Basic information - Policies and practices	-	-	-
	2-25 Processes to remediate negative impacts	Basic information - Policies and practices Stakeholder engagement Material topic card: Transparent and open communication with stakeholders	-	-	-
	2-26 Mechanisms for seeking advice and raising concerns	Stakeholder engagement Integrated Annual Report 2022 - Internal control system	-	-	-
	2-27 Compliance with laws and regulations	Basic information - Policies and practices	-	-	-
	2-28 Membership associations	Basic information - Memberships	-	-	-
	2-29 Approach to stakeholder engagement	Integrated Annual Report 2022 - Fostering stakeholder interactions Stakeholder engagement Material topic card: Transparent and open communication with stakeholders"	-	-	-
	2-30 Collective bargaining agreements	Basic information - Policies and practices	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
MATERIAL TOPICS					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Process to determine material topics	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	3-2 List of material topics	List of material topics			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	Management of material topics Integrated Annual Report 2022 - Fostering stakeholder interactions	-	-	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial statements	-	-	-
	201-2 Financial implications and other risks and opportunities due to climate change	Integrated Annual Report 2022 - Climate-related disclosures (TCFD)	-	-	-
	201-3 Defined benefit plan obligations and other retirement plans	Integrated Annual Report 2022 - Corporate Governance Statement	-	-	-
	201-4 Financial assistance received from government	Financial statements 2022	-	-	-
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group is working in a regulated field and together with local unions.
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage			Not applicable	
	202-2 Proportion of senior management hired from the local community			Not applicable	
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topics: #01 Security of supply, #02 Safe and reliable infrastructure, #03 Sustainable energy system, #04 Affordable energy	-	-	-
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Material topics: #01 Security of supply, #02 Safe and reliable infrastructure, #03 Sustainable energy system, #04 Affordable energy	-	-	-
	203-2 Significant indirect economic impacts	Material topics: #01 Security of supply, #02 Safe and reliable infrastructure, #03 Sustainable energy system, #04 Affordable energy	-	-	-
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Basic information - Policies and practices Material topic: #12 Resilient supply chain practices	-	-	-
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Material topic: #12 Resilient supply chain practices	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Integrated Annual Report 2022 - Internal control and risk management system related to the financial reporting process	-	-	-
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Integrated Annual Report 2022 - Internal control and risk management system related to the financial reporting process	-	-	-
	205-2 Communication and training about anti-corruption policies and procedures	Integrated Annual Report 2022 - Internal control and risk management system related to the financial reporting process	-	-	-
	205-3 Confirmed incidents of corruption and actions taken	Integrated Annual Report 2022 - Internal control and risk management system related to the financial reporting process	-	-	-
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group companies are so-called natural monopolies. Due to regulation, a discrimination free entry for all market participants is mandatory.
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			Not applicable	
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	Topic-specific disclosures - Tax	-	-	-
GRI 207: Tax 2019	207-1 Approach to tax	Topic-specific disclosures - Tax	-	-	-
	207-2 Tax governance, control, and risk management	Topic-specific disclosures - Tax	-	-	-
	207-3 Stakeholder engagement and management of concerns related to tax	Topic-specific disclosures - Tax	-	-	-
	207-4 Country-by-country reporting	Topic-specific disclosures - Tax	-	-	-
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #14 Minimising waste and promoting circularity	-	-	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume			Information unavailable/ incomplete	Topics around circularity are part of ActNow but not in place for 2022 yet. They are under development.
	301-2 Recycled input materials used			Information unavailable/ incomplete	
	301-3 Reclaimed products and their packaging materials			Not applicable	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #3 Sustainable energy system Integrated Annual Report 2022 - Climate-related disclosures (TCFD)	-	-	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Topic-specific disclosures - Energy and emissions	-	-	-
	302-2 Energy consumption outside of the organization	Topic-specific disclosures - Energy and emissions	-	-	-
	302-3 Energy intensity			Information unavailable/ incomplete	Elia Group is currently working on a group wide definition and aligned processes.
	302-4 Reduction of energy consumption	Material topic card: #3 Sustainable energy system Integrated Annual Report 2022 - Climate-related disclosures (TCFD)	-	-	-
	302-5 Reductions in energy requirements of products and services	Material topic card: #3 Sustainable energy system Integrated Annual Report 2022 - Climate-related disclosures (TCFD)	-	-	-
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Activities of Elia Group companies are not related to withdrawal, discharge or consumption of water.
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource			Not applicable	
	303-2 Management of water discharge-related impacts			Not applicable	
	303-3 Water withdrawal			Not applicable	
	303-4 Water discharge			Not applicable	
	303-5 Water consumption			Not applicable	
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #7 Preserving our ecosystems	-	-	-
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Topic-specific disclosures - Biodiversity	-	-	-
	304-2 Significant impacts of activities, products and services on biodiversity	Material topic card: #7 Preserving our ecosystems	-	-	-
	304-3 Habitats protected or restored	Topic-specific disclosures - Biodiversity	-	-	-
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			Information unavailable/ incomplete	Elia Group companies do not disclose because in the actual (local law based) processes it is not mandatory.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	"Material topic card: #6 Decarbonisation Integrated Annual Report 2022 - Climate-related disclosures (TCFD)"	-	-	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Topic-specific disclosures - Energy and emissions	-	-	-
	305-2 Energy indirect (Scope 2) GHG emissions	Topic-specific disclosures - Energy and emissions	-	-	-
	305-3 Other indirect (Scope 3) GHG emissions	Topic-specific disclosures - Energy and emissions	-	-	-
	305-4 GHG emissions intensity	Topic-specific disclosures - Energy and emissions	-	-	-
	305-5 Reduction of GHG emissions	Topic-specific disclosures - Energy and emissions	-	-	-
	305-6 Emissions of ozone-depleting substances (ODS)			Not applicable	Business activities of Elia Group companies do not use ODS.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not applicable	Emissions of NOx and SOx are only related to Elia Group companies fleet and will not be measured because of the goal of a emission free fleet by 2030.
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #14 Minimising waste and promoting circularity	-	-	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Topic-specific disclosures - Waste	-	-	-
	306-2 Management of significant waste-related impacts	Topic-specific disclosures - Waste	-	-	-
	306-3 Waste generated	Topic-specific disclosures - Waste	-	-	-
	306-4 Waste diverted from disposal	Topic-specific disclosures - Waste	-	-	-
	306-5 Waste directed to disposal	Topic-specific disclosures - Waste	-	-	-
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #15 Sustainable supply chain practices	-	-	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Material topic card: #15 Sustainable supply chain practices	-	-	-
	308-2 Negative environmental impacts in the supply chain and actions taken			Information unavailable/ incomplete	Process started with Ecovadis

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #9 Talent acquisition and development, #16 Diverse and inclusive workforce	-	-	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Topic-specific disclosures - Employment	-	-	-
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees			Not applicable	Full-time as well as part-time employees get the same benefits.
	401-3 Parental leave	Topic-specific disclosures - Employment	-	-	-
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	Basic information - Policies and practices	-	-	-
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Basic information - Policies and practices	-	-	-
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-2 Hazard identification, risk assessment, and incident investigation	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-3 Occupational health services	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-5 Worker training on occupational health and safety	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-6 Promotion of worker health	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-8 Workers covered by an occupational health and safety management system	Material topic card: #8 Employee health, safety and wellbeing	-	-	-
	403-9 Work-related injuries	Topic-specific disclosures - Occupational health and safety	-	-	-
	403-10 Work-related ill health	Topic-specific disclosures - Occupational health and safety	-	-	-

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #9 Talent acquisition and development	-	-	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Topic-specific disclosures - Training and education	-	-	-
	404-2 Programs for upgrading employee skills and transition assistance programs	Material topic card: #9 Talent acquisition and development	-	-	-
	404-3 Percentage of employees receiving regular performance and career development reviews	Material topic card: #9 Talent acquisition and development	-	-	-
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic card: #16 Diverse and inclusive workforce	-	-	-
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Topic-specific disclosures - Employment Integrated Annual Report 2022 - Corporate Governance Statement	-	-	-
	405-2 Ratio of basic salary and remuneration of women to men			Not applicable	Elia Group companies are legally obliged to report that gender pay gap is avoided.
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder engagement Material topic card: #16 Diverse and inclusive workforce	-	-	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Stakeholder engagement	-	-	-
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	Basic information - Policies and practices	-	-	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Basic information - Policies and practices	-	-	-
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group companies do not have a significant risk of child labour in its direct value chain as well as in tier 3.
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor			Not applicable	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group companies do not have significant risk of compulsory or forced labour.
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor			Not applicable	
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Security personnel is only to monitor the integrity of security measures at substations and has no contact with external people.
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures			Not applicable	
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group companies activities do not violate rights of indigenous people.
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples			Not applicable	
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic #11 Community development and engagement Integrated Annual Report 2022 - Fostering stakeholder interactions	-	-	-
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Material topic #11 Community development and engagement Integrated Annual Report 2022 - Fostering stakeholder interactions	-	-	-
	413-2 Operations with significant actual and potential negative impacts on local communities	Material topic #7 Preserving our ecosystems	-	-	-
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Material topic #15 Sustainable supply chain practices	-	-	-
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Material topic #15 Sustainable supply chain practices	-	-	-
	414-2 Negative social impacts in the supply chain and actions taken			Information unavailable/ incomplete	Process started with Ecovadis

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Basic information - Policies and practices	-	-	-
GRI 415: Public Policy 2016	415-1 Political contributions			Not applicable	Elia Group companies are not giving any contributions to any political party.
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia doesn't have end consumers, our products are part of the basic services/supply.
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories			Not applicable	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services			Not applicable	
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics			Not applicable	Elia Group companies do not have any products. Our services are not for end consumers and we do not do any marketing.
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling			Not applicable	
	417-2 Incidents of non-compliance concerning product and service information and labeling			Not applicable	
	417-3 Incidents of non-compliance concerning marketing communications			Not applicable	
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Integrated Annual Report 2022 - Internal control system Material topic #5 Security of information and IT systems	-	-	-
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Integrated Annual Report 2022 - Internal control system Material topic #5 Security of information and IT systems	-	-	-

TOPICS IN THE APPLICABLE GRI SECTOR STANDARDS		
TOPIC		
G4 - Electric Utilities Specific (EUS)	**Disclosure**	**Location**
Lines and losses and quality of service	EU4 Length of above and underground transmission and distribution line by regulatory regime	Sector-specific disclosures - Grid
	EU12 Transmission and distribution losses as a percentage of total energy	Sector-specific disclosures - Grid
Demand management approach our control areas	Management approach to ensure short and long-term electricity availability and reliability	Sector-specific disclosures - Security and emergency management
	Demand-side management programmes including residential, commercial, institutional and industrial programmes	Sector-specific disclosures - Security and emergency management
	Disaster/ Emergency Planning and Response	Sector-specific disclosures - Security and emergency management
Biodiversity	EN12 Description of significant impacts of activites, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected area	Material Topic #8 Preserving our ecosystems Topic-specific disclosures - Biodiversity
Emissions	EN15 Direct Greenhouse gas (GHG) emissions (Scope 1)	Topic-specific disclosures - Energy and emissions
	EN16 Indirect Greenhouse gas (GHG) emissions (Scope 2)	Topic-specific disclosures - Energy and emissions
Health and safety & Human resources	LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	Topic-specific disclosures - Employment
	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	Topic-specific disclosures - Occupational health and safety
	EU15 Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	Topic-specific disclosures - Employment

REPORTING PARAMETERS

Registered offices

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

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

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

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

The registered office of WindGrid is located at
Boulevard de l'Empereur 20
1000 Brussels, Belgium

The registered office of re.alto is located at
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Reporting period

This annual report covers the period from 1 January 2022 to 31 December 2022.

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

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

elia group

READY TO SWITCH

FAST-FORWARDING THE GREEN TRANSITION

FINANCIAL REPORT **2022**

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) – Year ended 31 December	Notes	2022	2021
Revenue	(5.1)	3,616.0	2,551.3
Raw materials, consumables and goods for resale	(5.2)	(69.7)	(83.1)
Other income	(5.1)	259.6	135.1
Net income (expense) from settlement mechanism	(5.1)	237.7	173.3
Services and other goods	(5.2)	(2,554.7)	(1,443.6)
Personnel expenses	(5.2)	(372.1)	(334.1)
Depreciation, amortisation and impairment	(5.2)	(513.7)	(467.5)
Changes in provisions	(5.2)	1.3	0.7
Other expenses	(5.2)	(44.4)	(41.4)
Results from operating activities		**559.8**	**490.7**
Share of profit of equity accounted investees (net of tax)	(6.5)	39.5	49.4
Earnings before interest and tax (EBIT)		**599.4**	**540.1**
Net finance costs	(5.3)	**(43.6)**	**(106.6)**
Finance income		75.4	3.9
Finance costs		(119.0)	(110.5)
Profit before income tax		**555.7**	**433.5**
Income tax expense	(5.4)	(147.5)	(105.2)
Profit for the period		**408.2**	**328.3**
Profit attributable to:			
Equity holders of the parent - equity holders of ordinary shares		341.7	276.0
Equity holders of the parent - hybrid securities		19.3	19.3
Non-controlling interest		47.2	33.1
Profit for the period		**408.2**	**328.3**
Earnings per share (in €)	(5.5)		
Basic earnings per share		4.80	4.02
Diluted earnings per share		4.80	4.02

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	2022	2021
Profit for the period		**408.2**	**328.3**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedges	(5.6)	(160.1)	356.2
Related tax		50.4	(105.8)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.14)	16.3	27.4
Net changes in fair value of investments	(5.6)	32.8	0.0
Related tax		(4.9)	(7.0)
Other comprehensive income for the period, net of tax		**(65.6)**	**270.8**
Total comprehensive income for the period		**342.6**	**599.1**
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		299.0	496.3
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		24.4	83.5
Total comprehensive income for the period		**342.6**	**599.1**

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) − As at	Notes	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS		**14,941.9**	**13,867.5**
Property, plant and equipment	(6.1)	11,844.7	10,859.5
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	210.5	148.6
Equity-accounted investees	(6.5)	261.2	309.6
Other financial assets	(6.6)	117.2	136.3
Trade and other receivables non-current	(6.4)	95.5	0.5
Deferred tax assets	(6.7)	1.7	1.9
CURRENT ASSETS		**5,652.4**	**4,276.8**
Inventories	(6.8)	21.6	21.6
Trade and other receivables	(6.9)	1,206.2	861.3
Current tax assets	(6.10)	28.6	10.1
Other financial assets	(6.6)	219.7	316.2
Cash and cash equivalents	(6.11)	4,151.2	3,049.5
Deferred charges and accrued revenues	(6.9)	25.1	18.1
Total assets		**20,594.3**	**18,144.3**
EQUITY AND LIABILITIES			
EQUITY		**5,756.4**	**4,938.4**
Equity attributable to owners of the Company	(6.12)	5,319.6	4,552.0
Equity attributable to ordinary shares:		4,618.3	3,850.6
Share capital		1,823.1	1,709.2
Share premium		738.6	262.9
Reserves		173.0	173.0
Hedging reserve		119.2	197.1
Treasury shares		(1.8)	(0.8)
Retained earnings		1,766.2	1,509.2
Equity attributable to hybrid securities holders	(6.12)	701.4	701.4
Non-controlling interest		436.7	386.4
NON-CURRENT LIABILITIES		**8,548.0**	**8,471.3**
Loans and borrowings	(6.13)	7,715.6	7,741.7
Employee benefits	(6.14)	75.0	104.9
Provisions	(6.15)	146.2	125.6
Deferred tax liabilities	(6.7)	223.7	209.7
Other liabilities	(6.16)	387.6	289.5
CURRENT LIABILITIES		**6,289.8**	**4,734.6**
Loans and borrowings	(6.13)	867.2	194.0
Provisions	(6.15)	8.6	7.7
Trade and other payables	(6.17)	4,804.2	3,696.4
Current tax liabilities	(6.10)	26.6	26.8
Accruals and deferred income	(6.20)	583.3	809.8
Total equity and liabilities		**20,594.3**	**18,144.3**

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) - Year ended 31 December	Share capital	Share premium	Hedging reserve	Reserves	Treasury shares	Retained earnings	**Equity attributable to ordinary shares**	Equity attributable to hybrid securities	**Equity attributable to the owners of the company**	Non-controlling interests	**Total equity**
Balance at 1 January 2021	**1,709.1**	**262.4**	**(3.3)**	**173.0**		**1,330.5**	**3,471.7**	**701.4**	**4,173.1**	**326.9**	**4,500.0**
Profit for the period						295.2	295.2		295.2	33.1	328.3
Other comprehensive income			200.4			20.0	220.3		220.3	50.4	270.8
Total comprehensive income for the period			**200.4**			**315.2**	**515.6**		**515.6**	**83.5**	**599.1**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	0.2	0.4					0.6		0.6		0.6
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(0.8)		(0.8)		(0.8)		(0.8)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(117.5)	(117.5)		(117.5)		(117.5)
Other						0.3	0.3		0.3		0.3
Total transactions with owners	**0.2**	**0.4**			**(0.8)**	**(136.5)**	**(136.7)**		**(136.7)**	**(24.0)**	**(160.7)**
Balance at 31 December 2021	**1,709.3**	**262.8**	**197.1**	**173.0**	**(0.8)**	**1,509.2**	**3,850.6**	**701.4**	**4,552.0**	**386.4**	**4,938.4**
Balance at 1 January 2022	**1,709.3**	**262.8**	**197.1**	**173.0**	**(0.8)**	**1,509.2**	**3,850.6**	**701.4**	**4,552.0**	**386.4**	**4,938.4**
Profit for the period						361.0	361.0		361.0	47.2	408.2
Other comprehensive income			-77.9			35.1	-42.7		-42.7	-22.8	-65.6
Total comprehensive income for the period			**-77.9**			**396.1**	**318.3**		**318.3**	**24.4**	**342.6**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	119.4	475.7					595.1		595.1		595.1
Issuance costs	(7.3)						(7.3)		(7.3)		(7.3)
Share-based payment expenses	1.7						1.7		1.7		1.7
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(1.0)		(1.0)		(1.0)		(1.0)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(120.3)	(120.3)		(120.3)		(120.3)
Other		0.0				0.3	0.4		0.4	50.0	50.4
Total transactions with owners	**113.8**	**475.7**	**0.0**	**0.0**	**(1.0)**	**(139.2)**	**449.4**	**0.0**	**449.4**	**26.0**	**475.4**
Balance at 31 December 2022	**1,823.1**	**738.6**	**119.2**	**173.0**	**(1.8)**	**1,766.2**	**4,618.3**	**701.4**	**5,319.7**	**436.7**	**5,756.4**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of cash flows

(in € million) − period ended 31 December	Notes	2022	2021
Cash flows from operating activities			
Profit for the period		**408.2**	**328.3**
Adjustments for:			
Net finance costs	(5.3)	43.6	106.6
Other non-cash items		3.9	2.1
Current income tax expense	(5.4)	112.1	94.7
Profit or loss of equity accounted investees, net of tax		(39.5)	(49.4)
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	513.7	467.5
Loss / proceeds on sale of property, plant and equipment and intangible assets		(6.3)	17.5
Impairment losses of current assets		0.8	0.8
Change in provisions	(6.7)	(10.5)	1.5
Change in deferred taxes		35.4	10.5
Changes in fair value of financial assets through profit or loss		0.0	0.0
Cash flow from operating activities		**1,061.4**	**980.1**
Change in inventories		(0.3)	17.0
Change in trade and other receivables	(6.9)	(314.7)	639.9
Change in other current assets		(3.7)	(0.7)
Change in trade and other payables		1,188.1	2,645.0
Change in other current liabilities		(243.1)	(119.8)
Changes in working capital		**626.3**	**3,181.4**
Interest paid	(6.13)	(133.1)	(124.9)
Interest received		5.7	3.7
Income tax paid		(129.2)	(87.0)
Net cash from operating activities		**1,431.2**	**3,953.3**
Cash flows from investing activities			
Acquisition of intangible assets	(6.2)	(115.7)	(59.8)
Acquisition of property, plant and equipment	(6.1)	(1,455.4)	(1,160.5)
Proceeds from sale of property, plant and equipment		27.5	3.5
Proceeds from sales of investments		0.0	1.6
Proceeds from capital decrease from equity accounted investees	(6.5)	53.8	30.5
Dividend received	(6.5)	35.4	31.8
Loans and long term receivables		0.0	(0.5)
Net cash used in investing activities		**(1,454.4)**	**(1,153.4)**
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.12)	595.1	0.6
Proceeds from the capital increase - NCI	(6.12)	50.0	
Expenses related to the issue of share capital	(6.12)	(7.3)	0.0
Purchase of own shares	(6.12)	(0.9)	(0.7)
Dividend paid	(6.12)	(120.3)	(117.5)
Hybrid coupon paid	(6.12)	(19.3)	(19.3)
Dividends to non-controlling parties		(24.0)	(24.0)
Repayment of borrowings	(6.13)	(95.8)	(737.7)
Proceeds from withdrawal of borrowings	(6.13)	747.4	558.0
Net cash flow from (used in) financing activities		**1,125.0**	**(340.6)**
Net increase (decrease) in cash and cash equivalents		**1,101.8**	**2,459.3**
Cash & Cash equivalents at 1 January		3,049.5	590.1
Cash & Cash equivalents at 31 December		4,151.2	3,049.5
Net variations in cash & cash equivalents		**1,101.8**	**2,459.3**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

The registered office of Elia Group SA/NV (hereafter referred to as the “Company” or “Elia”) is established in Belgium and located at 20 Boulevard de l’Empereur, 1000 Brussels. Elia Group SA/NV is a public limited company, whose shares are listed on Euronext Brussels, under the symbol ELI.

The consolidated financial statements for the financial year 2022 include those of Elia Group SA/NV and its subsidiaries (collectively referred to as ‘the Group' or 'Elia group') and the group's interests in joint ventures and associates.

The Elia group comprises two electricity transmission system operators (TSOs): Elia Transmission Belgium SA/NV in Belgium and 50Hertz Transmission GmbH, in which the Elia group holds an 80% stake. 50Hertz Transmission GmbH is one of Germany’s four transmission system operators; it operates in the north and east of the country.

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

With around 2,750 employees and a transmission system that comprises some 19,126 km of high-voltage connections and serves 30 million end consumers, the Elia group is one of Europe’s top five TSOs. It efficiently, reliably and securely transports electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its transmission activities in Belgium and Germany, the Elia group offers businesses a range of consultancy and engineering services.

Through Elia and 50Hertz, Elia Group’s mission is to realise the climate ambitions of the European Green Deal. Over the next few years, large-scale investments in renewable energy production and the offshore grid are due to be undertaken. To make a fundamental contribution to the accelerated development of offshore energy, in 2022 Elia Group created a new subsidiary: WindGrid. We refer to note 6.1 where further information is provided on the investment plan.

The group operates under the legal entity Elia Group SA/NV, which is a listed company whose reference shareholder is municipal holding company Publi-T SC.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the European Union. In doing so, the group applied all new and revised standards and interpretations published by the International Accounting Standards Board (IASB), including those which came into effect for the financial year starting on 1 January 2022, which are applicable to the group’s activities.

New and amended standards and interpretations

The standards, amendments and interpretations listed below came into effect in 2022, with little or limited impact on the group:

- 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);
- 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);
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022).

The **standards, amendments and interpretations** listed below did not take effect in 2022. The changes to the standards, amendments and interpretations listed below are not expected to have a material impact on these annual accounts and are therefore not outlined in any great detail:

- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (applicable for annual periods beginning on or after 1 January 2023);
- 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 2024, but not yet endorsed in the EU);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU).

2.2. Functional and presentation currency

These consolidated financial statements are presented in millions of euro, rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

In general, these consolidated financial statements were prepared on a historical cost basis. However, reporting related to the following categories deviate from this general rule:

- Equity accounted investees: the equity method was applied to determine the value of a shareholding over which the group has a significant influence;
- Other shareholdings: entities in which the group has a shareholding but over which it does not have a significant influence were valued at fair value through other comprehensive income (OCI);
- Current and non-current receivables were valued at the lowest of the carrying amount and the recoverable amount;
- Employee benefits were valued at the present value of the defined benefit obligations, minus the fair value of the plan assets (see also Note 6.14);
- Derivative financial instruments were measured at fair value through OCI or profit and loss (P&L), depending on whether the derivative can be designated as a hedging instrument (see also Note 8.1);
- Decommissioning provisions were valued at present value.

2.4. Going concern

The directors reassessed the going concern assumption of the Company and, at the time of approving the financial statements, held a reasonable expectation that the group had adequate resources to continue in operational existence for the foreseeable future. The directors will therefore continue to adopt the going concern basis of accounting in the preparation of the financial statements.

In the current context of inflation (energy crisis) and volatile market conditions, the group paid particular attention to adequately reflecting the current and expected impact of the situation on the financial position, performance and cash flows of the company, applying the IFRS accounting principles in a consistent manner. In general, since Elia Group is acting in accordance with the regulatory frameworks in Belgium and Germany, the profitability and the financial position of the group have not been affected.

2.5. Use of estimates and judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances: the results of these estimates and assumptions form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could therefore differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either: in the period during which the estimate is revised if the revision only affects this period; or in the period during which the estimate is revised and throughout future periods if the revision affects both current and future periods.

The following points include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for the group's role as TSO in the Belgian and German segments is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation or CREG) and the German federal regulator (the Federal Network Agency or BNetzA) respectively. The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of professional judgement needs to be applied. More disclosures are provided in Notes 6.20, 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 6.5).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making a judgement on this, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.7).
- 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 6.14:
  - The group has defined benefit plans and defined contribution plans which are disclosed in Note 6.15. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also affect the present value of future pension liabilities.
  - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.
  - Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. The resulting discount rate therefore reflects both the current interest rate environment and the plan's distinct liability characteristics.
- Provisions for environmental remediation costs: at each year-end, an estimate is made regarding future expenses with respect to soil remediation, based on the expert advice. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.15).
- 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 6.15).
- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in euro with at least an AA rating or above as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the dismantling obligation. A sensitivity analysis is performed to measure the impact of a differing discount rate.
- Goodwill impairment testing: the group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indications that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).
- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a certain level of professional judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.18).
- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory frameworks in Belgium and Germany, which are considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)
- The group makes use of practical expedients when applying IFRS 16 (Leasing):
  - The group applies a single discount rate per type of contracts, summarised per their duration. Those leases are assumed to have similar characteristics. The discount rate used is the group's best estimate of the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years, etc.) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group SA/NV in the same sector with a similar duration. The interest rate is fixed over the lifetime of the lease contract.
  - The group assesses the non-cancellable period of each of the contracts falling within the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain that they will exercise that option. Certainly, where it relates to office rent contracts, the group makes its best estimate of the non-cancellable period based on all information at its disposal (see Note 6.19).

- The impacts of the COVID-19 crisis and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance. In general, as Elia is acting in accordance with regulatory frameworks in Belgium and Germany, its profitability was not significantly affected in 2021 or 2022. During these two years, the COVID pandemic did not significantly impact the group neither in terms of financial performance nor in terms of the execution of the onshore and offshore infrastructure projects in either Belgium or Germany. The only exception to this was, in 2021, Elia Grid International's activities, since the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a drop in its revenues. This situation was nevertheless offset by cost control measures in COVID times. Effects on macro-economic metrics, such as the interest rate, discount rate, etc. - were taken into account.

The year 2022 has been more impacted by the war in Ukraine and its consequences on energy prices (inflation).

Given the nature and location of its operations and the fact that Elia Group does not currently have activities in Russia nor in Ukraine or with Russian companies, Elia Group has not observed a direct impact of the Ukrainian conflict on its business. However, there was a strong push at the European level to become less dependent from Russian gas and fossil fuels with a willingness among the authorities in Belgium and Germany to accelerate the energy transition. This led to an increase of the Group's investment program over the mid-term.

With regard to the increasing inflation rates, this is a matter of concern for the group even if it operates under regulatory framework to offset major cost increases. The impacts of the current market volatility and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance and the valuation of its assets and liabilities (see note 4.4, 5.2, 5.3, 6.15 and 6.17). In particular, key assumptions used in the calculation of the post employments obligations have been reviewed to ensure a proper valuation as per 31 December 2022 (see note 6.14). The group assessed whether its non-financial assets might be impaired: it carried out an analysis of potential impairment indicators, in accordance with the provisions of IAS 36 – Impairment of Assets. The impairment test was carried out based on the last business plan; this identified no impairment risks as per 31 December 2022.

The different crisis and, in 2022, the strong increase of electricity prices could result in a potentially increased credit risk and may therefore affect the amount of impairment losses to be recognised with respect to expected credit losses. The group has since monitored payment receipts and counterparty risk more closely, noting no significant deterioration.

We refer to the following notes for more information: 6.3, 6.9, 6.19 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 30 March 2023.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date this control commences until the date that it ceases. The accounting policies of subsidiaries are changed when necessary, in order to align them with the policies adopted by the group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in a deficit balance of the non-controlling interests. Changes to the group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions.

ASSOCIATES

Associates are those companies over which the Company exerts significant influence, but not control, in terms of their financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are initially recognised in the consolidated statement of financial position at cost, with all transaction costs incurred with the acquisition included, and are adjusted thereafter to reflect the group’s share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that it ceases. When the group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of an associate.

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement under which the group has joint control and has rights to the net assets of the arrangement, as opposed to joint operations, under which the group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost price, with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that it ceases. When the group's share of the losses exceeds its interest in joint ventures, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of a joint venture.

NON-CONTROLING INTERESTS

Non-controlling interests are measured in line with their proportional share of the acquiree's identifiable net assets on 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 on 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 on the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.
Transaction costs incurred by the group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.
Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2. Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.
Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity whose activities are based or conducted in a country or currency other than those of the reporting entity.
The financial statements of all group entities that have a functional currency which differ from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rate of the year.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint ventures and associates at closing exchange rates are included in shareholder's equity under OCI. Upon the (partial) disposal of foreign subsidiaries, joint ventures and associates, (partial) cumulative translation adjustments are recognised in the profit or loss as part of the gain or loss on the sale.

3.3. Statement of financial position

3.3.1 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see Section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, direct labour and, where relevant, the initial estimate of the costs of dismantling and removing the assets and restoring the site on which the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalised as part of the cost of that asset.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs of replacing part of such an item when that cost is incurred, but only when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repair and maintenance costs, are recognised in profit or loss as and when they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages can be found in the bullet points below. Depreciation methods, remaining useful lives and residual values of property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

- Administrative buildings 1.67 – 2.00%
- Industrial buildings 2.00 – 4.00%
- Overhead lines 2.00 – 4.00%
- Underground cables 2.00 – 5.00%
- Substations (facilities and machines) 2.50 – 6.67%
- Remote control 3.00 – 12.50%
- Dispatching 4.00 – 10.00%
- Other PPE (fitting out rented buildings) contractual period
- Vehicles 6.67 – 20.00%
- Tools and office furniture 6.67 – 20.00%
- Hardware 25.00 – 33.00%
- Right of use assets contractual period

Decommissioning an asset

In accordance with IAS 16, when the entity has a present, legal or constructive obligation to dismantle the item or restore the site, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision for this obligation is recorded for the amount of the asset component (the dismantling asset) and depreciated over the asset's entire useful life (see also 3.3.13 Provisions).

Derecognition

An asset is no longer recognised when it is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2 Intangible assets

Computer software

Software licences acquired by the group are stated at cost, less accumulated amortisation (see below) and impairment losses (see Section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the group is recognised in profit or loss as it is incurred. Expenditure related to the development phase of software developed within the group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the group plans – and has sufficient resources – to complete development;
- the group plans to use the software.

The capitalised expenditure includes the cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as they are 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 it is incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

• Licences	20.00%
• Concessions	contractual period
• Computer software	20.00 – 25.00%

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

Derecognition

An intangible asset is derecognised upon disposal (i.e., the date upon which the recipient obtains control of it) 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 TSO's, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by their respective governments and/or by regulation mechanisms. These identify public service obligations in various areas (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liabilities) that should be fulfilled by TSO's. The costs incurred by TSOs as they undertake these obligations are fully covered by the tariff 'levies' approved by the regulators in Belgium and Germany. The amounts outstanding (deficit) are reported as a trade and other receivables. Throughout this process, as the TSO's are agents, the Group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.4.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the group applies a simplified approach when calculating the Expected Credit Losses (ECLs). The impairment model is based on the expected credit loss model. An individual approach is used for customers and other counterparties, for which the change in credit risk is monitored on an individual basis.

See Note 8.1 'Credit risk', for a detailed description of the model.

3.3.5 Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.
Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7 Impairment of non-financial assets

The carrying amount of the group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.
The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.
An impairment loss is recognised whenever the carrying amount of such an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.
After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal and their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the group administers its goodwill and gathers the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss with respect to goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8 Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the group's business model for managing them. The group initially measures a financial asset at its fair value plus transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets measured at fair value through OCI (equity instruments)
- Financial assets measured at fair value through profit and loss

Financial assets at amortised cost

Financial assets at amortised cost are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments FVOCI)

Upon initial recognition, the group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the group does not have significant influence and the assets are not held for trading. This classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

The group has elected to irrevocably classify non-listed equity investments over which the group does not have significant influence in this category.

Financial assets measured at fair value through profit and loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1 'Credit risk', for a detailed description of the approach

3.3.9 Derivative financial instruments and hedge accounting

Derivative financial instruments

The group sometimes uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity prices risks arising from operating, financing and investment activities. In accordance with its treasury policy, the group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.
Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, the reflection of any resulting gain or loss depends on the nature of the item being hedged.
The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties and the group. The fair value of forward exchange contracts is their quoted market price at the end of the reporting period, i.e. the present value of the quoted forward price.

Derivatives used as hedging instruments

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss.
The group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The group designates only the spot element of forward contracts as a hedged risk. The forward element is considered the cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.
When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI, provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.
The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign currency gains and losses.

3.3.10 Equity

Share capital – transaction costs

Transaction costs related to the issuing of capital are deducted from the capital received.

Share capital – share-based payment expenses

Share-based payment expenses are added to the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.12.1).

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the group in an insolvency hierarchy. Hybrid securities are perpetual instruments and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to ordinary shareholders).

The holders of hybrid securities have limited influence on the outcome of a bankruptcy proceeding or restructuring outside bankruptcy. Consequently, the holders cannot oblige the group to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are deducted from equity. The amount of treasury shares held is disclosed in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Share-based payments

The cost of share-based payment transactions is reflected in the income statement. The stock options are valued at grant date, based on the share price at grant date, business evolution, exercise price and interest rates. Stock option plan cost is taken into result on a straight-line basis from the grant date until the end of the vesting period.

3.3.11 Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.3.12 Employee benefits

Defined-contribution plans

In Belgium, contribution based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 1 January 2016, the legal minimum return was 3.75% on employee contributions, 3.25% on employer contributions and 0% for inactive plan participants.
From 1 January 2016 onwards, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on 1 January each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As of 1 January 2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for inactive plan participants.
As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).
The employer needs to finance the deficits related to the "Law on Supplementary Pensions (LSP) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.
For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).
The Defined-Benefit Obligation (DBO) was determined following the Projected Unit Credit (PUC) method. The plan formula (backloaded or not) determines whether the premiums are projected.

In Germany, the defined-contribution plan comprises a fixed pension to be paid to an employee upon retirement, which is usually based on one or more factors such as the employee's age, years of service and salary.

In both countries, the calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, which exist in both Belgium and Germany, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the PUC method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined-benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined-benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights (Belgium)

Reimbursement rights are recognised as a separate asset when, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle the corresponding benefit obligation. Reimbursement rights are presented as non-current assets under other financial assets and are measured at fair value. These rights are handled the same way as the corresponding defined-benefit obligation. When the changes in the period result from changes in financial assumptions or from experience adjustments or changes in demographic assumptions, then the asset is adjusted through OCI. The components of the defined-benefit cost are recognised net of amounts relating to changes in the carrying amount of the rights to reimbursement.

Other long-term employee benefits

The group's net obligation regarding long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the PUC method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the group has a legal or constructive obligation to pay this amount as a result of the employee’s past service and the obligation can be reliably estimated.

3.3.13 Provisions

A provision is recognised in the balance sheet when the group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

The group’s main long-term provisions are provisions for dismantling obligations. The present value of the obligation at the time of commissioning represents the initial amount of the provision for dismantling with, as the counterpart, an asset for the same amount, which is included in the carrying amount of the related property, plant and equipment and is depreciated over the asset's entire useful life.

Factors having a significant influence on the amount of provisions include:

- cost estimates
- the timing of expenditure ; and
- the discount rate applied to cash flows.

These factors are based on information and estimates deemed by the group to be the most appropriate as of today.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.3.14 Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in accordance with these obligations are fully covered by the tariff ‘levies’ approved by the regulator. The amounts outstanding (surplus) are reported as a trade and other payable.

In this process, as the TSO’s are agents, the group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully “passed through”.

See also Note 9.1.14.

3.3.15 Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the group will receive such grants and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the statement of profit or loss on a systematic basis over the expected useful life of the asset in question. Grants related to expense items are recognised in the statement of profit or loss in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the statement of profit or loss.

Contract liabilities – last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recognised over the lifetime 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 on 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 a 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 its 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 applyies 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 changes in the IASB project on Rate-regulated Activities to develop the following accounting policy:

- a liability is recognised in the statement of financial position and presented as part of “accruals and deferred income” with respect to the Elia group’s obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated (regulatory liability);
- an asset is recognised in the statement of financial position with respect to the Elia group’s right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item “net regulatory income (expense)”.

The amount in the regulatory deferral accounts is reported on an annual basis and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15), other income and the net income (expense) from the 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. Identifing the contract(s) with a customer;
2. Identifing the performance obligations in the contract(s);
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The group's main revenues are realised by TSOs which operate in accordance with regulatory frameworks and which have de facto/legal monopolies in their respective control zones. The frameworks which apply in the group's main countries of activity are detailed in Note 9 'Regulatory framework and tariffs'.

With regard to the regulated business, each service is based on a standard contract with the customer, mostly with a predefined regulated tariff (unit price multiplied by the volume (injection or offtake) or the reserved capacity (depending on the type of service)), so pricing is not variable. The allocation of the transaction price over the different performance obligations is therefore straightforward (one-to-one relationship). Most of these contracts are concluded for an indefinite period and have general payment terms of 15-30 days. Considering the business of the Elia group, there are no relevant right-of-return and warranty obligations.

For all services provided by the group, Elia is the sole and primary party responsible for executing the service and is thus the principal. However, in its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to public service obligations imposed by the government/regulation mechanisms. These obligations mainly relate to financial support for the development of renewable energy. TSOs act as agents for these activities, and since the expense/income streams are fully covered by tariffs, they have no impact on the statement of profit and loss. See section 'Levies' of Note 3.3.14 for more information on the accounting treatment.

The group's main performance obligations/contract types, their pricing and the revenue recognition method for 2022 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. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	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 grid is a service performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW/KVA for yearly/monthly peak and power available at access point.
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 throughout the contractual term.	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 interconnectors and coordination with neighbouring countries and the European authorities; and (iv) the publication of data, as required by transparency obligations. The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	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 along borders is organised through half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and the regulators decide which auctions are conducted along each border. 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. The revenue is recognised at the point in time when an import/export activity occurs.	Framework agreement with parties and auction office. Price is set based on price difference in cross-border market prices.

Revenue by category for 50 Hertz Transmission

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Revenues from incentive regulation	The ‘grid use fee’ is charged to grid users/DSOs connected to the grid for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users. The revenue is recognised over time, as this service is a performed continuously throughout the contractual term.	Standard contract and grid tariffs defined by regulator.
	Last-mile connection is a component of the ‘grid use fee’ contract. At the request of a future grid user, 50Hertz constructs a dedicated/physical connection, known as a last-mile connection, to create an interface point to the grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by 50Hertz 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. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
Revenues from offshore regulation	This component comprises tariffs charged to grid users/DSOs to cover grid connection costs for offshore wind farms. The revenue is recognised over time, as this service is performed continuously throughout the contractual term	Contract and tariffs predefined in regulatory mechanism.
Energy revenues	This revenue stream consists of different components **Congestion management and redispatch** fees are paid by market participants for use of the capacity made available by 50Hertz on specific lines (including use of cross-border assets). This allocation mechanism is governed by transparent, market-oriented procedures. The revenue is recognised at the point in time when it is generated	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Compensation for imbalances Market participants (BRPs) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred. The revenue is recognised at the point in time when an imbalance occurs.	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Horizontal reimbursement of lignite back-up costs In its role as a TSO, 50Hertz charges fees to other TSOs for services related to the reserve power required by the legal framework. The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Other revenues		
Third-party services	Elia Grid International provides consultancy services to third parties around the world. The revenue is recognised over the completion of the contract. Third-party services are presented in other revenues.	Contract negotiated between EGI and customer. The contract price is set when the contract is concluded with the customer. The payment term is generally 30 days from the invoice date.
Commission fee	Re.alto provides a platform through which energy actors (e.g. traders, prosumers) can exchange energy data. re.alto receives a commission on transactions undertaken via the platform. The revenue is recognised at the point in time when the transaction occurs. The commission fee is presented in other revenues.	The commission fee is a fixed percentage on each transaction.
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 contracts in place with the Group to obtain services resulting from the Group's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations arise.

Net regulatory income (expense) from settlement mechanism

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting is agreed with the regulator) to cover all the system operator's reasonable costs, including a reasonable profit margin for the shareholders.
If the applied tariffs result in a surplus or deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been lower or higher. This surplus or deficit is therefore reported in the settlement mechanism deferral account.
The release of this deferral account will impact future tariffs: where regulatory liabilities are incurred, future tariffs will be lower, and where regulatory assets are incurred, future tariffs will be higher. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss in the line 'Net income (expense) from settlement mechanism'. See also Note 3.3.17.

3.4.2 Expenses

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally on 1 January of the year in question). However, these costs, which are considered to be 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 that 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. Taxes on hybrid coupons are recognised in the statement of profit and loss as these are a tax on profits whereas the hybrid coupon itself is recognised directly in equity.
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in relation to previous years.
Deferred tax is recognised, using the balance sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.
A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5 Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this approach, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1 Basis for segment reporting

The group has opted for segment reporting, in conformity with the different regulatory frameworks that currently exist within the group. This reporting approach closely reflects the group's operational activities and is also in line with the group's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess the group's performance and activities in a transparent way.

Pursuant to IFRS 8, the group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based undertaken in line with the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Re SA, HGRT SAS and Coreso SA/NV, whose activities are directly linked to the role of the Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities undertaken in line with the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of the transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
    - Elia Group NV/SA, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment;
    - Eurogrid International NV/SA;
    - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up – see Section 9.3 for more details;
    - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of a TSO – see Section 9.1;
    - EGI (Elia Grid International NV/SA, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore (closed in 2022), Elia Grid International LLC Saudi Arabia and Elia Grid International Inc Canada (a new subsidiary incorporated in 2022), which are companies that supply specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments;
    - Re.Alto-Energy BV/SRL and Re.Alto-Energy GmbH, a start-up founded in August 2019 which is the first European digital marketplace for energy data and services;
    - Windgrid, a new entity created during the reporting period 2022, which was established to manage expected increase in investments in renewable energy production and the offshore grid expansion.

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 2022 consolidated results for Elia Transmission (Belgium)

Results Elia Transmission (in € million) – period ended 31 December	**2022**	**2021**	**Difference (%)**
Revenue, other income and net income (expense) from settlement mechanism	1,561.3	1,199.5	30.2%
Revenues	*1,420.4*	*1,009.8*	*40.7%*
Other income	*147.6*	*68.3*	*116.1%*
Net income (expense) from settlement mechanism	*(6.7)*	*121.4*	*(105.5%)*
Depreciation, amortisation, impairment and changes in provisions	(214.4)	(205.1)	4.5%
Results from operating activities	259.6	224.8	15.5%
Equity accounted investees	2.4	2.3	3.3%
EBIT	262.0	227.1	15.4%
EBITDA	476.4	432.2	10.2%
Finance income	1.3	1.7	(23.5%)
Finance costs	(63.7)	(64.8)	(1.7%)
Income tax expenses	(42.7)	(32.9)	29.7%
Net profit	**156.9**	**131.0**	**19.8%**
Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	7,848.6	7,153.5	9.7%
Capital expenditures	449.0	417.2	7.6%
Net financial debt	2,916.2	3,441.0	(15.3%)

The tariff methodology approved by the 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 regulatory framework.

Financial

Elia Transmission's revenue was up 30.2% compared with last year, increasing from €1,199.5 million to €1,561.3 million. Revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base, one-off tariff compensation for the financial cost linked to the capital increase (i.e. portion allocated to ETB) and higher costs for ancillary services. Higher ancillary services resulted from the high gas prices caused by the war in Ukraine and, to a lesser, extent the increase in imbalance volume caused by the increase in the share occupied by renewables in the energy mix.

The table below provides more details about revenue component changes:

(in € million)	**2022**	**2021**	**Difference (%)**
Grid revenue:	**1,415.8**	**1,006.0**	**40.7%**
Grid connection	44.8	45.1	(0.6%)
Management and development of grid infrastructure	475.3	480.6	(1.1%)
Management of the electrical system	149.8	149.0	0.6%
Compensation for imbalances	365.0	220.6	65.4%
Market integration	22.2	23.2	(4.0%)
International revenue	358.6	87.5	309.6%
Last mile connection	3.5	2.9	19.6%
Other revenue	1.1	0.8	27.3%
Subtotal revenue	1,420.4	1,009.8	40.7%
Other income	147.6	68.3	116.1%
Net income (expense) from settlement mechanism	(6.7)	121.4	(105.5%)
Total revenue and other income	**1,561.3**	**1,199.5**	**30.2%**

Revenues from the **management and development of grid infrastructure**, the **management of the electrical system**, **market integration** and **grid connection** remained stable compared to 2021.

Services rendered in the area of energy management and the individual balancing of balancing groups are paid under **revenues from compensation for imbalances**. These revenues, which increased from €220.6 million to €365.0 million (+65.4%), were largely due to the tariff for maintaining and restoring the residual balance of individual access responsible parties (+€147.8 million). The higher balance activation costs due to the increase in gas prices caused by the war in Ukraine and, to a lesser extent, the increase in imbalance volume caused by the increase in the share occupied by renewables (in particular offshore wind) - which are more heavily influenced by forecast differences in the generation mix - were the main drivers of the revenue increase.

International revenue increased to €358.6 million (+309.6%), mainly due to increasing congestion income on the border with France. Indeed, the prices in France are higher than in the rest of Europe due to nuclear outages, and Belgium, as direct neighbour of France, has a big share of the congestion revenues linked to price spread with France.

The **last mile connection (previously called transfer of asset from customers) increased** compared to the previous year, so driving the further electrification of the power sector, while **other revenues** also increased, mainly due to works delivered to third parties.

The **settlement mechanism** decreased from €121.4 million in 2021 to -€6.7 million in 2022 and encompassed both deviations in the current year from the budget approved by the regulator (-€132.4 million) and the settlement of net surpluses from the previous tariff period (€125.7 million). The operating surplus (-€132.4 million), with respect to budgeted costs and revenue authorised by the regulator, will be returned to consumers in a future tariff period. The surplus was primarily the result of higher costs for ancillary services (+€228.6 million), higher influenceable costs (+€212.7 million) and a higher net profit (+€28.7 million). This was more than offset by an increase in tariff sales (-€247.0 million), which was mainly driven by imbalance compensations, and higher international and other sales (-€396.7 million), including the within-period Cap & Floor adjustment for Nemo Link (€69.1 million), as the cap surplus needs to be returned to the tariffs.

EBITDA rose to €476.4 million (+10.2%) due to a higher regulated net profit, higher depreciations linked to the growing asset base and higher financial costs all passed through into revenue. The **EBIT** increase was more pronounced (+15.4%), mainly due the lower depreciations of assets not covered by tariffs, being the intangible assets expensed during the previous regulatory period and activated under IFRS and for leasing contracts. The contribution of equity-accounted investments remained flat at €2.4 million, linked to the contribution from HGRT.

Net finance cost slightly decreased (-1.1%) compared with the previous year. This was mainly driven by the higher activation of borrowing costs due to the growth of the asset base (€2.1 million) and partially offset by other financial costs. The financial costs linked to Elia Group's capital increase were allocated to the Belgian regulated activities on a pro-rata basis in accordance with the use of proceeds. Under IFRS, these costs (€3.6 million) are directly accounted through equity. During 2022, ETB did not tap into the debt market and had a well-balanced debt maturity profile. The average cost of debt remained at 1.9% at the end 2022 and all outstanding debt had a fixed coupon.

Net profit rose by 19.8% to €156.9 million, mainly due to the following:

- A **higher fair remuneration** (+€12.1 million) due to asset growth and higher equity. The increase in equity was mainly driven by the proceeds allocated to the Belgian regulated activities (€290.1 million) following Elia Group's capital increase. Additionally, the fair remuneration benefitted from the capital grant received from the Federal Government in relation to the Princess Elisabeth Island (€73.1 million net of deferred tax) and recognised as part of the regulated equity.
- Increase in **incentives** (+€1.4 million), reflecting a solid operational performance, primarily linked to a better performance on the incentive for innovation, customer satisfaction and influenceable costs and partially offset by lower incentive for interconnection capacity. Driven by the growth of the activities, the efficiency gain on controllable costs slightly decreased compared with the previous year, while the net contribution from incentives benefitted from a reduction in the average tax rate due to a higher innovation income deduction.
- **Employee and other provisions** (+€7.9 million), mainly driven by higher contributions to plan assets.
- Higher **capitalised borrowing costs** due to a higher level of assets under construction (+€1.7 million).
- A one-off **tariff compensation** for the financial costs linked to the capital increase (+€3.6 million).
- **Regulatory settlements** and the reversal of provision for the influenceable incentive following the Saldi 2021 review (+€2.2 million).
- **Other** (-€3.0 million): this was primarily due to share-based payment expenses linked to the capital increase in favour of members of staff (-€1.7 million),deferred tax effects (-€2.4 million) and other restatements (-€0.6 million), partially offset by the lower depreciation of software and hardware (+€1.4 million) and less damage to electrical installations compared with the previous year (+€0.3 million).

Total assets increased by €695.1 million to €7,848.6 million due to the realisation of the investment programme and higher liquidity.

Net financial debt dropped to €2,916.2 million (-15.3%), as ETB's CAPEX programme was fully financed by the proceeds from the capital increase and by cash flows from operating activities, which were positively impacted by higher cash inflows from levies and the cap surplus paid by Nemo Link (€69.1 million, which needs to be returned to the tariffs). The sustainability-linked RCF (€650 million) and the commercial paper (€300 million) were fully undrawn at the end of 2022. S&P Global confirmed ETB's rating at BBB+ with a stable outlook at the end of 2022.

4.3 50Hertz Transmission (Germany)

The table below shows the 2022 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany.

Results 50Hertz Transmission (Germany) (in € million) – period ended 31 December	2022	2021	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	2,592.7	1,716.9	50.9%
Revenues	*2,222.4*	*1,569.9*	*41.6%*
Other income	*125.9*	*95.1*	*32.4%*
Net income (expense) from settlement mechanism	*244.4*	*51.9*	*n.r.*
Depreciation, amortisation, impairment and changes in provisions	(297.3)	(261.2)	13.8%
Results from operating activities	314.1	272.9	15.1%
EBIT	314.1	272.9	15.1%
EBITDA	611.5	534.0	14.5%
Finance income	73.9	2.1	3419.0%
Finance costs	(46.6)	(36.9)	26.4%
Income tax expenses	(105.3)	(72.8)	44.6%
Net profit	**236.1**	**165.4**	**42.7%**
Of which attributable to the Elia Group	***188.9***	***132.3***	***42.8%***
Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	11,638.1	9,941.3	17.1%
Capital expenditures	1,135.9	880.4	29.0%
Net financial debt	1,255.3	1,014.9	23.7%

50Hertz Transmission's total revenue and other income increased compared with 2021 (+51.0%).

Total revenues are detailed in the table below.

(in € million)	2022	2021	Difference (%)
Grid revenue:	**2,213.1**	**1,561.3**	**41.7%**
Revenue from incentive regulation	862.7	911.8	(5.4%)
Revenue from offshore regulation	295.1	294.7	0.1%
Energy revenue	1,055.4	354.9	197.4%
Other revenue (incl. last mile connection)	9.2	8.6	7.1%
Subtotal revenue	2,222.4	1,569.9	41.6%
Other income	125.9	95.1	32.4%
Net income (expense) from settlement mechanism	244.4	51.9	370.9%
Total revenue and other income	**2,592.6**	**1,716.9**	**51.0%**

Revenues from incentive regulation consist of grid tariffs before the settlement mechanism; they are primarily driven by the regulatory remuneration for onshore activities (revenue cap).

Revenues from incentive regulation decreased by €49.1 million, coming from lower volume effects than last year and lower revenues from the revenue cap.

The infeed of renewable energy into the distribution grid was higher than expected, leading to lower volumes in the transmission grid. Consequently, the volume effect was lower than in previous years (-€99.2 million).
The revenue cap decrease (-€14.3 million) was mainly driven by higher paybacks for old regulatory balances via the regulatory account (-€67.3 million). Additionally, the pass-through energy costs for reserve power plants decreased compared to 2021 (-€14.7 million). These effects were partially compensated for by an increased allowance for onshore investments (+€21.7 million) as well as a higher cost allowance for ancillary services (+€48.5 million).

Furthermore, there was no pass-through payback related to the old regulatory offshore mechanism compared with last year (+€64.5 million).

Revenues from offshore surcharge include all revenues derived from the offshore grid surcharge. This includes regulatory remuneration for the connection of offshore wind farms, the reimbursement of offshore liability payments and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

The offshore surcharge revenues increased slightly compared with the previous year (+€0.4 million) as the remuneration of 50Hertz's own offshore grid connection costs increased (+€25.5 million), driven by ongoing offshore investments (Ostwind 2 and Ostwind 3). This effect was offset by the decrease in the pass-through costs charged to 50Hertz by third parties compared with 2021 (-€25.1 million).

Energy revenues include all revenues related to system operations and are mostly corresponding costs charged on to third parties, such as redispatch measures, costs for reserve power plants or control power costs. Revenues generated from auctioning off interconnector capacity are also included in this section.

Energy revenues strongly increased compared to the previous year (+€700.5 million), due to the continuing rise in energy prices. The control power costs charged to balancing groups increased significantly (+€386.0 million), as did the charges to other TSOs for redispatch measures (+€188.5 million). Furthermore, revenues from the auctioning of interconnector capacities benefitted from price developments (+€77.9 million), as well as revenues from the compensation of involuntary exchanges at the grid's borders (+€33.1 million).

Other revenues (including last-mile connection) increased (+€0.5 million), mainly due to higher revenues received from the Inter-Transmission System Operator Compensation (ITC) mechanism. The ITC mechanism is based on an EU regulation and compensates TSOs for the costs of hosting cross-border electricity flows on their networks. TSOs contribute/receive funds based on electricity flows onto/from their national transmission systems.

Other income rose (+€30.9 million), as a result of higher own work capitalised following the increase in staffing to execute and manage the investment programme (+€18.3 million). Furthermore, other operating revenues increased (+€9.1 million), including the capitalisation of dismantling provisions and higher charges for IT to third parties.

The **net regulatory income (expense) from settlement mechanism** neutralises regulatory time lags. It consists of two components: firstly, the neutralisation of differences between cost allowances in the tariffs and the actual costs incurred for the current year (+€125.2 million); secondly, the balancing of said differences from prior years (+€119.1 million).

EBITDA increased to €611.5 million (+14.5%). The growing asset base benefitted the investment remuneration (+€77.6 million). The opex costs decreased as 50Hertz ramped down from a peak in the maintenance cycle while focussing on operational efficiency and safety, while also benefitting from capitalised dismantling costs that were passed through under the offshore cost-plus regulation (+€11.8 million). Furthermore, the losses on asset disposal and trade debtors were reduced (+€5.6 million). In order to ensure the energy transition is a success and manage the increasing complexity of system operations in the future, 50Hertz continued to expand its talent pool, leading to additional staffing costs (-€16.3 million), which was compensated for by the higher own work capitalised (+€14.2 million). Furthermore, EBITDA benefited from one-off revenues from the regulatory settlement and related provisions amounting to €23.4 million (-€18.9 million). This settlement was mainly related to an agreement on the offshore lump sum for the year 2018, while in 2021 it originated from the refund of clawback amounts as part of the transition towards the Capital Cost Adjustment model in 2024.

There was a less pronounced increase in **EBIT** (+€41.2 million) which was driven by increasing depreciations (-€37.3 million) following the commissioning of projects like Ostwind 2 (first cable system and Arcadis Ost 1 platform). Furthermore, operating provisions decreased slightly compared with 2021 (+€1.1 million). No adjusted items occurred in 2022.

The **net financial result** increased to €27.3 million (+€62.0 million), driven primarily by the revaluation of provision for congestion income from interconnectors to be returned to grid customers based on the strong upwards revision of the interest forward curve amounting to €67.5 million in 2022 (+€63.1 million compared to 2021).

Net profit increased to €236.1 million (+42.7%) as a result of:

- Higher investment remuneration (+€54.4 million) following the growth of the asset base.
- Higher financial results (+€43.4 million), driven primarily by the revaluation of long-term provisions.
- Decreased OPEX and other costs (+€12.3 million).
- These effects were partially offset by:
- Higher depreciations (-€26.1 million) due to the commissioning of projects.
- Lower regulatory settlement prior years (-€13.2 million).

Total assets rose by €1,696.8 million compared with 2021, mainly due to a favorable development of the EEG business (+€826.0 million) and the execution of the investment programme (€1,085.5 million). The **free cash flow** totalled -€359.2 million and was heavily affected by the high investment programme as well as the time-lag in recovering the high energy costs. The cash flow on the EEG account only partially compensated for these effects (+€826.0 million). The parliament decided to reduce the EEG surcharge to zero as of 1 July 2022 in order to relieve households and companies given increased electricity costs. In future, the costs for promoting RES will be financed through the Energy and Climate Fund. 50Hertz will continue to act as a trustee.

The **net financial debt** increased by €240.4 million compared with end of 2021, as the realisation of the investment programme was partially financed by existing liquidity, while the operating cash flow was negatively impacted by high energy costs. The EEG cash inflow from higher energy prices only partially compensated for these effects. The EEG cash position as of December 2022 amounted to €2,936.0 million. 50Hertz issued a second green bond of €750 million at the beginning of September with a tenor of 9 years and a fixed rate of 3.28%, leading to an average cost of debt of 1.5% at the end of December 2022.

4.4 Non-regulated activities and Nemo Link

The table below shows the 2022 consolidated results for the 'Non-regulated activities and Nemo Link' segment.

Results Non-regulated activities and Nemo Link (in € million) – period ended 31 December	**2022**	**2021**	**Difference (%)**
Total revenues	5.9	28.7	(79.4%)
Other income	38.9	8.1	377.3%
Depreciation, amortisation, impairment and changes in provisions	(0.7)	(0.5)	36.3%
Results from operating activities	(13.6)	(6.8)	99.3%
Share of profit of equity accounted investees (net of income tax)	37.1	47.1	(21.2%)
EBIT	23.6	40.3	(41.4%)
EBITDA	24.3	40.8	(40.4%)
Finance income	3.8	0.1	3700.0%
Finance costs	(12.5)	(9.0)	39.4%
Income tax expenses	0.4	0.5	(24.1%)
Net profit	**15.2**	**31.9**	**(52.4%)**
Of which attributable to the Elia Group	***15.2***	***31.9***	***(52.4%)***

Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	1,946.5	1,654.0	17.7%
Capital expenditures	0.9	1.6	(43.8%)
Net financial debt	260.1	430.4	(39.6%)

Non-regulated revenue increased by 21.5% to €44.7 million compared to 2021. This is the result of higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz and partially offset by lower revenues generated by Elia Grid International ('EGI') (-€4.2 million), as prior year's revenues benefited from the commissioning of a turnkey project, while the international consulting business is slowly increasing as a result of the pandemic revival. The effect of these intersegment transactions is disclosed in 'Note 2.2. Segment reconciliation'.

Equity-accounted investments contributed €37.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**. With an availability rate of 99.1%, Nemo Link remains one of the highest performing assets of its kind in the world.

In 2022, geopolitical tensions put pressure on electricity markets, especially across the European continent because of the region's dependence on Russian gas. This pressure was increased by the historically low level of nuclear availability in France. The spot NBP gas, which drives the UK electricity price, was traded from May to October with a significant discount compared to TTF gas, the reference gas price in Europe. This was because Great Brittan was better supplied by gas compared to the continent. As a result, Nemo Link was used very frequently for exports towards Belgium; it demonstrated its value to Belgian consumers by providing them with electricity at lower prices to help with the energy crisis. The Nemo Link interconnector highlights the importance of similar links in providing Belgium with access to energy that is produced outside of the country whilst contributing to the functioning of competitive international market operations.

This exceptional situation during 2022 led to revenues of Nemo Link amounting to €282.6 million, so exceeding (for the first time since it began operating) the cumulative revenue cap by €137.6 million. Its total net profit reached €74.2 million for 2022, with a contribution to Elia Group's net profit amounting to €37.1 million.

EBIT dropped to €23.6 million (-€16.7million). This decrease was primarily due to the lower contribution from Nemo Link (-€9.9 million) and the higher operating costs for the holding and WindGrid driven by the pursuit of inorganic growth ambitions (-€6.7 million). Following the drop in revenues, the contribution from EGI (-€0.6 million) and re.alto (-€0.4 million) decreased.

Net finance cost remained flat at €8.8 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The pro-rata costs linked to the capital increase of Elia Group and allocated to Elia Group SA and Eurogrid International respectively are directly recognised in equity under IFRS (€3.5 million).

Net profit decreased by €16.7 million to €15.2 million, mainly as a result of:

- Lower contribution from Nemo Link (-€9.9 million).
- Higher costs driven by the establishment of WindGrid and business development activities (-€6.9 million).
- Lower contribution from re.alto (-€0.6 million).
- Other items (+€0.7 million) driven by lower regulatory rejections (+€0.1 million), lower other non-regulated costs (+€0.8 million) and partially offset by a lower contribution from EGI (-€0.2 million).

Total assets increased by 17.7%, amounting to €1,946.5 million (+€292.5 million), primarily driven by the net proceeds from the capital increase allocated to the non-regulated segment (+€98.8 million) and dividend payments from subsidiaries offset by the payment of last year's dividend (-€120.3 million). This led to a drop in net financial debt of €170.3 million to €260.1 million.

4.5 Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) – period ended 31 December	**2022**	**2022**	**2022**	**2022**	**2022**
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
	(a)	(b)	(c)	(d)	(a) + (b) + (c) + (d)
Revenue	1,420.4	2,222.4	5.9	(32.7)	3,616.0
Other income	147.6	125.9	38.9	(52.7)	259.6
Net income (expense) from settlement mechanism	(6.7)	244.4	0.0	0.0	237.7
Depreciation, amortisation, impairment and changes in provisions	(214.4)	(297.3)	(0.7)	0.0	(512.4)
Results from operating activities	**259.6**	**314.1**	**(13.6)**	**(0.3)**	**559.8**
Share of profit of equity accounted investees, net of tax	2.4	0.0	37.1	0.0	39.5
Earnings before interest and tax (EBIT)	262.0	314.1	23.6	(0.3)	599.4
Earnings before depreciation, amortisation, interest and tax (EBITDA)	476.4	611.5	24.3	(0.3)	1,111.8
Finance income	1.3	73.9	3.8	(3.6)	75.4
Finance costs	(63.7)	(46.6)	(12.5)	3.9	(119.0)
Income tax expenses	(42.7)	(105.3)	0.4	0.0	(147.5)
Profit attributable to the owners of the company	**156.9**	**188.9**	**15.2**	**0.0**	**361.0**
Consolidated statement of financial position (in € million)	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Total assets	7,848.6	11,638.1	1,946.5	(838.9)	20,594.3
Capital expenditures	449.0	1,135.9	0.9	0.0	1,585.8
Net financial debt	2,916.2	1,255.3	260.1	0.0	4,431.6

Consolidated results (in € million) – Year ended 31 December	2021 Elia Transmission (a)	2021 50Hertz Transmission (b)	2021 Non-regulated activities and Nemo Link (c)	2021 Consolidation entries & intersegment transactions (d)	2021 Elia Group (a) + (b) + (c) + (d)
Revenue	1,009.8	1,569.9	28.7	(57.1)	2,551.2
Other income	68.3	95.1	8.1	(36.4)	135.1
Net income (expense) from settlement mechanism	121.4	51.9	0.0	0.0	173.3
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(261.2)	(0.5)	0.0	(466.8)
Results from operating activities	**224.8**	**272.9**	**(6.8)**	**(0.2)**	**490.7**
Share of profit of equity accounted investees, net of tax	2.3	0.0	47.1	0.0	49.3
Earnings before interest and tax (EBIT)	227.1	272.9	40.3	(0.2)	540.1
Earnings before depreciation, amortisation, interest and tax (EBITDA)	432.2	534.0	40.8	(0.2)	1,006.9
Finance income	1.7	2.1	0.1	0.0	3.9
Finance costs	(64.8)	(36.9)	(9.0)	0.2	(110.5)
Income tax expenses	(32.9)	(72.8)	0.5	0.0	(105.1)
Profit attributable to the owners of the company	**131.0**	**132.3**	**31.9**	**0.0**	**295.2**
Consolidated statement of financial position (in € million)	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**
Total assets	7,153.5	9,941.3	1,654.0	(604.4)	18,144.4
Capital expenditures	417.2	880.4	1.6	0.0	1,299.2
Net financial debt	3,441.0	1,014.9	430.4	0.0	4,886.3

There are no significant intersegment transactions.

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

4.6 Adjusted items – reconciliation table

N/A

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

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

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

(in € million)	2022	2021
Revenue, excluding net income from settlement mechanism	**3,853.7**	**2,724.6**
Grid revenue:	3,837.0	2,711.1
Last mile connection	5.1	4.3
Other revenue	11.6	9.3
Net income (expense) from settlement mechanism	**237.7**	**173.3**
Other income	**259.6**	**135.1**
Services and technical expertise	(0.8)	(2.2)
Own production	107.0	82.1
Optimal use of assets	16.2	15.8
Other	136.6	37.8
Gain on sale PPE	0.7	1.5

We refer to the segment reports for a detailed analysis of the group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,561.3 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €2,592.6 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €44.7 million (Note 4.4). The total reported revenues and other income amount to €4,113.3 million.

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which largely corresponds to the segments mentioned above.

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

The group recognised €8.3 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€140.5 million). Additional information is provided in Note 6.16. The group did not recognise any substantial revenues in the reporting period with respect to performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2022	2021
Raw materials, consumables and goods for resale	69.7	83.1
Purchase of ancillary services	2,142.4	1,067.7
Services and other goods (excl. purchase of ancillary services)	412.3	375.9
Total	**2,624.4**	**1,526.7**

The group's costs for 'Raw materials, consumables and goods for resale' decreased to €69.7 million for the financial year 2022. In 2022, the costs are attributable to the Belgian segment for €5.0 million (€5.2 million in 2021), the German segment for €64.2 million (€72.0 million in 2021) and EGI for €0.5 million (€5.9 million in 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 2022 by Elia Transmission (Belgium) increased to €566.8 million (up from €294.0 million in 2021) mainly because of increased prices to cover electricity losses and increased activations to balance the grid against a background of the high energy prices. 50Hertz Transmission (Germany) incurred increased costs of €1,575.6 million in 2022 compared to €773.1 million in 2021 also due to higher electricity prices.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy fees, and others. The cost of these increased by €36.4 million (+9.6%) to €412.3 million. The increase is mainly explained by the increased level of activities in an inflationary environment.

PERSONNEL EXPENSES

(in € million)	2022	2021
Salaries and wages	274.6	242.2
Social security contributions	56.6	50.8
Pension costs	29.6	22.6
Other personnel expenses	5.8	5.9
Share-based payments expenses	2.0	0.2
Employee benefits (excl. pensions)	3.6	12.4
Total	**372.1**	**334.1**

Personnel expenses increased by €38 million in 2022 as a consequence of the indexation and the continued growth in headcount, especially in the non-regulated segment. For Elia Transmission (Belgium) the personnel expenses amounted to €183.5 in 2022 compared to €166.5 million in 2021. 50Hertz Transmission (Germany) accounted for €168.1 million of the group's personnel expenses for 2021 (previous year: €151.4 million) and the non-regulated activities and Nemo Link accounted for €20.5 million (previous year: €16.2 million). All three segments have experienced a growth in the number of full-time equivalents to support the acceleration of the energy transition and the development opportunities linked to the expansion of its international offshore activities.

A new capital increase in favour of the members of the personnel of Elia Group NV/SA and its Belgian subsidiaries was completed in December 2022. The capital increase resulted in the creation of 47,920 additional shares without nominal value. The group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €1.7 million reduction overall.

See Note 6.13 'Employee benefits' for more information about pension costs and employee benefits'.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	2022	2021
Amortisation of intangible assets	30.2	24.5
Depreciation of property, plant and equipment	483.6	443.1
Total depreciation and amortisation	**513.7**	**467.5**
Impairment of inventories	0.0	0.6
Total impairment	**0.0**	**0.6**
Provisions for litigations	(1.5)	(0.5)
Environmental provisions	0.3	(0.2)
Other provisions	(0.0)	0.0
Changes in provisions	**(1.3)**	**(0.8)**
Depreciation, amortisation, impairment and changes in provisions	**512.4**	**467.4**

The total 'depreciation, amortisation, impairment and changes in provisions' increased from €467.4 million in 2021 to €512.4 million in 2022, 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 6.15).

OTHER EXPENSES

(in € million)	2022	2021
Taxes other than income tax	15.4	14.0
Loss on disposal/sale of property, plant and equipment	17.8	19.1
Impairment on receivables	1.2	0.5
Other	10.0	7.7
Total	**44.4**	**41.4**

In 2022, the share of Elia Transmission (Belgium) in the group's other expenses was €26.6 million (€21.6 million in 2021), 50Hertz Transmission (Germany)'s total share amounted to €17.0 million (€19.7 million in 2021) and the share of the non-regulated activities and Nemo Link segment accounted for €0.9 million (€0.1 million in 2021).

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €12.8 million for Elia Transmission (Belgium), compared with €9.0 million in the previous year. 50Hertz Transmission (Germany) recorded €5.0 million of losses on disposal for property, plant and equipment in 2021, from €10.1 million in 2021.

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

5.3. Net finance costs

(in € million)	2022	2021
Finance income	**75.4**	**3.9**
Interest income on cash and cash equivalents and granted loans	4.2	1.1
Other financial income	71.2	2.8
Finance costs	**(119.0)**	**(110.5)**
Interest expense on eurobonds and other bank borrowings	(112.0)	(110.4)
Interest expense on derivatives	(0.6)	(0.6)
Interest cost on leasing	(1.3)	(1.8)
Other financial costs	(5.1)	2.3
Net finance costs	**(43.6)**	**(106.6)**

Finance income increased from €3.9 million in 2021 to €75.4 million in 2022. 50Hertz Transmission (Germany)'s contribution explains the variation with €73.9 million in 2022 compared to €2.1 million in 2021. This variation is primarily driven by the revaluation of provision for congestion income from interconnectors to be returned to grid customers based on an upwards revision of the interest forward curve. The contribution of Elia Transmission (Belgium) is close to previous year (€1.3 million in 2022 compared €1.7 million in 2021). The non-regulated activities and Nemo Link segment showed €3.8 million of financial income (€0.1 million in 2021).

The interest expenses on Eurobonds and other bank borrowings increased by €1.6 million compared to the previous year. See Note 6.12 for more details regarding the loans outstanding and the interest paid in 2022.

The interest cost on leasing slightly decreased in comparison with the previous year. This is explained by the lower value of financial lease liabilities.

Other financial costs decreased from -€2.3 million in 2021 to €5.1 million in 2022. In 2021, a net interest on German regulatory issues (credit amount of €6.5 million) was reported in this caption in connection with the revenue for congestion management. As explained here above, in 2022, the financial income is reported in 'Other financial income'.

Please see Note 6.13 for more details about net debt and loans.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2022	2021
Current year	112.8	98.8
Adjustments for prior years	(0.7)	(4.1)
Total current income tax expenses	**112.1**	**94.7**
Origination from and reversal of temporary differences	35.4	10.5
Total deferred taxes expenses	**35.4**	**10.5**
Total income taxes and deferred taxes recognised in profit and loss	**147.5**	**105.2**

Total income tax expenses 2022 were higher than in 2021. The increase is mainly explained by the higher profit generated both in Belgium and Germany.

Deferred income taxes are discussed further in Note 6.7.

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)	2022	2021
Profit before income tax	555.7	433.5
Domestic corporate income tax	25%	25%
Income tax, using the domestic corporate tax rate	**(138.9)**	**(108.4)**
Effect of the foreign tax rate	(17.5)	(11.6)
Share of profit of equity accounted investees, net of tax	10.0	12.3
Non-deductible expenses	(11.0)	(10.6)
Adjustments for prior years	0.8	4.4
Tax credits and other tax reductions	7.3	5.6
Effect of unrecognized deferred tax assets on tax loss carry-forwards	(4.6)	(1.9)
Tax on hybrid securities	4.8	4.8
Corporate interest restriction	0.0	0.0
Other	1.6	0.1
Total income taxes and deferred taxes recognised in profit and loss	**(147.5)**	**(105.2)**

** The income tax rate in Germany amounts to 29.93% in 2022 and 29.72% in 2021*

The effective tax rate 2022 of the Group is 26.54%, compared to 24.27% in 2021. This increase is mainly explained by the higher contribution of the German segment to the profit before tax at an higher local tax rate.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders (after adjustment for the distribution on hybrid securities) (€341.7 million) by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit attributable to equity holders of ordinary shares	**341.7**	**276.0**
Effect of dilutive potential ordinary shares	0	0
Earnings for the purposes of diluted earnings per share	**341.7**	**276**
Ordinary shares issued on 1 January	68,728,055	68,720,695
Treasury shares as at 1 January	-7,248	0
Ordinary shares issued in March 2021		7,360
Ordinary shares issued in June 2022	4,739,864	
Ordinary shares issued in December 2022	47,920	
Treasury shares - net movement for the year	-6,232	-7,248
Outstanding ordinary shares as at 31 December	**73,502,359**	**68,720,807**
Weighted average of outstanding ordinary shares (basic)	**71,142,846**	**68,722,476**
Effect of dilutive potential ordinary shares	0	0
Weighted average number of outstanding ordinary shares (diluted)	**71,142,846**	**68,722,476**
Basic earnings per share (in €)	**4.80**	**4.02**
Diluted earnings per share (in €)	**4.80**	**4.02**

DILUTED EPS

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and convertible bonds.

Diluted earnings per share are equal to basic earnings per share, since there are no share options or convertible bonds.

5.6. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and other comprehensive income recognised in equity. 'Other comprehensive income' includes all changes in equity other than owner-related changes, which are reported in the statement of changes in equity.

The total other comprehensive income for 2022 amounts to €65.6 million negative impact, representing a significant decrease compared with the previous year (€270.8 million positive impact). The most important drivers of this are described below.

Cash flow hedges

Since 2021, 50Hertz applies hedge accounting for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. Due to the drop in energy prices in the last quarter of the year, the fair value of these contracts decreased from €355.6 million in 2021 to €129.6 million end of 2022, or a decrease of €226 million (pre-tax). This impact has been partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million (pre-tax).

The related tax on these elements amounts to +€50.4 million.

Financial assets measured at fair value through other comprehensive income

The measurement at fair value of the participation of EEX, in which 50Hertz Transmission holds a 5.4% stake resulted in a gain of €32,7 million as of 31 December 2022. The fair value evolved from €42,7 million end of 2021 to €75.9 million end of 2022.

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a positive impact amounting to €16.3 million. This impact is mainly explained by the increase in the discount rate, partly offset by the negative return of the plan assets. See Note 6.13 for more details.

The related tax on these elements amounts to -€4.9 million.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construction	Total
ACQUISITION VALUE							
Balance at 1 January 2021	**430.8**	**11,179.4**	**343.8**	**31.5**	**117.0**	**1,713.0**	**13,815.6**
Additions	10.6	179.8	36.0	0.9	49.6	956.0	1,232.8
Disposals	(3.3)	(87.1)	(42.6)	(0.2)	(0.4)	0.0	(133.6)
Transfers	27.6	503.0	35.1	2.9	0.0	(570.1)	(1.5)
Balance at 31 December 2021	**465.8**	**11,775.0**	**372.3**	**35.1**	**166.1**	**2,098.8**	**14,913.2**
Balance at 1 January 2022	**465.8**	**11,775.0**	**372.3**	**35.1**	**166.1**	**2,098.8**	**14,913.2**
Additions	9.3	334.0	34.7	0.1	(15.6)	1,130.1	1,492.6
Disposals	(1.8)	(82.6)	(8.4)	0.0	0.5	(0.7)	(93.0)
Transfers	3.6	718.9	105.6	11.1	0.0	(838.0)	1.1
Balance at 31 December 2022	**476.8**	**12,745.3**	**504.2**	**46.4**	**151.0**	**2,390.1**	**16,313.8**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2021	**(36.1)**	**(3,416.0)**	**(205.7)**	**(29.2)**	**(34.2)**	**0.0**	**(3,721.2)**
Depreciation	(6.6)	(381.5)	(39.7)	(1.1)	(14.8)		(443.6)
Disposals	2.2	68.6	39.7	0.1	0.4		111.1
Transfers	0.0	2.3	0.0	(2.3)	0.0		0.0
Balance at 31 December 2021	**(40.5)**	**(3,726.6)**	**(205.7)**	**(32.4)**	**(48.6)**	**0.0**	**(4,053.7)**
Balance at 1 January 2022	**(40.5)**	**(3,726.6)**	**(205.7)**	**(32.4)**	**(48.6)**	**0.0**	**(4,053.7)**
Depreciation	(6.2)	(404.1)	(59.1)	(0.6)	(13.5)		(483.6)
Disposals	1.2	59.4	8.1	0.0	(0.5)		68.2
Transfers	0.0	11.0	0.0	(11.0)	0.0		0.0
Balance at 31 December 2022	**(45.5)**	**(4,060.3)**	**(256.7)**	**(44.0)**	**(62.5)**	**0.0**	**(4,469.1)**
CARRYING AMOUNT							
Balance at 1 January 2021	394.7	7,763.4	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 31 December 2021	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5
Balance at 1 January 2022	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5
Balance at 31 December 2022	431.4	8,684.9	247.4	2.3	88.5	2,390.1	11,844.7

Large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway. These projects are focusing on strengthening both the Belgian and German grids, developing the necessary offshore infrastructures to allow the integration of increasing amounts of renewable energy into the grid and the digitalization of the infrastructure. The acceleration of the energy transition and the current inflationary environment are driving the investments of the Group.

In Belgium, Elia Transmission made investments totalling €403.2 million in property, plant and equipment. In 2022, 159 replacement projects occurred across the Belgian grid, amounting to a total investment of €113.4 million. Around €60 million was invested in supporting the digitalisation of our infrastructure and the development of new tools. The reinforcement works between Avelgem and Avelin, which forms part of the 380 kV backbone between Mercator and France, had been successfully finalised by the end of the year. Construction works continued along the Massenhoven Van Eyck Corridor (€32.7 million) and the Mercator Bruegel Corridor (€33.9 million). An important milestone was reached with the commissioning of a new 380 kV GIS substation, two 380 kV phase shifters and a 380 kV compensator in Zandvliet (€12.1 million). In Q3-2022, work began in Rimière on the construction of a new 380 kV substation and the extension of the existing 220 kV substation (€11.9 million); this project aims to create the required hosting capacity for the new CRM power plants in Les Awirs & Seraing by 2025.

In Germany, 50Hertz Transmission invested €1,089.3 million in property, plant and equipment. The most significant onshore investment is the DC line SuedOstLink (€210.0 million). It plays an important role in connecting the growing (offshore) production in the north of Germany with the consumption centres in the South. In order to reinforce the existing grid, the upgrading of high-voltage pylons to boost operational safety was accelerated in 2022 (€54.7 million). Another important milestone was reached for the replacement of the old Uckermark line with the successful settlement of a lawsuit after 17 years. The investment for this reinforcement consists of the overhead line in the southern Uckermark region (€53.1 million) and the overhead line in the northern Uckermark region (€46.9 million). Other important onshore projects to strengthen our onshore grid are the restructuring of the substation Lauchstädt with STATCOM and MSCDN (€35.0 million) and the restructuring and reinforcement of the overhead line between Wolmirstedt and Güstrow (€34.6 million). Offshore investments mainly focused on the Ostwind 2 project (€186.3 million), with the next offshore wind farm connection (Ostwind 3) already advancing along the project pipeline (€82.5 million).

During 2022, €24.2 million of borrowing costs were capitalised on assets under construction. An amount of €6.1 million based on an average interest rate of 1.91% originated from the Elia Transmission Belgium segment (€7.8 million at 2.03% in 2021). An amount of €18.1 million based on an average interest rate of 1.44% was accounted for in the 50Hertz Transmission segment (€13.5 million at 0.98% in 2021).

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 6.19.

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6.2. Intangible assets

(in € million)	Development costs of software	Licenses/ concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 1 January 2021	**209.0**	**29.6**	**0.0**	**238.5**
Additions	61.5	4.9	0.0	66.4
Disposals	(2.7)	0.0	0.0	(2.7)
Transfers	0.6	0.0	0.9	1.5
Balance at 31 December 2021	**268.4**	**34.5**	**0.9**	**303.8**
Balance at 1 January 2022	**268.4**	**34.5**	**0.9**	**303.8**
Additions	89.5	3.1	0.6	93.2
Disposals	0.0	0.0	0.0	0.0
Transfers	(1.1)	0.0	0.0	(1.1)
Balance at 31 December 2022	**356.8**	**37.6**	**1.6**	**395.9**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2021	**(125.4)**	**(7.8)**	**0.0**	**(133.1)**
Depreciation	(21.4)	(2.9)	(0.2)	(24.5)
Disposals	2.5	(0.2)	0.0	2.4
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2021	**(144.2)**	**(10.8)**	**(0.2)**	**(155.2)**
Balance at 1 January 2022	**(144.2)**	**(10.8)**	**(0.2)**	**(155.2)**
Depreciation	(26.3)	(3.5)	(0.3)	(30.2)
Disposals	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2022	**(170.5)**	**(14.4)**	**(0.5)**	**(185.4)**
CARRYING AMOUNT				
Balance at 1 January 2021	83.6	21.8	0.0	105.4
Balance at 31 December 2021	124.2	23.6	0.8	148.6
Balance at 1 January 2022	124.2	23.6	0.8	148.6
Balance at 31 December 2022	186.3	23.2	1.1	210.5

Software comprises both IT applications developed by the Group for operating the grid and software for the Group's normal business operations.

The group invested a total amount of €93.2 million, of which €45.8 million in Elia Transmission Belgium, €46.7 million in 50Hertz Transmission and €0.7 million in the non-regulated activities and Nemo Link segment.

During 2022, €0.6 million in borrowing costs were capitalised on software in development (compared with €0.3 million in 2021) in the Elia Transmission Belgium segment, based on an average interest rate of 1.91% (1.92% in 2021). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

The group does not hold individual intangible assets that are material to its financial statements, except capacity entitlements in the Kontek cable (Denmark) that amount to €16.5 million (with a remaining useful life of 10 years (until 2033)).

6.3. Goodwill

There were no changes in goodwill during the years 2021-2022. The carrying amount is the following:

(in € million)	Goodwill
ACQUISITION VALUE	
Balance at 1 January 2021	2,411.1
Balance at 31 December 2021	**2,411.1**
Balance at 1 January 2022	2,411.1
Balance at 31 December 2022	**2,411.1**

The goodwill relates to the following business combinations and is allocated to the cash generating unit (CGU) Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in € million)	2022
Acquisition Elia Asset – 2002	1,700.1
Acquisition Elia Engineering – 2004	7.7
Acquisition Eurogrid International – 2018	703.4
Total	**2,411.1**

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment on at least an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the CGUs Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

The recoverable amount of CGUs is determined by reference to a value in use that is calculated based on different methods (Discounted Cash Flow and Discounted Dividend Model) using **cash flow projections** drawn up on the basis of the 2022 reforecast and the 2023-2027 business plan, as approved by the Management Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.
The forecasts and projections included in the reference scenario were determined on the basis of the estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share and margin evolution. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods.

The **discount rates** used correspond to the weighted average cost of capital, which is adjusted in order to reflect the business, market, country and currency risk relating to each goodwill CGU reviewed. The discount rates used are consistent with available external information sources.

The **growth rates** associated with the terminal values do not exceed the inflation rate or the long-term average growth rate for the market to which the CGU is dedicated.

More details are provided below by CGU.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as it owns the whole of extra-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and, the difference could not therefore be allocated to specific assets and was considered unallocated. This difference has consequently been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered one CGU.

As a result, the group assigned the carrying amount of the goodwill to one unit, namely the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in the recognition of any impairment losses.

The impairment test was conducted by an independent expert. This impairment test is based on the value in use and uses two main valuation methods to estimate the recoverable amount: 1) a discounted cash flows method (DCF); and 2) a dividend discount model (DDM), both of which are further 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 2022-2032. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around: 1) a fair remuneration of the regulated asset base; and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulated asset base consistent with market expectations, the estimated regulated asset base for the last forecast year can be considered an indication of the terminal value. This approach does not take into account 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 9.3%;
    - Risk-free-rate: 2.2%
    - Beta 0.93
    - Equity market risk premium 5.5%
    - Country risk premium 1.0%
    - Small firm premium 1.0%
  - Pre-tax Cost of Debt of 3.8%;
  - Corporate tax rate of 25%;
  - Target gearing (D/(D+E)): 60%;
  - Post-tax WACC: 5.4%.

- Terminal value based on two variants:
  - Terminal value based on a 1.13x RAB multiple in 2032

    NB: as such, the RAB itself does not take into account the contribution that the incentive remuneration makes to the value creation process.
  - Terminal value based on a perpetual growth rate of 3.3%. This long term growth rate is higher than long term expected inflation to capture the returns generated from the significant investments in the business plan.

2. Discounting of future dividends (DDM-models):

- Discount rate:
  - Cost of Equity of 9.3%
- Terminal value based on two variants:
  - Terminal value based on 1.13x RAB multiple in 2032.

    NB: as such, the RAB itself does not take into account the contribution of the incentive remuneration to the value creation process.
  - Terminal value based on a perpetual growth rate of 3.3%. 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 FY32 most likely does not yet reflect the (positive) impact of the investments planned in FY26-FY32.

Conclusion:

- The independent analysis, which was based on a (€3,127 million) midpoint of the different valuation approaches and variants used did not result in the identification of an impairment of goodwill in the financial year 2022. 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 (€2.625 million and €4.635 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).

- Due to the increase in 2022 in the interest rates, the discount rate has increased significantly compared to last year. This increase has been fully taken into account in the cost of equity without considering that it could be more linked to the maximum allowed return. This approach results in conservative values. The valorisation is also impacted by the significant investments (and related cash outs) expected on the horizon of the plan (acceleration of the energy transition) whereas the returns on these investments will materialise over a longer period. In this context, and all other things being equal, an increase of 1% of the cost of equity/ 50 basis point in the WACC (market reference) would result in a 22% lower value in use and a potential impairment loss of around €385.0 million. The evolution of market parameters is closely monitored by the group with the regulator in order to secure the realization of the expected investments and allow ETB to keep a strong position in the market. A decrease of 1% of the cost of equity/ 50 basis points in the discount rates used would lead to an increase in the value of the CGU of around €1,205.0 million.

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the group for €988.7 million resulted in a goodwill of €703.4 million, being the difference between the acquisition value of this stake and the proportional carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the CGU 50Hertz Transmission, since it comprises all income and expenses generated thereof.

- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods: 1) a discounted cash flows (DCF) method; and 2) a dividend discount model (DDM). Both of these are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2021-2031 (two regulatory periods). As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the next two regulatory periods.

The valuation methods are subject to different assumptions, most importantly:

1. Discounting of future cash flows (DCF-models):

- Discount rate:
  - Cost of Equity: 8.3%;
    - Risk-free-rate: 2.2%
    - Beta 0.93
    - Equity market risk premium 5.5%
    - Country risk premium 0.0%
    - Small firm premium 1.0%
  - Pre-tax Cost of Debt: 3.8%;
  - Corporate tax rate: 30%;
  - Target gearing (D/(D+E)): 60%;
  - WACC: 4.9%.
- Terminal value based on three variants:
  - Terminal value based on a 1.13x RAB multiple in 2032;
  - Terminal value based on a perpetual growth rate of 2.0%.

2. Discounting of future dividends (DDM-models):

- Discount rate:
  - Cost of Equity: 8.3%
- Terminal value based on two variants:
  - Terminal value based on 1.13x RAB multiple in 2032;
  - Terminal value based on a perpetual growth rate of 2.0%.

Conclusion:

- Neither the independent analysis, which was based on a (€2,602 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 2022. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- The median of the different methods presented above were relatively close (€2,602 million and €3,055 million respectively), as the assumptions for the terminal value were similar. Neither the independent analysis based on a median of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2022.

- Due to the increase in 2022 in the interest rates, the discount rate has increased significantly compared to last year. This increase has been fully taken into account in the cost of equity without considering that it could be more linked to the maximum allowed return. This approach results in conservative values. The valorisation is also impacted by the significant investments (and related cash outs) expected on the horizon of the plan (acceleration of the energy transition) whereas the returns on these investments will materialise over a longer period. In this context, and all other things being equal, an increase of 1% of the cost of equity/ 50 basis point in the WACC (market reference) would result in a 19% lower value in use, being a value slightly higher than the book value. A decrease of 1% of the cost of equity/ 50 basis points in the discount rates used would lead to an increase in the value of the CGU of around €385.8 million.

6.4. Non current trade and other receivables

The non current trade and other receivables are mainly composed by the long term part of the granted investment subsidy (€95.0 million).

On 20 November 2022, a Royal Decree has granted an investment subsidy for the creation of an offshore artificial island (The Princess Elisabeth Island) within the framework of the Recovery and Resilience Facility (EU instrument to support project of Member States and help the EU emerge stronger and more resilient from the current crisis). This island will serve as a multifunctional energy hub/an extension of the electricity grid in the North Sea. It will connect wind farms from the sea to the mainland and create new connections with neighbouring countries. The text of the RD provides that the practical details will be agreed upon by a "Protocol" between the State and Elia. This Protocol was signed on 14 December 2022, providing for the intervention of the SPF Economy up to a subsidy of €99,7 millions out of a total budgeted investment of circa €600.0 millions.

Out of this amount, €97.5 million are classified as an investment grant against €2.2 million as operational grant. Cash will be collected as predefined milestones are reached. The agreed planning results in a split €95.0 million classified as long term and €4.7 million in short term.

The recoverability of this amount is contractually guaranteed. No credit risk has been considered on this long-term receivable.

6.5. Equity-accounted investees

The movements in the equity-accounted investees are summarised as follows:

(in € million)	2022	2021
Equity accounted investees (opening balance)	**309.6**	**323.1**
Profit for the year	39.5	49.4
Dividends received by the Group	(34.2)	(30.9)
Capital repayment of equity accounted investee	(53.8)	(30.5)
Investment in equity accounted investee		
Sale of equity accounted investee		(1.5)
Equity accounted investees (closing balance)	**261.2**	**309.6**
Of which joint ventures	*243.4*	*292.1*
Of which associates	*17.8*	*17.5*

Details are given in the subchapters below.

6.5.1. 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 converter stations and an electricity substations in each country, allowing electricity to flow in either direction between the two countries, so giving 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 2022, Nemo Link Ltd reduced its share capital by €107.6 million (€61.0 million in 2021). In addition to these capital reduction rounds, dividends totalling €64.0 million (€58.0 million in 2021) 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)	2022	2021
Percentage ownership interest	**50.0%**	**50.0%**
Non-current assets	591.3	617.4
-Current assets	29.1	19.5
Non-current liabilities	111.2	41.0
Current liabilities	22.3	11.6
Equity	486.9	584.2
Group's carrying amount for the interest	**243.4**	**292.1**
Revenues and other income	122.0	151.1
Total depreciation and amortisation	(27.1)	(27.0)
Other operating expenses	2.9	(7.7)
Net finance costs	(5.6)	(1.0)
Profit before income tax	92.3	115.3
Income tax expense	(18.1)	(21.2)
Profit for the year	74.2	94.0
Total comprehensive income for the year	74.2	94.0
Group's share of profit for the year	**37.1**	**47.0**
Dividends received by the Group	32.0	29.0

6.5.2.Associates

As of 31 December 2022, the group has 2 associates, both being equity-accounted investees.

- The group has a 22.2% stake in Coreso SA/NV. Coreso SA/NV is a company that provides coordination services aimed at facilitating the secure operation of the high-voltage grid in several European countries.

- The group holds a 17.0% stake in HGRT SAS. HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. As one of the founding partners of HGRT, the group has a 'golden share', giving it a minimum number of representatives on HGRT's Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2022, the group received a dividend of €2.2 million from HGRT (€1.9 million in 2021).

None of these companies are listed on any public exchange.

The following scope changes are to be reported:

- 2022: none
- 2021: The investment in Enervalis NV (16,5%), a start-up that develops innovative software for smart control of energy sources, was sold in April 2021 resulting in a gain of €0.15 million

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)	**Coreso 2021**	**HGRT 2021**
Percentage ownership interest	**22.2%**	**17.0%**
Non-current assets	8.2	96.5
Current assets	4.5	0.8
Current liabilities	8.2	0.0
Equity	4.5	97.3
Group's carrying amount for the interest	**1.0**	**16.5**
Revenue	25.7	0.0
Other operating expenses	(24.6)	13.2
Profit before income tax	1.1	13.2
Income tax expense	(0.4)	(0.1)
Profit for the year	0.7	13.1
Total comprehensive income for the year	0.7	13.1
Group's share of profit for the year	**0.2**	**2.2**
Dividends received by the Group		1.9

(in € million)	**Coreso 2022**	**HGRT 2022**
Percentage ownership interest	**22.2%**	**17.0%**
Non-current assets	10.1	96.9
Current assets	3.1	0.7
Current liabilities	7.9	0.0
Equity	5.3	97.5
Group's carrying amount for the interest	**1.2**	**16.6**
Revenue	28.3	0.0
Other operating expenses	(27.1)	13.4
Profit before income tax	1.3	13.4
Income tax expense	(0.5)	(0.1)
Profit for the year	0.8	13.2
Total comprehensive income for the year	0.8	13.2
Group's share of profit for the year	**0.2**	**2.2**
Dividends received by the Group		2.2

6.6. Other financial assets

(in € million)	2022	2021
Immediately claimable deposits	*7.0*	*7.0*
Reimbursement rights	*33.7*	*46.2*
Other shareholdings	*75.7*	*43.8*
Other	*0.8*	
Non-current derivatives	*0.0*	*39.4*
Other financial assets (non-current)	**117.2**	**136.3**
Current derivatives	*219.7*	*316.2*
Other financial assets (current)	**219.7**	**316.2**
Other financial assets	**336.9**	**452.5**

The total other financial assets decreased by €115.6 million compared with the previous year.

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1. The value as at 31 December 2022 is stable compared to 2021.

Reimbursement rights are linked to the obligations regarding (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan); and for (ii) health plan and reduced energy pricing plans for retired staff members. See Note 6.14: '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 decrease in the carrying value of this asset is disclosed in Note 6.14: 'Employee benefits' and mainly explained by the change in discount rate. Considering the nature (regulatory asset) of these financial assets, they are not considered to be at risk of impairment.

Other shareholdings: the group holds 5.3% (at 100%) of the shares in European Energy Exchange (EEX), Leipzig, Germany, for a total value of €42.7 million as of the reporting date. These shares are disclosed under Other shareholdings in addition to an 8.0% (at 100%) shareholding in JAO Joint Allocation Office SA, a 6.7% (at 100%) shareholding in TSCNET Services GmbH (Munich, Germany) and a 10.4% (at 100%) shareholding in the Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters foundation (Berlin, Germany). Other investments are measured at fair value. At each reporting date, a re-measurement is performed to re-evaluate these investments. Any deviation from the previous period is recorded under other comprehensive income. The reassessment 2022 resulted in an increase of €32.7 million based on a total fair value of €75.4 million. The remaining balance is related to JAO (€0.3 million).

Derivatives: since 2021, 50Hertz applies hedge accounting for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. Due to the drop in energy prices in the last quarter of the year, the fair value of these contracts decreased to €154.4 million (current derivatives). Long term contracts shows a negative fair value. This evolution explains an overall decrease of €201.3 million (-€39.4 million in long-term derivatives and -€161.9 million in short-term derivatives). This decrease is partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million. See Note 8.1 for more info on these derivatives.

6.7. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2022		2021	
	Assets	Liability	Assets	Liability
Property, plant and equipment	25.1	(258.6)	25.2	(245.8)
Intangible assets		(15.8)		(15.4)
Financial assets	7.4	(62.5)		(105.7)
Non-current trade and other receivables	1.2	(0.0)	1.3	(0.0)
Interest-bearing loans and other non-current financial liabilities	33.9	(5.5)	41.8	(5.6)
Employee benefits	19.2	(10.8)	26.7	(11.8)
Provisions	36.3		30.2	
Deferred revenue	28.2	(1.1)	25.9	(1.5)
Regulatory liabilities	79.4	(76.3)	22.3	
Deferred tax on investment grants		(25.3)		(1.0)
Losses carried forward	12.6		14.0	
Other items	0.3	(9.5)	0.7	(8.9)
Tax asset/liability before offsetting	**243.6**	**(465.4)**	**188.1**	**(395.8)**
Offsetting of tax	(241.8)	241.8	(186.2)	186.2
Net tax asset/(liability)	**1.8**	**(223.6)**	**1.9**	**(209.6)**

The changes in deferred tax assets and liabilities can be presented as follows:

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES RESULTING FROM MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

(in € million)	Net tax asset/(liability)	Recognised in income statement	Recognised in comprehensive income	Other	Total
2021					
Property, plant and equipment	(210.6)	(10.4)	0	0	(221.0)
Intangible assets	(6.3)	(9.1)	0	0	(15.4)
Financial assets			(105.7)	0	(105.7)
Non-current trade and other receivables	0.8	0.3	0	0	1.1
Interest-bearing loans and other non-current financial liabilities	27.6	18.9	(0.2)		46.3
Employee benefits	19.0	2.9	(7.0)	0	14.9
Provisions	46.8	(2.2)	0	0	44.6
Deferred revenue	22.5	(7.8)	0		14.6
Regulatory liabilities	22.6	(0.4)	0	0	22.2
Deferred tax on investment grants	(1.1)	0	0.1	0	(1.0)
Losses carried forward	0.8	0.2	0	0	1.0
Other items	(6.5)	(2.8)	0		(9.3)
Total	**(84.5)**	**(10.5)**	**(112.8)**	0	**(207.8)**

2022					
Property, plant and equipment	(221.0)	(13.8)	0	0	(234.8)
Intangible assets	(15.4)	(0.4)	0	0	(15.8)
Financial assets	(105.7)	0	50.6	0	(55.1)
Non-current trade and other receivables	1.1	(0.0)	0	0	1.1
Interest-bearing loans and other non-current financial liabilities	46.3	(6.9)	(0.1)	0	39.3
Employee benefits	14.9	(1.6)	(4.9)	0	8.5
Provisions	44.6	6.1	0	0	50.7
Deferred revenue	14.6	2.6	0	0	17.2
Regulatory liabilities	22.2	(19.1)	0	0	3.0
Deferred tax on investment grants	(1.0)	(0.0)	0	0	(0.1)
Losses carried forward	1.0	0.0	0	0	1.0
Other items	(9.3)	(2.4)	0	0	(11.7)
Total	**(207.8)**	(35.4)	45.6	0	**(196.6)**

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under ‘Property, plant and equipment’, whilst the deferred tax asset on finance lease liability is shown under ’Interest-bearing loans and other non-current financial liabilities’.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2022, the group had unrecognised deferred tax assets for a total of €26.9 million. This amount can be summarized follows:

(in € million)		Gross	Deferred tax
Tax losses		**7.0**	**1.7**
	Realto	1.2	0.3
	EGI (including branches)	3.0	0.7
	Windgrid	2.8	0.7
Dividend received deduction		**27.1**	**6.8**
	Elia Group	21.8	5.5
	Eurogrid International (BE)	3.0	0.8
	EGI	2.3	0.6
Exceeding borrowing costs		**73.6**	**18.4**
	Elia Group	73.6	18.4
Total		**107.7**	**26.9**

These unused tax losses carried forward, Dividend Received Deduction carried forward and non-deductible interests carried forward (Corporate Interest Restriction rule) have no expiry date. An assessment is conducted each year to determine the probability that these fiscal deductions could be used in the future to lower the tax base.

6.8. Inventories

(in € million)	2022	2021
Raw materials and consumables	37.4	35.6
Work in progress	0.9	1.9
Write-downs	(16.7)	(15.9)
Total	**21.6**	**21.6**

The warehouse primarily stores replacement and spare parts for maintenance and repair work carried out along the group's high-voltage substations, overhead lines and underground cables.

The value of inventories remains stable and limited compared to December 31, 2021.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2021.

6.9. Current trade and other receivables, deferred charges and accrued revenues

(in € million)	2022	2021
Contract assets	0.9	2.9
Trade receivables	748.7	716.5
Advance payments	1.9	1.0
Levies	80.5	36.6
VAT and other taxes	145.6	79.1
Other	228.7	25.1
Trade and other receivables	**1,206.2**	**861.3**
Deferred charges	20.2	18.1
Accrued interests	4.9	
Deferred charges and accrued revenues	**25.1**	**18.1**
Total	**1,231.4**	**879.4**

The total current trade and other receivables, deferred charges and accrued revenues increased by €352.0 million compared with the previous year. This is mainly explained by the cash collateral reported by the German segment for a total of €239.0 million and the higher amount of trade receivables and levies in a context of rising prices.

Contract assets are mainly related to EGI's business and transmission system operations. The position decreased from €2.9 million in the previous year to €0.9 million at year-end.

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days. The increase is driven by both Belgian and German segments against a background of high activity and a significant increase in energy prices.

The increase in the levies is mainly attributable to Germany where the offshore receivable position rose from €20.9 million to €68.9 million at year end in 2022.

‘Other receivables’ mainly relate to the margin calls (advances received or paid as part of collateralization agreements set up by the group to manage counterparty risk on commodity transactions) of the German segments (€239 million).

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

At 31 December, the ageing analysis of trade receivables is as follows:

(in € million)	2022	2021
Not past due	639.6	687.4
Past due 0-30 days	75.6	15.1
Past due 31-60 days	29.3	2.4
Past due 61 days - one year	1.8	11.1
Past due one year - two years	2.8	2.1
Total (excl. impairment)	**749.1**	**718.1**
Doubtful amounts	202.2	201.4
Amounts write-offs	(201.7)	(200.8)
Allowance for expected credit losses	(0.9)	(2.1)
Total	**748.7**	**716.5**

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

Considering the nature (as regulatory assets) and/or the risk profile of the counterparties (Belgian/German state) of the most significant other receivables, there is a low impairment risk and thus it is not needed to record a loss allowance.

6.10. Current tax assets and liabilities

(in € million)	2022	2021
Tax receivables	28.6	10.1
Tax liabilities	(26.6)	(26.8)
Net tax asset/(liability)	**1.9**	**(16.7)**

Tax receivables increased compared with the previous year. The €28.6 million income tax receivables recorded on 31 December 2022 mainly relates to advances on corporate tax to be recovered in the financial year 2023. Income tax liabilities remained stable at €26.6 million.

6.11. Cash and cash equivalents

(in € million)	2022	2021
Short-term deposits	3,516.6	2,486.2
Balance at bank	634.6	563.2
Total	**4,151.2**	**3,049.5**

Cash and cash equivalents increased by €1,101.7 million. This increase was mainly due to the higher EEG, KWK and StromNEV (levies) surplus of €2,884.6 million (+€752,5 million) in Germany and the capital increased completed by the Group.

Short-term deposits are invested for periods varying from a few days or weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for short-term deposits.

Bank account balances earn or pay interest in line with the variable rates of interest on the basis of daily bank deposit interest rates. The group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 8.2.

The cash and cash equivalents disclosed above and in the statement of cash flows include restricted cash for a total of €2,936.0 million held by 50Hertz Transmission GmbH and €1.4 million held by Elia Re.

6.12. Shareholders' equity

6.12.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2022	2021
Number of issued shares at the beginning of the year	68,728,055	68,720,695
Issued against cash payment	4,787,784	7,360
Number of issued shares at the end of the year	**73,515,839**	**68,728,055**
Number of treasury shares at the end of the year	13,480	7,248
Number of outstanding shares at the end of the year	**73,502,359**	**68,720,807**

The capital has been modified twice during the year 2022:

- On 24 June 2022, Elia Group SA/NV successfully completed a public offering of new shares to existing shareholders and any holders of an extra-legal preferential right. Through this offering, the capital of Elia Group SA/NV has increased by an amount of €118.2 million along with an increase in share premium of €471.9 million for which 4.739.865 new shares have been issued at a subscription price of €124.5 per share. €6.9 million of costs were incurred in relation to the capital increase.

- The extraordinary shareholders' meeting held on 21 June 2022 decided to execute a capital increase in two steps/periods (one in 2022 for a maximum of €5.0 million and the other in 2023 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2022. The transaction resulted in the creation of 47,920 new shares for a total amount of €5.0 million, consisting of a €1.2 million capital increase and a €3.8 million increase in share premium.

In 2021, the movement was related to the second tranche of the 2020 capital increase for Elia employees completed in March 2021. This capital increase resulted in the creation of 7,360 additional shares without nominal value for a total amount of 0.2 million capital increase and a €0.4 million increase in share premium.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. As at 31 December 2022, the Group's legal reserve amounts to €180.2 million and represents 9.8% of the capital.

The Board of Directors can propose the pay-out of a dividend to shareholders totalling 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 2022. 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.

Since 2021, hedge accounting is applied to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. The fair value of these contracts amounted to €129.6 million at the end of 2022 (€355.6 million in 2021). Considering a deferred tax effect, a net variation of the hedge reserve amounting to -€159.1 million was recorded in other comprehensive income in 2022. This negative impact was driven by the drop in energy prices in the last quarter of the year and was partly offset by the new derivatives in which Elia Transmission Belgium SA/NV entered into in 2022 for the pre-hedging of probable forecasted debt transactions. The fair value of these derivatives was €65.3 million at the end of the year 2022, resulting in a net hedging reserve of €49.0 million fully recognized in other comprehensive income.

As the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

TREASURY SHARES

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the group. On 31 December 2021, the group held 7.248 of the Company's shares.

Number of treasury shares	2022	2021
On 1 January	7,248	0
Repurchased during the year	452,289	270,331
Sold during the year	-446,057	-263,083
Number of treasury shares at the end of the year	**13,480**	**7,248**

SHARE-BASED PAYMENTS

At 31 May 2021, Eurogrid International SA/NV has granted 1,640 stock options to the employees of RealTo BV/SRL and RealTo GmbH at a strike price of €100 per stock option at exercise date 31 March 2024. As per 14 March 2023, 500 additional stock options have been granted to new employees at the same terms and conditions. In total, 2,120 stock options have been accepted, worth €1,4 million. As per 31 December 2022, 1.140 options are still living. The share-based payments cost amounted to €0.3 million in 2022 (€0.2 million). As the stock option plan concerns shares in RealTo BV/SRL and its parent company, the share-based payments are not presented separately in the statement of equity.

DIVIDEND

After the reporting date, the Board of Directors will put forward the dividend proposal outlined below.

Dividend (in €)	2022	2021
Per ordinary share entitled to dividend	1.91	1.75

It was proposed and approved, at the Shareholders' Meeting convened to approve the Elia Group SA/NV financial statements for the year ended 31 December 2021, to pay a dividend of €1.75 per share, representing a total payout of €120.3 million.

The Board of Directors meeting on 30 March 2023 proposed a gross dividend of €1.91 per share with regard to 2022. This dividend is subject to approval by shareholders at the Annual General Meeting on 16 May 2023 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 30 March 2023 corresponds to a total of €140.4 million.

6.12.2. Hybrid securities

In September 2018, the group issued hybrid securities to finance the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in a €700 million increase in the group's equity.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2022, the unpaid cumulative dividend amounted to €1.4 million. (2021: €1.4 million). A coupon of €19.3 million was paid to the holders of hybrid securities in December 2022.

The hybrid securities have an initial call date in December 2023, with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all senior debt and are recorded as equity in the group's accounts pursuant to IFRS.

6.13. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2022	2021
Non-current borrowings	7,638.6	7,658.2
Lease liabilities − non-current	77.0	83.7
Subtotal non-current borrowings	**7,715.6**	**7,741.7**
Current borrowings	772.0	82.3
Lease liabilities − current	13.2	35.1
Accrued interest	81.9	76.4
Subtotal current loans and borrowings	**867.2**	**194.0**
Total	**8,582.8**	**7,935.7**

The tables below show the changes in the group's liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes.

(in € million)	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Total
Balance at 1 January 2021	805.5	7,249.6	8,055.1
Cash flow: repayment of borrowings	(722.3)	(15.4)	(737.7)
Cash flow: proceeds from withdrawal borrowings	60.0	498.0	558.0
Accrued interest	5.4	0.0	5.4
Other	45.4	9.5	54.9
Balance at 31 December 2021	**193.9**	**7,741.7**	**7,935.7**
Balance at 1 January 2022	193.9	7,741.7	7,935.7
Cash flow: repayment of borrowings	(82.3)	(13.3)	(95.8)
Cash flow: proceeds from withdrawal borrowings	0.0	747.4	747.4
Accrued interest	5.5	0.2	5.7
Other	750.2	(760.4)	(10.2)
Balance at 31 December 2022	**867.2**	**7,715.6**	**8,582.8**

During the year 2021, the group (Eurogrid GmbH) paid back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020. Elia Group had issued an Eurobond of €500.0 million with maturity date 2033 and an interest rate of 0.88%. The group also issued commercial papers for total amount of €60.0 million with maturity date 2022 and an interest rate of -0.15% under its commercial paper program of €300.0 million.

In 2022, Eurogrid GmbH has secured liquidity for the further grid expansion necessary for the energy transition with the issuance of a ésecond Green Bond in the amount of €750.0 million at a rate of 3.279% and a term of nine years. Repayments of borrowing 2022 mainly relate to the closing of the commercial paper program (-€60.0 million) and the capital repayment of the amortizing loans (€22.0 million).

Movements in 'Other' during the financial year 2022 mainly relates to reclassifications of long-term debt to short-term debt based on when instruments become due in 2023.

Information on the terms and conditions of outstanding interest-bearing loans and borrowings is outlined below:

As per 31 December 2022:

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	548.0	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.3	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.6	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.6	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.5	1.38%
Senior bond 2018/10 years	2028	At maturity	298.3	1.50%
Eurobond issues 2019/7 years	2026	At maturity	499.0	1.38%
Eurobond issues 2020/10 years	2030	At maturity	790.9	0.88%
Amortising term loan	2033	Linear	167.8	1.80%
Amortising bond - 7,7 years	2028	Linear	50.3	1.56%
Amortising bond - 23,7 years	2044	Linear	132.4	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	0.0	
Bond as part of Debt Issuance Programme 2015	2025	At maturity	499.0	1.875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.7	1.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.4	2.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2016	2028	At maturity	748.0	1.500% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.7	1.113% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2031	At maturity	747.4	3,279% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.5	0,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.3	0,741% p.a. (fixed)
Registered bond 2014	2044	At maturity	50.0	3,000% p.a. (fixed)
Loan with KFW	2026	At maturity	150.0	0.90%
Total			**8,410.7**	
Lease debts			90.2	
Accrued interests			81.9	
Total Loans and Borrowings (Current and Non-current)			**8,582.8**	

As per 31 December 2021:

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	547.7	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.2	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.2	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.1	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.2	1.38%
Senior bond 2018/10 years	2028	At maturity	297.9	1.50%
Eurobond issues 2019/7 years	2026	At maturity	498.6	1.38%
Eurobond issues 2020/10 years	2030	At maturity	789.7	0.88%
Amortising term loan	2033	Linear	181.7	1.80%
Amortising bond - 7,7 years	2028	Linear	58.7	1.56%
Amortising bond - 23,7 years	2044	Linear	132.3	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	60.0	-0.15%
Bond as part of Debt Issuance Programme 2015	2025	At maturity	498.6	1.88%
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.4	1.63%
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.3	2.63%
Bond as part of Debt Issuance Programme 2016	2028	At maturity	747.7	1.50%
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.4	1.11%
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.4	0.88%
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.1	0.88%
Registered bond 2014	2044	At maturity	50.0	3.00%
Loan with KfW	2026	At maturity	150.0	0.90%
Total			**7,740.5**	
Lease debts			118.8	
Accrued interests			76.4	
Total Loans and Borrowings (Current and Non-current)			**7,935.7**	

6.14. Employee benefits

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

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

(in € million)	2022			2021		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined benefit plans	4.3	20.9	25.1	28.6	34.0	62.6
Post-employment benefits other than pensions	47.6	4.3	51.9	36.2	7.9	44.0
Subtotal	***51.9***	***25.2***	***77.1***	***64.8***	***41.8***	***106.6***
Other (non actuarial provision)		1.0	1.0			0.0
Total provisions for employee benefits	**51.9**	**26.2**	**78.1**	**64.8**	**41.8**	**106.6**

Of the €78.1 million in employee benefits provisions recognised at the end of the financial year 2022, €75.0 million is presented in the long term and €3.2 million in the short term (see Note 6.14).

BELGIUM

DEFINED-CONTRIBUTION PLAN

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 each employee'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 changes 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. In addition, with the exception of Enerbel, the defined-contributions (DC) plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best of' 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 their salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide 'pension supplements' based on the annual salary and an employee's career within a company (partially revertible to the inheritor in case of early death of the employee).The benefits granted are linked to Elia's operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined-benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best of' plans since 2016. As this guarantee is an employer obligation, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to 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.

GERMANY

DEFINED CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- Pension obligations for executives (agreement with staff representatives from 2003 onwards): individual contractual pension obligations based on an agreement with representatives;
- Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards): individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- Collective bargaining agreement on the company pension scheme: obligations based on the collective bargaining agreement made in relation to 50Hertz Transmission's company pension scheme, concluded on 28 November 2007;
- Direct insurance: direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;
- Individual commitments: individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined-benefit plans entitle employees to submit direct pension claims to 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined-benefit plans exist in Germany:

- Group works agreement regarding the company pension scheme

In accordance with the group works agreement regarding the company pension scheme, employees are granted a company pension plan on the basis of a defined-contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits to employees once they reach the statutory retirement age, once they take early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined-benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The Group's net liability for employee benefit obligations is as follows:

(in € million)	Pensions		Other	
	2022	2021	2022	2021
Present value of funded defined benefit obligation	(249.6)	(298.9)	(93.3)	(100.1)
Fair value of plan assets	224.5	236.3	41.3	56.1
Net employee benefit liability	**(25.1)**	**(62.6)**	**(51.9)**	**(44.0)**

The net employee benefit liability decreased in total by €29.5 million, of which €12.9 million on Belgian level and €16.6 million on German level.

The impact is mainly explained by the increase in discount rate compared with 2021 and the lower (negative) return on plan assets.

Movement in the present value of the defined benefit obligation	Pensions		Other	
(in € million)	2022	2021	2022	2021
At the beginning of the period	**(298.9)**	**(292.3)**	**(100.1)**	**(110.8)**
Current service cost	(15.9)	(15.2)	(3.1)	(10.4)
Interest cost/income	(2.9)	(1.7)	(1.3)	(0.6)
Contributions from plan participants	(1.0)	(0.9)	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	0.0	0.0	0.0
2) Changes in financial assumptions	57.3	17.7	19.9	3.7
3) Changes from experience adjustments	(15.5)	(5.3)	(0.6)	(0.3)
Past service cost	0.0	0.1	0.0	0.0
Payments from the plan	16.2	16.8	3.1	2.8
Transfers	11.1	(18.2)	(11.1)	15.5
At the end of the period	**(249.6)**	**(298.9)**	**(93.3)**	**(100.1)**

Movement in the fair value of the plan assets	Pensions		Other	
(in € million)	2022	2021	2022	2021
At the beginning of the period	**236.3**	**241.4**	**56.1**	**29.6**
Interest income	2.4	1.0	0.0	0.1
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	(35.7)	12.0	(0.3)	3.7
Contributions from employer	14.4	10.2	5.9	9.7
Contributions from plan participants	1.0	0.9	0.0	0.0
Transfers	19.4	(13.1)	(19.4)	15.8
Benefit payments	(13.3)	(16.2)	(0.9)	(2.7)
At the end of the period	**224.5**	**236.3**	**41.3**	**56.1**

Amounts recognised in comprehensive income	Pensions		Other	
(in € million)	2022	2021	2022	2021
Service cost				
Current service cost	(15.9)	(15.2)	1.8	(4.1)
Past service cost	0.0	0.1	0.0	0.0
Settlements	0.6	0.6	0.1	0.1
Net interest on the net defined-benefit liability/(asset)	**(0.6)**	**(0.7)**	**(1.2)**	**(0.5)**
Interest cost on defined-benefit obligation	(2.9)	(1.7)	(1.3)	(0.6)
Interest income on plan assets	2.4	1.0	0.0	0.1
Other	**(0.0)**	**(0.0)**	**0.0**	**0.3**
Defined-benefit costs recognised in profit or loss	**(15.9)**	**(15.1)**	**0.6**	**(4.2)**
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	57.3	17.7	19.9	3.1
3) Changes from experience adjustments	(15.5)	(5.3)	(0.6)	(0.1)
Return on plan assets (excluding interest income on plan assets)	(35.7)	12.0	(0.3)	3.7
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	**6.1**	**24.5**	**19.0**	**6.6**
Total	**(9.8)**	**9.4**	**19.6**	**2.4**

Considering the actuarial gains or losses recognised in other comprehensive income for the reimbursement rights (-€8.9 million for 2022 - see hereafter), the net impact of the remeasurement of post-employments benefit obligations amounts to +€16.2 million.

(in € million)	2022	2021
Breakdown of defined-benefit obligation by type of plan participants	**(342.9)**	**(399.0)**
Active plan participants	(272.7)	(314.9)
Terminated plan participants with def.-benefit entitlements	(21.5)	(24.8)
Retired plan participants and beneficiaries	(48.7)	(59.3)
Breakdown of defined-benefit obligation by type of benefits	**(342.9)**	**(399.0)**
Retirement and death benefits	(248.4)	(288.2)
Other post-employment benefits	(82.4)	(57.3)
Seniority payments	(12.1)	(53.6)

When determining the appropriate discount rate, the group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined benefit lump sum is financed by the employer through a recurrent allowance, which is 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 modifications made to the plan, changes in assumptions and overly short coverage terms) can 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 below:

(in € million)	2022	2021
Investments quoted in an active market	**72.44%**	**71.02%**
Shares - Eurozone	13.24%	13.99%
Shares - outside Eurozone	17.34%	17.98%
Government bonds - Eurozone	0.94%	1.31%
Other bonds - Eurozone	24.75%	24.85%
Other bonds - outside Eurozone	16.18%	12.89%
Unquoted investments	**27.56%**	**28.98%**
Qualifying insurance contracts	12.23%	10.91%
Property	2.21%	2.50%
Cash and cash equivalents	2.81%	2.82%
Other	10.31%	12.76%
Total (in %)	**100.00%**	**100.00%**

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund. In Germany, all plan assets are invested in insurance agreements.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan’s assets, of which approximately 95% is now invested in pension funds with an expected return of 3.12%.

Longevity risk
The present value of the defined benefit plan liability is calculated based on the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE are used in Belgium and the 2018 Heubeck tables are uesed in Germany.

Salary risk

The present value of the defined benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan’s liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	Belgium		Germany	
	2022	**2021**	**2022**	**2021**
Discount rate				
- Pensions - defined benefit plans and cash balance - best off plans	3.75%	0.83%	3.59%	1.26%
- Pensions - defined contribution plans	3.77%	1.12%	-	-
- Other	3.75%	1.14%	3.59%	1.26%
Expected average salary increase (excluding inflation)	1.00%	1.00%	2.75%	2.15%
Expected inflation	2.10%	1.75%	2.50%	2.00%
Expected increase in health benefits (including inflation)	3.10%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	2.10%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65 year old male	19.9	19.9	20.7	20.5
Life expectancy for a 65 year old female	23.6	23.6	24.1	24

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

(in years)	Belgium		Germany	
	2022	**2021**	**2022**	**2021**
Weighted average duration of the defined benefit obligation	8.0	8.5	23.4	28.7
Weighted average duration of the defined contribution plans	9.7	9.7	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.2	13.2	12.7	14.0

In Germany, the liability of the defined contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated.

The actual return on plan assets in percentage terms for 2022 was negative, ranged between -2.6% and -18.0% (compared with a range of 2.7% to 12.0% in 2021).

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(4.6)	(20.4)	(25.3)
Other	(0.1)	(0.3)	(0.4)
Total (in € million)	**(4.7)**	**(20.7)**	**(25.7)**

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- the expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in € million)	Belgium Increase (+) / Decrease (-)	Germany Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	14.4	4.6
Average salary increase - excl. inflation (0.5% movement)	(9.2)	(2.6)
Inflation (0.25% movement)	(5.5)	(0.2)
Increase of healthcare care benefits (1.0% movement)	(0.1)	n.r.
Life expectancy of pensions (1 year)	(3.3)	(0.8)

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.6, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights	Pensions		Other	
(in € million)	2022	2021	2022	2021
At the beginning of the period	**(19.0)**	**(22.6)**	**(27.2)**	**(31.2)**
Current service costs				
Interest cost/income	(0.1)	(0.1)	(0.3)	(0.2)
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	3.0	0.7	8.4	2.2
3) Changes from experience adjustments	0.0	0.4	(2.4)	0.5
Payments from the plan	2.2	2.5	1.8	1.6
At the end of the period	**(14.0)**	**(19.0)**	**(19.7)**	**(27.2)**

The sum of 'Pensions' (€14.0 million) and 'Other' (€19.7 million) reimbursement rights amounted to €33.7 million in 2021 (2020: € 46.2 million), which reconciles with the reimbursement rights listed in Note 6.6.

6.15. Provisions

(in € million)	Environment	Elia Re	Dismantling Obligations	Employee benefits	Other	Total
Balance at 1 January 2021	11.5	5.4	116.3	1.9	5.6	140.7
Increase	0.3	1.0	2.1	(0.1)	1.9	5.2
Reversals	(0.4)	(2.0)	(9.6)	0.0	(0.8)	(12.9)
Utilisation	(0.1)	(0.4)	0.0	(0.1)	(0.7)	(1.2)
Discounting of provisions	(0.0)	0.0	1.4	0.0	0.0	1.4
Balance at 31 December 2021	**11.2**	**4.1**	**110.1**	**1.7**	**6.1**	**133.2**
Long-term portion	9.1	4.1	110.1	0.0	2.2	125.6
Short-term portion	2.1	0.0	0.0	1.7	3.9	7.7
Balance at 1 January 2022	11.2	4.1	110.1	1.7	6.1	133.2
Increase	1.4	2.0	57.9	1.5	1.3	64.2
Reversals	(1.0)	(2.9)	(37.1)	0.0	(1.3)	(42.4)
Utilisation	(0.3)	(0.4)	0.0	(0.1)	(0.5)	(1.2)
Discounting of provisions	(0.2)	0.0	1.1	0.0	0.0	0.9
Balance at 31 December 2022	**11.1**	**2.9**	**132.0**	**3.2**	**5.7**	**154.8**
Long-term portion	9.2	2.9	132.0	0.0	2.1	146.2
Short-term portion	2.0	0.0	0.0	3.2	3.4	8.6

The group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €11.1 million provision mainly relates to the Belgian segment, with only a €1.9 million provision relating to the German segment. There were no significant movements in the environmental provisions in 2022.

More specifically for the Belgian segment, Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, Elia also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, Elia has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €2.9 million is included at year-end for Elia Re, a captive reinsurance company. €0.1 million of this is linked to claims for overhead lines, whilst €2.8 million is linked 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 2022 was €132.0 million. Despite a higher discount rate, the provision increased due to the reassessment of the costs (inflation and additional projects), especially in Germany where the obligation went from €89.0 million to €114.2 million. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Elia Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2022 ranged between 3.79% to 3.83%, depending on the lifetime of the asset to dismantle. Should the discount rate increase by 1%, the dismantling provisions would increase by €20.4 million.

Employee benefits: See Note 6.14 for more details of these short-term employee benefits.

'**Other**' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.16. Other non-current liabilities

(in € million)	2022	2021
Investment grants	213.9	147.2
Non-current deferred income	147.2	140.5
Derivatives	24.7	0.0
Other	1.8	1.8
Total	**387.6**	**289.5**

Of the total investment grants, €137.8 million relates to 50Hertz Transmission (Germany) and €76,2 million to Elia Transmission (Belgium). The investment grants are spread over several assets. The most significant projects are:

- In Belgium: the Princess Elisabeth energy island which will serve as an extension of the electricity grid in the North Sea. This grant has been signed in December 2022 for a total amount of €99,7 million (pre-taxes), out of which €73,1 million are reported in the Other non-current liability (post taxes);
- In Germany: SuedOstLink and Kriegers Flak Combined Grid Solution.

All are were subsidized by the European Union. The grants are released in profit and loss based on the useful lives of the assets to which they relate. The terms and conditions of the grants were monitored and met as per 31 December 2022.

Contract liabilities remained stable. They mainly relate to upfront payment for last mile connection. At the end of 2022, a liability of €112.7 million was recognised within Elia Transmission (Belgium) and a liability of €34.5 million within 50Hertz Transmission (Germany) with that respect. 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 €8.3 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million), including €5.1 million from non-current contract liabilities.

The non-current derivatives are related to the long term future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. As per 31 December 2022, these contracts have a negative fair value due to the drop in energy prices in the last months of the year.

6.17. Trade and other payables

(in € million)	2022	2021
Trade debts	1,279.0	905.3
VAT and other taxes	29.2	21.1
Remuneration and social security	46.6	40.9
Dividends payable	1.2	1.2
Levies	3,125.7	2,177.6
Other	244.7	536.0
Accrued liabilities	77.7	14.2
Total	**4,804.2**	**3,696.4**

The trade debts increased by €1,107.8 million in a context of increased activity levels and high volatility in energy prices in 2022. The significant variation is mostly explained by the levies (+€948,1 million).

The amount for levies can be split into levies related to 50Hertz Transmission (€2,959.8 million) and levies related to Elia Transmission (€165.9 million).

The levies for Elia Transmission increased compared with the previous year (€+141.3 million). The levies include federal levies, which totalled €150.0 million on 31 December 2022 (€6.2 million in 2021). Levies for the Walloon government decreased to €13.8 million, (€17.0 million in 2021). The remaining balance mainly consists of strategic reserves (€0.7 million). The significant increase in federal leview is explained by a new system implemented in 2022 which allows the group to be pre-funded for its green certificate buybacks in a 2022 context where wind production has been significantly lower than expected.

The levies for 50Hertz Transmission increased compared to previous year (€2153.0 million) due to the significant increase of the EEG balance. The 2022 levies mainly include EEG (€2,934.4 million) and §19StromNEV (€25.3 million).

The other payables mainly related to margin calls on derivatives hedging grid losses of the German segment (€235.0 million as of 31 December 2022 compared to €356.0 million last year) and other regulatory liabilities.

6.18. Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

(in € million)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 31 December 2021									
Other financial assets	**7.0**	**399.4**	**46.2**		**452.5**	**362.6**		**43.8**	**406.4**
Equity instruments at fair value through other comprehensive income		*43.8*			***43.8***			*43.8*	***43.8***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Derivatives		*355.6*			***355.6***	*355.6*			***355.6***
Regulatory assets			46.2		***46.2***				
Trade and other receivables (Current and Non-current)			**861.8**		**861.8**				
Cash and cash equivalents			**3,049.5**		**3,049.5**				
Loans and borrowings (Current and Non-Current)				**(7,935.7)**	**(7,935.7)**	**(7,968.8)**		**(247.8)**	**(8,216.6)**
Unsecured bond issues				*(7,248.5)*	***(7,248.5)***	(7,476.8)		(247.8)	**(7,724.6)**
Unsecured financial bank loans and other loans				*(492.0)*	***(492.0)***	(492.0)			**(492.0)**
Lease liabilities				*(118.8)*	***(118.8)***				
Accrued interests				*(76.4)*	***(76.4)***				
Trade and other payables				**(3,696.4)**	**(3,696.4)**				
Total	**7.0**	**399.4**	**3,957.5**	**(11,632.0)**	**(7,268.2)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**
Balance at 31 December 2022									
Other financial assets	**7.0**	**296.1**	**33.8**		**336.9**	**226.6**		**76.4**	**303.1**
Equity instruments at fair value through other comprehensive income		*76.4*			***76.4***			*76.4*	***76.4***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Derivatives		*219.7*			***219.7***	*219.7*			***219.7***
Regulatory assets			*33.8*		***33.8***				
Trade and other receivables (Current and Non-current)			**1,367.1**		**1,367.1**				
Cash and cash equivalents			**4,151.2**		**4,151.2**				
Loans and borrowings (Current and Non-Current)				**(8,582.8)**	**(8,582.8)**	**(8,183.4)**		**(172.9)**	**(8,356.3)**
Unsecured bond issues				*(7,243.0)*	***(7,243.0)***	(7,015.7)		(172.9)	**(7,188.6)**
Unsecured financial bank loans and other loans				*(1,167.7)*	***(1,167.7)***	(1,167.7)			**(1,167.7)**
Lease liabilities				*(90.2)*	***(90.2)***				
Accrued interests				*(81.9)*	***(81.9)***				
Other non-current liabilities		**(24.7)**			**(24.7)**				
out of which, ***Derivatives***		**(24.7)**			**(24.7)**	**(24.7)**			**(24.7)**
Trade and other payables				**(4,804.2)**	**(4,804.2)**				
Total	**7.0**	**271.4**	**5,552.1**	**(13,387.0)**	**(7,556.5)**	**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. We consider that the carrying amount approximates the fair value considering the financial and short-term nature.

FAIR VALUE HIERARCHY

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the statement of financial position at fair value and for financial instruments measured at amortised cost for which the fair value has been disclosed, the disclosure of fair value measurements by level in the following fair value measurement hierarchy:

- **Level 1:** The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where these are available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3. The fair value amount included under 'Other financial assets' has been determined by referring to either: (i) recent transaction prices, known by the group; for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of other financial assets decreased by €115.6 million compared to previous year. The decrease mainly results from the fair value of the future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses (€154,4 million end of 2022 compared to €355.6 million last year). This decrease is partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million. The fair value of the Sicav and the group's stake in EEX increased following reassessment of the fair value of EEX.

Despite a lower pricing on the market, the fair value of the bank loans and bond issues increased by €139.7 million, due to the higher nominal value (additional Green Bond in Germany).

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

The derivative from the price hedge for grid loss procurement, which is measured at fair value in OCI without affecting profit or loss, falls under level 1 of the measurement hierarchy. Its value is determined on the basis of the reporting date valuation of the existing futures contracts, which are fully contracted via the EEX electricity exchange and quoted there. Credit and default risks are avoided with this form of price hedging via exchange transactions. At December 31, 2022, the Group reported derivative financial instruments in a net amount of €129.6 million. The futures contracts were concluded during the fiscal year at prices between €61 and €295 per MWh. As a result of the volatile price development on the electricity market, a differentiated picture emerged on the balance sheet date: Futures for 2023 were still contracted at advantageous hedging prices and show a positive market value (€ 154.3 million) on the balance sheet date, while the futures positions already contracted for 2024 show a negative market value (€ -24.7 million) as a result of the price decline shortly before the end of 2022. At the balance sheet date, the Group had already hedged a volume of 2.9 TWh for its expected physical requirements for grid loss energy in subsequent years.

The fair value of the bonds is €7.036.5 million (prior year: €7.724,6 million). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy). The fair value of the registered bond is €37.2 million as of 31 December 2022 and was determined by reference to third party information, such as pricing services (classified as level 3 in the fair value hierarchy). The fair value of the private placement amounts to €133.2 million (classified as level 3 in the fair value hierarchy).

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

6.19. 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 set an assumed 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 Elia Group's lease contracts and there were no indications leading to changes in the assessment (which was used in the previous reporting period) related to the extension of the contracts.

Information about leases for which the group is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment' and can be broken down in the table below, with the discounted lease liability for comparison. The split between current and non-current lease liabilities also provided:

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2021	**40.0**	**23.6**	**14.1**	**3.7**	**1.4**	**82.8**
Additions and remeasurements	3.4	16.7	6.1	23.4	0.0	49.6
Depreciation	(1.2)	(5.3)	(5.5)	(2.6)	(0.2)	(14.8)
Derecognition of right-of-use assets	0.0	(0.0)	(0.0)	0.0	0.0	(0.0)
As of 31 December 2021	**42.1**	**35.0**	**14.7**	**24.5**	**1.2**	**117.5**

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2022	**42.1**	**34.9**	**14.7**	**24.5**	**1.1**	**117.5**
Additions and remeasurements	1.3	(0.1)	4.7	0.2	0.4	6.5
Depreciation	(1.3)	(6.0)	(5.6)	(0.5)	(0.1)	(13.5)
Derecognition of right-of-use assets	0.0	(0.0)	(0.1)	(22.0)	0.0	(22.1)
As of 31 December 2022	**42.2**	**28.9**	**13.7**	**2.3**	**1.5**	**88.5**

The right-of-use assets are briefly described below:
- The use of land and overhead lines constitutes a right for the group to use a well identified piece of land to build on someone's property. Only the contracts under which the group has the full right to control the use of the identified asset are in scope.
- The group leases buildings and offices in which corporate functions are performed.
- The group has car leasing contracts which are used by employees for business and private activities.
- The group leases optical fibres to transmit data. Only cables that are clearly identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to maintain a balance on the grid.

The group only has lease contracts with fixed lease payments and assesses whether it is reasonable to extend a lease contract. If so, the lease contract is valued as if the extension were exercised.

Lease liabilities

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

Maturity analysis - contractual undiscounted cash flows (in € million)	2022	2021
< 1 year	14.2	32.9
1-5 years	35.1	30.2
> 5 years	54.1	58.0
Total undiscounted lease liabilities at 31 December	**103.4**	**121.1**
Lease liabilities in the statement of financial position at 31 December	**90.2**	**118.8**
Current	13.2	35.1
Non-current	77.0	83.7

The discount rate used to discount the lease liabilities is the group's best estimate of the weighted average incremental borrowing rate. The group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The group has assessed the extension options concluded in the lease contracts and considers it reasonably likely that these extension options will be executed. The Group has therefore considered the lease contract as if the extension option is exercised in the lease liability.

The group has no lease contracts with variable payments nor residual value guarantees. The group did not commit to any lease that has not yet commenced. The group has no contracts which include contingent rental payments nor include any escalation clauses or restrictions that are significant regarding the use of the asset in question.

In 2021, an optical fibre lease contract coming to maturity was prolonged and a purchase option for a value of €22.0 million was added. The purchase option came to maturity at the end of February 2022 and the group exercised the option.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in € million)	2022	2021
Depreciation expense of right-of-use assets	13.3	14.7
Interest on lease liabilities	1.3	1.8
Expenses relating to short-term leases	0.2	0.7
Expenses relating to low-value assets	0.4	0.5
Total recognised in profit and loss	**15.1**	**17.8**

A total of €15.1 million in lease expenses was recognised in the statement of profit or loss in 2022. There were no variable lease payments included in the measurement of lease liabilities.

The total cash outflow for leases amounted to €13.3 million in 2022 (€15.4 million in 2021). 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, which are 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)	2022	2021
Within 1 year	13.4	12.9
1 to 2 years	12.7	12.2
2 to 3 years	15.0	12.1
3 to 4 years	12.2	12.0
4 to 5 years	16.7	11.9
More than 5 years	304.3	308.6
Total	**374.2**	**369.8**

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

The group recognised €15.2 million in rental income in 2022 (2021: €15.0 million).

6.20. Accruals and deferred income

(in € million)	2022	2021
Accruals and deferred income	91.4	11.4
Deferral account from settlement mechanism Belgian regulatory framework	360.6	353.5
Deferral account from settlement mechanism German regulatory framework	131.3	444.9
Total	**583.3**	**809.8**

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

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2022	92.9	(891.3)	(798.4)
Increase	787.8	(786.7)	1.1
Reversals	(5.9)	122.6	116.7
Utilisation	0.0	125.7	125.7
Other (e.g. discounting)	0.6	62.4	63.0
Balance at 31 December 2022	**875.3**	**(1,367.2)**	**(491.9)**

In the **Elia Transmission segment**, the deferral account from the settlement mechanism (€360.6 million) decreased compared with year end 2021 (€353.5 million). The decrease in the deferral account from the settlement mechanism encompasses the settlement of net surpluses from the prior tariff period (-€125.7 million), the review of the regulator on previous year's settlement mechanism (+€6.2 million) and the operating surplus generated in the current year over the budget approved by the regulator (+€130.8 million). Any operating surplus/deficit, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to/refunded by the consumers and therefore does not form part of the revenues.

In 2022, there was an operational surplus (€ 130.8 million), reported as an additional regulatory obligation. This operating excess is primarily a result of higher tariff sales (€247.0 million) and non-controllable revenue (€396.7 million) driven by the cross-border revenue partly offset by increased non controllable costs.

In the **50Hertz Transmission segment**, the deferral accounts from the settlement mechanism (€131.3 million) is the nominal amount of €209.3 million (€447.1 million as of 31 December 2021) less an interest effect of €78.0 million (€2.2 million in 2021). The net position decreased compared to year end 2022 (€444.9 million).

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognised on a yearly basis and the release depends on the source of the deferral, some are released in T+1, whilst others are released in T+2 and some are released after a longer period of time.

The future release of the deferral account from the settlement mechanism to the future tariffs is set out in the table below (situation on 31 December 2022):

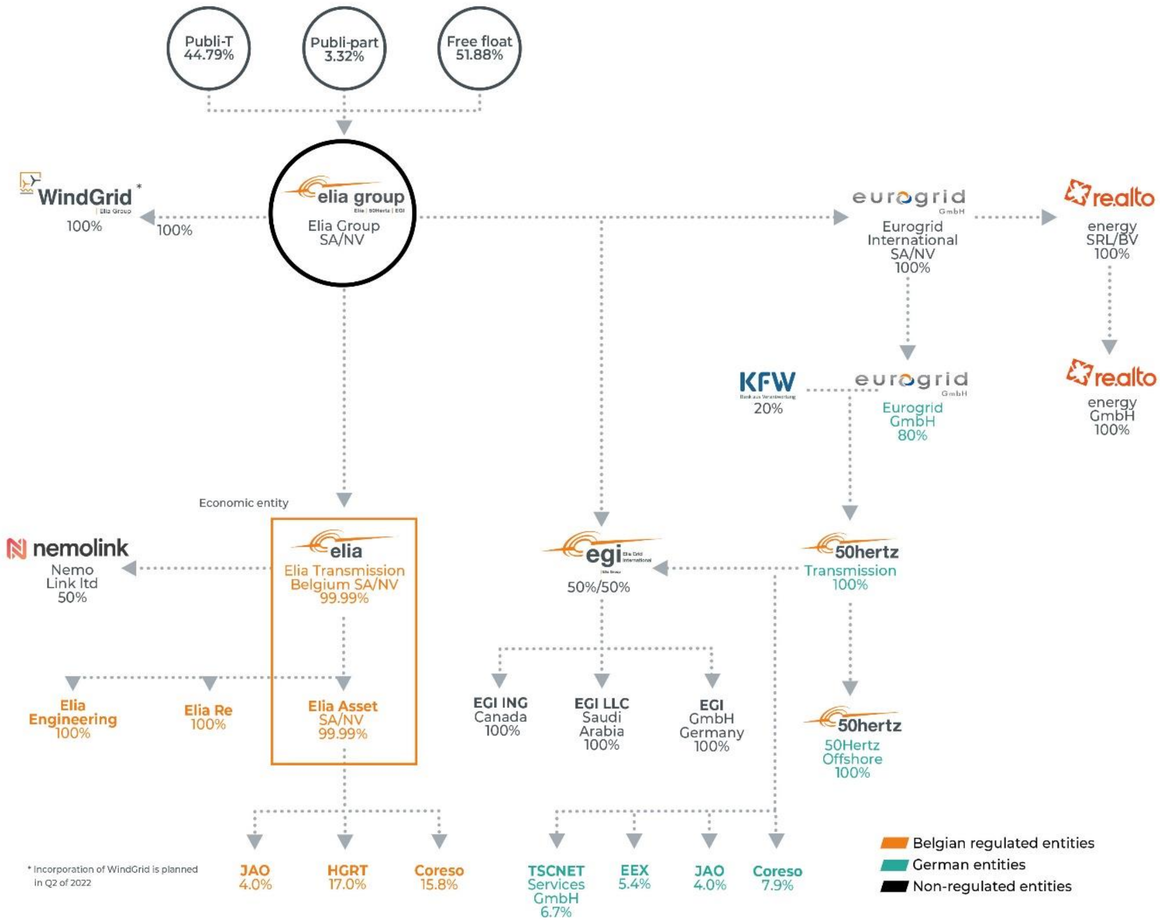
(in € million)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period	156.7	102.6
To be refunded to the tariffs in the next regulatory period (or after)	200.8	28.6
Other regulatory transfer	3.1	0.0
Total regulatory deferral account	**360.6**	**131.3**

**Belgium: from 2020 to 2023 ; Germany: from 2019 to 2023*

The other regulatory transfer relates to a revenue from incentive regulation which is subject to uncertainty in the particular context of a significant increase of energy prices and for which the calculation method should be further assessed with the Belgian regulator.

7. Group structure

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia Group SA/NV has direct and indirect control of the subsidiaries listed below.

Elia Grid International Pte Ltd (Singapore) ceased its operations in June 2022. A new subsidiary has been created in Canada, Elia Grid International Inc. This subsidiary will coordinate the activities of Elia Grid International in North America.

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

Name	Country of establishment	Headquarters	Stake % 2022	Stake % 2021
Subsidiaries				
Elia Transmission Belgium SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Asset SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmBH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Saudi Arabia	Al Akaria Plaza Olaya Street, Al Olaya Riyadh 11622	90.00	90.00
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	-	90.00
Elia Grid International Inc.	Canada	1500-850 2 ST SW, T2P0R8 Calgary	90.00	-
Eurogrid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Re.Alto-Energy GmbH	Germany	Ratingstraße 9, 40213 Dusseldorf	100.00	100.00
WindGrid SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	-
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso SA/NV	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	22.16
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	7.20
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	5.36
Kurt-Sanderling-Akademie des Konzerthausorchester Berlin	Germany	Gendarmenmarkt, 10117 Berlin	8.32	8.32

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and sets out strategies to control their economic impact on the Group's results.
The Risk Management Department defines the risk management strategy, monitors risk analyses and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

MARKET RISK

The market risk takes into account negative effects on the financial position and cash flows of the group arising as a result of price changes on the market which cannot be otherwise avoided. The activities of the group extend to the electricity market – in particular through selling the electricity generated from renewable energy as well as the procurement of energy to cover grid energy losses – as well as to the market for short-term deposits. In Germany, the group counteracts the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX electricity exchange

Foreign currency risk

The group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than 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 2022, 5 interest-rate swaps were outstanding in connection with pre-hedging of probable forecasted debt transactions. 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 6.13 for a summary of the outstanding loans and their respective interest rates.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the group in relation to lending, hedging, settlement and other financial activities. The group is exposed to credit risk from its operating activities and treasury activities. With regards to its operating activities, the group has a credit policy in place, which takes into account customer's risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank 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	2022	2021
Immediately claimable deposits		*7.0*	*7.0*
Reimbursement rights		*34.6*	*46.2*
Other shareholdings		*75.6*	*43.8*
Derivatives (Current and Non-current)		*219.7*	*355.6*
Other financial assets (Current and Non-current)	**(6.6)**	**336.9**	**452.5**
Non-current trade and other receivables		**95.5**	**0.5**
Trade and other receivables	**(6.9)**	**1,206.2**	**861.3**
Current tax assets	**(6.10)**	**28.6**	**10.1**
Cash and cash equivalents	**(6.11)**	**4,151.2**	**3,049.5**
Deferred charges	**(6.9)**	**25.1**	**18.1**
Total		**5,843.5**	**4,392.0**

The movement in the allowance for expected credit losses in relation to trade receivables during the year was as outlined in the table below:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2021	201.5	(201.0)	0.4
Changes during the year	(0.1)	0.2	0.1
Balance at 31 December 2021	**201.4**	**(200.8)**	**0.5**
Balance at 1 January 2022	201.4	(200.8)	0.5
Changes during the year	0.8	(0.8)	0.0
Balance at 31 December 2022	**202.2**	**(201.7)**	**0.5**

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If a debtor goes bankrupt, 50Hertz Transmission is compensated by the regulator for the loss incurred.

The group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including customers' underlying credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

As of 2022, the group applies an individualized approach for trade receivables, for which the Group has set rules for defining the stage of the concerned asset for Expected Credit Loss (ECL) calculations.

- **stage 1** covers financial assets that have not deteriorated significantly since initial recognition. The ECL for stage 1 is calculated on a 12-month basis,
- **stage 2** covers financial assets for which the credit risk has significantly increased. The ECL for stage 2 is calculated on a lifetime basis. The decision to move an asset from stage 1 to stage 2 is based on certain criteria such as:
  - a significant downgrade in the creditworthiness of a counterparty and/or its parent company and/or its guarantor (if any),
  - significant adverse changes in the regulatory environment,
  - changes in political or country-related risks, and
  - any other aspect the Group may consider relevant.

Regarding financial assets that are more than 30 days past due, the move to stage 2 is not systematically applied as long as the Group has reasonable and supporting information that demonstrates that, even if payments become more than 30 days past due, this does not represent a significant increase in the credit risk since initial recognition.

- **stage 3** covers assets for which default has already been observed, such as:
  - when there is evidence of failure in credit support from a parent company to its subsidiary (in this case the subsidiary is the Group's counterparty at risk),
  - when a Group entity has initiated legal proceedings against the counterparty for non-payment.

Regarding financial assets that are more than 90 days past due, the presumption can be rebutted if the Group has reasonable and supportable information that demonstrates that even if payments become more than 90 days past due, this does not indicate counterparty default.

The ECL formula applicable in stages 1 and 2 is ECL = EAD x PD x LGD, where:

- for 12-month ECL, Exposure At Default (EAD) equals the carrying amount of the financial asset, to which the relevant Probability of Default (PD) and the Loss Given Default (LGD) are applied;
- for lifetime ECL, the calculation method consists in identifying changes in exposure for each year, especially the expected timing and amount of the contractual repayments, and then applying to each repayment the relevant PD and the LGD, and discounting the figures obtained. ECL is then the sum of the discounted figures; and
- probability of default is the likelihood of default over a particular time horizon (in stage 1, this time horizon is 12 months after the reporting period; in stage 2 this time horizon is the entire lifetime of the financial asset). This information is based on external data from a well-known rating agency. The PD depends on the time horizon and of the rating of the counterparty.

The Group uses external ratings if they are available; or an internal rating for major counterparties with no external rating.

Elia Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the crisis in 2021 (COVID-19) nor in 2022 (energy crisis) and it does not expect any major impact related to the pandemic to arise in the coming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. The total outstanding amount of trade receivables covered by a bank guarantee totals €97.1 million. The loss given default is multiplied by the outstanding trade receivables.

This approach is deemed more relevant than the portfolio approach to provide a better assessment of the risk, especially in the current context of volatile market conditions. The impact of this new approach is not significant. Furthermore, any losses would be recoverable through the tariffs.

The model is applied to the trade receivables, all other financial assets being not assessed at risk of impairment considering their nature (regulatory assets, amounts recoverable through future tariffs in compliance with the regulatory frameworks), risk profile (reliable counterparty being for the levies the Belgian/German state) or measurement method (at fair value). More details are provided in the different notes.

LIQUIDITY RISK

Liquidity risk is the risk that the group may be unable to meet its financial obligations. The group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit-line facilities available.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper programmes, etc. For medium- to long-term funding, the group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Bond issuances realised over the last years and loan contracts signed with EIB and other banks 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	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**
Unsecured bond issues	7,281.7	7,248.5	(8,124.1)	(103.6)	(23.6)	(877.1)	(1,820.6)	(5,299.2)
Unsecured financial bank loans and interest accruals	568.4	568.4	(532.1)	(78.4)	(2.0)	(20.4)	(308.0)	(123.4)
Trade and other payables	3,696.4	3,696.4	(3,696.4)	(3,696.4)	0.0	0.0	0.0	0.0
Total at 31 December 2021	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**

(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	**13,327.1**	**13,296.7**	**(14,979.8)**	**(4,925.7)**	**(800.5)**	**(659.5)**	**(1,923.7)**	**(6,670.4)**
Unsecured bond issues	7,273.3	7,243.0	(8,972.9)	(103.5)	(798.2)	(639.3)	(1,620.9)	(5,811.0)
Unsecured financial bank loans and interest accruals	1,249.6	1,249.6	(1,202.7)	(18.1)	(2.3)	(20.2)	(302.8)	(859.4)
Trade and other payables	4,804.2	4,804.2	(4,804.2)	(4,804.2)	0.0	0.0	0.0	0.0
Total at 31 December 2022	**13,327.1**	**13,296.7**	**(14,979.8)**	**(4,925.7)**	**(800.5)**	**(659.5)**	**(1,923.7)**	**(6,670.4)**

Details of the used and unused back-up credit facilities are set out below:

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Sustainable Revolving Credit Facility	10/12/2025	650.0	Euribor + 0.325%	0.0	650.0
Confirmed credit line	2/26/2025	750.0	Euribor + 0,275%	0.0	750.0
Confirmed credit line	12/14/2026	150.0	Euribor + 0,275%	150.0	0.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	unlimited	35.0	Eurribor + 0.2%	0.0	35.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Total		**1,737.5**		**150.0**	**1,587.5**

Since 2020, the group has had several lines available to guarantee the financing of its activities and to cushion possible variations in levies (even if we can observe a surplus for the last 2 years) or derivatives. Indeed, the high volume of futures contracts contracted by 50Hertz Transmission (Germany) also has an impact on the Group's liquidity management. The daily cash settlement of futures contracts with the exchange can have short-term effects on liquidity, which largely follow the general price trend on the electricity market.

HEDGING ACTIVITIES AND DERIVATIVES

The group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the statement of profit or loss, and if the IFRS 9 criteria are met, the group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The group had no derivatives which were not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the €300 million senior bond. The group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. Upon the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2022, an amount of €0.6 million was recycled into profit and loss.

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the Group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

In 2022, the group also entered into Interest Rate Swaps contracts as pre-hedge for probable forecast debt transactions. The purpose of those instruments was to fix the rate at which the group will borrow in the context of future bond issues planned in 2023. This was performed through 5 forward contracts.

CAPITAL RISK MANAGEMENT

The purpose of the group's capital-structure management is to ensure that the debt and equity ratios related to its regulated activities are as closely aligned as possible with the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the group's strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

SUSTAINABILITY

Sustainability lies at the heart of Elia's strategy through its ActNow programme, which sets out the long-term sustainability objectives of the group. These are guided by the UN Sustainable Development Goals (SDGs) and have been translated into KPIs which are reported to the market and grouped under the following five dimensions: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion; and Governance, Ethics and Compliance.

Furthermore, as a driver of the energy transition, Elia Group is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group therefore published in 2021 a white paper which outlines the company's eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group's implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way. In 2022, the group also set up an annual meeting which will address the embedding of sustainability into decision-making processes such as budget planning, strategic planning, and operational processes. Both ETB and 50Hertz appointed compliance coordinators.

We refer to our Integrated Report and our Sustainability Report for further information.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2022, the group had a commitment of €3,883.9 million (€2,068.4 million in 2021) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2022, the group had a commitment of €347.9 million (€263.5 million in 2021) relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest conducted several auctions.

Since June 2015, Elia has been obliged to buy back from Solar Chest the green certificates that the latter could not sell on the market in due time. At the auction it organized in February 2022, Solar Chest sold all the green certificates it still held at that time to the market. In September 2022, Solar Chest's activities were terminated and it was dissolved. The aforementioned obligation to buy back the certificates from Elia has therefore not been applied in any concrete case and is no longer applicable.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €181.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by the AwAC from 2022 onwards, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies. The legislation was supplemented in 2021 by new provisions that allow the Government to decide, after consultation with the LTSO, on the gradual resale to Elia of certain quantities of green certificates held by AwAC.
In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions for sale of green certificates to the AwAC in 2019, 2020, 2021 or 2022. Considering (i) the state of the Walloon green certificate market and (ii) the amounts actually available following the application of the surcharge in 2022, the Walloon Government has decided to ask Elia to buy back certificates held by AwAC for an amount of €45.5 million.

In Germany, offshore expenses between 50Hertz and TenneT TSO arising from the horizontal settlement has given rise to financial obligations for 50Hertz in future periods. The total amount of these future cumulative amounts comes to €0.3 million (prior year: €3.9 million) and will be reflected in 50Hertz's network user charge calculations over the coming years following the corresponding billing by TenneT TSO.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and this remained unchanged from 2021. Other than the yearly dividend payment, no transactions occurred with the core shareholder in 2022.

The shareholder structure of the group can be found in Note 7.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee, both of which have a significant influence across the entire Elia Group.

At 50Hertz Transmission (Germany), key management personnel include Eurogrid International SA/NV's Board of Directors, who are responsible for monitoring the activities of 50Hertz Transmission (Germany). Key management personnel also include the Board of Management of 50Hertz Transmission and the Supervisory Board, which was established in the German segment.

The members of Elia's Board of Directors are not employees of the group. The remuneration for their mandate is detailed in the Corporate Governance Statement, which forms part of this Annual Report (see the remuneration report).The members of Eurogrid International SA/NV's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management staff are included in the Corporate Governance report.

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

(in € million)	2022	2021
Short-term employee benefits	**4.0**	**2.5**
Basic remuneration	2.6	1.7
Variable remuneration	1.4	0.8
Long-term employee benefits	**0.6**	**0.5**
Post-employment benefits	**0.6**	**0.4**
Other variable remuneration	**0.3**	**0.2**
Total gross remuneration	**5.5**	**3.5**
Number of persons (in units)	7	5
Average gross remuneration per person	0.7	0.7
Number of shares (in units) held as at 31 December 2022	**8,548**	**7,849**

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore are not recognised in this note.

Transactions with joint ventures and associates (as defined in Note 7.1.) were not eliminated, so details of these transactions are shown below:

(in € million)	2022	2021
Transactions with joint ventures and associates	**(4.0)**	**(4.5)**
Sales of goods	1.6	0.1
Purchases of goods	(5.6)	(4.6)
Outstanding balances with joint ventures and associates	**(0.4)**	**(0.9)**
Trade debtors	(0.4)	(0.7)
Trade debts	0.0	(0.2)

In 2021 and 2022, entities of the Elia Group had transactions with Nemo Link Ltd. and Coreso SA/NV. The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also Note 6.18). Purchases of goods mostly relates to services rendered by Coreso SA/NV to the group.

TRANSACTIONS WITH SHAREHOLDERS

There were no transactions with shareholders in 2022, except for the dividend payment.

TRANSACTIONS WITH RELATED PARTIES

Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-chair of the Management Committee, etc.).

There were some significant transactions in 2022 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 €0.5 million and related to regulated sales contracts with prices that had been predefined by the regulator. The total value of expenses amounted to €0.3 million. As at 31 December 2022, there were no outstanding trade-receivable positions nor outstanding trade-debt positions with related parties.

8.4. Subsequent events

No significant events that would result in the financial statements being adjusted occurred after the closing of the financial statements as of 31 December 2022.

Elia Group SA/NV (“Elia Group”) has successfully placed €500 million hybrid securities to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market and to be listed on the Official List of the Luxembourg Stock Exchange.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that outlines the terms of future cooperation between both parties after 1 January 2021 (the official date on which the UK left the EU). According to this agreement, the UK left the Internal Energy Market (IEM).

Two years after Brexit, no impacts on the business of Nemo Link Ltd. had been felt; Nemo Link remained in operation as before. The profitability of the investment was also largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company’s cash flows over a 25-year time period. There are no import duties on the transport of electricity.

Other than the risk identified above, Brexit had a very limited effect on the consolidated financial statements.

The impact of the war in Ukraine

Given the nature and location of its operations and the fact that Elia Group does not currently have activities in Russia nor in Ukraine or with Russian companies, Elia Group does not observe a direct impact of the Ukrainian conflict on its business. However, there is a strong push at the European level to become less dependent from Russian gas and fossil fuels. Accordingly, the Group observes a willingness among the authorities in Belgium and Germany to accelerate the energy transition and the related investment plans.

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 EY Bedrijfsrevisoren BV (represented by Mr. Paul Eelen) for the audit of the consolidated financial statements of Elia Group SA/NV and Elia Transmission Belgium SA/NV and the audit of the statutory financial statements of Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Grid International SA/NV, Eurogrid International SA/NV, Windgrid SA/NV and Re.Alto BV/SRL. BDO Bedrijfsrevisoren BV and EY Bedrijfsrevisoren BV are also the statutory auditors of Coreso SA/NV.

50Hertz Transmission (Germany) appointed BDO AG Wirtschaftsprüfungsgesellschaft for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2022:

in €	Belgium	Germany	Total
Statutory audit and review of consolidated and parent company financial statements	397,721	359,360	757,081
Non-audit services, of which:	559,784	101,185	660,969
Services related to legal and regulatory requirements	*134,075*	*40,840*	*174,915*
Other audit services	*356,550*	*60,345*	*416,895*
Tax services	*69,159*		*69,159*
Total	**957,505**	**460,545**	**1,418,050**

9. REGULATORY FRAMEWORK AND TARIFFS

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia's activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the third package of European directives. These changes ensure that the Electricity Act:

- sets out the unbundling of transmission operations from generation, distribution and supply activities;
- sets out in greater detail the rules for operating and accessing the transmission system;
- redefines the transmission system operator's legal mission, mainly by expanding it to the offshore areas over which Belgium has jurisdiction; and
- strengthens the role of the regulatory authority, particularly with regards to the determination of the transmission tariffs.

A number of royal decrees provide more details relating to the regulatory framework that applies to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the CREG supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less across their respective territories. Whilst the regional regulators are in charge of all non-tariff aspects of local transmission-system regulation, the setting and monitoring of 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

CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at federal level: the connection contract, the access contract and the ARP contract;
- approving the capacity allocation system at the borders between Belgium and neighbouring countries;
- approving the appointment of the independent members of the Board of Directors;
- determining the tariff methodology to be observed by the system operator when calculating the various tariffs which apply to grid users;
- certifying that the system operator actually owns the infrastructure it operates and that it meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS

The operation of electricity networks with voltages of 70 kV or less falls under the jurisdiction of the regional regulators. Each of these may require any operator (including Elia if it operates such networks) to abide by any specific provision of the regional electricity rules on pain of administrative fines or other sanctions. However, the regional regulators do not have the power to set tariffs for electricity transmission systems, as tariff setting falls under the exclusive remit of the CREG for these networks

9.1.4. Tariff setting

A new tariff methodology came into force in early 2020. This methodology is again applicable for a period of four years (2020-2023).

TARIFF REGULATIONS

On 28 June 2018, the CREG issued a decision which set the tariff methodology for the electricity transmission system (including the offshore system) and the electricity networks which have transmission functions during the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework in accordance with which transmission tariffs are set for these four years. Elia has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by the CREG on 7 November 2019 (Decision (B)658E/62).

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of networks which have transmission functions (covering the transmission system and the local and regional transmission networks in Belgium), Elia generates most of its income from the regulated tariffs charged for use of these networks (tariff income), which are approved in advance by the CREG. Since 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs that were set for four-year periods, barring specific circumstances.

The tariff mechanism is based on amounts recognised in accordance with Belgian accounting regulations (BE GAAP). The tariffs are based on budgeted costs minus a number of sources of non-tariff income. These costs are then divided based on an estimate of the volumes of electricity taken off the grid and, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by the CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid based on the Capital Asset Pricing Model (**CAPM**). It is based on the average annual value of the regulated asset base (RAB), which is calculated annually, taking into account new investments, divestments, depreciations and changes in working capital.

Since 1 January 2020, the formula has changed compared to the previous tariff methodology with regard to the level of leverage and the OLO interest rate for risk free investment: (i) the regulatory leverage has been increased from 33%. to 40%., and (ii) the OLO has been set at 2.4%. for the period 2020-2023, instead of taking the average of the year, each year. In the event of a major change in the Belgian macro-economic situation and/or in its market circumstances, the CREG and Elia can agree on a modification of the fixed OLO rate.

The formula for the calculation of fair remuneration is as follows:

A: [S (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%) – 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 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 Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5%;
- In respect of A: The rate of remuneration (in %) as set by the CREG for year n is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5%. The CREG encourages the Elia to keep its actual capital and reserves as close as possible to 40%., this ratio being used to calculate a reference value of capital and reserves;
- In respect of B: If the Elia's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: [(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 Elia's direct control are not subject to incentive mechanisms offered by the CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The most important non-controllable costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which qualify as 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 the 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 the Elia, with a cap of +€6 million. For each of the two categories of influenceable costs (power reserves and grid losses), the incentive cannot be less than €0.

Other incentives
The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. If Elia does not perform in line with the targets for these incentives, as set by the regulator, the amount of the incentive allocated to Elia will decrease. The impact is reflected in the deferred revenues which will generate future tariff decreases, see the description of the settlement mechanism below (all amounts are pre-tax).

- *Market integration:* This incentive consists of three elements under the previous regulatory framework: (i) increase of import capacity, (ii) increase in market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare is no longer offered, whereas the one on import capacity has been replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive has been created concerning the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Elia's profit (from €0 to €16 million for cross-border capacity, from €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which 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 the Elia's profit from €0 to €2.53 million and (iii) Elia could benefit from €0 to €2 million if the predefined portfolio of maintained and redeployed investments is realised in time and on budget.

- *Innovation and grants:* The content and the remuneration of this incentive has changed and covers (i) the realisation of innovative projects which could contribute to the Elia's remuneration for €0 to €3.7 million (pre-tax) and (ii) the subsidies granted for innovative projects which could impact the Elia's profit with a maximum of €0 to €1 million.

- *Quality of customer related services:* This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the establishment of new grid connections which can generate a profit for Elia of €0 to €1.35 million, (ii) the level of client satisfaction for the full client base which would contribute between €0 and €2.53 million to Elia's profit and (iii) the quality of the data that Elia publishes on a regular basis, which can generate remuneration for Elia of €0 to €5 million.

- *Enhancement of balance system:* This incentive is similar to the discretionary incentive 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 remuneration between €0 and €2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

The CREG has amended the 2016-2019 tariff methodology to create specific rules applicable to investment in the MOG. A formal consultation took place in the first weeks of 2018 between the CREG and the issuer, and the CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters were (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 with 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 volumes which are forcasted. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs. These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated and will be taken into account when the tariffs are set for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariff-setting (fair remuneration, non-controllable elements, controllable elements, influenceable costs, incentive components, cost and revenue allocation between regulated and non-regulated activities) and the actual incurred costs or revenues related to these parameters, the CREG takes the final decision each year as to whether the incurred costs/revenue can reasonably be borne by the tariffs. This decision may result in the rejection of incurred elements. In the event that any incurred elements are rejected, the relevant amount will not be taken into account when the tariffs are set for the next period. Although Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact on Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that Elia's financial participation in other companies not considered part of the RAB by the CREG (e.g. stakes in regulated or non-regulated activities outside Belgium) has a neutral impact on Belgian grid users.

Public service obligations

In its role as a TSO, Elia is subject to various public service obligations imposed by the government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as the promotion of renewable energy, green certificates, strategic reserves, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by the TSO with respect to these obligations are fully covered by the tariff 'levies' as approved by the regulator. The amounts outstanding are reported as levies (see Note 6.10 for other receivables and Note 6.15 for other payables).

9.2. Regulatory framework in Germany

9.2.1. Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz,* EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is complemented by a number of additional laws, ordinances and regulatory decisions, which provide detailed rules regarding the current system of incentive regulation, accounting methods and grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung,* StromNEV)), which establishes, among other things, the principles and methods for the grid-tariff calculations and other obligations applying to system operators;

- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung,* StromNZV), which, among other things, sets out further details about how to grant access to the transmission systems (and other types of networks) by way of establishing the balancing groups, the scheduling of electricity deliveries, control energy and other general obligations, e.g. congestion management (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the balancing amount system for renewable energy;

- the Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung,* ARegV)), which sets out the basic rules for incentive regulation for TSOs and other system operators (as outlined in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine inefficiency and how this translates into yearly targets for efficiency growth.

9.2.2. Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the *Bundesnetzagentur* (BNetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected; and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, among other things, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz Transmission and 50Hertz Offshore are subject to the authority of the Federal Network Agency.

9.2.3. Tariff setting in Germany

The current regulation mechanism is established in Germany by the ARegV. Under the ARegV, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is essentially based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. System operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the third regulatory period starting on 1st January 2019 and ending on 31st December 2023 and the fourth starting on 1st January 2024 and ending 31st December 2028. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid asset). The Federal Network Agency has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a system operator fall into two categories as follows:

- Permanently non-influenceable costs (PNIC): These costs are fully integrated into the 'revenue cap' and are fully recovered through the grid tariffs, albeit some of them with a two-year time lag.
    - One cost position amongst the PNIC refers to investment measures, meaning costs resulting from new investments in onshore grid infrastructure (new onshore investments will be refinanced from the fourth regulatory period onward via the requested capital cost adjustment). The investment measures include return on equity, imputed trade tax, cost of debt, depreciation and operational costs (currently at a fixed rate of 0.8% of the capitalised investment costs of the respective onshore investments or 0.2 % for assets under construction within projects approved as of 2019). The cost of debt related to investment measures is reflected in the interest rate based on acquired debt for the TSO activity. Since 2012, the costs associated with these investment measures have been based on forecast values. The differences between the forecast values and the actual values are reflected in the settlement mechanism deferral account.
    - In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and costs from congestion management. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) of the ARegV. The regulation process for costs relating to ancillary services, congestion management and grid losses gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Moreover, costs resulting from European projects of common interest (PCI) to which Germany is contributing can be included as PNIC, albeit with a two-year time lag.
- Temporarily non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses. They are subject to an incentive mechanism set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable.

As for the return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulated asset base and the PNIC for assets approved in investment measures. In 2021, the BNetzA determined the return on equity applicable to the fourth and coming regulatory period (2024-2028); the values were significantly down from the third regulatory period, namely to 3.51% (instead of 5.12% in the third period) for investments made before

2006 and 5.07% (instead of 6.91% in the third period) for investments made since 2006. The return on equity is calculated before corporate tax and after imputed trade tax.

Separately from the revenue cap, 50Hertz is compensated for costs incurred in connection with its renewable energy obligations, including EEG and CHP/KWKG obligations, offshore liabilities and its obligations from the electricity price brake. To this end, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

The capital cost adjustment model will be used for TSOs in the fourth regulatory period. In order to avoid distortion effects in the cost base, a transitional arrangement will come into effect. It includes an extensive grandfathering of existing investment measures during the fourth regulatory period, the elimination and an extensive repayment of the clawback for expired investment measures, as well as a transitional base for replacement investments in the period of incentive regulation (2007 to the end of 2021).

As of 31st December 2022, 50Hertz had received 95 approvals for an investment volume of approximately € 15.0 billion for the 119 active applications for approval of investment measures submitted since 2008.

TARIFFS

Grid access tariffs of the German TSOs for 2023 have been calculated on the combined revenue caps taking into account a subsidy of €12.84 billion (50Hertz share approx. €1.1 billion). The subsidy pursuant to § 24b EnWG was introduced as part of the Electricity Price Damping Act (Strompreisbremsegesetz - StromPBG) to stabilise the tariffs at the level of 2022 and is financed from the skimming profits pursuant to the StromPBG. As a transitional measure, funds from the EEG – former federal grants to stabilize the EEG – and additional federal funds from the Economy Stabilization Fund (Wirtschaftsstabilisierungsfonds – WSF) can be used for interim financing. If this interim financing is also insufficient, the transmission system operators are entitled to adjust their network charges once during the year in the calendar year 2023. Due to the subsidy, the tariffs only increased by 2.6% compared to 2022. The main reason for the increase in the revenue cap was the drastic increase of prices on the energy markets and the resulting costs for especially redispatch, the procurement of grid losses and balancing power.

9.3. Regulatory framework for the Nemo Link interconnector

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

- A specific regulatory framework is applicable to the Nemo Link interconnector since the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014, updated on 5 March 2020 (Cap & Floor final levels), by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators in the UK and Belgium (OFGEM and the CREG respectively) determined the levels of the cap and floor ex-ante and these remain largely fixed (in real term) for the duration of the regime. Consequently, investors will have certainty about the regulatory framework throughout the lifetime of the interconnector.
- The cap and floor regime is applicable since 30 January 2019. Every five years, the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. If a revenue rises above the cap, it will be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs will then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor, then the interconnector owners will be compensated by the TSOs. The TSOs will, in turn, recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.
- Each five-year period is considered separately. Cap and floor adjustments in one period will not affect adjustments for future periods, and total revenue earned in one period is not taken into account in future periods.
- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark 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 5-year period, no adjustment is required. Revenue above the cap is returned to end customers and any shortfall in revenue below the floor requires payment from grid users (via grid charges).

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Joint auditors' report to the general meeting of Elia Group NV/SA for the year ended 31 December 2022

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2022, 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 2022 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 21 consecutive years for EY Bedrijfsrevisoren BV and 3 consecutive years for BDO Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2022, 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 2022 and the notes, which show a consolidated balance sheet total of € 20,594.3 million and of which the consolidated income statement shows a profit for the period of € 408.2 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 2022, 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 ("ISA's") applicable in Belgium. In addition, we have applied the ISA's approved by the International Auditing and Assurance Standards Board ("IAASB") that apply at the current year-end date and have not yet been approved at national level. 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 obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit.

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', 6.20 'Accruals and deferred income', 9.1.4 'Tariff Setting' and 9.2.3 'Tarif Setting in Germany' of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") and the German federal regulator, the Federal Network Agency (the "BNetzA") (together the "Tariff Mechanisms").

Those tariff mechanisms are based on calculation methods that are complex and require the use of parameters (the Beta of Elia's share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

Both Tariff Mechanisms make a distinction between income and expenses based on the control that the Group has over the expenses and income. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under-and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group's net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulator. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group's net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.20, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, the Group has very significant investment projects ongoing to connect these new productions sites on the Group's network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 'PPE' and in Note 4 'Segment reporting' of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment ("PP&E"), with a total capital expenditure of € 1,492.6 million in 2022 and a net book value of € 11,844.7 million as at 31 December 2022 or 57,5% 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.

In performing our audit, we comply with the legal, regulatory and normative framework that applies to the audit of the Consolidated Financial Statements in Belgium. However, a statutory audit does not provide assurance about the future viability of the Company and the Group, nor about the efficiency or effectiveness with which the board of directors has taken or will undertake the Company's and the Group's business operations. Our responsibilities with regards to the going concern assumption used by the board of directors 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for Group entities.

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 Group NV/SA per 31 December 2022 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, 13 April 2023

The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by

Paul Eelen*
Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren BV
represented by

Felix Fank*
Partner
*Acting on behalf of a BV

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Group SA/NV, drawn up in accordance with Belgian accounting standards, are provided hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website and can be obtained upon request from Elia Group SA/NV, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in € million)	2022	2021
FIXED ASSETS	**3,825.2**	**3,318.1**
Financial fixed assets	3,825.2	3,318.1
Affiliated companies	3,825.2	3,318.1
Participating interests	3,825.2	3,318.1
Other financial assets	0.0	0.0
CURRENT ASSETS	**161.0**	**47.1**
Inventories and contracts in progress	3.2	3.1
Contracts in progress	3.2	3.1
Amounts receivable within one year	5.4	2.2
Trade debtors	5.4	1.7
Other amounts receivable	0.0	0.5
Own shares	1.8	0.8
Cash at bank and in hand	147.3	37.2
Deferred charges and accrued income	3.3	3.8
TOTAL ASSETS	**3,986.2**	**3,365.2**

EQUITY AND LIABILITIES (in € million)	2022	2021
CAPITAL AND RESERVES	**2,834.5**	**2,235.5**
Capital	1,833.6	1,714.2
Issued capital	1,833.6	1,714.2
Share premium account	738.6	262.9
Reserves	183.4	176.2
Legal reserve	180.3	173.0
Repurchase own shares	1.8	0.8
Untaxed reserve	0.1	1.6
Available reserves	1.2	0.7
Profit carried forward	78.8	82.2
LIABILITIES	**1,151.6**	**1,129.7**
Amounts payable after one year	298.9	998.7
Financial debts	298.9	998.7
Subordinated debentures	0.0	700.0
Unsubordinated debentures	298.9	298.7
Amounts payable within one year	849.7	128.0
Current portion of amounts payable after one year	700.0	0.0
Trade debts	3.0	2.0
Suppliers	3.0	2.0
Advances received on contracts in progress	3.6	3.6
Amounts payable regarding taxes, remuneration and social security costs	1.4	0.7
Taxes	0.6	0.0
Remuneration and social security	0.8	0.7
Other amounts payable	141.7	121.7
Accrued charges and deferred income	3.0	3.0
TOTAL EQUITY AND LIABILITIES	**3,986.2**	**3,365.2**

Statement of profit or loss

(in € million)	2022	2021
OPERATING INCOME	**8.8**	**1.0**
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.1	0.0
Other operating income	8.7	1.0
OPERATING CHARGES	**(12.6)**	**(6.4)**
Services and other goods	(10.0)	(5.0)
Remuneration, social security costs and pensions	(1.9)	(1.4)
Other operating charges	(0.8)	0.0
OPERATING PROFIT	**(3.8)**	**(5.4)**
Financial income	**180.6**	**102.9**
Income from financial fixed assets	180.0	102.8
Income from current assets	0.6	0.0
Non-recurring financial income	0.0	0.1
Financial charges	**(32.5)**	**(25.1)**
Debt charges	(27.8)	(24.5)
Other financial charges	(4.8)	(0.6)
PROFIT FOR THE PERIOD BEFORE TAXES	**144.2**	**72.4**
Income taxes	0.0	0.0
PROFIT FOR THE PERIOD	**144.2**	**72.4**
Transfer to untaxed reserves	1.5	0.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**145.7**	**72.4**

Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in this document.

The following APM's appearing in the Annual Report are explained in this appendix:

- Adjusted items
- Adjusted EBIT
- Adjusted net profit
- Capex (Capital Expenditures)
- EBIT
- EBITDA
- Equity attributable to the owners of the company
- Free cash flow
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)
- Return on Equity (adj) (%)

Adjusted items

Adjusted items are those items that are considered by management not to relate to items in the ordinary course of activities of the Group. They are presented separately, as they are important for users to understand 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, plus the share of equity accounted investees – net and plus or minus adjusted items.

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.

CAPEX (Capital Expenditures)

CAPEX (Capital Expenditures) = Acquisitions property, plant and equipment and intangible assets minus proceeds from the 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, plus the share of equity accounted investees.

(in € million) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	259.6	314.1	(13.6)	(0.3)	559.8
Share of profit of equity accounted investees (net of tax)	2.4	0.0	37.1	0.0	39.5
EBIT	**262.0**	**314.1**	**23.6**	**(0.3)**	**599.4**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.70
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBIT	**227.1**	**272.9**	**40.3**	**(0.2)**	**540.1**

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) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	259.6	314.1	(13.6)	(0.3)	559.8
Add:					
Depreciation, amortisation and impairment	215.5	297.6	0.7	0.0	513.7
Changes in provisions	(1.1)	(0.2)	0.0	0.0	(1.3)
Share of profit of equity accounted investees (net of tax)	2.4	0.0	37.1	0	39.51
EBITDA	**476.4**	**611.5**	**24.3**	**(0.3)**	**1,111.8**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Add:					
Depreciation, amortisation and impairment	206.8	260.3	0.5	0.0	467.5
Changes in provisions	(1.7)	0.9	0.0	0.0	(0.7)
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBITDA	**432.2**	**534.0**	**40.8**	**(0.2)**	**1,006.9**

Free cash flow

Free cash flow = Cash flows from operating activities minus cash flows from investment activities. Free cash flow provides an indication of the cash flows generated by the Group.

(in € million) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Net cash from operating activities	670.1	764.1	(3.0)	0.0	1,431.2
Deduct:					
Net cash used in investing activities	416.0	1,123.3	253.9	(338.8)	1,454.4
Free cash flow	**254.1**	**(359.2)**	**(257.0)**	**338.8**	**(23.2)**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Net cash from operating activities	262.3	3,720.7	(29.8)	0.0	3,953.1
Deduct:					
Net cash used in investing activities	379.9	831.4	(153.3)	0.0	1,057.9
Free cash flow	**(117.6)**	**2,889.4**	**123.6**	**0.0**	**2,895.2**

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 (including 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)	31 December 2022				31 December 2021			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total
Non-current liabilities:								
Loans and borrowings	3,408.2	3,834.4	473.0	7,715.6	3,421.9	3,838.6	481.3	7,741.7
Add:								
Current Liabilities:								
Loans and borrowings	65.2	789.2	12.8	867.2	147.6	33.5	12.9	194.0
Deduct:								
Current Assets:								
Cash and cash equivalents	557.2	3,368.3	225.7	4,151.2	128.5	2,857.2	63.8	3,049.4
Net financial debt	**2,916.2**	**1,255.3**	**260.1**	**4,431.6**	**3,441.0**	**1,014.9**	**430.4**	**4,886.3**
EEG surplus (levies)		2,936.0		2,936.0		2,110.0		2,110.0
EEG deficit (levies)								
Net financial debt, exl. EEG position	**2,916.2**	**4,191.3**	**260.1**	**7,367.6**	**3,441.0**	**3,124.8**	**430.4**	**6,996.3**

Regulated Asset Base (RAB)

The 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 the regulator at a certain point in time) which evolves with new investments, depreciations, divestments and changes in working capital on a yearly basis using the local gaap accounting principles applicable in the regulatory schemes. In Belgium, when setting the initial RAB, a certain amount of revaluation value (i.e. goodwill) was taken into account, which evolves from year to year based on divestments and/or depreciations.

Return on Equity (adj.) (%)

Return on Equity (RoE adj.) = Net profit attributable to ordinary shareholders divided by equity attributable to ordinary shareholders. The return on equity is adjusted to exclude the accounting impact of hybrid securities in IFRS (i.e. exclude the hybrid security from equity and consider the interest costs as part of comprehensive income). The RoE adj. provides an indication of the ability of the Group to generate profits relative to its invested equity.

(in € million) – period ended 31 December	2022	2021
Profit for the period	408.2	328.3
Deduct:		
Profit attributable to holders of hybrid securities	19.2	19.2
Profit attributable to non-controlling interests	47.2	33.1
Profit attributable to equity holders of ordinary shares (A)	**341.8**	**276.0**
Divided by:		
Equity attributable to ordinary shares	4,618.3	3,850.6
Deduct:		
Hedging reserve in equity related to future grid losses (50Hertz)	72.7	199.9
Adjusted equity attributable to ordinary shares (B)	**4,545.6**	**3,650.7**
Return on Equity (adj.) (%) = (A) / (B)	**7.52%**	**7.56%**