

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



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

The Funding Policy reflects the specific role of ETB within the Elia Group (‘Elia Group’) as the designated national and regional/local Transmission System Operator (‘TSO’) for the very high- and high-voltage electricity grid in Belgium. It also reflects the transformed function of Elia Group SA – formerly TSO and renamed from Elia System Operator SA/NV –now acting as a holding company and owner of ETB and Eurogrid International (‘Eurogrid’).

This funding policy is based on the premise that Elia Group has a clear interest in establishing a specific Funding Policy at ETB – owning the Belgian regulated activities – and keeping it separate from Elia Group which also owns the unregulated activities and regulated activities carried outside of Belgium.

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

Legal and financial separation of ETB from Elia Group

Following the completion of Elia Group’s internal reorganisation in December 2019, ETB was designated as the national and regional/local TSO for the very high- and high-voltage electricity grid in Belgium.

As part of the reorganisation, Elia Group transferred the indebtedness related to the regulated activities (in particular the outstanding series of notes issued by Elia System Operator SA/NV under its EMTN programme) to ETB. By doing so, Elia Group has legally and financially separated the regulated activities in Belgium at ETB from the non-regulated activities and regulated activities outside Belgium owned by Elia Group (notably through Eurogrid International).

Cornerstones of the Funding Policy

The Funding Policy is based on the following cornerstones:

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

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

These cornerstones confirm that ETB is insulated in its Funding Policy from Elia Group. This is further evidenced also by:

- ETB was deliberately set up as a standalone subsidiary of Elia in December 2019;
- ETB's has its own committed banking facilities, own ETB Commercial Paper programme (established in April 2020) and in process of establishing its own EMTN programme;
- ETB will finance its own and its subsidiaries' activities by issuing standalone debt, independently from Elia's funding activities;

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

Financial Policy

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

Dividend Policy

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

In view thereof,

- Dividends payable shall not exceed an average pay-out ratio of approximately 60% of the annual results ETB over the 2020-23 regulatory period;

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

