

Powering the decade of electrification

INTEGRATED
ACTIVITY REPORT
2021

Content

Powering the decade of electrification	3	Our value creation model	40
Interview: Chris Peeters and Bernard Gustin	4	Business model: how we create value for our stakeholders	41
Our path to integrated reporting	10	Fostering stakeholder interactions	42
The Elia group at a glance	13	Materiality	45
Company profile	14	#1. System planning – We design the energy system of the future	46
Key figures	16	#2. Infrastructure design and construction – We deliver the appropriate infrastructure	53
Key achievements	18	#3. Grid operations and maintenance – We operate safe and reliable infrastructure	63
The Elia group in a rapidly evolving environment	21	#4. System operations – We keep the lights on around the clock	70
The four megatrends	23	#5. Market facilitation – We facilitate the development of the electricity market	75
Social and economic developments	24	#6. Trusteeship – We coordinate and process legal levy systems	80
Political developments	25	#7. Additional services – We create value for consumers and customers	83
Regulatory frameworks	26	#8. Corporate functions – We enable our business activities	88
Our purpose and strategy	28	Our performance	95
Our purpose	31	Our top key performance indicators	96
The cornerstones of our strategy	32	Corporate bodies and governance	101
Our pillars of growth	32	One-tier governance structure	102
Our strategic ambitions	33	Risk management	108
Our business	38	Risks	109
Our core societal tasks	38	Opportunities	114
Our grid and our assets	39	2022 Outlook	115
		Appendix	117
		Development of materiality matrix	117
		Glossary	118
		Reporting parameters	121



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

Powering the decade of electrification

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

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

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

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

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



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

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MANAGEMENT.

Peter Hinssen

We embrace the future



In short

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

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

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

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

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

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

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

What are the biggest challenges that you are currently facing?

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

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



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

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

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

What about human capital?

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

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

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

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

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

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

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

Are grid operators the canary in the coal mine?

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

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

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

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

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

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



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



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

Chris Peeters

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

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

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

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

To what extent does the stock market preoccupy you?

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

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

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

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

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

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

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



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

Bernard Gustin

Looking back at 2021



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

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

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



VIDEO REPORT
ON THE FLOODS
IN WALLONIA,
BELGIUM

2

Our path to integrated reporting

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

A successful energy transition for a sustainable world

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

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

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

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



Starting on our integrated thinking and reporting journey

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

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



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

Reporting boundaries and frameworks

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

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

A step-by-step approach

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

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

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

Board Approval

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


C. PEETERS
CEO


B. GUSTIN
CHAIRMAN

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

Value chain elements / societal core tasks



Grid management (System planning, Infrastructure design and construction, Grid operations and maintenance)



System operations



Market facilitation



Trusteeship



Additional services which create value for consumers



Corporate functions

Stakeholders



Consumers (from industry to households)



Electricity System Operators



Energy producers



Shareholders & debt investors



Employees



Suppliers



Local communities



Government and public authorities (including regulators)



Press & general public



Federations, NGOs & academics

6 Capitals



Financial



Assets



Employees & Subcontractors



Intellectual



Natural



Social & Relationship

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

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

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

3 The Elia group at a glance

Company profile

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

REGULATED ACTIVITIES



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

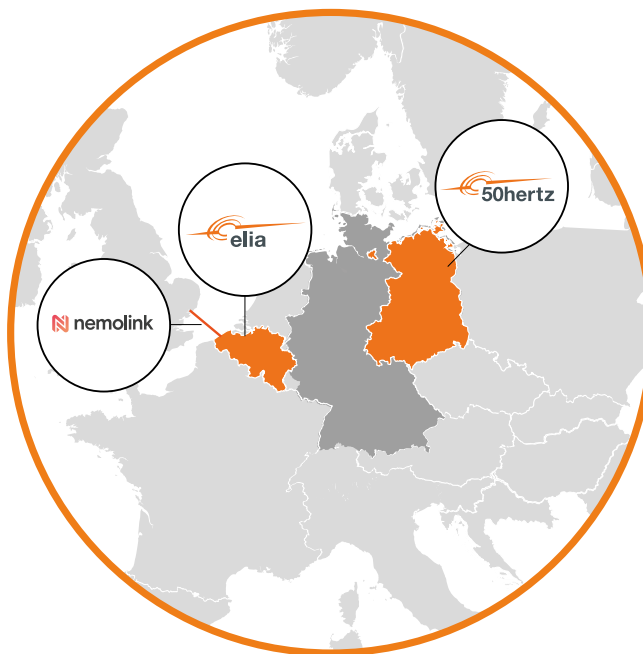


Elia Transmission Belgium is part of the Nemo Link joint venture with National Grid, the British electricity and gas utility company. Nemo Link is the first sub-sea interconnector to link Belgium to Great Britain, so allowing the trade of electricity between both countries: traders can buy up to 1,012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

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



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



NON-REGULATED ACTIVITIES

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



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

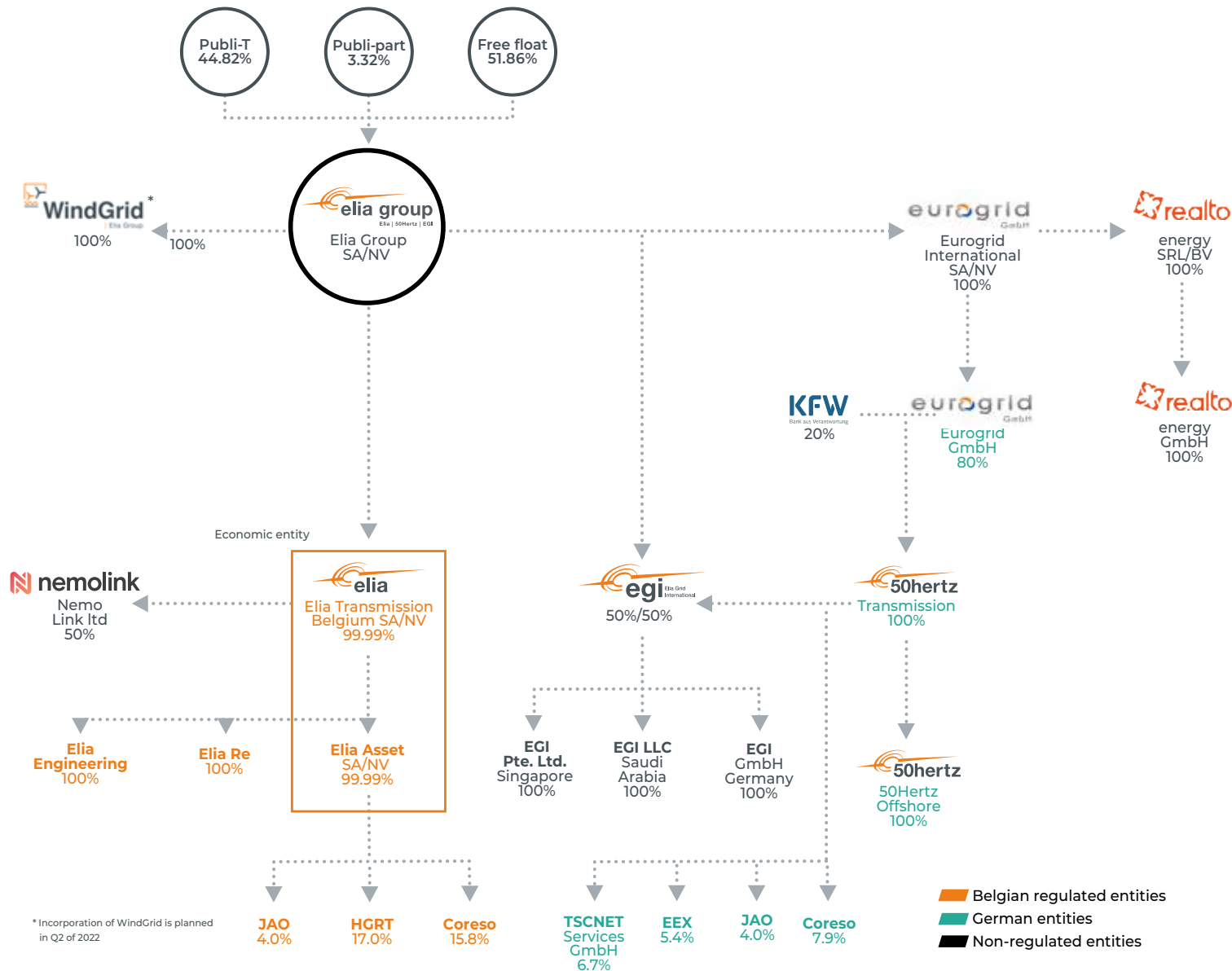


In September 2020, Elia Group announced the official launch of re.alto, its very own corporate start-up and the first European marketplace dedicated to the exchange of energy data and services. The start-up enables the exchange of energy data through its innovative Application Programming Interface (API)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



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

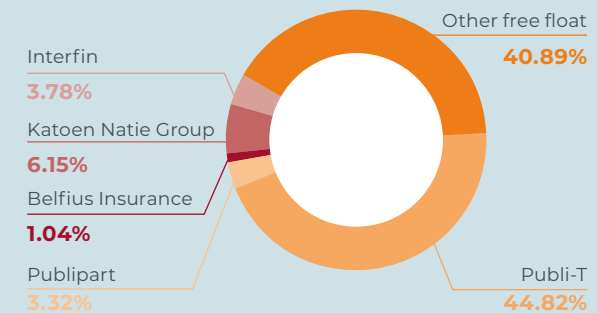
Legal structure



12.9%
of outstanding shares are held
by institutional investors

3.2%
of all investors are ESG
focused funds

Shareholder structure



Key figures

FINANCIAL KEY PERFORMANCE INDICATORS



€328.3 million

Adjusted
Net Profit



€10.3 billion

Regulatory
Asset Base²



7.56%

ROE (adj.)¹



€1.75

Gross dividend
per share



€376.7 million

Belgium

€850.9 million

Germany

Grid Investments

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Environmental



**CLIMATE
ACTION**



15,807

Scope 1 emissions
(tCO₂e)



99.99%

Grid reliability
(onshore, 150 kV and above)

1,092,151

Scope 2 emissions
(tCO₂e)



60%

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

363 km

Lines
commissioned



**ENVIRONMENT
& CIRCULAR
ECONOMY**



60%

HV lines critical to birds
equipped with bird markers



79%

Forest corridors
managed ecologically

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

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



Social



HEALTH & SAFETY



3.0%

Absentee
Rate Group³



6.3

Group
TRIR⁴



DIVERSITY, EQUITY & INCLUSION



22.2%

Women in total
workforce



69*

Employee commitment
index



37

Nationalities

³ Corresponds to health rate (I-x)

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

⁵ Composition of the indexes available on our website

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

Governance



4/12

ESG
Governance Index⁵



68

Public info-dialogue sessions
related to grid projects



GOVERNANCE, ETHICS & COMPLIANCE



5/12

Compliance
Index⁵



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



Key achievements

ELIA GROUP BACK IN THE BEL 20

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

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



BELGIUM'S FIRST CRM AUCTION ORGANISED

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



ACTNOW: THE ELIA GROUP'S SUSTAINABILITY PROGRAMME

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

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


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

 **Read more about ActNow in the chapter entitled 'Our purpose and strategy'.**



EXPANSION OF THE GERMAN OFFSHORE GRID

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

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



MCCS: 50HERTZ'S NEW DIGITAL GRID CONTROL SYSTEM

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



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



CONSUMER-CENTRIC MARKET DESIGN

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



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



ROADMAP TO NET ZERO

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



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



IMPROVED INSIDE INFORMATION PLATFORM AND CUSTOMER SERVICES

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



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



CONTRACT FOR SUEDOSTLINK CONVERTER STATIONS AWARDED

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

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



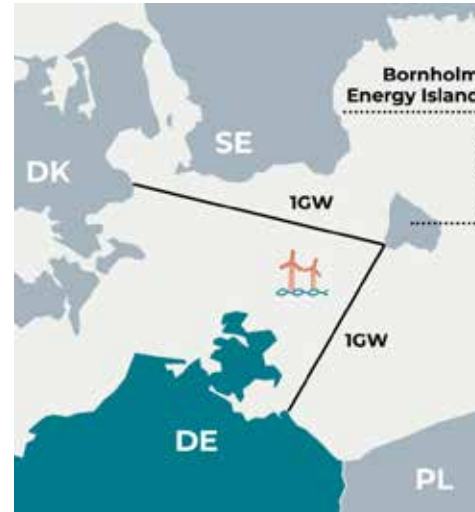
50HERTZ GETS ACCESS TO THE GERMAN NORTH SEA

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



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

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



ENERGY HUB ON BORNHOLM ISLAND

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

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



TRITON LINK

TRITON LINK INTERCONNECTOR TO GO AHEAD

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

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



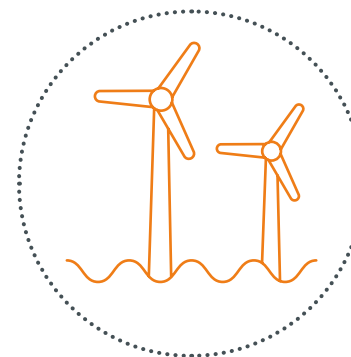
4

The Elia group in a rapidly evolving environment



In short

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



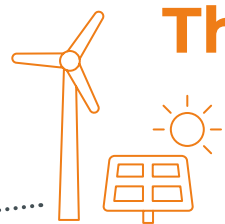
As the Elia group continues to grow into a leading European energy company, our vision remains clear: “a successful energy transition for a sustainable world”. Indeed, given that the European Green Deal aims to make Europe the world’s first climate-neutral continent by 2050, the swift decarbonisation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

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

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



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The four megatrends

THE DECARBONISATION OF SOCIETY

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



THE DECENTRALISATION OF ELECTRICITY GENERATION AND NEW PLAYERS

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



SUPRANATIONAL COORDINATION

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



THE DIGITAL TRANSFORMATION

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

Social and economic developments

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

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

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

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

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



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

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



Political developments

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



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

International developments

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

European developments

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

National developments

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

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

EU Taxonomy eligible activities

99.94%

Turnover

99.92%

CAPEX

100%

OPEX

Regulatory frameworks

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



At a European level

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

At a national level

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



Regulatory developments in Germany

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

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

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

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

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

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

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

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

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

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



Our 5 purpose and strategy

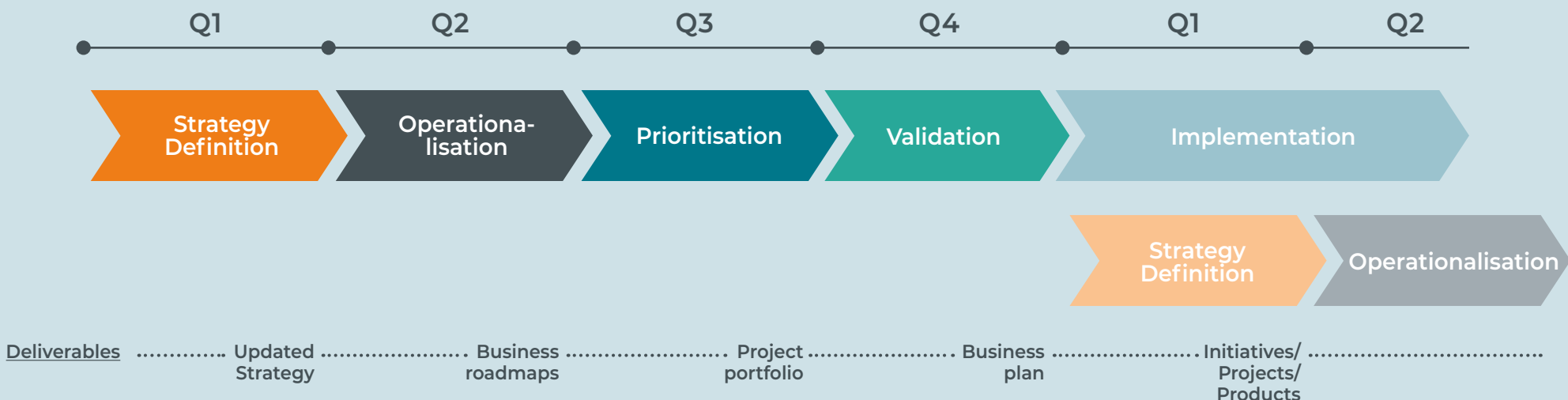


In short

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

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



FIGURE 1: OUR ANNUAL STRATEGIC CYCLE

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

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

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

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

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

Our purpose

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

Our vision

“A successful energy transition for a sustainable world”

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

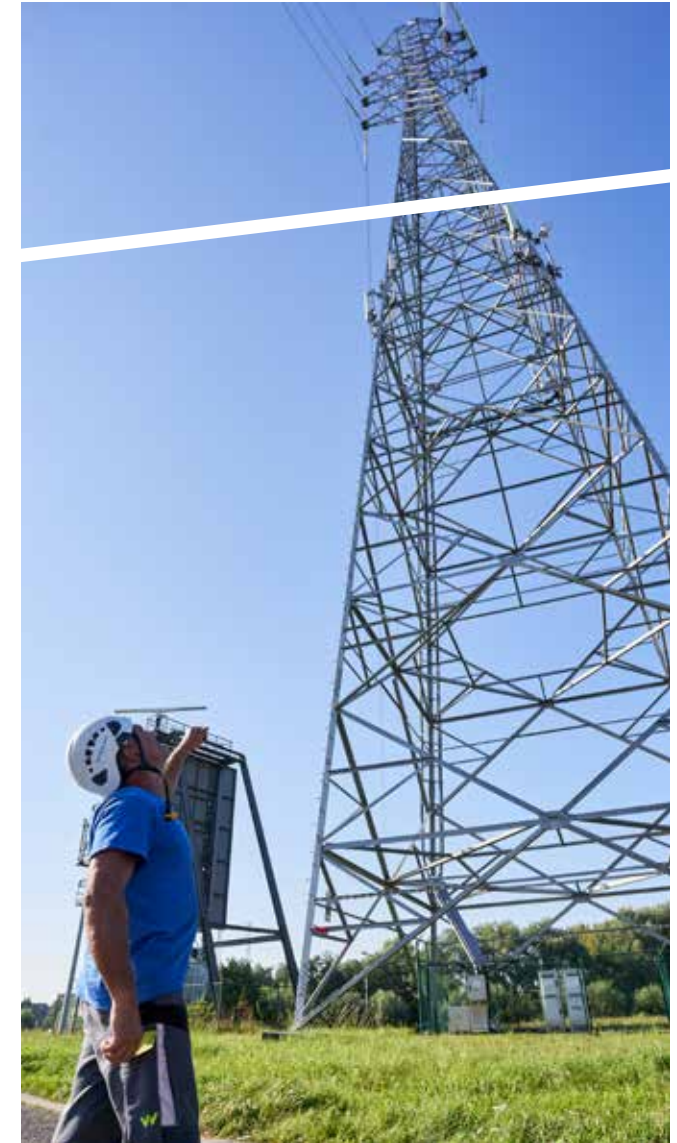


Our reason for being

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

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

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



The cornerstones of our strategy

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

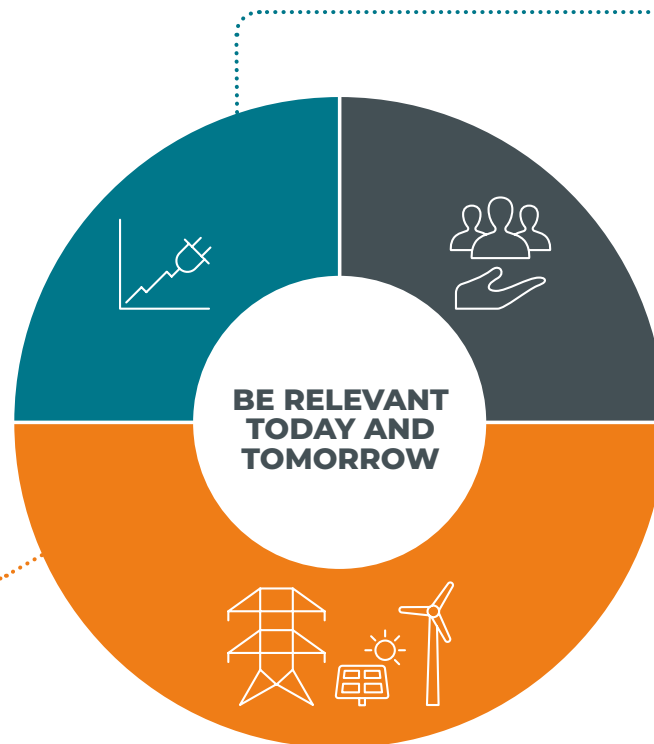
Our pillars of growth

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

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

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

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



Grow beyond current perimeter to deliver societal value

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

Develop new services creating value for customers in the energy system

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

FIGURE 2: OUR THREE PILLARS OF GROWTH

Our strategic ambitions

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

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

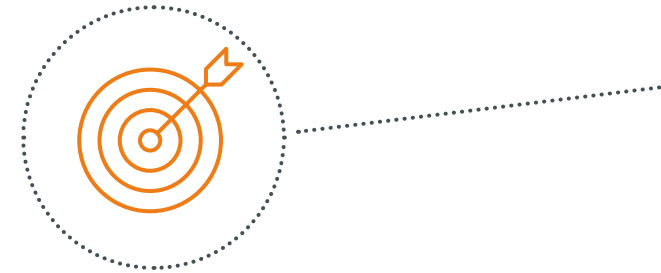


FIGURE 3: OUR STRATEGIC AMBITIONS



1

The culture we need**MAKE A
DIFFERENCE**

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

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

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

**Feedback**

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

**Co-creating the future**

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

**Simplification**

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

**One company**

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

**One Voice**

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

**Impact**

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

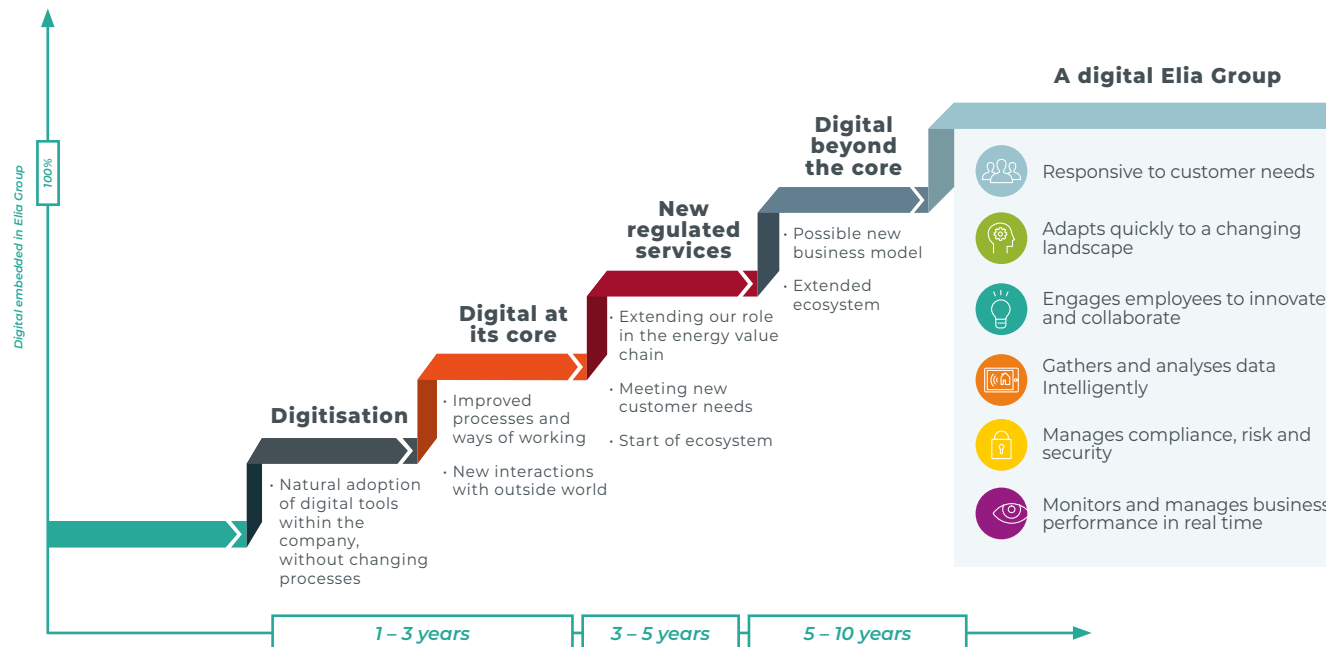
2

Our digital transformation

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

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

FIGURE 4: OUR DIGITAL TRANSFORMATION JOURNEY



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

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

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

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

FIGURE 5: OUR DIGITAL STRATEGY

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

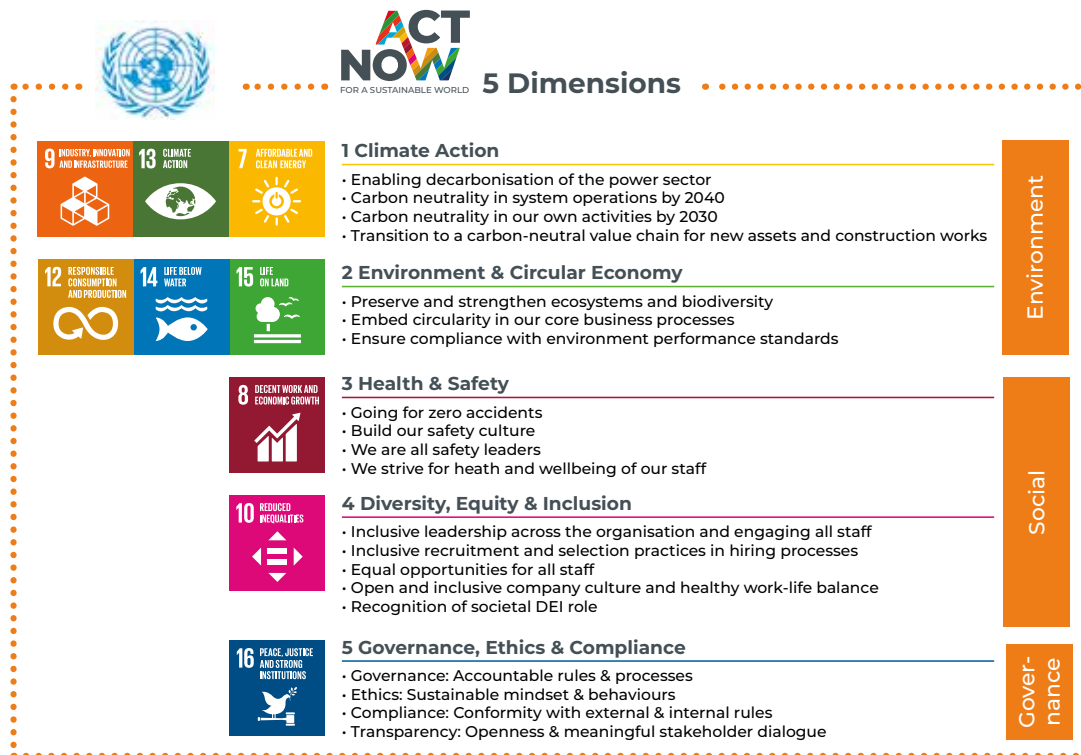
3

Our sustainability programme - ActNow

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

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

FIGURE 6: OUR ACTNOW PROGRAMME



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

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

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

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



4

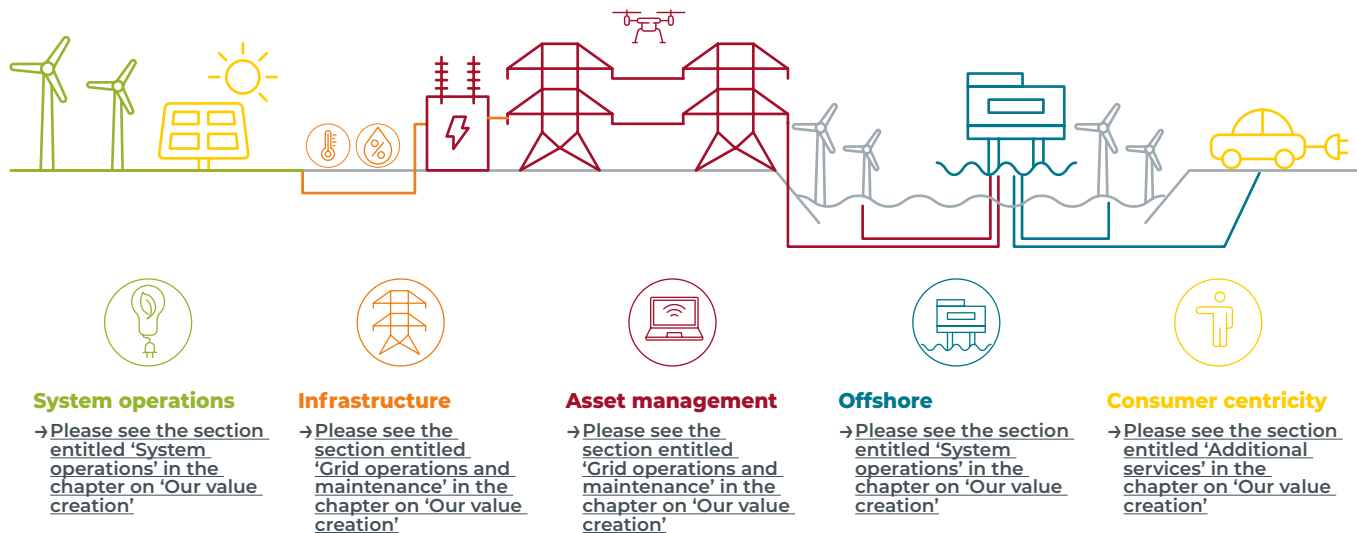


Five innovative projects: our Moonshots

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

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

FIGURE 7: OUR FIVE MOONSHOTS



Our business

Our core societal tasks

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

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

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

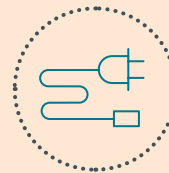


Grid management – We deliver and operate infrastructure

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



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



Market facilitation – We facilitate the development of the electricity market

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



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



System operations – We keep the lights on around the clock

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



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



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

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



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

Our grid and our assets

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

Characteristics of our grid

1. Alternating current and direct current

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

2. Electricity connections: underground cables and overhead lines

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

3. Interconnected European electricity system

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

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

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

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

FIGURE 8: OUR KEY PROJECTS



5,575

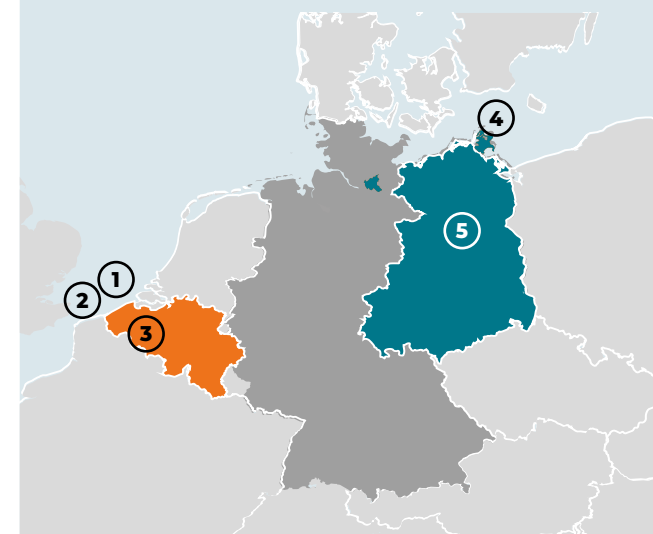
Kilometres of
overhead lines

3,292

Kilometres of
underground/
submarine lines

809

Number of
substations
and HVDC
converters



9,672

Kilometres of
overhead lines

658

Kilometres of
underground/
submarine lines

76

Number of
substations
and HVDC
converters

6 Our value creation model



In short

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

Business model: how we create value for our stakeholders

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

FIGURE 9: OUR VALUE CREATION MODEL

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

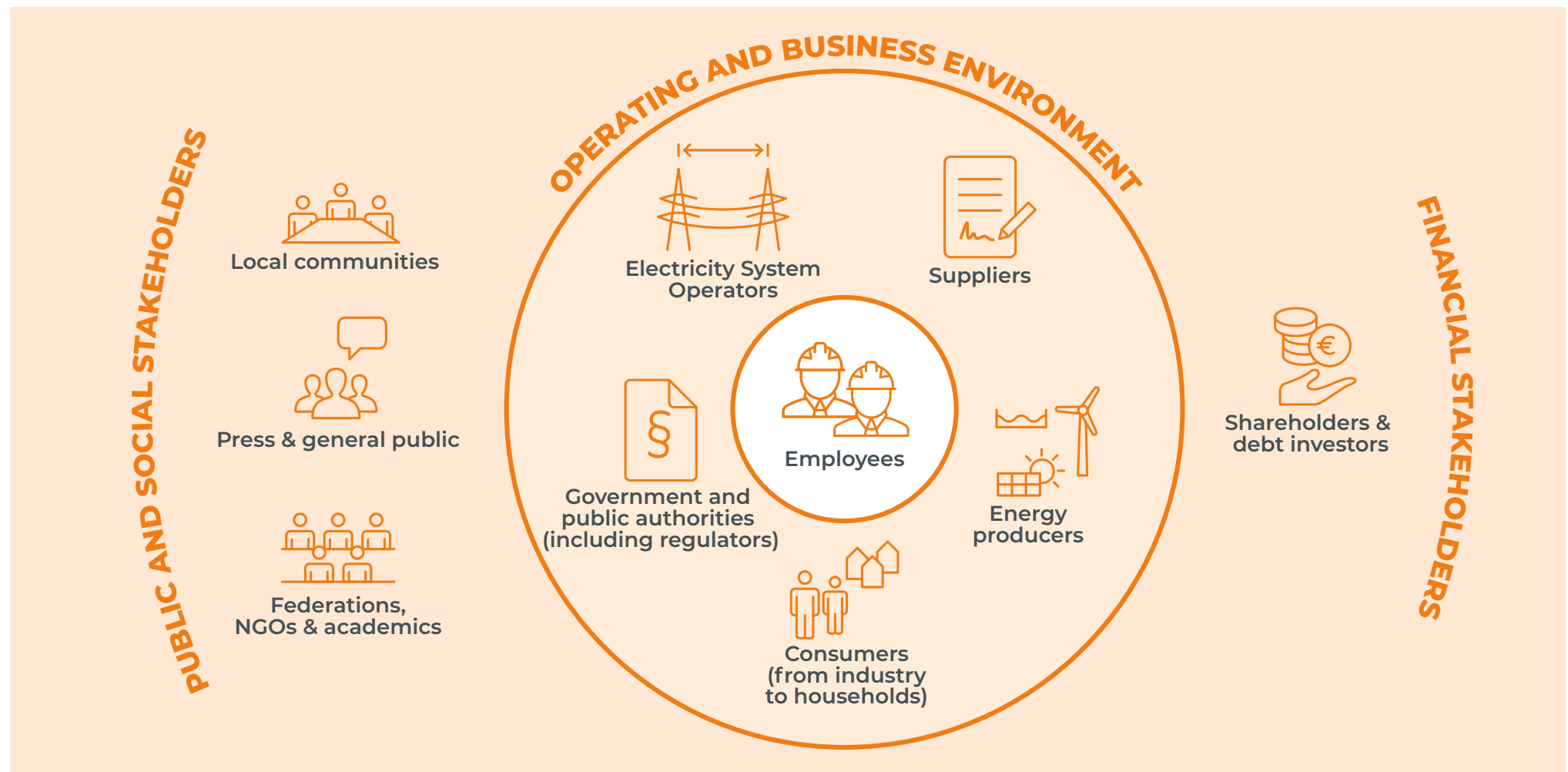
(1) Elia Group owns 80% of 50Hertz; numbers represent 100% of 50Hertz

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





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

Fostering stakeholder interactions

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



	WHY DO WE INTERACT WITH EACH STAKEHOLDER?	HOW DO WE CREATE VALUE?	FURTHER INFORMATION
	To strengthen cohesion, encourage co-creation, cooperation and creativity, we hold team meetings, performance management and information sessions, workshops, training sessions and employee events (daily, weekly and monthly, depending on the interaction)	We hold regular staff events and communicate on a regular basis with employees through various internal channels about opportunities for skills and knowledge development, activities being undertaken across the group, and wellbeing initiatives and local community projects; in doing so, we are creating a safe and productive workplace (see ' Corporate functions ' below)	20 years of Elia celebration: October 2021 Statement from Alexander De Croo, Prime Minister of Belgium - 20 Years of Elia
	To drive the energy transition forward both within our home countries and across Europe and ensure that our activities are communicated to and aligned with the activities of DSOs and TSOs across the continent, we interact with other system operators to co-develop solutions for the grid, system and market	We write and/or contribute to national and European grid development plans (see ' System planning '); we operate a reliable system (see ' System operations '); we develop joint grid projects, including interconnectors; we develop solutions to trigger changes in the electricity market (see ' Market facilitation '); we hold information sessions, conferences, visitor sessions and networking meetings	ENTSO-E: Ten-Year Network Development Plan Elia's Federal Development Plan 2020-2030 German Grid Development Plan website
	To deliver high-quality projects which are on time and within budget, we regularly acquire goods and services from suppliers and cooperate with them/hold information sessions with them to develop tools which enhance our activities and support our staff, ensuring the highest standards of safety are adhered to; we hire subcontractors who work closely with our own teams and contribute to our activities	We efficiently acquire goods and services from suppliers with clear contracts in place that ensure quality and safety; we provide safe work environments for all staff which use innovative tools and equipment; we trigger technical innovation and the development of new goods and services to meet the needs of the future system (see ' System planning ')	Elia's Federal Development Plan 2020-2030 German Grid Development Plan website
	To ensure system reliability, increase market liquidity and encourage socioeconomic prosperity through access to renewable energy, we are in regular contact with energy producers	We build direct grid connections to energy sources; we interact with partners to provide ancillary services and undertake congestion management; and co-develop specifications and products to facilitate access to and participation in the electricity market (see ' System operations ', ' Market facilitation ')	Elia's Federal Development Plan 2020-2030 German Grid Development Plan website 'Together. Faster. Climate-Neutral.' initiative in Germany and the group's 'Roadmap to net zero' publication (please see ' System planning ')
	To undertake our regulated activities and act as a trusted advisor for policymakers, we have meetings with and produce regular reports for local, national and European authorities	We write and/or contribute to national and European grid development plans (see ' System planning '); we have trusteeship responsibilities in Belgium and Germany (see ' Trusteeship ', ' Corporate functions '); we take part in negotiations regarding regulatory frameworks; we provide transparency relating to grid and system activities and fair operating practices; we hold consultations regarding our grid development	

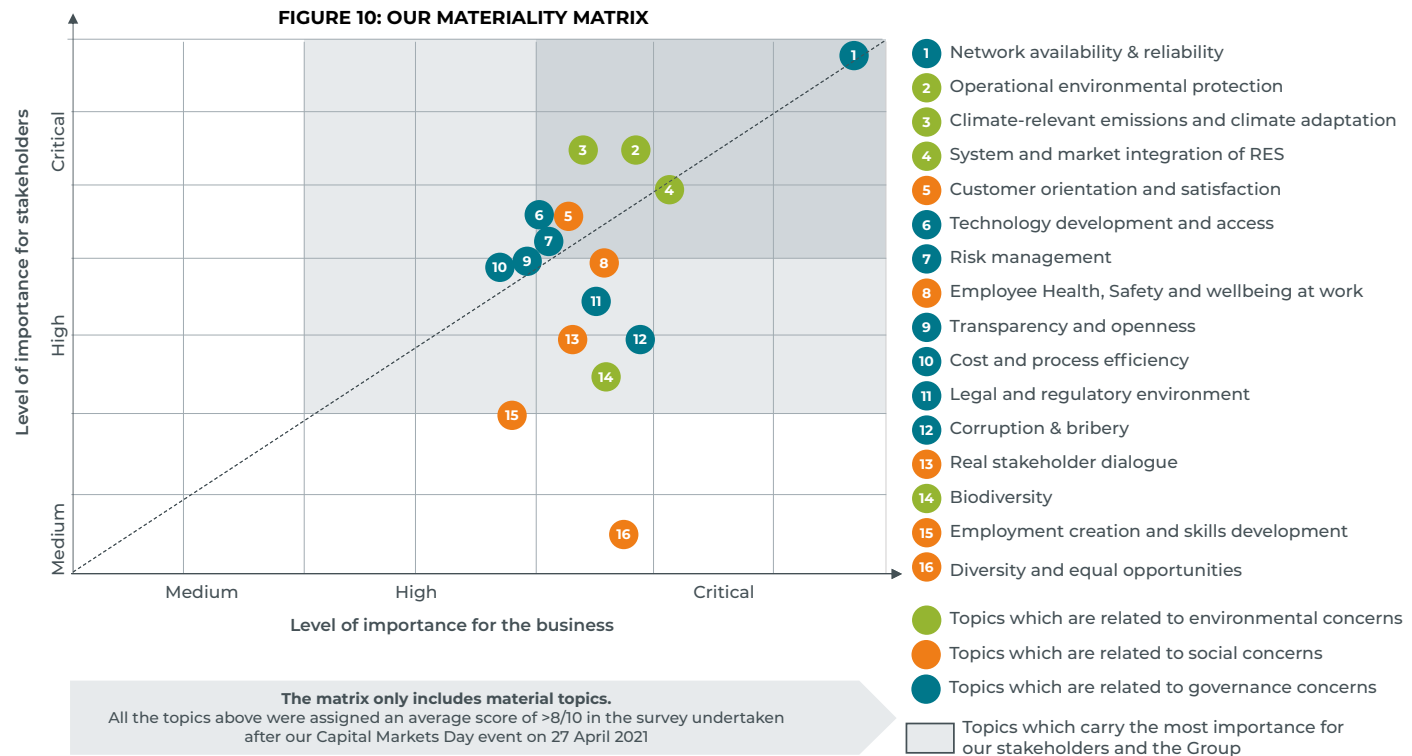
WHY DO WE INTERACT WITH EACH STAKEHOLDER?		HOW DO WE CREATE VALUE?	FURTHER INFORMATION
	To fulfil consumer demand for decarbonisation and meet customer needs, we are in regular contact with industrial customers; we encourage connections to RES for these and wider society and focus on electrification; as part of this, with our direct customers, we undertake customer surveys and hold regular working group meetings about transmission services and fair operating practices	We ensure a reliable system by lowering the barriers to market access, unlocking and valorising additional flexibility (including from households, prosumers and industry), increasing market liquidity, and providing better control to customers in terms of their consumption (including facilitating energy tracing) (see ' Market facilitation ', ' Additional services '); we connect industry to RES, and facilitate sector coupling (see ' System planning ', ' System operations ')	Consumer-Centric Market Design White Paper (please see ' Market facilitation ') 2021 Financial Report 2021 Sustainability Report Elia Group's Capital Markets Day 2021 Elia Group EU Taxonomy Case Study (see ' Corporate functions ') Elia Group's full-year results 2021 Elia Group's Investor Relations website
	To deliver the necessary infrastructure and secure future growth, we regularly interact with financial investors through the production of financial reports, quarterly reports and investor calls; we provide regular contact with our Investor Relations experts; we also hold events such as our Capital Markets Day and analyst events for the presentation of our half-year and full-year results	We have a sound CAPEX plan to deliver the needed infrastructure for driving the energy transition (see ' Infrastructure design and construction ', ' Corporate functions '); we also secure green Investments to ensure future growth (see ' System planning ')	Elia's project website 50Hertz's project website 50Hertz Dialogmobil (German only)
	To enhance our projects and mitigate the impact of our activities on the environment, we regularly interact with local communities about our projects	We enhance our grid project planning and design thanks to external feedback from local communities which we collect during consultation sessions, site visits, workshops and meetings; we undertake compensation measures with local partners (see ' Infrastructure design and construction ', ' Grid maintenance ')	Elia Group website Elia Group press releases Elia Group YouTube channel
	To drive the energy transition, we regularly communicate in an open and transparent manner with the general public and the media about our projects and our research (using in-person, print and digital channels, including social media, our website(s), brochures and publications, press conferences and livestreamed events)	We contribute our research and knowledge to public debates related to the decarbonisation of society	Scientific Advisory and Project Board 50Hertz's contribution to the dena Grid Study III Renewables Grid Initiative Roundtable for Europe's Energy Future World Energy Council UN Global Compact
	To further the energy transition, we regularly interact with external experts when preparing our research and publications (including NGOs and academics); contribute to research and studies carried out by external stakeholders; have partnerships with higher education institutions; are members of different associations (which facilitate the exchange of information and best practice); and have signed different voluntary commitments (for example, we are members of the Renewables Grid Initiative, the Roundtable for Europe's Energy Future [of which our CEO was appointed as Chair] and the World Energy Council; and are a signatory of the United Nations Global Compact); we have also established a Scientific Advisory and Project Board in Germany	We share knowledge and analysis about the future electricity grid, system and market and work with external experts during the production of reports and publications (see ' System planning ', ' Market facilitation ', ' Infrastructure design and construction '); we invite stakeholders to participate during consultations related to new projects (see ' Infrastructure design and construction ')	

Materiality

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

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

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



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

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

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

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

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

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



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

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



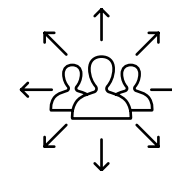
Employees & Subcontractors

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



Intellectual

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



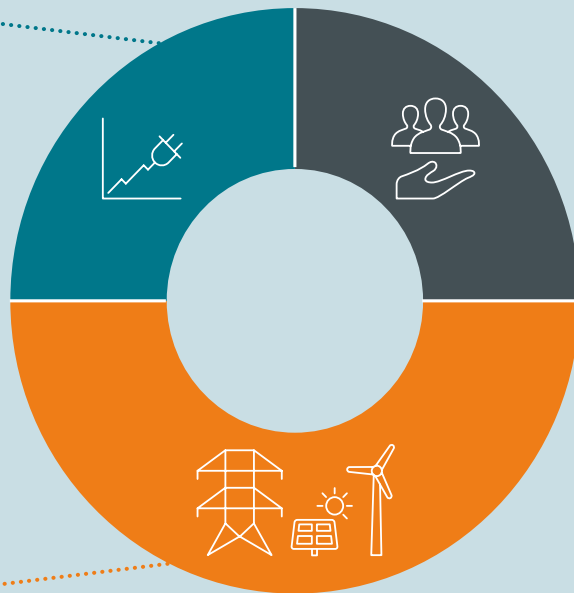
Social & Relationship

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

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

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



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

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

CAPEX plan 2022-2026

€4 billion **€5.6 billion**

Belgium

Germany⁽⁴⁾



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

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

HOW WE DELIVER VALUE

Material topics



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

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

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

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

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



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



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



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



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TOGETHER. FASTER. CLIMATE-NEUTRAL

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

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

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

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

STEFAN KAPFERER, CEO OF 50HERTZ

DECARBONISING INDUSTRY

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

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

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

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

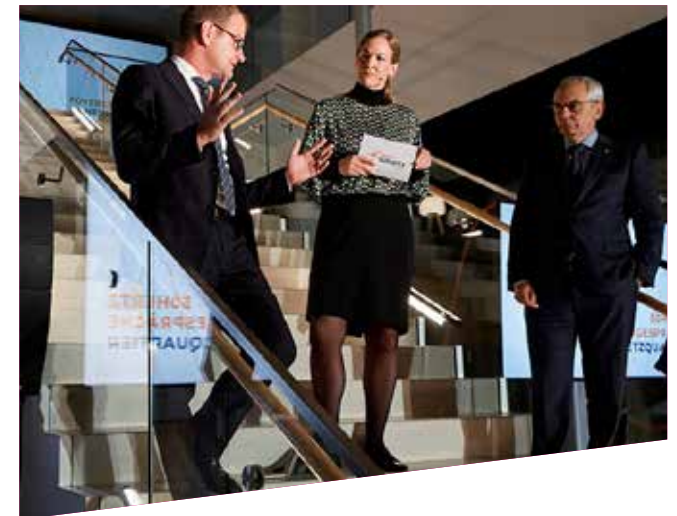
Given that Europe has set more ambitious climate protection targets, new and unusual alliances are needed to advance the decarbonisation of industry and the economy.

STEFAN KAPFERER,
CEO OF 50HERTZ



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

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



USING GREEN ELECTRICITY TO SUPPLY HEAT

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

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

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

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



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

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



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

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

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

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

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

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

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

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



WATCH A
RECORDING
OF THE
LIVESTREAMED
EVENT HERE



Stakeholder reactions to the study

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

Andreas Kuhlmann, CEO of dena



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

Kristian Ruby, Secretary General of Eurelectric



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

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



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

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



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

Hilde Tonne, CEO Statnett



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



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

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



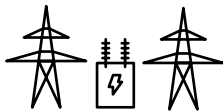
Financial

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



Intellectual

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



Assets

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



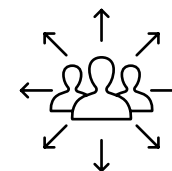
Natural

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



Employees & Subcontractors

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



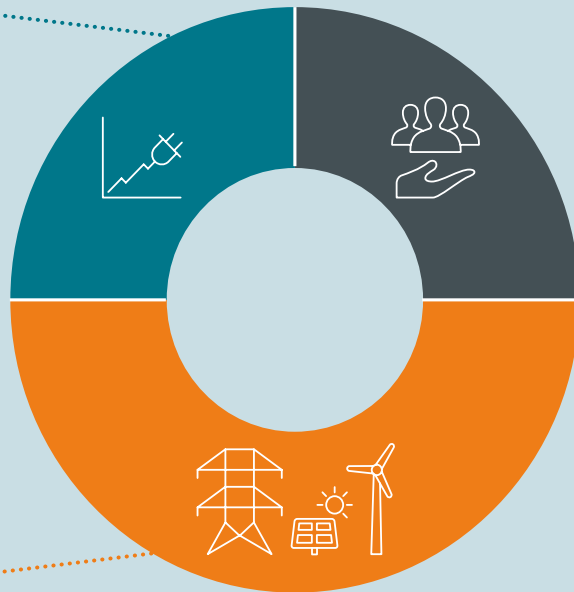
Social & Relationship

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

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

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



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

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

Grid investments 2021

€376.6 m

Belgium

€850.9 m

Germany

363 km

Lines commissioned

99.92%

EU Taxonomy eligible CAPEX

68

Public info-dialogue sessions related to grid projects



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

HOW WE DELIVER VALUE

Material topics



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



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



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

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



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

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

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OSTWIND 2 CABLING LAID

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

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



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

STEFAN KAPFERER, CEO OF 50HERTZ

50HERTZ TO OPERATE FIRST OFFSHORE WIND FARM PLATFORM

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

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

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



PLANNING APPROVAL FINALISED FOR HANSA POWERBRIDGE

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

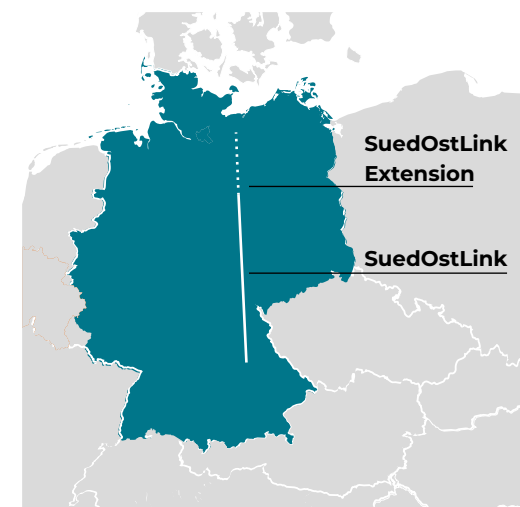
ania with Hurva in southern Sweden. This will enable Germany to use the large storage volumes in Scandinavia when necessary and allow Sweden to access the European energy system, which is characterised by a high proportion of wind and solar power. The investment costs for the project, which have been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



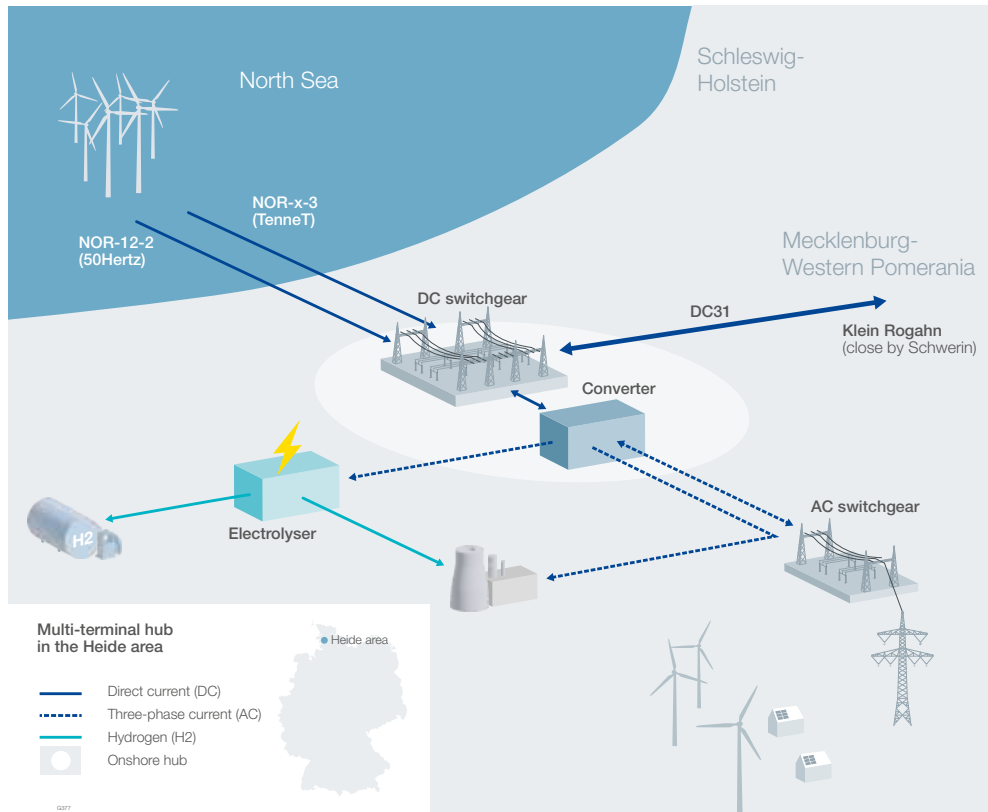
SUEDOSTLINK AND SUEDOSTLINK+ CONNECTIONS

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

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



THE DIALOGMOBIL MAKES A STOP AT THE WOLMIRSTEDT SUBSTATION.



BERTIKOW-PASEWALK OVERHEAD LINE APPROVED

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

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

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

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

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

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



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

PYLON UNBENDING PROJECT

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

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



HIGH-PERFORMANCE STEEL

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

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

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

PHASE-SHIFTING TRANSFORMERS INSTALLED IN HAMBURG

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



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



TRITON LINK INTERCONNECTOR TO BE BUILT

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



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

TRITON LINK

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

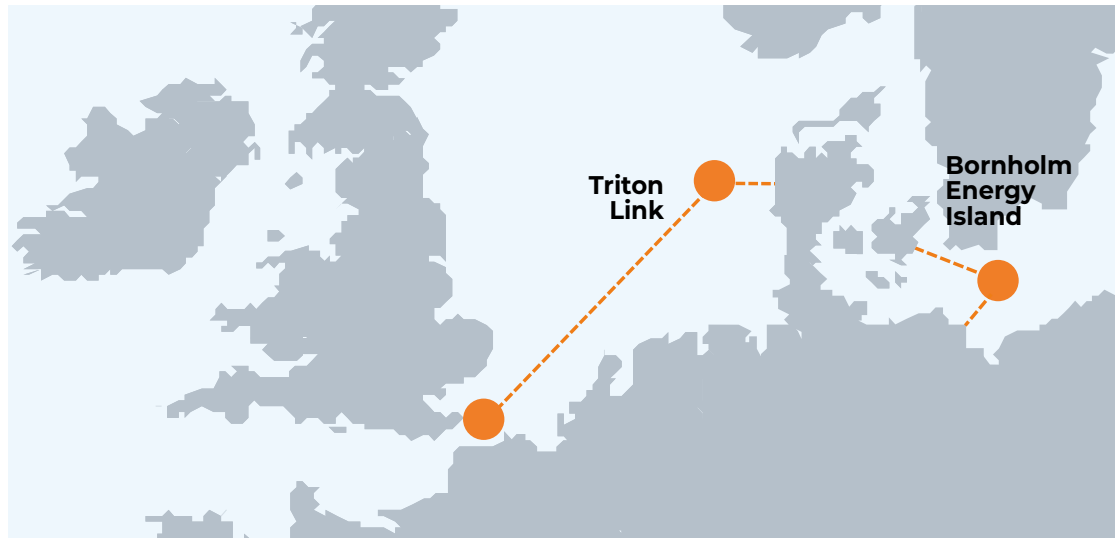
GILES DICKSON, CEO OF WINDEUROPE

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

CHRIS PEETERS, CEO OF ELIA GROUP



SECOND HYBRID INTERCONNECTOR IN THE BALTIC SEA



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

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

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

THOMAS EGEBO, CEO OF ENERGINET

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

STEFAN KAPFERER, CEO OF 50HERTZ



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

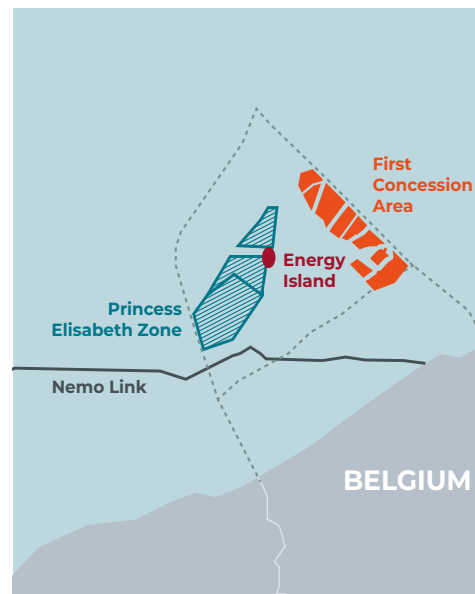
Alexander De Croo,
Prime Minister of Belgium



GREEN LIGHT GIVEN FOR BELGIUM'S FIRST ENERGY ISLAND

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

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



STRENGTHENING THE BELGIAN BACKBONE

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

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

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

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



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

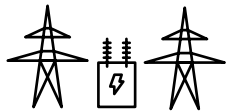
Tinne Van der Straeten,
Belgian Federal Minister of Energy

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



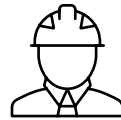
We operate the transmission grid in a safe, cost-effective, consumer-friendly and environmentally sound manner. Our regional centres play an important role in securing the highest possible level of grid availability for energy consumers through the maintenance of our overhead lines, underground cables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

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



Assets

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



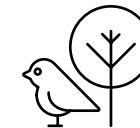
Employees & Subcontractors

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



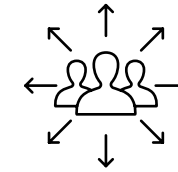
Intellectual

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



Natural

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



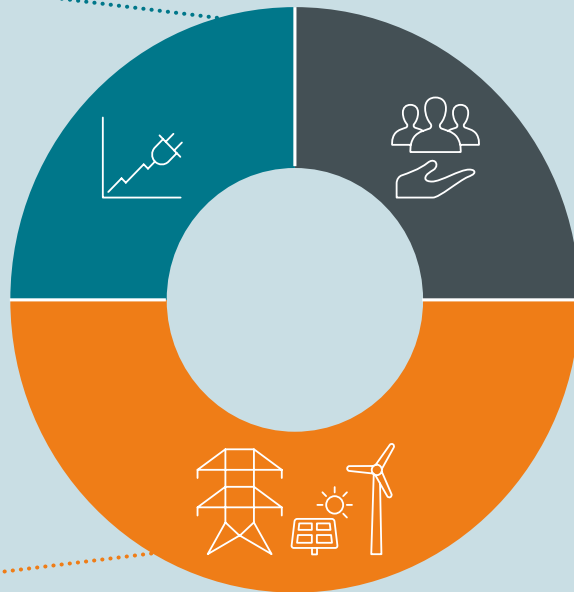
Social & Relationship

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

STRATEGIC CONTRIBUTION

Grow beyond current perimeter to deliver societal value

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



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

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

€10.3 billion

Regulatory Asset Base⁽⁵⁾

79%

Forest corridors managed ecologically

100%

EU Taxonomy eligible OPEX

60%

HV lines critical to birds equipped with bird markers

0.12%

SF₆ leakage rate



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

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

HOW WE DELIVER VALUE

Material topics



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



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



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



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

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

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



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USING MIXED REALITY FOR MAINTENANCE WORK

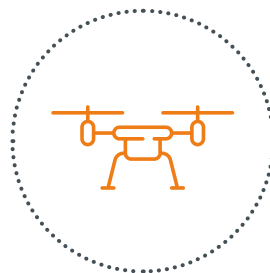


In 2021, the maintenance team for the Modular Offshore Grid (MOG) in the North Sea began using mixed reality (MR) smart glasses to improve their maintenance work. The MOG, a switching platform which transports electricity from four wind farms to the Belgian mainland, permits the integration of renewable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

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



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



USING DRONES AND ROBOTS TO INSPECT ASSETS

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

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

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

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



**WATCH A VIDEO OF
THE TEST FLIGHTS
IN BELGIUM HERE:**





FASTER AND MORE ACCURATE INCIDENT VERIFICATION: ASSET MANAGEMENT MOONSHOT

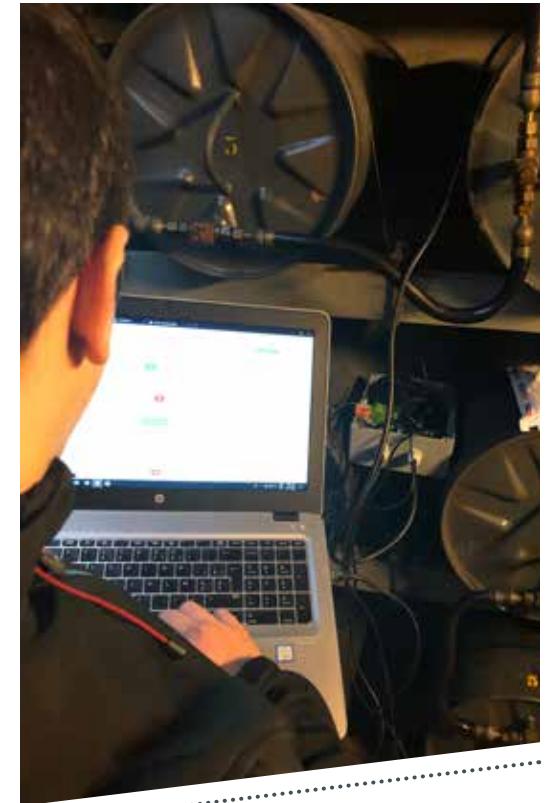
As a TSO, we aim to get the most out of the assets we have already built. Being able to understand an incident as quickly as possible after it has occurred will enable us to minimise its impact. In 2023, we will be able to analyse on- and offshore grid incidents within 10 minutes of their occurrence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



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

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

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



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

PATRICK DE LEENER, CHIEF ASSETS OFFICER AT ELIA

Destroyed Pepinster substation rebuilt in record time after heavy flooding

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

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



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

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





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

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

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

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

DR. FRANK GOLLETZ, CTO 50HERTZ

MAKING OUR ASSETS SF₆- FREE

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

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

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

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



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

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



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

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



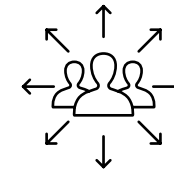
Employees & Subcontractors

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



Intellectual

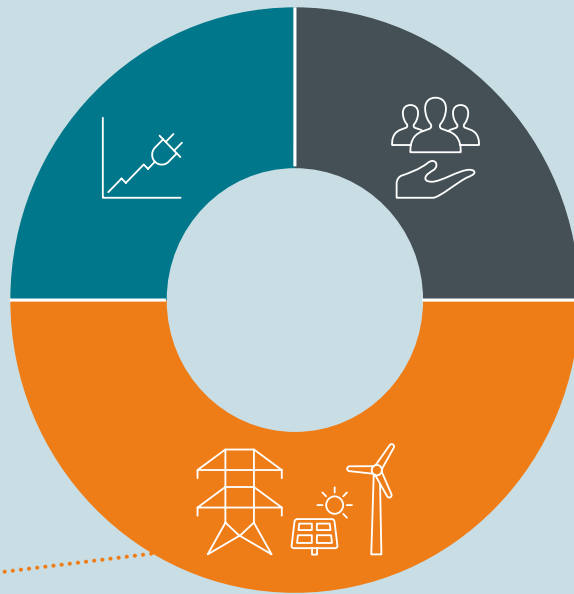
We use a variety of tools (such as weather forecasting tools and technology for frequency and voltage control) to carry out these activities. Given that we are early adopters of technology, our understanding and use of appropriate technology develops as we use it, and means that we are often at the forefront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



Social & Relationship

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

STRATEGIC CONTRIBUTION



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

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

Carbon intensity of electricity production mix⁽⁶⁾

117g

CO₂/MWh (Belgium⁽⁷⁾)

404g

CO₂/MWh (Germany)

1,054 t CO₂e

CO₂ footprint of grid losses

99.99%

Grid reliability
(onshore, 150 kV and above)



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

(6) Own calculations

(7) Using direct emissions only

HOW WE DELIVER VALUE

Material topics



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

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

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

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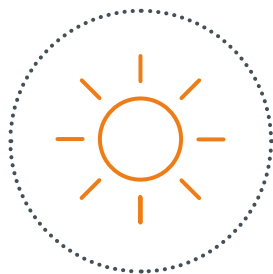
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Of material importance to our system operations is the speed of change, the system and market integration of renewables in real time, and the rise in the number of interventions which are needed to keep the system in balance. Running a system which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



SOLAR ECLIPSE IN BELGIUM AND GERMANY

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

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

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



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

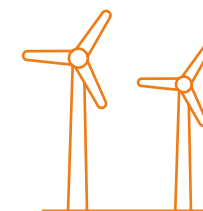


MODULAR CONTROL CENTER SYSTEM: 100% RENEWABLE GRID SUPPORTED BY NEW GRID CONTROL SYSTEM

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

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

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



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

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

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



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

DIRK BIERMANN, CMO OF 50HERTZ

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

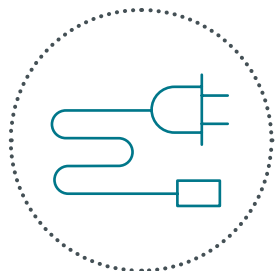
DIRK BIERMANN, CMO OF 50HERTZ

ENSURING GRID STABILITY AS RES INCREASE: SYSTEM OPERATIONS MOONSHOT

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



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



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

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



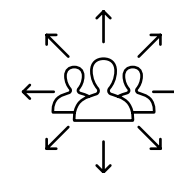
Employees & Subcontractors

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



Intellectual

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



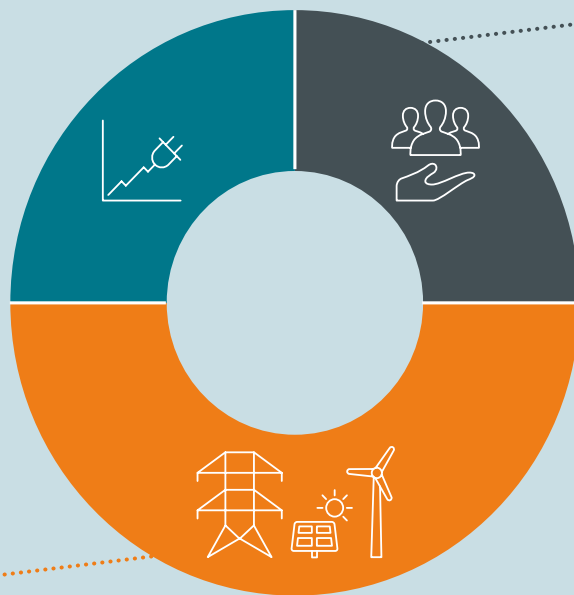
Social & Relationship

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

STRATEGIC CONTRIBUTION

Develop new services creating value for customers in the energy system

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



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

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

30 million

End users



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

HOW WE DELIVER VALUE

Material topics



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



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



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



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



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



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White paper on a Consumer-Centric Market Design



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

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

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

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

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

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



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

Johan Thijs, CEO of KBC Group



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

Tinne Van der Straeten,
Belgian Federal Minister of Energy



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

Max Viessmann, Co-CEO of Viessmann Group



BELGIUM'S FIRST CRM AUCTION

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

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

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



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



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

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



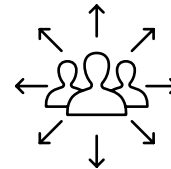
The German and Belgian legislators have transferred the responsibility for coordinating and processing legal levy systems that promote environmentally friendly technologies to the transmission system operators in their respective countries. Elia and 50Hertz therefore act as trustees, collecting these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

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



Financial

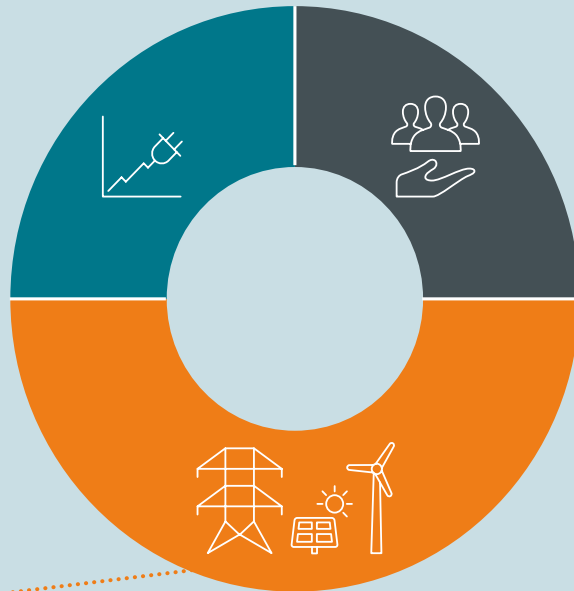
We are responsible for collecting levies from consumers through their energy bills and coordinating the distribution of these to appropriate parties, so rewarding RES producers and encouraging the integration of environmentally friendly technologies into the transmission grids in our respective countries.



Social & Relationship

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

STRATEGIC CONTRIBUTION



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


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



RISK MANAGEMENT

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

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

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



HOW WE DELIVER VALUE

Material topics



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



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



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

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

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



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

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



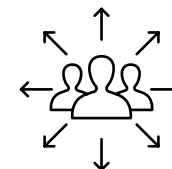
Employees & Subcontractors

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



Intellectual

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



Social & Relationship

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

STRATEGIC CONTRIBUTION

Develop new services creating value for customers in the energy system

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



Grow beyond current perimeter to deliver societal value

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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



HOW WE DELIVER VALUE

Material topics



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

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

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

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

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

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



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

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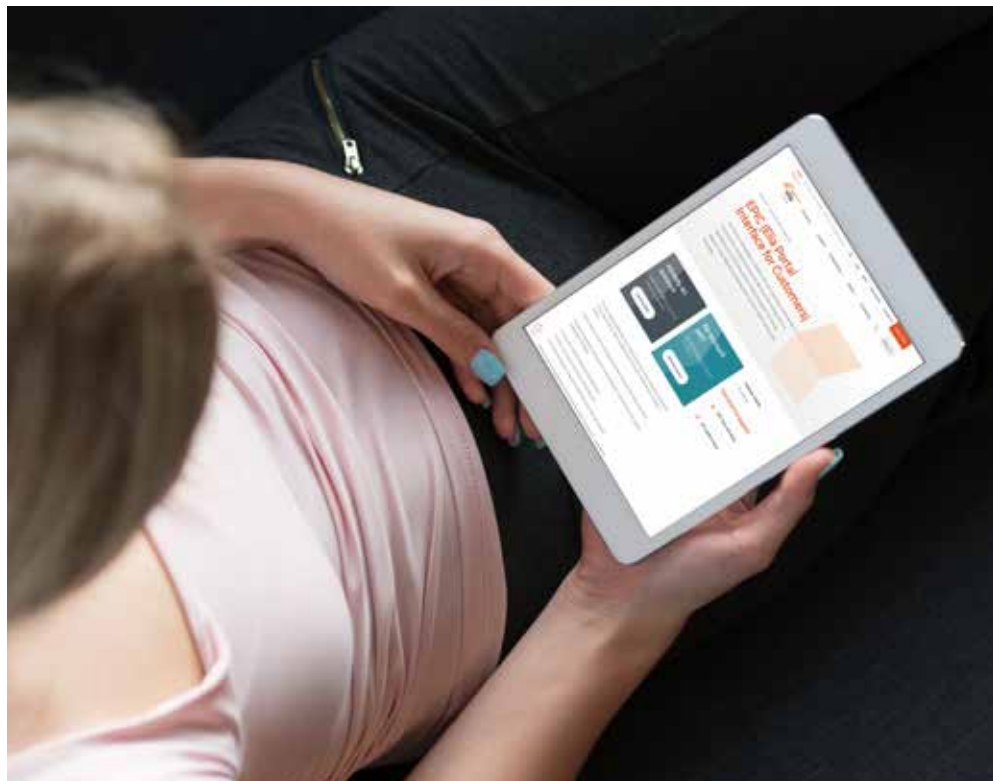
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ELIA PORTAL INTERFACE FOR CUSTOMERS (EPIC) LAUNCHED

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

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

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

HACKATHON: DESIGNING CONSUMER-CENTRIC ENERGY SERVICES

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

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



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

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



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

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

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

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

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

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

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



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

GREG JACKSON,
CEO AND FOUNDER OF OCTOPUS
ENERGY GROUP



USE THIS QR CODE TO WATCH
THE SIGNING CEREMONY

#8. Corporate functions – We enable our business activities



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

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



Financial

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



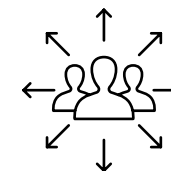
Employees & Subcontractors

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



Intellectual

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



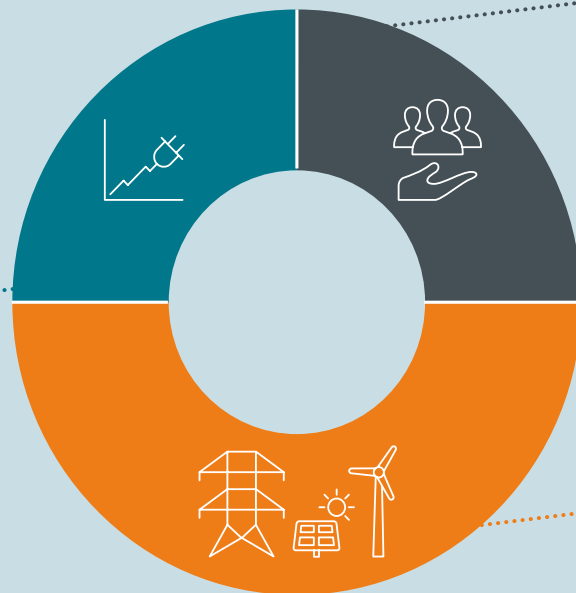
Social & Relationship

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

STRATEGIC CONTRIBUTION

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

Develop new services creating value for customers in the energy system



Grow beyond current perimeter to deliver societal value

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



RISK MANAGEMENT

Most relevant opportunities

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

Most relevant risks

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



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

OUR PERFORMANCE

€328.3 m
Adjusted Net Profit

6.3
Group TRIR⁽⁹⁾

37
Nationalities
of foreign nationalities represented in workforce⁽¹¹⁾

7.56%
ROE (adj.)⁽⁸⁾

3.0%
Absentee Rate Group⁽¹⁰⁾

3.3%
of foreign nationalities represented in workforce⁽¹¹⁾

€1.75
Gross dividend per share

22.2%
Women in total workforce

69*
Employee commitment index

99.94%
EU Taxonomy eligible turnover

22.1%
Women in leadership positions

4/12
ESG Governance Index⁽¹²⁾

5/12
Compliance Index⁽¹³⁾



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

(8) Determined as the result attributed to ordinary shareholders/equity attributed to owners of ordinary shares adjusted for the value of the future contracts (hedging reserve)

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

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

(11) Non BE/DE nationalities

(12) Composition of the index available on our website

(13) Composition of the index available on our website

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

HOW WE DELIVER VALUE

Material topics

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

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

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



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



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



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



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



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



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

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

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THE ELIA GROUP'S ALIGNMENT WITH THE EU TAXONOMY

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

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



UPDATED CODE OF ETHICS FOR GROUP STAFF

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

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



FIRST GREEN FINANCE FRAMEWORK PUBLISHED

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

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

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



ASSESSMENT OF OUR PROGRESS IN CHAMPIONING DIVERSITY, EQUITY AND INCLUSION

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

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

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

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

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

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

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



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

CHRIS PEETERS, CEO OF ELIA GROUP

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

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

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

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



COVID-19 ANTIGEN TESTING AND VACCINATIONS FOR STAFF

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

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



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

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

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

You can revisit the most important lives-treamed events of 2021 using the QR codes below:



**ELIA GROUP'S CAPITAL
MARKETS DAY**



**TOWARDS A
CONSUMER-CENTRIC
AND SUSTAINABLE
ELECTRICITY SYSTEM**



ROADMAP TO NET ZERO



THE GROUP'S VERY OWN TV STUDIO

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

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



7 Our performance



Our top key performance indicators

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

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

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

GOVERNANCE

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

(1) Composition of the indexes available on our website

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

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

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

(2) Includes 80% of 50hertz; does not include Nemo Link

(3) Elia Group owns 80% of 50Hertz, numbers represent 100% of 50Hertz

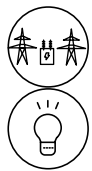

	Climate Action	2019	2020	2021	Target 2030
	Lines commissioned (km)	453	371	363	n.a.

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

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

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

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

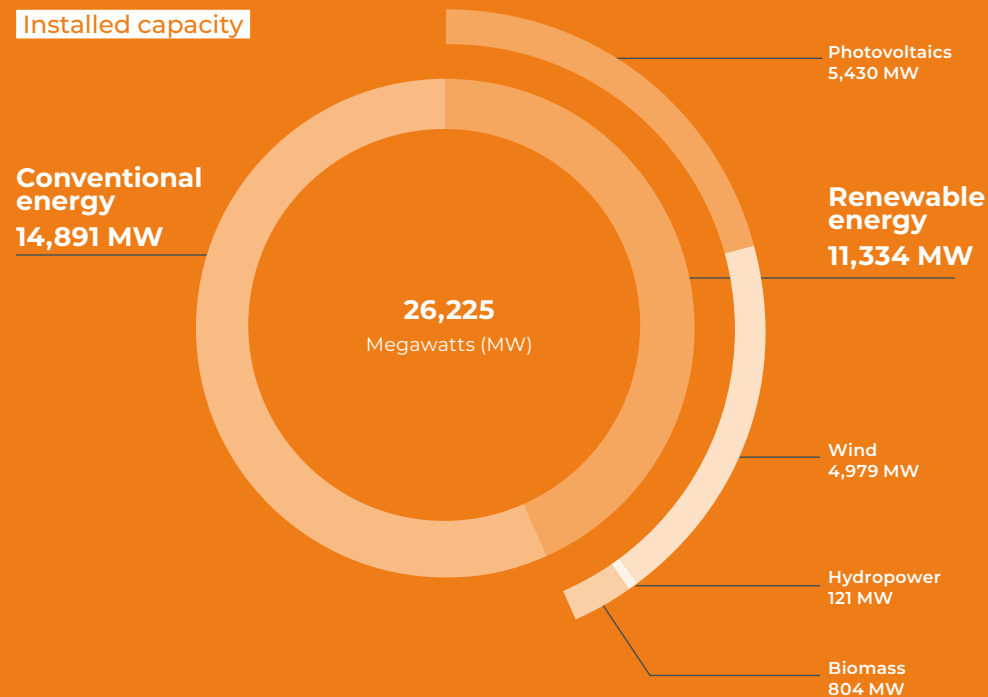
Climate Action		2019	2020	2021	Target 2030
		Grid reliability (onshore, 150 kV and above)			
		99.99%	99.99%	99.99%	n.a.

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



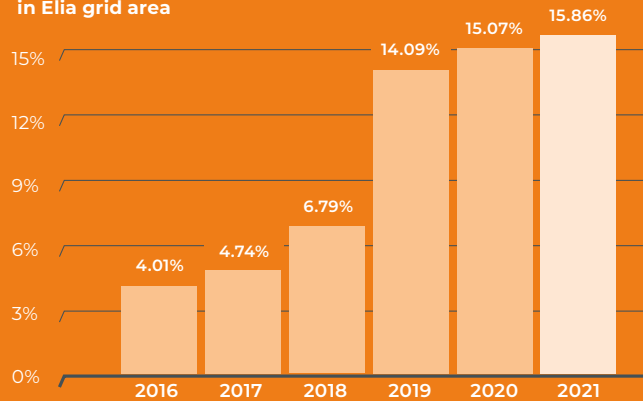
Elia

Installed capacity



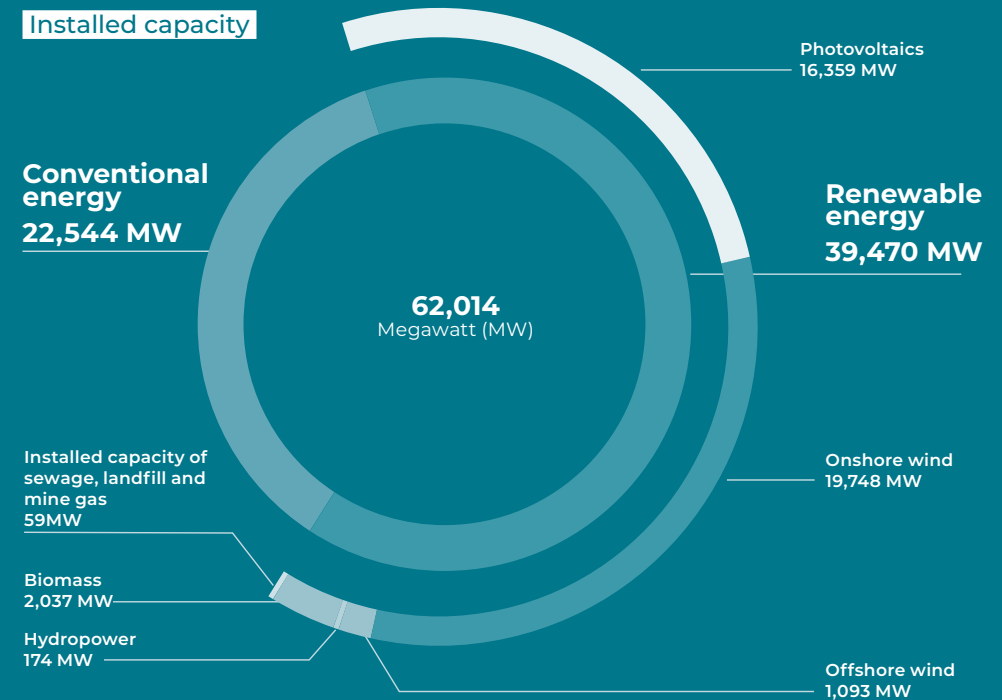
Evolution

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



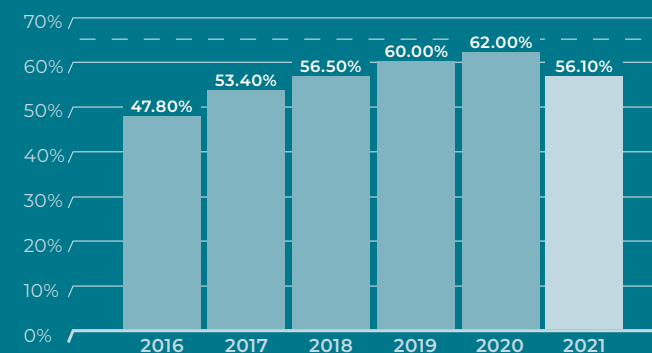
50Hertz

Installed capacity









Evolution

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








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

ENSURE SUSTAINABILITY IN THE WAY WE OPERATE OUR BUSINESS

		Climate Action	2019	2020	2021	Target 2030
 		Scope 1 emissions (tCO₂e)	16,868	19,804	15,807	Carbon neutrality (including offsetting)
 		Scope 2 emissions (tCO₂e)	1,051,115	938,956	1,092,151	-28% for grid losses; carbon neutrality for own energy consumption (including green procurement and offsetting)
		Scope 3 emissions (tCO₂e)	60% of Scope 3 emissions are accounted for on the basis of mature (primary) data; Scope 3 reduction target to be set by mid-2020s			

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




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

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

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

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

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

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

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




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

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

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

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

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

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

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




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

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

REALISE OUR DIGITAL TRANSFORMATION

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

FINANCE OUR FUTURE

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

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

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

INCREASE EFFICIENCY, REALISE SYNERGIES & OPTIMISE RESOURCE ALLOCATION

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

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

8 Corporate bodies and governance

One-tier governance structure

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



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

Board of Directors

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

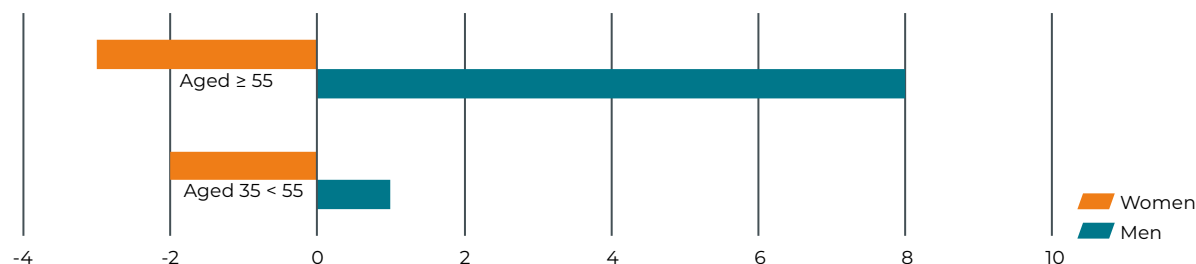
The Board of Directors consists exclusively of non-executive directors. At least three (3) directors are independent directors in line with the meaning of this term outlined in section 7:87 of the Belgian Code of Companies and Associations. Moreover, at least one third (1/3) of the members of the Board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

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

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

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

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



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

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

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

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

Remuneration Committee

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

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

Audit Committee

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

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

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

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

Nomination Committee

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

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

Strategic Committee

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

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

Executive Management Board



1 Chris Peeters
Chief Executive Officer and
TSO Head Elia

2 Catherine Vandenborre
Chief Financial Officer

3 Stefan Kapferer
TSO Head 50Hertz



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

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

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

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

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

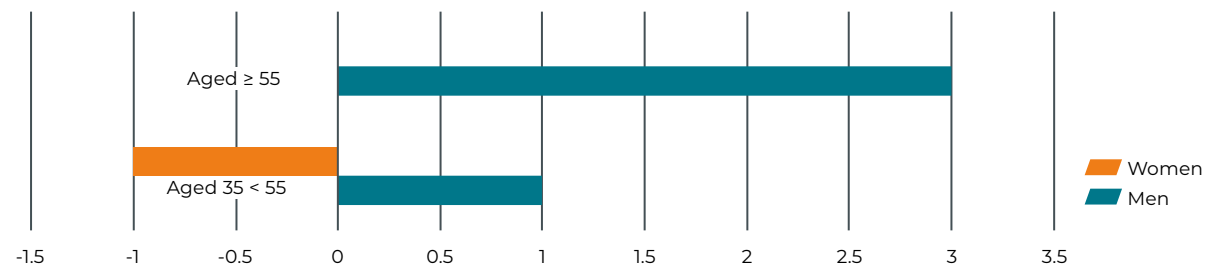
Each quarter, the Executive Management Board reports to the Board of Directors on the company's / the group's financial situation (in particular on the balance between the budget and the results stated) and all day-to-day management responsibilities, in particular on the management by the group of the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

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

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

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

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



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

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

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

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

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

Culture and ethics

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

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

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

GOVERNANCE, ETHICS AND COMPLIANCE

Target Matrix

Governance, Ethics, Compliance & Transparency			
<p>Objective 1 (Governance) Accountable rules & processes</p> <p><u>Key Result Areas:</u></p> <ul style="list-style-type: none"> - Adoption of international best-practice approaches to serve long-term stakeholder interests - Strategic perspective of sustainability (longterm ambitions) - Effective internal controls and external audits leading to prompt actions 	<p>Objective 2 (Ethics) Sustainable mindset & behaviors</p> <p><u>Key Result Areas:</u></p> <ul style="list-style-type: none"> - Clear expected behaviors with no tolerance for ethical breaches - Culture of speaking out and simple procedures - No links with any political or religious activities - Highest integrity towards contractors and suppliers 	<p>Objective 3 (Compliance) Conformity with external & internal rules</p> <p><u>Key Result Areas:</u></p> <ul style="list-style-type: none"> - Compliance with all relevant legal and regulatory requirements - Prevention of fraud/abuse - Detection of compliance issues at early stages and prompt corrective action/ consequence management 	<p>Objective 4 (Transparency) Openness & meaningful stakeholder dialogue</p> <p><u>Key Result Areas:</u></p> <ul style="list-style-type: none"> - Full, fair, accurate, timely, and understandable provision of useful information - Reporting in accordance with recognized international standards - Proactive stakeholder dialogue
Mainly qualitative key results with some quantitative indicators (and ESG ratings scores)			
Action plan Governance	Action plan Ethics	Action plan Compliance	Action plan Transparency

Risk management and internal control

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

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

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

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

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

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

Remuneration

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

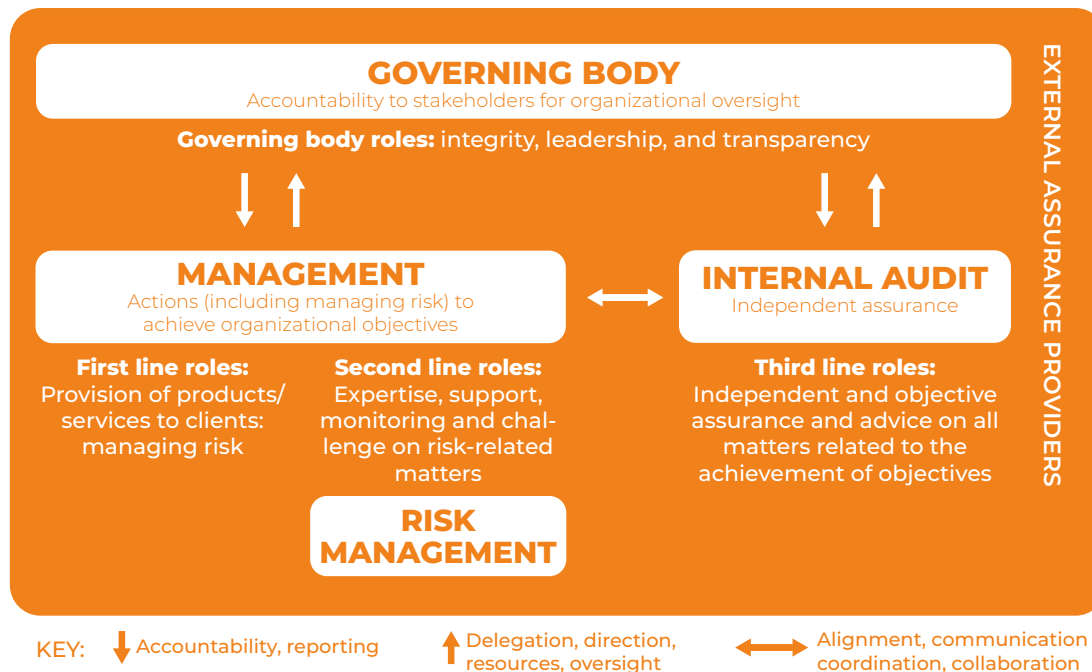
The remuneration of the members of the nomination committee, the remuneration committee and the audit committee also consists of a base salary and an attendance fee per meeting.

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

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

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

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



Going forward: 2022

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

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

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

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



0...12/12

Compliance score



0...12/12

ESG Governance score



9 Risk management



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

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

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

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

Risks

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

				Link with our pillars of growth			Impact on capitals					Impact on value chain components								
Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services	Corporate functions
The COVID-19 pandemic	The pandemic could impact system operations (and, therefore, continuity of supply) if minimum staff numbers in critical departments cannot be guaranteed as a result of COVID-19 infections or quarantine measures (this includes the impact of COVID-19 on the mental wellbeing of our employees and on our revenues).	- Regular surveys which check the mental wellbeing of our staff - Reinforced safety and access measures in control centres - Antigen tests made available on site - Vaccinations provided at our offices in Germany - Dedicated COVID-19 taskforce in Belgium	=	X			X	X		X	X			X	X	X				X
Early termination of Transmission System Operator licences	An early revocation of the transmission system operator licenses belonging to Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH would have an adverse material impact on these entities and therefore on Elia Group SA/NV.	- Safeguarding security of supply and enhanced and accelerated CAPEX delivery are our top priorities - Strong governance processes in place with a focus on compliance	=	X			X	X	X	X	X		X	X	X	X	X	X		X
Sustainability of income	Changes to the regulatory parameters could impact the profitability of the group.	- Ensuring that our strategy is aligned with the interests of society - Maintaining and growing our asset base - Increasing efficiency in our investment and asset maintenance policies - Regular and open dialogue with our regulators	↗	X	X	X	X				X			X	X				X	X
Balancing	The growth in the number of renewable energy units connected to distribution systems across Europe and the number of connections to large offshore wind farms creates new challenges for operational grid management, particularly in terms of the increased volatility of energy flows across our network.	- Grid expansion and a higher use of the grid - National and international cooperation for grid control - Reforms to market design to unlock more flexibility (such as our proposed Consumer-Centric Market Design) - Unlocking the potential held in flexible load management - Digital and customer centricity initiatives - Enabling new market players/ technologies - Preparing an integrated balancing market at EU level	=	X	X		X	X			X	X	X				X	X		

				Link with our pillars of growth			Impact on capitals					Impact on value chain components								
Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services	Corporate functions
Adequacy	The electrification of other sectors across society will lead to a growing demand for electricity; the growth in renewable energy sources may be too slow to cover this increased demand.	- Adequacy and flexibility studies - Providing useful information to the authorities - Capacity remuneration mechanism in Belgium to guarantee the country's security of supply in the longer term - Dimension 1 of our ActNow programme: accelerating the decarbonisation of the power sector	=	X	X		X	X			X	X	X			X	X			
Contingency events and business continuity disruption	Unforeseen events that alter the smooth operation of one or more infrastructure components are a risk; examples of such events include unfavourable weather conditions, human errors, malicious attacks, terrorism and equipment failure.	- Implementation of IT security measures - Security screening of critical operations/activities - Limiting access to control rooms and data rooms - Redundancy of infrastructure - Redundancy of critical tools - Additional security layer for critical infrastructure - Risk preparedness plan for electricity sector - Business continuity and restoration plans - Asset condition monitoring	=	X	X	X	X	X	X		X		X	X	X	X	X	X	X	X
Climate change and the energy transition	Changes to the climate and the energy transition cause uncertainties and challenges in terms of the markets, system and infrastructure.	- ActNow programme - Infrastructure design / stringent climate-related design conditions - Climate vulnerability assessments - Climate adaptation plan for our existing infrastructure	↗	X	X		X	X			X	X	X	X	X	X	X	X	X	X
Failure of information & communication technology (ICT), data security and protection measures	A failure of our ICT systems and processes or a breach of their security measures could result in losses for customers and reduced revenues for the group and its affiliates.	-Implementation of IT security measures (e.g.: IT segmentation, backups, failover mechanisms) - Compliance with relevant regulation (GDPR/network codes/NIS directive/ISO27000) - Employee awareness raising and training	↗	X	X		X	X	X				X	X	X	X	X	X	X	X

Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Link with our pillars of growth			Impact on capitals					Impact on value chain components							
				Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services
Permitting	The need to obtain infrastructure approvals and permits within certain time frames represents an important challenge. These approvals and permits can be challenged (in court), further delaying projects.	- Transparent communication and dialogue with local communities - Concrete and open stakeholder management - Working closely with local authorities to achieve common goals	=	X		X	X					X	X		X				
Suppliers	Given the complexity of infrastructure works, the increasing demands on the market, and the fact that factories have increasing numbers of orders to fulfil, the group may find it challenging to find enough suppliers for its projects, may end up paying more for services or may have to deal with issues surrounding the quality of products/services they purchase.	- Earlier placing of orders - Improved capacity forecasts - Widening the range of possible suppliers - Improved support for new suppliers - Encouraging increased transparency across the supply chain - Internal expertise related to critical technologies and tools - Regular price revisions	↗	X		X	X	X			X	X		X	X			X	
Health and safety accidents	Accidents, asset failure or external attacks may cause harm to people which may lead to liabilities.	- Promotion of a strong safety culture (safety culture ladder) - Active implementation of health and safety policies	=	X	X		X	X		X	X			X	X				
Negative changes in financial markets	The ability of the organisation to access global sources of financing to cover its financing needs or repayment of its debt could be impacted by the deterioration of financial markets.	- Strong treasury risk monitoring - Diversified financing sources in debt instruments and good balancing of maturities of its funding - Green financing - Ring-fenced group structure with seperate S&P credit rating for ETB, Elia Group and Eurogrid GmbH	↗	X		X	X												X

				Link with our pillars of growth			Impact on capitals					Impact on value chain components								
Risk	Description	Management of risk	Evolution of estimated probability and impact compared with FY2020	Deliver the infrastructure of the future & develop and operate a sustainable power system	Develop new services that create value for customers in the energy system	Grow beyond our current perimeter to deliver societal value	Financial	Assets (Manufactured)	Intellectual	Employees & Subcontractors	Social & Relationship	Natural	System planning	Infrastructure design and construction	Grid operations and maintenance	System operations	Market facilitation	Trusteeship	Additional services	Corporate functions
Cash flow	Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues (incl. interest expenses) may have a negative short-term effect on the financial position of the group.	- Daily short-term liquidity management - Availability of credit lines and commercial paper programs - Improvements in forecasting (energy volumes) - Involvement in the design of regulatory mechanisms and tariffs	=	X		X	X											X		X
New business developments	Any negative results from new business developments are entirely borne by the group; they represent an additional financial risk and could impact its reputation.	- Ring-fenced group structure - Capped liabilities in contracts - Strong governance and risk management process for decision-making regarding new business developments	=		X	X	X				X									X
Legal disputes, liabilities	The outcome of legal disputes and lawsuits may negatively affect business operations and/or the organisation's financial results.	- Risk management process aimed at avoiding legal disputes as far as possible - Capped liabilities in contracts - Identification of appropriate legal provisions	=	X	X	X	X													X

Opportunities

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

10 2022 Outlook



Strongly committed to the energy transition

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

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

CAPEX plan of €9.6 billion for the next 5 years

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

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

Electrification will unlock flexibility to facilitate further RES integration

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

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

Digitalisation in the name of efficiency and decarbonisation

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

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

A sea of opportunities

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

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

Challenges brought about by the energy transition

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

11 Appendix

Development of materiality matrix

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

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

SOURCES USED TO DEVELOP OUR MATERIALITY MATRIX

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

Glossary

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

GENERAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Flexibility: This is a measure of how much an energy system is able to cope with short-term fluctuations in production and consumption. These fluctuations are associated with the integration of increasing amounts of intermittent renewable energy sources into energy systems. It is expected that flexibility assets will play an 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 carrying out corporate reporting related to environmental and social performance issues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTEGRATED REPORTING TERMS

Business Model: The system of transforming inputs through business activities into outputs and outcomes to fulfil 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 Sub-contractors'); Social and Relationship; and Natural.

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

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

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

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

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

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

Reporting parameters

Registered offices

The registered office of Elia Transmission Belgium and Elia Asset is located at
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1000 Brussels, Belgium

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Reporting period

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

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



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