

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Elia Transmission Belgium NV

19 December 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Finance Instruments
- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Relevant standards

- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Advancing the Corporate Loan Market (LSTA) (as of February 2023)

Scope of verification

- EU Taxonomy Climate Delegated Act (as of June 2023)
- ETB's Green Finance Framework (as of December 19, 2023)
- ETB's Eligibility Criteria (as of December 19, 2023)

Lifecycle

- 1<sup>st</sup> Update of SPO as of December 9, 2021 (<https://www.iss-corporate.com/file/documents/spo/spo-09122021-Elia.pdf>)

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Elia Transmission Belgium NV (“the Issuer”, “the Company”, or “ETB”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Finance Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. ETB’s Green Finance Framework (as of December 19, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association (LMA)/Asia Pacific Loan Market Association (APLMA)/Advancing the Loan Corporate Market’s (LSTA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs).
3. The alignment of the project category with the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated project category is aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023).<sup>2</sup>
4. Linking the transactions to ETB’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) category.

## ELIA TRANSMISSION BELGIUM BUSINESS OVERVIEW



Elia Transmission Belgium NV is classified in the Gas and Electricity Network Operators industry, as per ISS ESG’s sector classification.

ETB, a subsidiary of Elia Group SA/NV, is a company headquartered in Brussels, Belgium, and is the energy transmission system operator of Belgium. Catherine Vandenborre is ad-interim CEO, in this role since October 2023.

<sup>1</sup> Whilst the updated Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

<sup>2</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP/GLP</b></p>	<p>The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and Green Loan Principles.</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Finance Instruments will (re)finance the eligible project category of Renewable Energy.</p> <p>The product and/or service-related use of proceeds category contributes to the following SDGs:</p> <div style="text-align: center;">   </div>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Alignment with EU Taxonomy</b></p>	<p>The ETB’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis.<sup>4</sup> The nominated project category is considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	
<p><b>Part 4:</b></p> <p><b>Linking the transaction(s) to ETB’s ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The project category considered is in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with the Issuer’s sustainability strategy</b></p>

<sup>3</sup> The evaluation is based on the Elia Transmission Belgium BV’s Green Finance Framework (December 2023 version), on the analysed Eligibility Criteria as received on December 19, 2023, and on the ISS ESG Corporate Rating updated on September 13, 2023, and applicable at the SPO delivery date.

<sup>4</sup> Whilst the Final Delegated Act for Mitigation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the ETB’s Green Finance Framework (as of December 19, 2023) with the ICMA’s Green Bond Principle and LMA/APLMA/LSTA’s Green Loan Principles.

GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by ETB’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer’s green category aligns with the project categories as proposed by the Green Bond Principles and Green Loan Principles. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer defines a look-back period of three years for its operational expenditures (OpEx), in line with best market practice.<sup>5</sup></p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by ETB’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show</p>

<sup>5</sup> There will be no limitations on the lookback period on Capital Expenditures (CapEx) and asset values.

		<p>alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in the process and provides information on how the selection and evaluation process fits the context of their overarching objectives and process relating to environmental sustainability, in line with best market practice. Furthermore, the Issuer identified alignment of their Green Finance Framework and green projects with the EU Taxonomy, in line with best market practice.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by ETB’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds will be managed per bond/loan (bond-by-bond approach) or on an aggregated basis for multiple Green Bonds/Loans (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by ETB’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. ETB explains that the level of expected reporting will be at the project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures or until the proceeds have been fully allocated.</p>

		<p>The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration, scope, and frequency of the impact reporting, in line with best market practice. Additionally, the Issuer discloses the location and link of the report and commits to get the allocation report audited by an external party, in line with best market practice.<sup>6</sup></p>
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<sup>6</sup> The reports will be publicly available at <https://investor.eliagroup.eu/en/financial-position/financial-position-for-elia-transmission-belgium/european-green-bonds>

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs<sup>7</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.


#### Products and Services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



The Green Finance Instruments' Use of Proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy:</b></p> <p><i>Electricity transmission infrastructure and equipment that complies with at least one of the following criteria:</i></p> <ul style="list-style-type: none"> <li>▪ <i>The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems</i></li> <li>▪ <i>More than 67% of newly enabled generation capacity in the system is below</i></li> </ul>	<b>Contribution<sup>8</sup></b>	

<sup>7</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

<sup>8</sup> Contribution to SDG 7 is attributed to the exclusion criteria that ensure the exclusion of fossil fuels and a clear link to renewable energy.



*the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*

*The category excludes:*

- *Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO<sub>2</sub>e/kWh*
- *Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944*
- *Infrastructure and equipment that does not meet Do No Significant Harm (“DNSH”) criteria as per the EU Taxonomy Climate Delegated Act (Annex I) under 4.9*

## PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of ETB's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project category have been assessed against the relevant Technical Screening Criteria for the Substantial Contribution to Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH), and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>9</sup> (June 2023), based on information provided by ETB. Where ETB's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

ETB's project selection criteria overlap with the following economic activity in the EU Taxonomy:



### 4.9 Transmission and Distribution of Electricity

All projects financed under the Green Finance Framework are and will be located in Belgium.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>9</sup> Commission Delegated Regulation (EU) 2020/852, [URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 4.9 – Transmission and Distribution of Electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>10</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>ETB complies with the requirements set out in the Taxonomy. The financed economic activity refers to transmission and distribution of electricity, where:</p> <ul style="list-style-type: none"> <li>▪ The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; or</li> <li>▪ More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.</li> </ul> <p>The Issuer excludes infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis, from financing. Furthermore, the installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is considered non-compliant under this Framework and excluded from financing.</p>	
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>ETB utilizes the Belgian Federal Minister of Energy Ministry’s Risk Preparedness Plan for the Electricity Sector guidelines as a methodological guideline to identify, manage, and report physical climate risks.<sup>11</sup> As part of the Issuer’s periodic monitoring, a physical climate risk and vulnerability assessment has been carried out for all group activities that ETB finances. Relying on internal expertise and external reports, ETB has implemented a screening process for its activities to identify physical climate risks that may affect the performance of the economic activity during its expected lifetime, in line with the five scenarios listed by the Risk Preparedness Plan for the Electricity Sector.</p>	

<sup>10</sup> This column is based on input provided by the Issuer.

<sup>11</sup> In line with the requirements pursuant to Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC.

The increase in the number and intensity of flooding events, heatwaves, cold waves/water incidents, storms, droughts and wildfires are identified as the most relevant physical climate risk indicators by ETB. In 2023, with the support of external experts from the University of Hamburg Hereon Climate Research Center, local climate scenarios have been developed for the assets that are based on (low) RCP 2.6, RCP 4.5 and high (RCP 8.5) emission scenarios developed by IPCC, with assessments covering milestone years of 2050 and 2085. The expected lifetime of the majority of its assets are defined as more than 40 years. The focus of the assessment that was undertaken by the ETB was to check whether the main climate signals intended for operational improvement of the network will be modified by climate change and the intensity level of its impacts.

The physical climate risks assessment result is categorized as being chronic or acute by ETB and concluded that all assets are subject to acute physical risks. The overhead lines are noted as facing vulnerability to the high wind/storm physical climate risk. CAPEX related to programs that increase resilience through tower reinforcements are tracked and reported in the annual report.

ETB has identified further adaptation solutions to be implemented in order to reduce the identified climate risk. In particular, these measures include (i) ensuring compliance with the construction standards, (ii) defining stringent climate parameters in electrical equipment specifications, (iii) aligning with the risk preparedness plan for the electricity sector and emergency response measures such as business restoration plan, and (iv) implementing regular crisis exercises. The Issuer commits to incorporating adaptation solutions, when they are applicable, and formally documented as needed. Furthermore, ETB confirms that the management of the physical climate risks is embedded in the group-wide risk management processes to ensure that any appropriate actions are recorded, and adaptation plans are tracked to completion. Responsibility and ownership of these action plans ensure regular tracking and evaluation.

**3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA**

N/A: There are no EU Taxonomy criteria for the category.

**4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA**

ETB requires all project operations to comply with the taxonomy. ETB’s Waste Management System applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The Issuer



ensures the criteria through a questionnaire and screening process including guidelines for subcontractors for the projects. In line with its Waste Management Policy, ETB requires administrative and local technical sites (service centers) to include contracts with authorized collectors specialized in the collection, transportation and recycling of hazardous and non-hazardous waste. When required, ETB appoints an independent expert to draw up a demolition plan ('sloopopvolgingsplan')<sup>12</sup> in line with the Public Waste Agency of Flanders (OVAM) regulations. Additionally, ETB is in the process of developing and establishing an environmental data management tool that covers waste management, which will allow the Issuer to track and report on the waste flows in its upstream and downstream value chain and disclose the related impacts, risk, and opportunities to be used in project selection.<sup>13</sup>

The Issuer confirms that all its projects have a waste management plan that is in place and ensures maximal reuse or recycling at the end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections, and official project documentation.

The non-compliant projects are excluded from ETB's financing under this Framework.

**5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA**


ETB confirms and commits that the construction site activities for overground high voltage lines are in compliance with the International Finance Cooperation (IFC) General Environmental, Health, and Safety Guidelines, and activities respect applicable norms and regulations to limit the impact of electromagnetic radiation on human health. This includes carrying out activities in compliance with the EU Regulations 1999/519/EC recommendations on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) and the Directive 2013/35/EU on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields). ETB does not have activities carried out in third countries.



ETB confirmed that the future financed activities will not use Polychlorinated Biphenyls (PCBs), considering it has a phasing-out plan in place for these transformers to be free from PCB by 2024. Currently, less than 1% of ETB's

<sup>12</sup> The sloopopvolgingsplan is a tool for selective demolition and selective collection on the project site, its purpose is to provide a list of all the waste expected and generated in the course of demolition work and to make recommendations for selective demolition. An independent expert draws up the sloopopvolgingsplan according to the standard procedure.

<sup>13</sup> Elia Transmission Belgium Annual Report 2022, Available at [https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/annual-reports/2023/20230417\\_etb-conso\\_full-report-signed-2022\\_eng.pdf](https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/annual-reports/2023/20230417_etb-conso_full-report-signed-2022_eng.pdf)

<p>transformers are reported to contain PCBs.<sup>14</sup> The Issuer excludes financing these transformers under the Green Finance Framework.</p>	
<p><b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>ETB confirms that all of the projects are obliged in the construction and operation contracts/permits to follow local legislation and to be in compliance in all material respects with all applicable laws in Belgium (i.e., with the corresponding EU Directives on Environmental Impact Assessment (EIA), Strategic Environmental Assessment, EU Conservation of Natural Habitats and Wild Fauna and Flora Directive, EU Conservation of Wild Birds Directive, and relevant EIA legislation and requirements of Belgium).<sup>15</sup> It states that for assets located in or near biodiversity-sensitive areas, which include Natura 2000 sites, national parks, and UNESCO World Heritage Site, appropriate EIAs are conducted as required, and where needed, any measures to mitigate and compensate for negative environmental effects will be implemented accordingly by the ETB.</p> <p>The Issuer reports to public authorities on the implementation of compensation measures and has a follow-up process in place when such measures are taken.</p>	

<sup>14</sup> Ibid.

<sup>15</sup> Elia Group EU Taxonomy Case Study, Available at: [https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/studies-and-reports/20211124\\_elia-group-eu-taxonomy-case-study.pdf](https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/studies-and-reports/20211124_elia-group-eu-taxonomy-case-study.pdf)

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>16</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

Minimum Safeguards

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>17</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>ETB has a due diligence process in place that is embedded in local legislation addressing the Belgian Corporate Governance Code, the Universal Declaration of Human Rights and the United Nations (UN), the UN Global Compact, the UN Convention Against Corruption, the ILO’s Declaration on Fundamental Principles and Rights at Work, European Convention on Human Rights, International Covenant on Civil and Political Rights, European Social Charter, and the International Covenant on Economic, Social, and Cultural Rights. The Company has adopted and embedded a commitment to Human Rights Due Diligence into the Company policies and procedures which have been laid out in the Issuer’s Group Level Human Rights Policy, the Supplier Code of Conduct (SCoC), the Code of Ethics and Risk Management.<sup>18 19 20</sup></p> <p>The Issuer’s Human Rights Policy, in particular, addresses the requirements of the Organization for Economic Cooperation and Development (OECD) Responsible Business Conduct Due Diligence Guidelines. It reflects the ETB’s commitment to the protection and respect of human rights, including in particular the areas of (i) health and safety, (ii) diversity, equity and inclusion, and (iii) governance, ethics and compliance. Therefore, the Issuer ensures operating in an effort to protect the right to the highest attainable standard of health, the right to just and favorable working conditions, the right to fair wages and decent living conditions; the right to an adequate standard of living, the right to freedom from all forms of forced or compulsory labour, the right to freedom from child labour, the right to freedom from discrimination and the right to freedom of expression. The Policy further covers suppliers and subcontractors. Yet the Issuer also has a separate SCoC covering the above aspects that all suppliers and subcontractors are obligated to follow. Moreover, ETB’s Code of Ethics sets</p>	

<sup>16</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>17</sup> This column is based on input provided by the Issuer.

<sup>18</sup> Elia Transmission Belgium Human Rights Policy, Available at: [https://www.elia.be/-/media/project/elia/elia-site/sustainability/20220711\\_elia-group-human-rights-policy\\_en.pdf](https://www.elia.be/-/media/project/elia/elia-site/sustainability/20220711_elia-group-human-rights-policy_en.pdf)

<sup>19</sup> Elia Group Supplier Code of Conduct, Available at: <https://www.elia.be/en/suppliers/policy/supplier-code-of-conduct>

<sup>20</sup> Elia Code of Ethics, ETB, Available at: [https://www.elia.be/-/media/project/elia/elia-site/sustainability/code\\_of\\_ethics\\_fr\\_def.pdf](https://www.elia.be/-/media/project/elia/elia-site/sustainability/code_of_ethics_fr_def.pdf)

standards and obligations including anti-corruption measures, privacy, and data protection.

ETB's Risk Management process enables regular checks and assessments of the above-mentioned policies into a due diligence system. Through questionnaires, the Issuer identifies and assesses adverse impacts of the company projects and its operations. ETB further requires its suppliers and subcontractors to obtain certifications, and EcoVadis rating that evaluates their social responsibility and human rights approach. This applies to all suppliers engaged in the Framework agreements. In order to identify and assess those risks, the company has an internal monitoring and reporting system as part of its compliance process.

When the risk is identified, the measures are set on a regular basis by the ETB. These measures include (i) asking suppliers to commit to a common and binding Code of Conduct, (ii) carrying out follow-up risk assessments for suppliers when needed, and (ii) implementing a functional grievance mechanism for bribery and corruption which will be extended to other human rights issues in the future. With respect to the assessments, the Group and company policies are adapted when needed. To track the implementation of actions and their result, the Issuer carries out audits and internal measurements annually to assess the satisfaction of the results through employee/supplier surveys.

ETB externally communicates its human rights due diligence process approach and the actions that are taken to address adverse impacts on its annual reports.<sup>21</sup> Furthermore, the Issuer has a mechanism that addresses complaints and concerns through its website, whistleblower system, and public communication channels.

<sup>21</sup> ETB Annual Report, Available at: [https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/annual-reports/2023/20230417\\_etb-conso\\_full-report-signed-2022\\_eng.pdf](https://investor.eliagroup.eu/-/media/project/elia/shared/documents/elia-group/publications/annual-reports/2023/20230417_etb-conso_full-report-signed-2022_eng.pdf)



## PART VI: LINKING THE TRANSACTIONS TO ELIA TRANSMISSION BELGIUM'S ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH ELIA TRANSMISSION BELGIUM'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

Elia Group has a sustainability strategy programme named ActNow<sup>22</sup> that is composed of 5 dimensions, and which tackle different ESG aspects. Elia Group's 2024-2028 allocation to CAPEX program is Euro (€) 30.1 billion, of which around €9.4 billion have been allocated for assets in Belgium. ETB confirms contributing directly to Elia Group's ActNow objectives.

- Dimension 1 – Climate Action: this dimension includes five key objectives:
  - Accelerating the decarbonization of the power sector;
  - Establishing a carbon-neutral grid by 2040;
  - Making its own activities carbon-neutral by 2030;
  - Making progress towards a carbon-neutral value chain;
  - Increase climate resilience.

Moreover, ETB aims for an increased electrification by 50% by 2032 and aims for Renewable Energy Systems (RES) to cover 40% of the electricity mix in Belgium, in line with government objectives.

- Dimension 2 – Environment and Circular Economy: this dimension includes three key objectives:
  - Preservation and strengthening of ecosystems and biodiversity;
  - Embedding circularity into its core businesses
  - Ensuring compliance with environmental performance standards.

Moreover, ETB aims to design infrastructure in accordance with three principles: avoiding, reducing, and offsetting ETB's impact on the environment.

- Dimension 3 – Health and Safety: under this dimension ETB aims for zero accidents in the workplace and to improve its performance in terms of the health and safety of its staff.
- Dimension 4 – Diversity, Equity, and Inclusion: ETB has reviewed a number of policies and processes connected to areas such as recruitment, promotion, parental leave, and flexible working to ensure that they promote fairness and a healthy work-life balance, and to also make the Elia Group an attractive employer.

<sup>22</sup> Elia Group ActNow, Available at: <https://www.elia.be/en/sustainability>

- Dimension 5 – Governance, Ethics and Compliance: this dimension is composed by three main structures: the Board of Directors that provides oversight, the Group Code of Ethics that sets out guidance for its staff, and a governance and compliance index in which progress are tracked. These indices are published twice a year in the Issuer's semi-annual and annual reports.

ETB has also a target verified by the Science Target Based initiative (SBTi), in particular Elia Group commits to reduce absolute scope 1 and 2 GHG emissions by 28% by 2030 from a 2019 base year. These targets and dimensions are publicly analyzed by ETB in its yearly sustainability reports. The Issuer follows the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD) to report its sustainability targets.

Board-level oversight for climate-related issues is under the supervision of the Elia Group's Executive Management Board (EGMB), which is chaired by Elia Group's CEO, and it is responsible for the direction of the company and the implementation of the strategy, including sustainability, and reports to the Board of Directors. Elia Group's sustainability programme, ActNow, and related ambitions are defined at Elia Group level by the Group Sustainability Office (GSO), which reports to the EGMB. The GSO then ensures the consistency of the actions taken by the group. Furthermore, the Green Finance Committee is composed of representatives from the following departments: Finance department (Controlling, Treasury); Sustainability department; Risk Management department; Strategy department (responsible for ActNow); any relevant business teams involved in the selection of Eligible Green Projects as required. The committee will meet at least once per year.

Elia Transmission Belgium is a member of the Shift and the Renewable Grid Initiative.

The Issuer has issued its first Green Bond in January 2023.<sup>23</sup>

### *Rationale for issuance*

According to the Issuer, the Green Finance Framework aims to support Elia Group's strategy and Europe's transition to a low-carbon economy. By issuing Green Finance Instruments, ETB intends to align its funding strategy with its mission and reinforce its commitment to the clean energy transition.

Through its Green Finance Framework, ETB also intends to contribute to the growth of the green financing market through different financial instruments and to support the willingness of investors to finance green projects.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bonds and Loans are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

<sup>23</sup> European Green Bonds, Available at: <https://investor.eliagroup.eu/en/financial-position/financial-position-for-elia-transmission-belgium/european-green-bonds>

## B. ELIA TRANSMISSION BELGIUM’S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer’s industry*

The Issuer is classified in the Gas and Electricity Network Operators, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Protection of human rights and community outreach
Worker safety and accident prevention
Accessibility and reliability of energy supply
Environmentally safe operation of plants and infrastructure
Promotion of a sustainable energy system

### *ESG performance of the Issuer*

Leveraging ISS ESG’s Corporate Rating research, further information about the Issuer’s ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.A of the report.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of ETB’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Company’s production process.

ISS ESG determined that, based on the information provided by the Company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

*Breaches of international norms and ESG controversies*

*At Issuer level*

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

*At industry level*

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Gas and Electricity Network Operators industry are as follows: anti-competitive behavior, failure to mitigate climate change impacts, and strike action.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if ETB's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by ETB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

## ANNEX 2: ISS ESG CORPORATE RATING METHODOLOGY

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: QUALITY MANAGEMENT PROCESSES

### SCOPE

ETB commissioned ISS-Corporate to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBP, GLP, and EU Taxonomy and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA Green Bond Principles
- LMA/APLMA/LSTA Green Loan Principles
- EU Taxonomy Climate Delegated Act (as of June 2023)

### ISSUER'S RESPONSIBILITY

Elia Transmission Belgium's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Elia Transmission Belgium NV has been conducted based on a proprietary methodology and in line with the ICMA GBP and LMA/APLMA/LSTA GLP.

The engagement with Elia Transmission Belgium took place in November and December 2023.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.



## About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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