

# # we make the move





# #wemakethemove Our profile

We're making the leap:  
natural gas today, hydrogen and  
other molecules tomorrow. Being smart  
when it comes to repurposing our  
infrastructure. Being agile in our mindset.  
Our aim: climate neutrality.

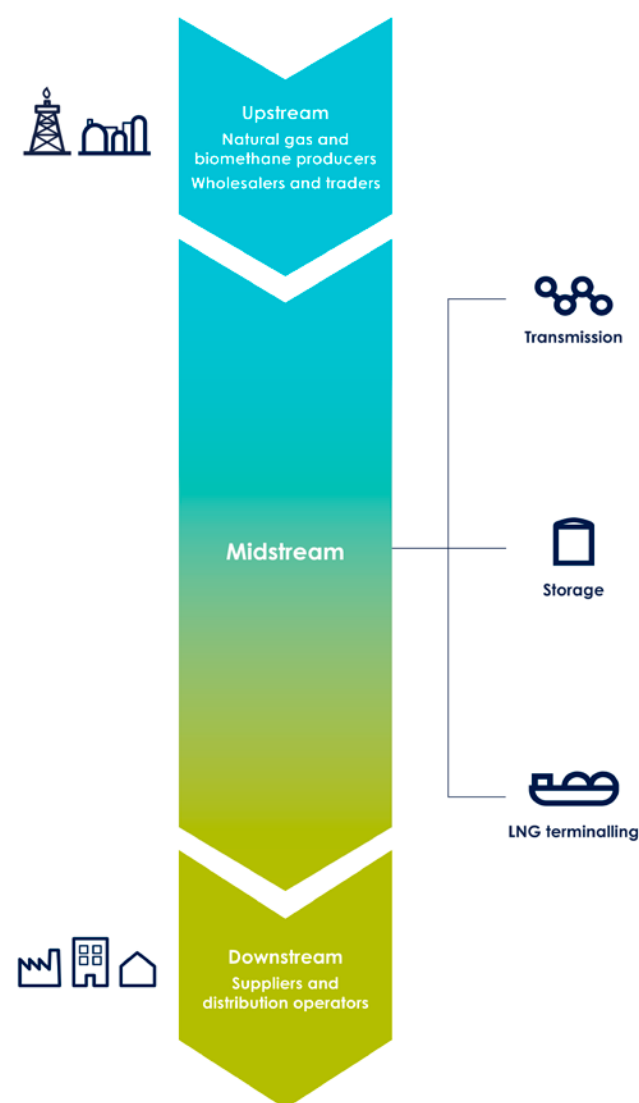




# Our business model

## Energy infrastructure company

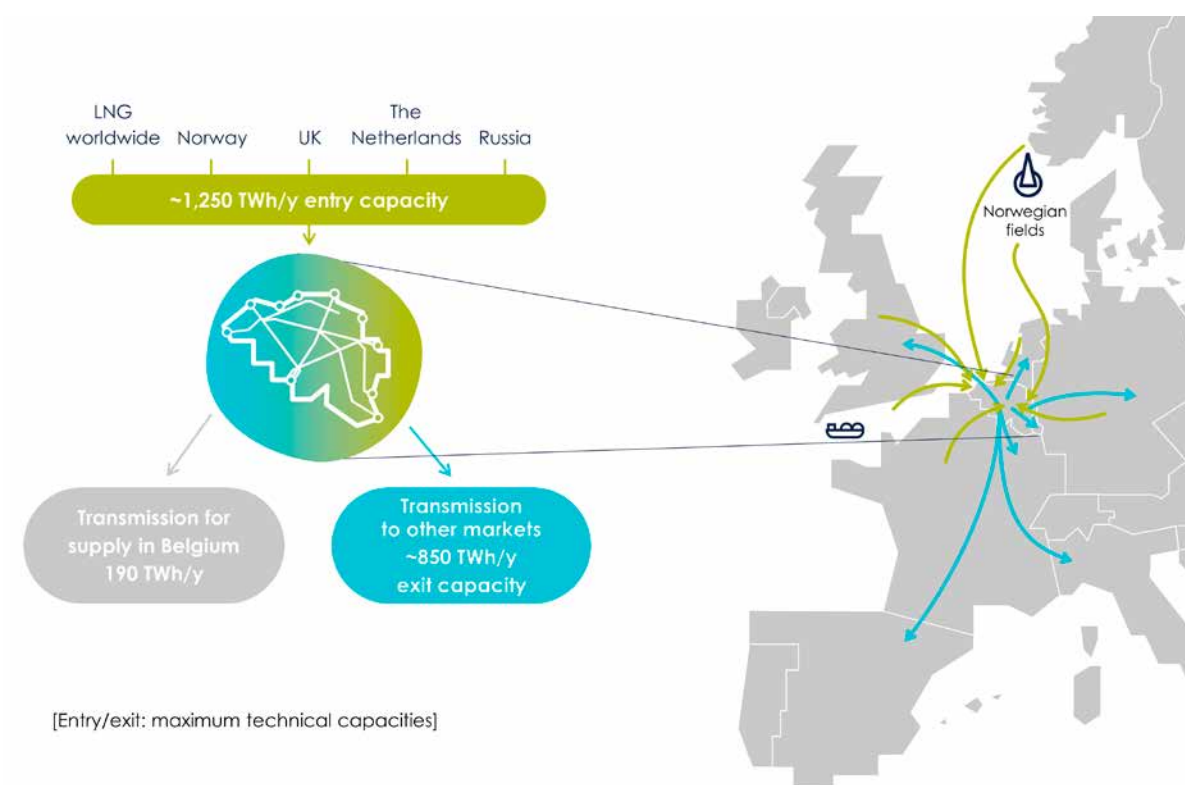
- Active in the **midstream** segment of the gas chain: transmission via high-pressure pipeline, storage and terminalling (liquefied natural gas - LNG)
- **Independent** company with **no interests** in the generation or sale of energy
- Activities **regulated** by Belgium's federal energy regulator



## International hub

The Fluxys Belgium network is fully connected to all natural gas sources available to the European market. The gas is transported by pipeline or by ship (as LNG) to

various drop-off points. This is the same model we use to evolve our network into a hydrogen and CO<sub>2</sub> hub for a carbon-neutral economy.





## Our three core activities in more detail

### Transmission

**4,000 km**

of high-pressure pipelines

- Transmission capacity
  - to large industrial consumers, power plants and distribution operators' systems which, in turn, deliver gas to households and small industries at low pressure
  - to cross-border points from which point gas can be delivered to other markets in Europe
- Gas trading services at the Belgian ZTP gas trading point

### Storage

**9 TWh**

in storage capacity at the Loenhout storage facility

- Buffer capacity for continuous supply to end consumers
- Flexibility for activities at gas trading points

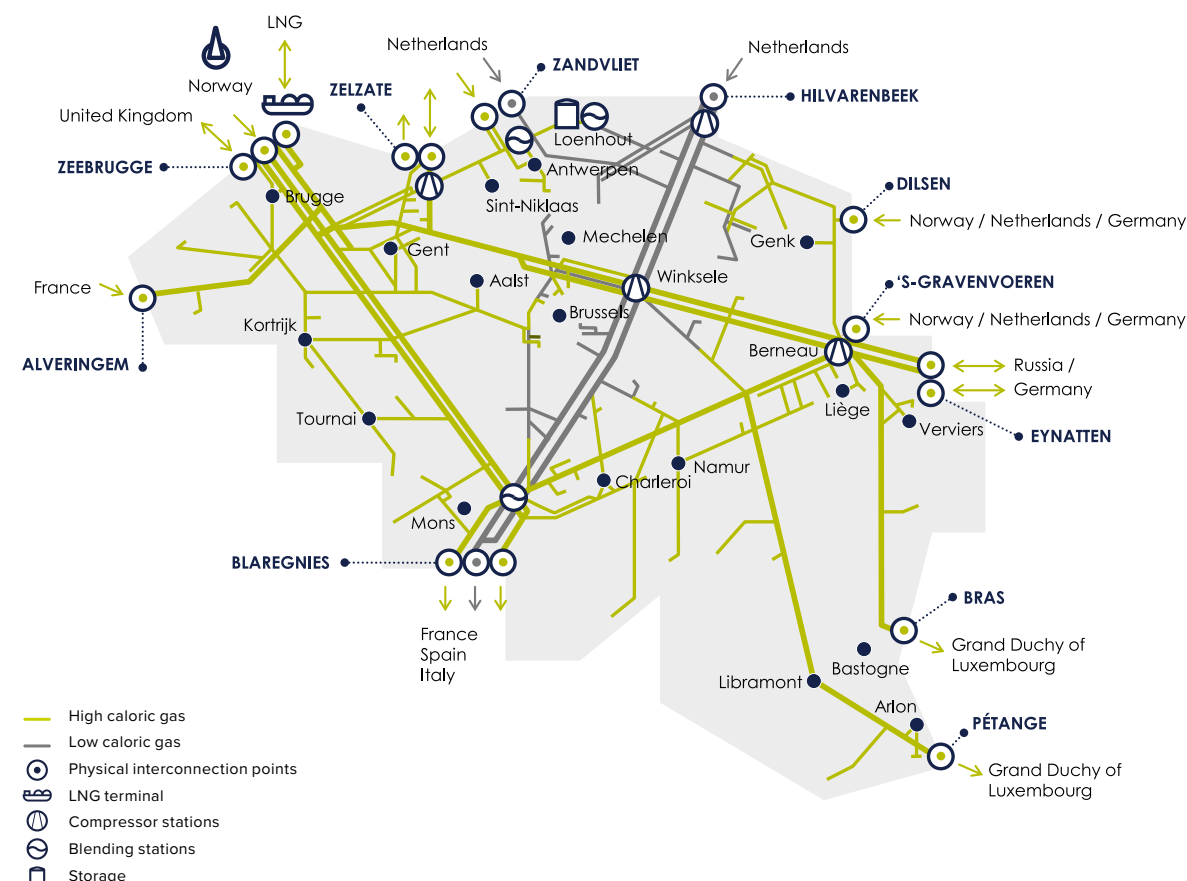
### Terminalling

**104 TWh/year**

at the liquefied natural gas (LNG) terminal in Zeebrugge:

- Capacity for unloading and loading LNG carriers, storage and regasification of LNG for subsequent injection into the transmission network - regasification capacity of 104 TWh/year
- LNG transshipment capacity for transport elsewhere in the world - **107 transshipment operations (214 vessels)/year**
- Capacity to load LNG onto tanker trucks or LNG containers to supply
  - local networks or industrial sites in Europe not connected via pipeline
  - filling stations for trucks that use LNG as fuel
  - vessels powered by LNG

### Key asset: transmission infrastructure



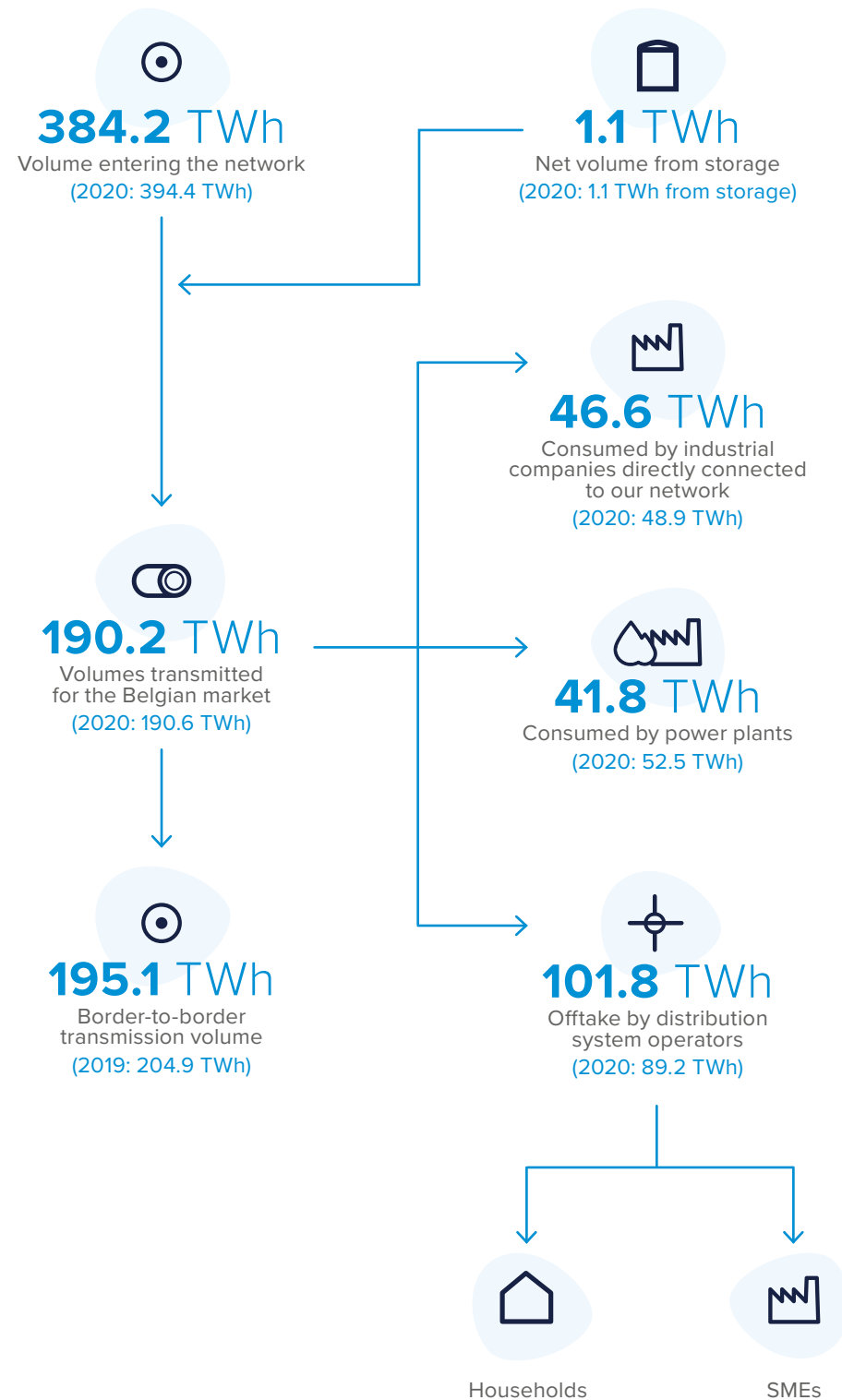
## Competing activities

While Fluxys Belgium enjoys a natural monopoly in transmission for delivery to the Belgian market, the same cannot be said for its other activities. More specifically, our network competes with those of neighbouring countries for border-to-border transmission, which accounts for around half of our revenue.

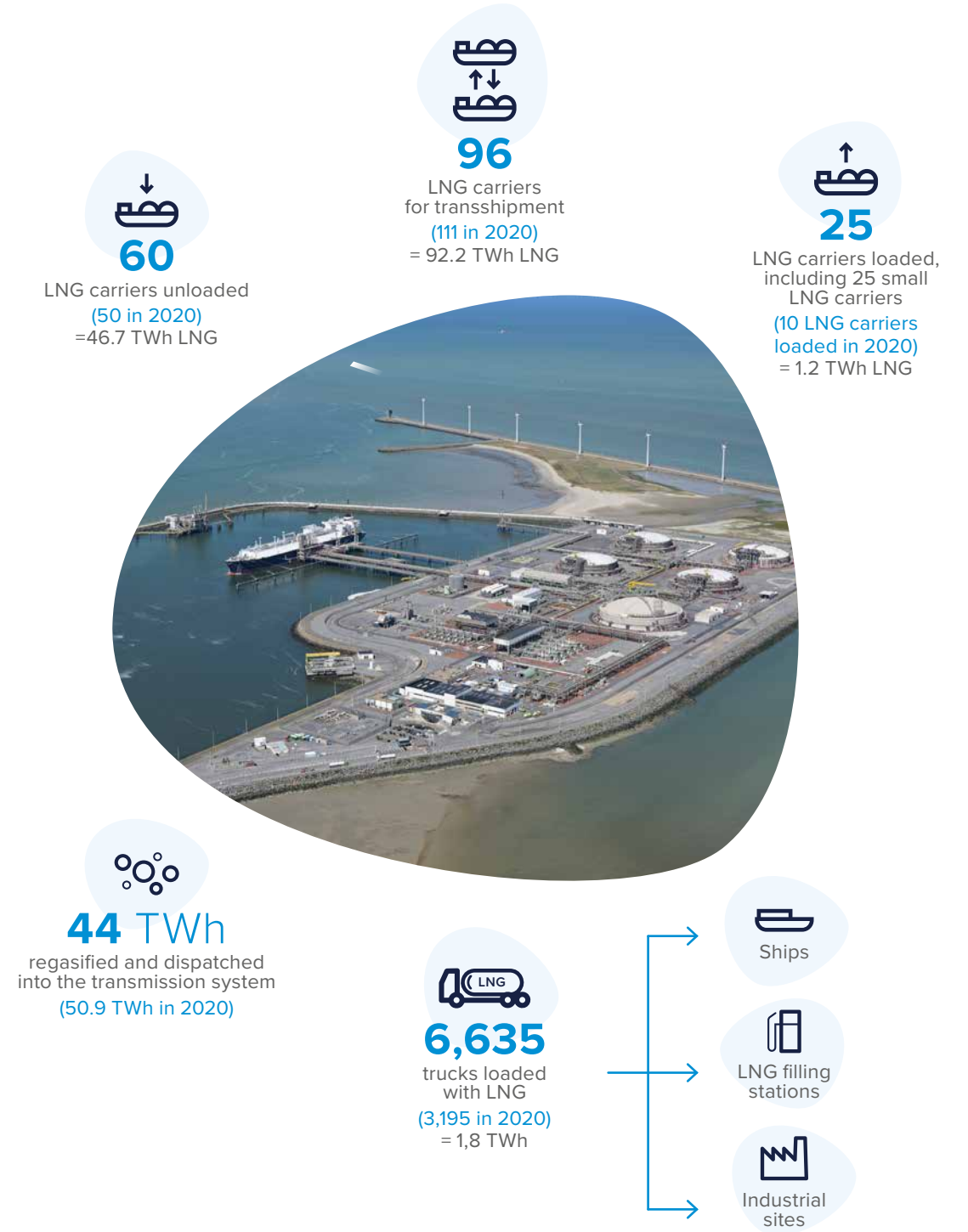
Natural gas storage and LNG terminalling are competitive markets, with the Loenhout storage site competing with other storage sites and gas trading points in North-West Europe, for example. Zeebrugge LNG Terminal, in turn, competes with other terminals abroad.



## How customers use our infrastructure



[Numbers 2021]



[Numbers 2021]



## Transporter of the energy of tomorrow

### Our infrastructure: a key tool of the energy transition

The energy transition is at the heart of Fluxys Belgium's strategy. Our company and our infrastructure both facilitate and accelerate the transition to the energy mix of the future, one comprising carbon-neutral molecules and electricity from wind and solar power. The capture, reuse and storage of CO<sub>2</sub> is also one of the solutions needed to achieve carbon neutrality.

### Hydrogen and CO<sub>2</sub> backbone for Belgium

Our approach is based on the conversion and development of our infrastructure into complementary networks serving as Belgium's hydrogen and CO<sub>2</sub> infrastructure. This hydrogen and CO<sub>2</sub> backbone is an integral part of Belgium's recovery and resilience plan. Fluxys Belgium has earmarked half of its indicative investment programme to making this backbone a reality (2022-2031 programme totalling €1.5 billion).

### Shifting towards the energy hub of tomorrow, together

The hydrogen and CO<sub>2</sub> backbone is gradually taking shape thanks to close cooperation between Fluxys Belgium, its customers, public authorities, operators in neighbouring countries, distribution system operators and other key players. The intention is to build step by step, taking into account changes in the market. The first step involves providing various industrial clusters with infrastructure, interconnecting these clusters and then extending the connections to neighbouring countries to turn Belgium into a European energy import and transmission hub.

### The collective: our driving force

One of Fluxys Belgium's major assets is its team of women and men who are more committed and motivated than ever before and who work hard every day to effect change. Ingenuity, entrepreneurship and teamwork are the keys to successfully achieving carbon neutrality. These qualities are the driving force behind our current success and give us confidence in the future.



### Fully in line with federal hydrogen strategy

Our approach is fully in line with the four pillars of the federal hydrogen strategy, which is key to meeting Belgium's climate goals.

#### 1. Positioning Belgium as a hub for the import of renewable molecules for Europe

In 2021, we launched concrete proposals for hydrogen infrastructure in Belgium's various industrial clusters. The next stage is to link this infrastructure to the hydrogen infrastructure in neighbouring countries, enabling Belgium to develop into Europe's import hub for renewable molecules. In addition to our central location, Zeebrugge is a major asset for the large-scale import of renewable molecules.

#### 2. Consolidating Belgium's leadership in hydrogen technologies

Together with various academic institutions and partners, we are conducting extensive research into the practicalities of transporting hydrogen in our infrastructure.

#### 3. Organising a robust hydrogen market

Open access to our infrastructure, which we are repurposing as far as possible and developing for hydrogen, is vital to support the emergence of Belgium's hydrogen economy. Free access means that everyone can participate on an equal footing in a model where supply and demand meet.

#### 4. Focusing on cooperation

To bring about the transition to a carbon-neutral society, Fluxys is working very closely with customers, ports, governments, regulators and neighbouring operators abroad. Our parent group is joining forces with DEME, ENGIE, EXMAR, WaterstofNet and the ports of Antwerp and Zeebrugge regarding the supply of green molecules from countries where wind and sun are available in abundance.

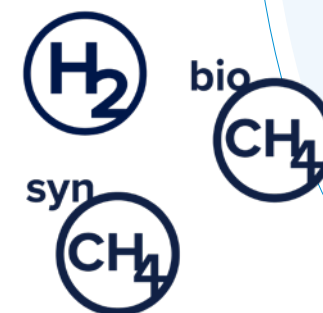


## View and strategy Hydrogen

### The power of the molecule

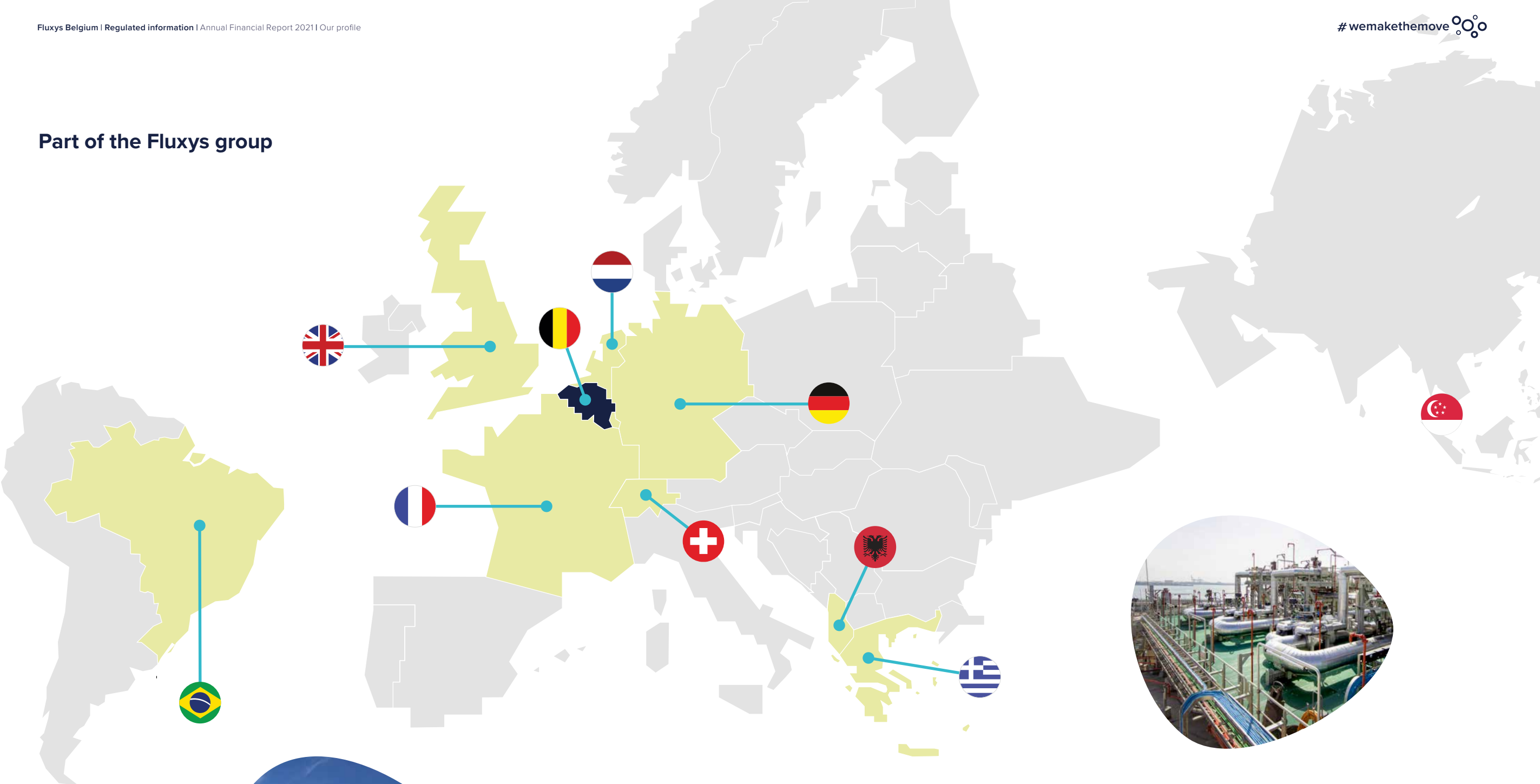
To decarbonise the energy system, we need all hands on deck. As the European Commission's projections for 2050 show, a net-zero energy system is likely to be built on about 50% carbon-neutral electricity and about 50% carbon-neutral molecules such as hydrogen, biomethane, synthetic methane and biofuels.

That is why gas and electricity networks must be able to work in tandem. This means electrification with green power where possible and clean molecules where this is necessary or more appropriate, taking into account cost, security of supply and cutting CO<sub>2</sub> emissions.



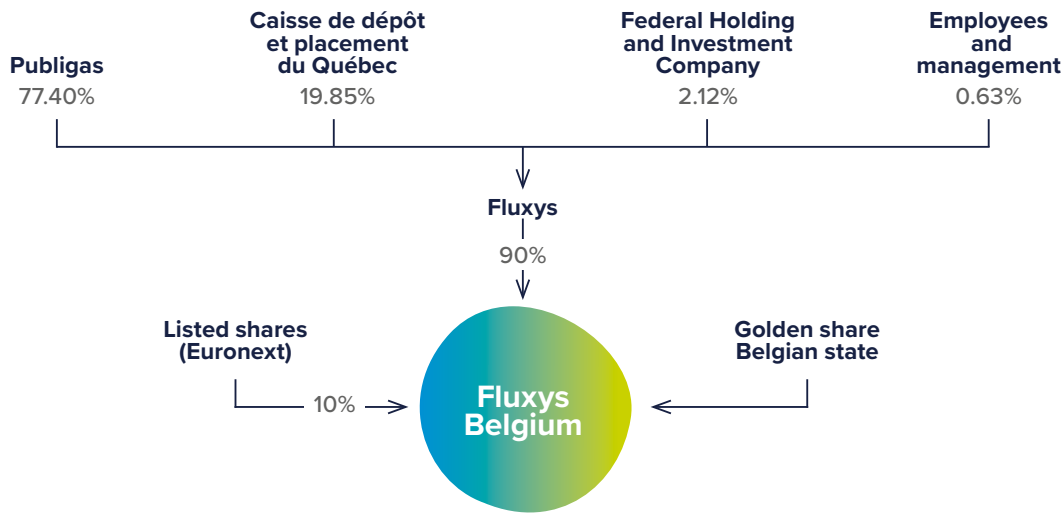


Part of the Fluxys group





Our shareholders



Our shareholders as at 30 March 2022

**Fluxys Belgium** is a public limited company and is part of the Fluxys group. The capital of Fluxys Belgium is held by the following:

- Fluxys, a public limited liability company under Belgian law, holds a capital interest of 90%. This stake is divided between class B shares (83.29%) and class D shares (6.71%)
- The public holds 10% of the shares of Fluxys Belgium (class D)
- The Belgian State holds one share (the 'golden share')

The total number of shares is 70,263,501. All shares are entitled to dividends.

The shares are issued in the following classes: B, D and the 'golden share':

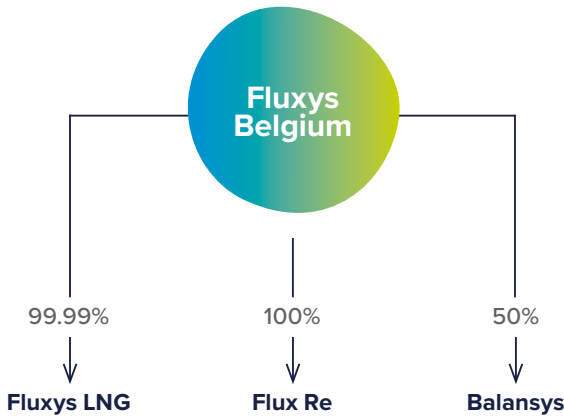
- Class B shares are and will remain registered shares
- Class D shares are registered or dematerialised at the discretion of the shareholder who shall bear any conversion charges
- Class B shares are automatically converted into class D shares when they are transferred to a third party
- 16.71% of the shares are listed on Euronext, 6.71% of them are held by Fluxys and the remaining 10% are held by the public
- The golden share held by the Belgian State gives the federal government special rights should Fluxys Belgium consider selling

strategic infrastructure whose sale would, in the competent minister's opinion, compromise the country's energy interests. The Belgian State is represented by the federal Minister of Energy. For more details about the rights attached to the Belgian State's 'golden share', please refer to the Corporate Governance Declaration, 'Voting rights and special controlling rights'

The shareholder structure of **parent company Fluxys** is as follows:

- **Publigas** manages the interests of Belgian municipalities in Fluxys
- **Caisse de dépôt et placement du Québec** is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). It has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe
- The **Federal Holding and Investment Company** is a federal Belgian holding company set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium
- Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders

Our subsidiaries



**Fluxys LNG** (consolidated subsidiary – Fluxys Belgium holds a 99.99% stake and Flux Re a 0.01% stake). Fluxys LNG is the owner and operator of the Zeebrugge LNG terminal and sells terminalling capacity and associated services.

**Flux Re** (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law.

**Balansys** (stake consolidated using the equity method – Fluxys Belgium holds a 50% stake). As part of the 2015 integration of the Belgian and Luxembourg gas market, Fluxys Belgium and Creos Luxembourg (the Luxembourg transmission system operator) set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake. Balansys has been the operator responsible for balancing activities for the integrated Belgian-Luxembourg gas market since 2020.







# Our purpose



## Shaping together a bright energy future

We are committed to continuing to build a greener energy future for the generations to come. People, industry and societies all need energy to thrive and progress. Fluxys Belgium accommodates this need: we put energy in motion through our infrastructure.

We transport natural gas while paving the way for the transmission of hydrogen, biomethane or any other carbon-neutral energy carrier as well as CO<sub>2</sub>, accommodating the capture, usage and storage of the latter.

### together

The energy eco-system is complex and the growing demand for energy in service of human progress combined with a global need to make energy more sustainable is a challenge that needs everyone to get involved. Redesigning the energy system will not be easy, yet it can be done if we work together. Together refers to all our stakeholders: our employees, shareholders, industrial partners, customers, the general public and all actors in the energy system. At Fluxys, we truly believe that cooperation is the key to success.

### bright

Bright: with optimism, we dare to say that our infrastructure, with its energy storage capacity and other forms of gas such as hydrogen and biomethane (green gas), will play a substantial role in the transition to a carbon-neutral energy future for everyone.

### future

The word future encompasses a responsibility. With our unique capabilities as a European energy infrastructure company, we owe it to ourselves to contribute to a greener energy future for the generations to come.



# Our strategy



## En route to a green energy future



### Be fit and grow

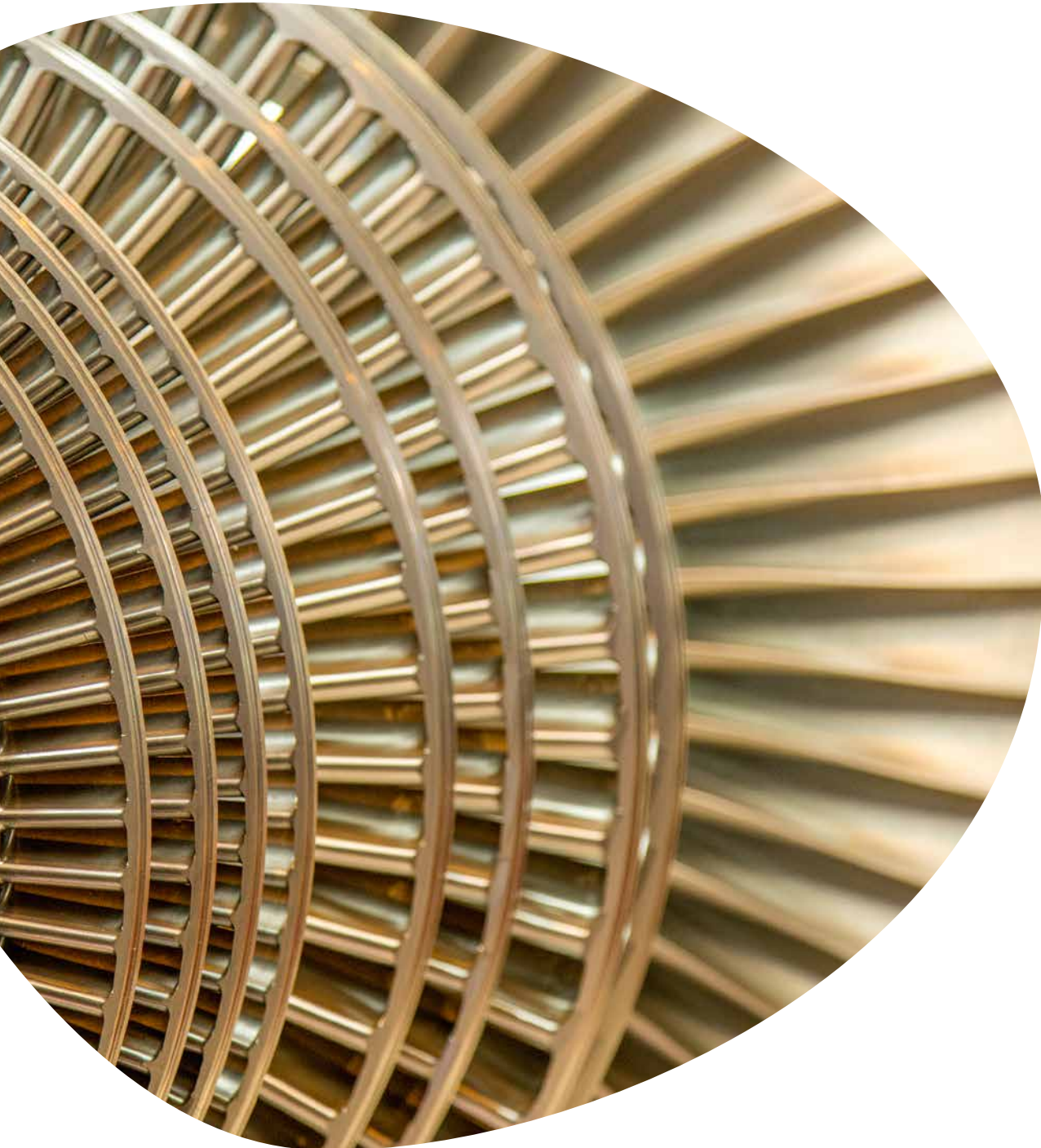
We optimise our operations while growing our assets selectively in view of the low-carbon future

### Be the transporter of the future energy carriers

We support biomethane initiatives, explore new technologies and invest in infrastructure to accommodate hydrogen, CO<sub>2</sub> and other molecules for the low-carbon future



# Our context



## Market dynamic

Europe's natural gas market is embedded in a global dynamic. Flows of pipeline gas and LNG supplies are largely determined by the level of LNG production worldwide and by demand for LNG outside Europe.

2021 saw particularly volatile LNG flows to Europe, challenges in filling storage sites and major rises in the price of natural gas as a market mechanism to attract sufficient supplies.

The Belgian network plays a vital role as a crossroads and the volatility in supplies has resulted in new transit patterns, more specifically with significant flows from the west of the Belgian network to Germany and the Netherlands.

Changes continued in 2022, with ongoing geopolitical developments and the war in Ukraine, so the further diversification of Europe's sources is high on the policy agenda. Fluxys Belgium is currently hard at work investigating ways in which our network could provide a sustainable response in light of the energy transition.

## Climate policy and the energy transition

The European Green Deal further took shape in 2021 with the publication by the European Commission of the 'Fit for 55' package in July and the 'Hydrogen and decarbonised gas market' package in December.

The two packages suggest measures intended to reduce greenhouse gas emissions by 55% by 2030. They include a proposed legal and regulatory framework for carbon-neutral gases like hydrogen, biomethane and synthetic methane that will play a role, alongside renewable electricity, in the energy system of the future. CO<sub>2</sub> capture, use and storage is also acknowledged as one of the various complementary solutions needed to achieve climate neutrality.

Several European countries, including Belgium, France, Germany and the Netherlands, have adopted an ambitious hydrogen strategy, sometimes with specific targets for green hydrogen production and/or support mechanisms to stimulate such production. In early 2022, Belgium's federal government also published for consultation its vision of a regulatory framework for hydrogen.

In the wake of the pandemic that reshaped the world, the European recovery plan has also become more tangible. With regard to energy in particular, the plan aims to support projects that contribute directly to achieving European climate objectives in the long term, more specifically the project to establish a European hydrogen backbone, a project in which Fluxys Belgium is actively involved.

## Innovation

To shape the energy transition, innovative technologies will have to be developed or scaled up as quickly as possible, along various lines: both with regard to the production of the energy carriers themselves and in the way carbon-neutral energies are transported and stored.

For example, industry is fully committed to creating and developing innovative technologies to produce carbon-neutral hydrogen. This hydrogen can then be used directly or as a basic component for other innovative derivatives such as synthetic methane and synthetic methanol. These synthetic energy carriers can also be produced using CO<sub>2</sub> captured from industry, establishing innovative and circular production processes that have a carbon-neutral or even carbon-negative footprint.

The gases vital to a carbon-neutral future will need to be transported and stored, so Fluxys Belgium is doing everything it can to make this possible, drawing on a plan to innovatively repurpose existing infrastructure and build new infrastructure to serve as tools for the energy transition.



# Our reporting



## In line with GRI standards

The reporting in this sustainability report integrates non-financial information in line with Global Reporting Initiative<sup>1</sup> (GRI Standards - Core) and thus provides an explanation of the topics that are material to Fluxys Belgium's activities, taking into account the context and value chain within which the company operates and the interests of the company's stakeholders.

## Our stakeholders

Fluxys Belgium maps its stakeholders every two years with a view to identifying the extent of any mutual interaction between the scope of Fluxys Belgium's activities and those of potential stakeholders.

Given Fluxys Belgium's role in the energy transition, non-governmental organisations were included as stakeholders in the most recent stakeholder analysis (in 2020). Some stakeholders have also seen their role change. For example, a number of stakeholders with whom Fluxys Belgium has had long-standing commercial relations in the context of the supply of natural gas are now partners in projects to transport carbon-neutral energy carriers and CO<sub>2</sub> in Belgium.



1. The Global Reporting Initiative (GRI) provides a generally accepted system for sustainability reporting. This includes principles and indicators that organisations can use to uniformly and transparently report on their economic, environmental and social performance.



Stakeholder	Interaction	Expectations
Employees		
	<ul style="list-style-type: none"><li>• Constant provision of information via the intranet and a wide range of training courses and opportunities for development</li><li>• Continuous contact through daily management</li><li>• Regular consultation on platforms such as the works council or Committee for Prevention and Protection at Work</li><li>• (In)formal chats about psychosocial risks</li></ul>	<ul style="list-style-type: none"><li>• Good employer</li><li>• Safe, healthy working environment</li><li>• Fluxys Belgium’s active role in the energy transition</li></ul>
Local residents		
<ul style="list-style-type: none"><li>• Residents owning or using land where our infrastructure is located or in the vicinity thereof</li><li>• Agricultural, forestry and hunting organisations</li><li>• Permit authorities, local authorities and emergency services of the towns, cities and municipalities where our infrastructure is located or where we carry out work</li></ul>	<ul style="list-style-type: none"><li>• Contact in the framework of daily operations and the construction of infrastructure</li><li>• Information campaigns</li><li>• Awareness-raising campaigns</li><li>• Drills with emergency services</li></ul>	<ul style="list-style-type: none"><li>• Information</li><li>• Safety</li><li>• Limitation of disruption</li></ul>
Shareholders		
	<ul style="list-style-type: none"><li>• Regular consultation in the company’s various bodies with shareholders’ representatives on matters including strategy, financial performance, risk management, and the safety and reliability of natural gas transmissionr</li></ul>	<ul style="list-style-type: none"><li>• Fluxys Belgium plays an active, positive role in the energy transition thanks to its sound financial situation and reliable infrastructure</li></ul>
Customers		
<ul style="list-style-type: none"><li>• The users of the transmission system, the Loenhout storage facility and the Zeebrugge LNG terminal: gas producers, wholesalers, traders and suppliers who buy capacity in the company’s infrastructure to get their gas to its intended destination</li><li>• Distribution system operators connected to Fluxys Belgium’s network to supply gas to homes and SMEs</li><li>• Consumers directly connected to the transmission system, such as industrial companies and natural-gas-fired power plants. They mostly do not purchase capacity from Fluxys Belgium but there is an operational link due to their physical connection to the transmission system</li></ul>	<ul style="list-style-type: none"><li>• Permanent contact through a team of key account managers</li><li>• An annual event for each customer group with a view to addressing topics that regularly come up in day-to-day contact with key account managers</li><li>• Fluxys Belgium conducts a market consultation in accordance with the regulatory framework when developing new services, proposing new tariffs or suggesting amendments to contractual documents</li></ul>	<ul style="list-style-type: none"><li>• Optimum availability of infrastructure capacity</li><li>• Competitive tariffs</li><li>• Innovative services</li><li>• Customers, who take account of total emissions generated by their supply chain, have high expectations with regard to their suppliers’ climate impact</li></ul>

Stakeholder	Interaction	Expectations
Suppliers		
	<ul style="list-style-type: none"><li>• Regular contact with the business units and the central procurement office with regard to the execution of contracts</li><li>• A number of suppliers are initially in close contact with Fluxys Belgium with regard to the qualification procedure to be completed by suppliers in order to be able to supply products and services</li><li>• Some suppliers receive a questionnaire about their environmental, health and safety practices</li></ul>	<ul style="list-style-type: none"><li>• In terms of sustainability, the suppliers’ objectives and the approach adopted by Fluxys must align</li></ul>
Authorities and regulators		
<ul style="list-style-type: none"><li>• The Belgian and European governments and energy regulators</li><li>• Financial regulators such as the Financial Services and Markets Authority (FSMA)</li></ul>	<ul style="list-style-type: none"><li>• Consultation and information exchange with Belgium’s federal energy regulator, the Federal Public Service (FPS) Economy, regional authorities and the European energy regulator</li><li>• Periodic regulated information to the FSMA via publications, reports and notifications</li></ul>	<ul style="list-style-type: none"><li>• Well-functioning energy market</li><li>• Safe and reliable transmission infrastructure</li><li>• Initiatives regarding the energy transition</li></ul>
Financial institutions		
	<ul style="list-style-type: none"><li>• Periodic regulated information via publications, reports and notifications</li></ul>	<ul style="list-style-type: none"><li>• Transparent information about Fluxys Belgium’s sustainability policy</li></ul>
Non-governmental organisations		
<ul style="list-style-type: none"><li>• Non-governmental organisations active specifically in the fields of the energy transition, climate change and environmental issues such as biodiversity, water and waste management</li></ul>	<ul style="list-style-type: none"><li>• Consultation and exchange of views</li></ul>	<ul style="list-style-type: none"><li>• Transparent information and clear commitments</li></ul>



Materiality analysis

Fluxys Belgium consulted its stakeholders in 2020 to gather their views on the significance of Fluxys Belgium’s role and impact in the 17 relevant sustainability areas.

The company’s Management Team was also consulted. The materiality matrix shows the consolidated result of both consultations.

Overview of areas considered essential by both the Fluxys Belgium Management Team and the company’s stakeholders

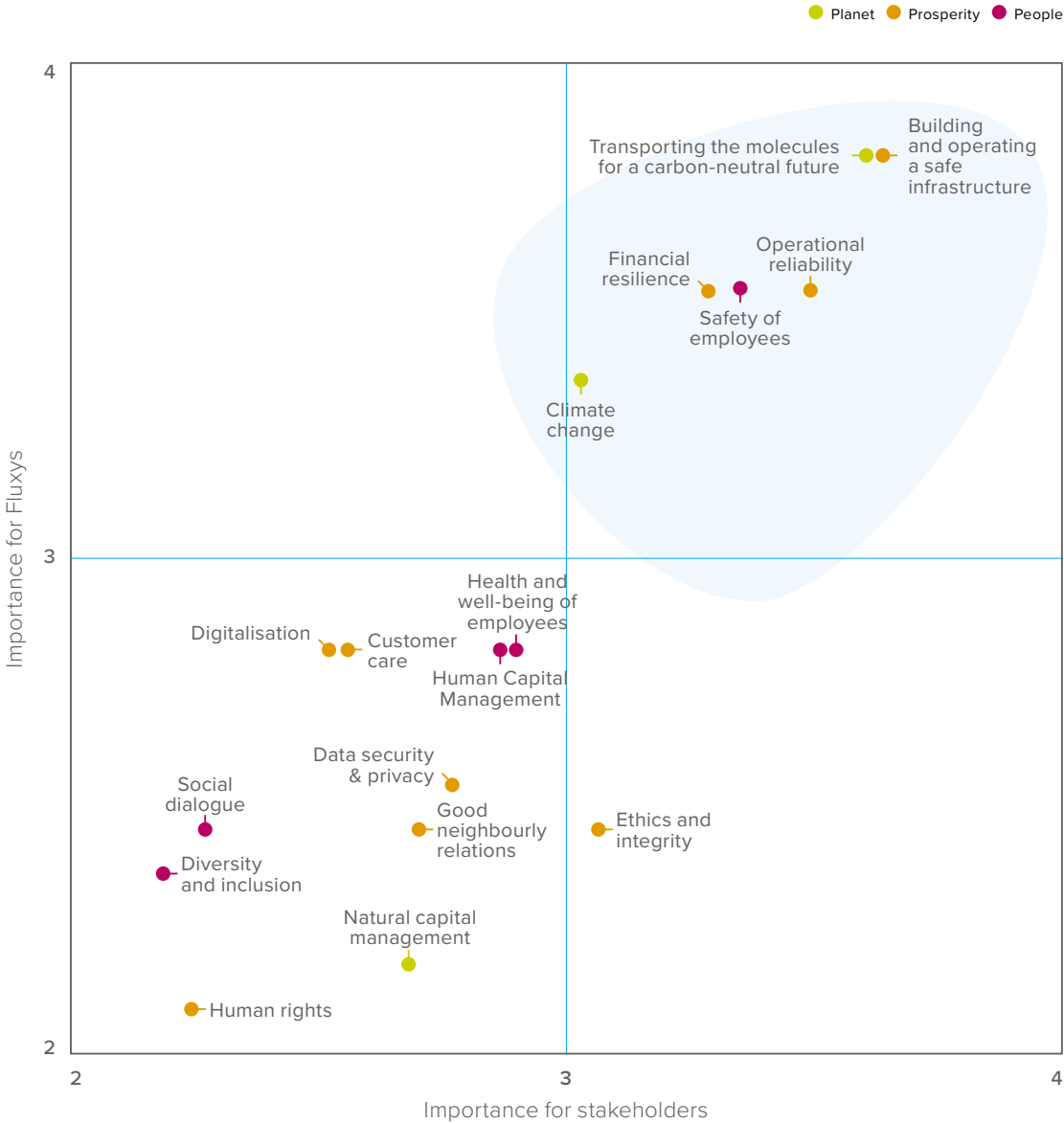
<b>Building and operating safe infrastructure:</b> safety of infrastructure over its entire life cycle, from design to decommissioning	<b>Safety of employees:</b> employee safety, including occupational accidents
<b>Transporting climate-neutral energy carriers:</b> transporting hydrogen, synthetic methane, biomethane, other carbon-neutral energy carriers and CO <sub>2</sub>	<b>Financial resilience:</b> the economic performance and development of business activities that create value for all stakeholders
<b>Operational reliability:</b> operational excellence, security of supply, including security of information and communication systems	<b>Climate change:</b> the impact of our own activities on the climate (greenhouse gas emissions and energy efficiency)

Reporting methodology

This sustainability report provides extensive information on the six key areas mentioned above and on **human rights, diversity** and **anti-corruption activities** in line with GRI Standards,

While succinctly touching on the other areas in the materiality matrix.

Materiality matrix





Memberships

	Energy	Climate - Environment	Research - Technology
Antwerp@C (via moedergroep Fluxys)	x	x	x
European Network of Transmission System Operators for Gas (ENTSOG)	x	x	
Gas Infrastructure Europe (GIE)	x	x	
Belgian Welding Institute			x
Biogas-E	x	x	
Buisleiding Industrie Gilde (BIG)			x
Catalisti	x	x	x
Cedigaz	x		
Centre Français de l'Anticorrosion (Cefracor)			x
European Committee for Standardization (CEN)			x
Centre on Regulation in Europe (Cerre)	x		
ClusterTweed	x	x	x
COGEN Vlaanderen	x	x	
EASEE-gas	x		
European Pipeline Research Group			x
Federatie van transporteurs per pipeline (Fetrapi)	x		
Flux50	x	x	x
gas.be	x	x	x
Gas for Climate	x	x	
European Gas Research Group (GERG)			x
H2GridLab (via moedergroep Fluxys)	x	x	x
Hydrogen Europe	x	x	
International Group of Liquefied Natural Gas Importers (GIIGNL)	x	x	x
International Gas Union (IGU)	x	x	
International Organization for Standardization (ISO)			x
Marcogaz	x	x	x
NGVA Europe	x	x	
Pipeline Operators Forum			x
North-C-Methanol (via parent company Fluxys)	x	x	x
Science Based Targets Initiative		x	x
Smart Delta Resources	x	x	
Society of International Gas Tanker and Terminal Operators (SIGGTO)	x		
Synergrid	x	x	x
The Shift		x	
Valorisation de la Biomasse (ValBiom)	x	x	
Hydrogen Import Coalition (via parent company Fluxys)	x	x	x
WaterstofNet	x	x	

GRI overview

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In 2021, Fluxys Belgium and Fluxys LNG received a reduction in withholding tax of €606,096.44 and €0 respectively. The partial exemption from paying withholding tax is the result of the structural exemption for all employee categories, for shift, night and continuous work, for a certain number of overtime hours, and for R&D (certain qualifications).

Furthermore, in 2020 Fluxys Belgium received an advance ruling on the innovation income deduction for the financial years 2019, 2020 and 2021. This regime, which replaced the patent income deduction, provides for a deduction calculated on net income from intellectual property limited in proportion to the share of the company's own R&D expenditure or the share outsourced to non-affiliated companies in the total R&D expenditure relating to this intellectual property. The deduction for the 2020 financial year (declaration submitted in 2021) totalled €7,905,272.41, i.e. a net tax gain of €1,976,318.10.

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# Independent limited assurance report on the sustainability information of the annual financial report 2021 of Fluxys Belgium NV

## To the Board of Directors of Fluxys Belgium NV

This report has been prepared in accordance with the terms of our engagement contract dated 27 October 2021 and its addenda dated 25 November 2021 and 9 March 2022 (the “Agreement”) and, whereby we have been engaged to issue an independent limited assurance report in connection with the selected sustainability indicators, marked with a checkmark (☑) of the Annual financial report as of and for the year ended 31 December 2021 (the “Report”).

### The Directors’ responsibility

The Directors of Fluxys Belgium NV (“the Company”) are responsible for the preparation and presentation of the information and data in the selected sustainability indicators for the year 2021, marked with a checkmark (☑) in the Report of Fluxys Belgium NV (the “Subject Matter Information”), in accordance with the criteria disclosed in the Report (the “Criteria”).

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

### Auditor’s responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance

as to whether any matters have come to our attention that cause us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable engagement been performed. The selection of such procedures depends on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised the following procedures:

- Assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2021 presented in the Report.
- Conducting interviews with responsible officers.
- Reviewing, on a limited test basis, relevant internal and external documentation.
- Performing an analytical review of the data and trends in the information submitted for consolidation.
- Considering the disclosure and presentation of the Subject Matter Information

The scope of our work is limited to assurance over the selected sustainability indicators, marked with a checkmark (☑) in the Report of Fluxys Belgium NV. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

### Our independence and quality control

Our engagement has been carried out in compliance with the legal requirements in respect of auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organizing the audit profession and its public oversight of registered auditors, and with other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International

Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected sustainability indicators, marked with a checkmark (☑) within your Report as of and for the year ended 31 December 2021, has not been prepared, in all material respects, in accordance with the criteria.

### Other ESG related information

The other information comprises all of the ESG related information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other ESG related information.

As explained above, our assurance conclusion does not extend to the other ESG related information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other ESG related information and, in doing so, consider whether the other ESG related information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

### Other matter - restriction on use and distribution of our report

Our report is intended solely for the use of the Company, to whom it is addressed, in connection with their Report as of and for the year ended 31 December 2021 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Diegem, 7 april 2022

PwC Bedrijfsrevisoren BV/  
Reviseurs d’Entreprises SRL

Represented by

Marc Daelman<sup>1</sup>  
Registered auditor

1. Marc Daelman BV, director, represented by its permanent representative Marc Daelman.



## Methodology for calculating greenhouse gas emissions

### Scope and sites

- Emissions from scopes 1 and 2
- All relevant sources of emissions in our activities

### Definitions

#### Scope 1

##### 1. Sources of CO<sub>2</sub>

CO<sub>2</sub> emissions from gas consumption:

- Stationary combustion: gas turbines, gas engines, boilers and heaters in Fluxys Belgium's facilities
- Consumption of office buildings (headquarters and regional operating centres)
- Flaring during work
- Fleet (CNG vehicles)

CO<sub>2</sub> emissions relating to diesel and gasoline consumption:

- Fleet
- Emergency generators

##### 2. Sources of CH<sub>4</sub>

- Pneumatic emissions: emissions from pneumatic control systems
- Fugitive emissions: emissions due to problems with seals on some equipment (flanges, pipe equipment, valves, joints, seals)
- Operational emissions: emissions due to machinery starting and stopping and incomplete combustion
- Interventions: volume vented for interventions
- Incidents: vented volume due to emergency breakdowns/shutdowns or due to pipeline damage caused by third parties

For the purpose of our calculation, we assume that 1 kg of methane contributes 25 times as much to climate change as 1 kg of CO<sub>2</sub> (GWP<sub>100</sub> = 25, according to the fourth IPCC report).

#### Scope 2

The carbon footprint of the generation of the purchased electricity. As defined in the GHG protocol (ghgprotocol.org), scope 2 emissions physically occur at the site where the electricity is generated. Our green electricity contract came into force on 1 January 2021. Scope 2 emissions are equal to zero.

## Health, Safety and Environment Policy

Health, safety and the environment (HSE) is a responsibility and commitment for both Fluxys and its employees. Transparency and trust are key to realising our HSE policy.

### Well-being at work

- Fluxys is committed to investing in occupational health and safety and incident prevention
- Employees and contractors have the individual responsibility to live up to that commitment in their actions
- We continuously improve to further enhance our safety culture

### Integrity of our assets

- We ensure safe, reliable and sustainable operations for our stakeholders
- We actively manage risk through a Quality & Safety Management System
- We report incidents and learn from experience

### Commitment to the climate targets

- We are committed to accommodating the energy carriers of the future
- We invest in reducing our greenhouse gas emissions
- We improve our ecological footprint





# Our governance



Management Team BE & Managing Director and CEO:  
Peter Verhaeghe, Pascal De Buck, Arno Bux, Christian Leclercq

## Commitment to sustainability

Fluxys Belgium’s commitment to sustainability is an integral part of its business strategy. This strategy serves as the guiding force in our model for creating value for various stakeholders in our three key domains, People, Planet and Prosperity, with Planet incorporating our commitments to achieving the climate targets. The Board of Directors, as the company’s highest body, is responsible for the strategy and its review.

A number of advisory bodies have been established within the Board of Directors to assist the Board in its tasks: the Strategic Advice Committee, the Audit and Risk Committee, the Corporate Governance Committee, and the Appointment and Remuneration Committee.

The Board of Directors has delegated the daily management of Fluxys Belgium and has granted special powers to one of its members, who is called the Managing Director and is also the company’s Chief Executive Officer (CEO). The Managing Director is authorised to entrust certain aspects of the daily management or their specific powers to a Management Team BE.

## Corporate objectives

Fluxys Belgium gives tangible form to its strategy and commitment to sustainability by means of corporate objectives in the domains of Planet, Prosperity and People, which are translated every year into personal objectives in the performance management cycle.

The performance-related remuneration of the Managing Director and CEO and of the Management Team BE is based on the extent to which these objectives are achieved. This is evaluated by the Board of Directors based on advice from the Appointment and Remuneration Committee. The achievement of objectives also determines the performance-related remuneration paid to Fluxys Belgium employees. Collective bargaining agreement CAO 90, which applies to employees, also includes incentives aimed at reducing Fluxys Belgium’s greenhouse gas emissions, for instance.

*More information about corporate governance at Fluxys Belgium can be found in the Corporate Governance Declaration starting on page 130.*



## Our Board of Directors as at 30 March 2022

### Board of Directors

- **Daniël Termont**, Chairman of the Board of Directors and Vice-Chairman of the Strategic Advice Committee
- **Claude Grégoire**, Vice-Chairman of the Board of Directors and Chairman of the Strategic Advice Committee
- **Pascal De Buck**, Managing Director and CEO
- **Abdellah Achaoui**
- **Jos Ansoms**
- **Sabine Colson\***, Chairman of the Corporate Governance Committee
- **Laurent Coppens**
- **Patrick Côté**
- **Valentine Delwart\***
- **Cécile Flandre\***
- **Sandra Gobert\***
- **Andries Gryffroy**

- **Ludo Kelchtermans**, Chairman of the Audit and Risk Committee
  - **Roberte Kesteman\***
  - **Anne Leclercq\***
  - **Renaud Moens**, Chairman of the Appointment and Remuneration Committee
  - **Josly Piette**
  - **Koen Van den Heuvel**
  - **Geert Versnick**
  - **Sandra Wauters\***
  - **Tom Vanden Borre**, federal government representative acting in an advisory capacity
  - **Maxime Saliez**, federal government representative acting in an advisory capacity
- Nicolas Daubies**, Deputy Director Group General Counsel and Company Secretary, acts as secretary to the Board of Directors.

### Strategic Advice Committee

- **Claude Grégoire**, chairman
  - **Daniël Termont**, vice-chairman
  - **Abdellah Achaoui**
  - **Jos Ansoms**
  - **Patrick Côté**
  - **Valentine Delwart**
  - **Anne Leclercq**
  - **Koen Van den Heuvel**
  - **Sandra Wauters**
  - **Andries Gryffroy**, observer acting in an advisory capacity
  - **Tom Vanden Borre**, federal government representative acting in an advisory capacity
  - **Maxime Saliez**, federal government representative acting in an advisory capacity
- Nicolas Daubies**, Deputy Director Group General Counsel and Company Secretary, acts as secretary to the Strategic Advice Committee.

### Corporate Governance Committee

- **Sabine Colson**, Chairman
  - **Laurent Coppens**
  - **Valentine Delwart**
  - **Sandra Gobert**
  - **Roberte Kesteman**
  - **Anne Leclercq**
  - **Josly Piette**
- Nicolas Daubies**, Deputy Director Group General Counsel and Company Secretary, acts as secretary to the Corporate Governance Committee.

### Audit and Risk Committee

- **Ludo Kelchtermans**, Chairman
  - **Sabine Colson**
  - **Laurent Coppens**
  - **Patrick Côté**
  - **Cécile Flandre**
  - **Anne Leclercq**
  - **Sandra Wauters**
- Nicolas Daubies**, Deputy Director Group General Counsel and Company Secretary, acts as secretary to the Audit and Risk Committee.

### Appointment and Remuneration Committee

- **Renaud Moens**, chairman
  - **Valentine Delwart**
  - **Cécile Flandre**
  - **Sandra Gobert**
  - **Roberte Kesteman**
  - **Koen Van den Heuvel**
  - **Geert Versnick**
- Anne Vander Schueren**, HR Director, acts as secretary to the Appointment and Remuneration Committee.

### Managing Director and CEO and Management Team BE

#### Managing Director and CEO

- **Pascal De Buck**

#### Management Team BE

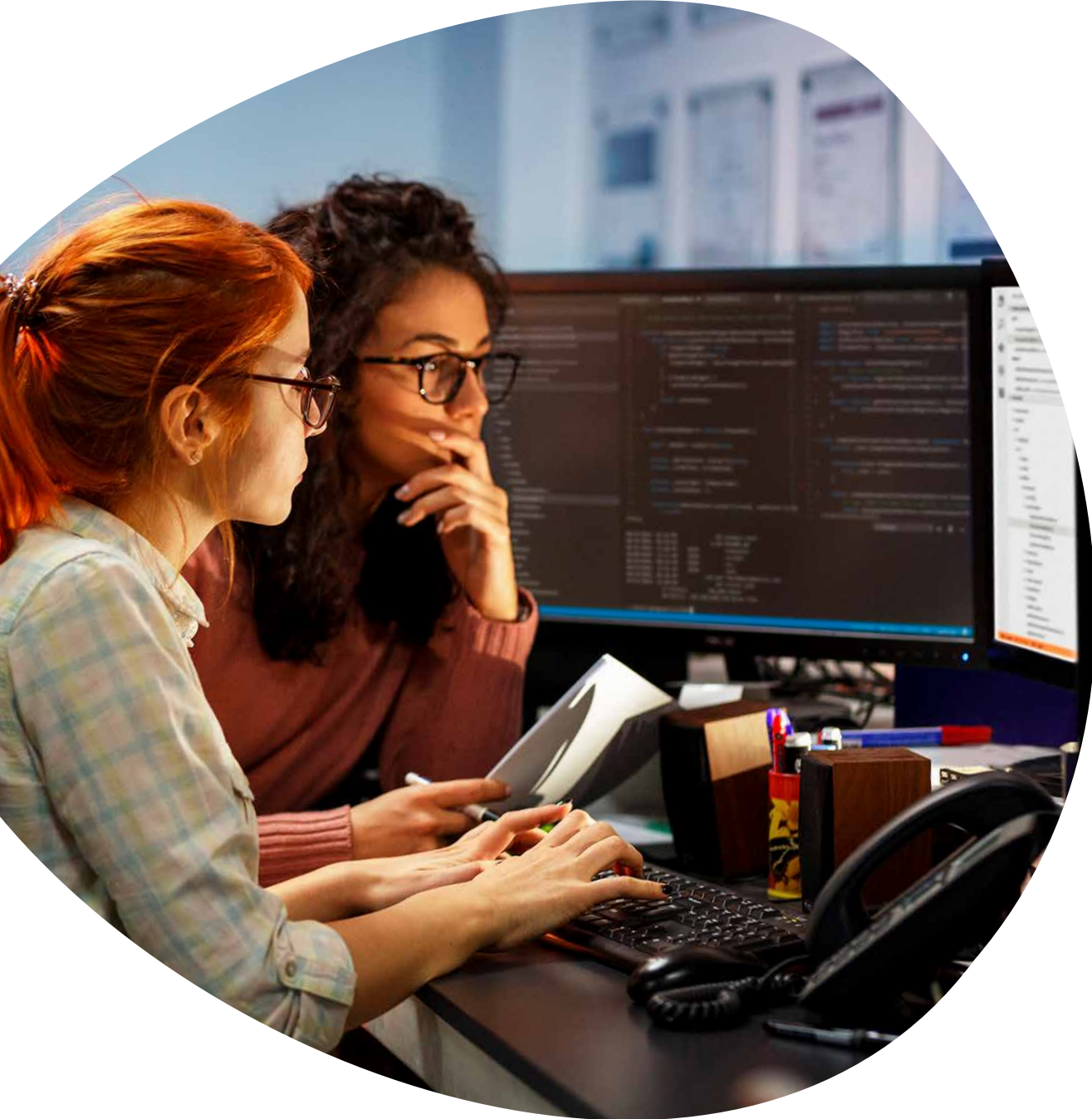
- **Arno Büx**, member of the Management Team BE and Chief Commercial Officer
- **Christian Leclercq**, member of the Management Team BE and Chief Financial Officer
- **Peter Verhaeghe**, member of the Management Team BE and Chief Technical Officer

**Nicolas Daubies**, Deputy Director Group General Counsel and Company Secretary, acts as secretary to the Managing Director and CEO and Management Team BE.

\*Independent director within the meaning of the Gas Act and as per the Belgian Code on Corporate Governance.



# Our risk management process



## Integrated risk management

Fluxys Belgium works with a risk management system based on ISO 31000 with a view to generating maximum sustainable value for the organisation’s activities. To this end, we map out the possible consequences of uncertainty – both positive and negative – that will have an impact on the organisation. Risk management is integrated into the company’s strategy, business decisions and activities.

## Process actors

All our departments identify, analyse and evaluate their risks and report on how risks are managed. They work with management to map out the main risks, controls and mitigating measures. The Audit and Risk Committee examines all key risks, controls and mitigating measures every year.

The Risk Department systematically coordinates and supports the compawny-wide risk process. This approach is approved by the Audit and Risk Committee.

The risk assessment process takes into account impact on finances, safety, security of supply, sustainability, climate and reputation. Risk assessments are done in the short, medium and long term. The biggest risks are monitored on a quarterly basis.

## Internal control process

The *three lines of defence model* is the internal control model used to manage our risks and carry out controls.

First line	Second line	Third line
<ul style="list-style-type: none"><li>• The first line of defence: the departments themselves.</li><li>• The departments are responsible for their risks and ensure effective controls and measures.</li></ul>	<ul style="list-style-type: none"><li>• The second line of defence: the Risk and Compliance teams as well as, in certain cases, the Finance, Health, Safety and Environment, and ICT Security departments.</li><li>• They guide those in the first line in risk management, compliance with regulations, guidelines and internal rules, budget monitoring and the security of staff, facilities, ICT systems and information.</li></ul>	<ul style="list-style-type: none"><li>• The independent third line of defence: Internal Audit, which is responsible for monitoring business processes.</li><li>• Internal Audit performs risk-based audits to monitor the effectiveness and efficiency of the internal control system and processes. The department also performs compliance audits to ensure that guidelines and processes are consistently applied.</li></ul>



# Legal and regulatory framework



## Europe

Since 3 March 2011, the European natural gas market has been regulated by the European Union's third energy package:

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Third Gas Directive);
- Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (Second Gas Regulation);
- Regulation (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (ACER Regulation).

## Belgium

Within the current legal and regulatory framework, a regulated system is applied to transmission (both domestic and border-to-border), natural gas storage and LNG terminalling. As required by European legislation, the Belgian market is supervised and overseen by independent regulators. The supervisory authority for the regulated activities of the Fluxys Belgium group is the federal regulator, the Commission for Electricity and Gas Regulation (CREG).

### Legislation

The Belgian Gas Act forms the general basis of the regulatory framework and incorporates the main principles that apply to the activities of Fluxys Belgium and Fluxys LNG as operators of the transmission network, natural gas storage facilities and LNG terminalling facilities.

The third package of legislative measures, in particular the Directive of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, was transposed into Belgian legislation (Law of 8 January 2012 amending the Gas Act adopted as of 21 January 2012):

- The legislation provides for a procedure for certifying operators of the transmission network, natural gas storage facilities and LNG terminalling facilities. The aim of this certification is to verify compliance with the requirements of unbundling operators from energy suppliers or producers (ownership unbundling). On 27 September 2012, CREG certified Fluxys Belgium as a transmission system operator that works entirely separately from natural gas suppliers and producers.
- In addition to the certification procedure, the procedure for appointing operators of the transmission network, natural gas storage facilities and LNG terminalling facilities remains unchanged by Ministerial Decree. As a result, on 23 February 2010 Fluxys Belgium was appointed operator of the natural gas transmission network and of the natural gas storage facility, and Fluxys LNG was appointed operator of the LNG facility.
- CREG is also responsible for developing the methodology for transmission, storage and LNG terminalling tariffs after having undertaken a public consultation on the subject. Operator tariff proposals must be approved by CREG.



Setting tariffs

General remarks

The decisions pertaining to the establishment of the tariff method for the natural gas transmission network, the natural gas storage facility and the LNG facility were approved by CREG on 28 June 2018. This method includes the rules that network operators must comply with when preparing, calculating and submitting tariffs for the period 2020-2023 and which the regulator itself will use for processing these tariff proposals.

The 2020-2023 tariff proposal for transport-related services submitted by Fluxys Belgium on 21 December 2018 based on that method and network code for tariffs (TAR-NC)<sup>2</sup> was reviewed. The reviewed version was finally approved by CREG on 7 May 2019. The approved tariffs are valid for a period of four years, subject to a revision due to an evolution of the regulated assets and liabilities, different from what was estimated for this tariff period.

The 2020-2023 tariff proposal for storage was approved by CREG on 20 December 2019. An amended tariff proposal providing for a tariff reduction was approved on 1 July 2021.

The last updated tariff proposal for terminalling-related services was approved by CREG on 2 December 2021. Thanks to this tariff proposal, a regulated tariff was introduced new services relating to bio-LNG liquefaction and the tariff for the virtual liquefaction service (now known as backhaul liquefaction) was confirmed.

Principles

The tariffs must cover the **estimated authorised costs** necessary to be able to efficiently provide the regulated services. The basis for this calculation is the accounting according to the Belgian accounting rules (Belgian GAAP). The estimated authorised costs include the **operating costs, financial expenditure and regulated return**.

**Operating costs.** The operating costs are divided into:

- manageable costs, for which efficiency gains or losses are distributed between Fluxys Belgium (rise or fall in authorised profits) and regulatory assets or liabilities (increase or decrease in future tariffs), based on a decreasing scale;
- non-manageable costs, for which deviations from the estimated value are fully allocated to the regulatory assets or liabilities.

This encourages Fluxys Belgium to perform its activities in the most efficient way possible. Every saving against the estimated and permitted budget for manageable costs has a positive impact on pre-tax gross profits. On the other hand, exceeding budgets negatively influences the profit.

The following are not considered manageable costs: depreciation, costs relating to other regulated activities, subsidies, taxes, duties and expenses relating to the purchase of commodity products for the operation of the network.

Staff costs, business expenses, services and various goods are considered manageable costs.

**Financial expenditure.** Financial expenditure relates to net financial costs, i.e. after deduction of financial revenue. All actual and reasonable encountered financial costs relating to debt financing for regulated activities are consequently included in the tariffs.

**Regulated return.** The regulated return is the return on equity invested authorised by the regulation. This is calculated based on a remuneration percentage of the average annual value of the regulated assets (average Regulatory Asset Base - RAB). This RAB, based on the calculations under Belgian accounting standards, varies from year to year, taking into account new investments, decommissioning, authorised depreciation and changes in operating capital.

This remuneration percentage is made up of two components determined by the equity/RAB ratio (= S factor).

1. For the equity part up to and including 40% of the RAB, the following applies: average RAB in year n x S<sup>3</sup> x [(OLO n)+(β x risk premium)] x (1+α)

The remuneration percentage (%) as established by CREG for the year ‘n’ is equal to the sum of the risk-free interest rate (based on 10-year Belgian linear bonds (OLOs)) and a premium for the risk of the shares market, weighted with the applicable beta factor. The reference financial ratio of 40% is applied to the average value of the Regulatory Asset Base (RAB) to calculate the reference equity.

The following applies:

- OLO n = for year n, the risk-free rate for the 2020-2023 tariff period, fixed at 2.40% and based on 10-year Belgian linear bonds (OLO).
- β (network operator risk against global market risk) = 0.65 for transmission; 0.78 for storage and terminalling
- risk premium = 3.5%
- α (illiquidity premium) = 20% for transmission and storage

2. For the part of the equity that exceeds 40%, the following applies: average RAB in year n x (S - 40%) x (OLO n + 70 basis points)

CREG encourages a ratio between equity and regulatory asset base that is as close as possible to 40%. As a result, the part of the reference equity that exceeds 40% of the regulatory asset base is remunerated at a tariff fixed at 2.40% and determined on the basis of the risk-free interest rate for the tariff period 2020-2023, based on 10-year Belgian linear bonds (OLO) and a premium of 70 basis points.

The methodology also provides for a specific level of authorised margin for new facilities or extensions to facilities to promote security of supply, or for new facilities or extensions to storage or LNG facilities. The remuneration of the LNG facilities combines a RAB x WACC formula on the initial and replacement investments of the terminal with an IRR (Internal Rate of Return) formula on extension investments undertaken since 2004. CREG establishes a maximum IRR per investment, which Fluxys LNG may not exceed to ensure the attractiveness and competitiveness of the LNG terminal.

The principles of the IRR model for the extension investments by Fluxys LNG were approved by CREG and confirmed in its subsequent decisions.

Finally, in addition to the cost control incentive, other incentives may be granted to the network operator to encourage it to:

- support market integration and security of supply,
- enhance its performance;
- carry out vital research and development activities;
- play an active role in the energy transition;
- boost the quality of its services and stimulate additional sales of capacity.

2. On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) No. 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff methodology for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs.

3 Capped at 40%.



Annual settlement

Every year, a settlement is made which compares the estimated amounts with the real amounts. These differences, with the exception of incentives in favour of or against the margin, are registered on a regulatory asset or liability in the year in which they occur. This applies to the different aspects of the tariff calculation, namely:

- the estimated sales volumes used to determine the unit tariff,
- operating costs,
- financial expenditure,
- the regulated return.

This results in a regulatory debt (if for example the real volumes exceed the estimates or if the operating costs, financial expenditure or regulated return are lower than expected) or a regulatory receivable in the opposite case.

This regulatory debt or receivable is taken into account in accordance with the tariff methodology to set the tariffs for the following regulatory periods.

When devising the new 2020-2023 tariff proposal, the gas system operator identified an expected development in the adjustment account for the 2020-2023 tariff period. This development includes an expected decrease in the adjustment account of up to €100 million by the end of 2023.

If the actual development varies considerably from that expected, whether positively or negatively, this deviation will result in an automatic correction of the tariffs for the gas transmission system.

Code of conduct

The code of conduct determines the terms for accessing the natural gas infrastructure. These terms constitute all the operational and commercial rules that form the framework within which Fluxys Belgium and Fluxys LNG enter into contracts with users of the transmission, storage and LNG infrastructure.

An initial code of conduct was established by the Royal Decree of 4 April 2003. From 2006 onwards, several market consultations were organised by CREG on the evolution of this code. On 15 January 2011, the Royal Decree of 23 December 2010 on a new code of conduct came into effect.

That code of conduct states that operators (for transmission, storage and LNG terminalling) must draw up a range of documents which are subject to CREG's approval: the Access Code for Transmission, the Transmission Programme, the Standard Transmission Agreement and the Standard Connection Agreement. When drawing up these documents, the network users concerned are consulted to ensure that the services offered are aligned as closely as possible with market needs. Only after this consultation can the documents be submitted to CREG for approval.

Compliance officer

The code of conduct states that the network operator must appoint a compliance officer under the commitments that the network operator enters into regarding non-discriminatory access to the network. Fluxys Belgium has appointed a compliance officer. In 2015, the compliance officer set up a compliance programme with the specific details of the rules of conduct that members of staff must comply with regarding non-discrimination, transparency and handling of confidential information. The Board of Directors and Management of Fluxys Belgium approved the compliance programme.

Every year, a compliance report is prepared for both Fluxys Belgium and Fluxys LNG and the results are published on the website of Fluxys Belgium.





**Questions about accounting data**

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shaping together  
a bright energy  
future