




ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT 2012



July 2013

Introduction

This summary Environmental, Social & Governance Report 2012 was compiled by the Investor Relations Department at Eandis. It covers topics of interest to investors with a focus on socially responsible investing (SRI). The report is based on the information included in Eandis' Milieurapport 2012 [Environmental Report 2012] and in its Activiteitenverslag 2012 [Activity Report 2012], both documents in Dutch and available on the company website www.eandis.be. Some documents can also be found in a French or English version on our company website.

For the first time, we have also included references to the General Standard Disclosures and the Specific Standard Disclosures according to the Global Reporting Initiative (GRI) guidelines (version 4). References to GRI Disclosures in the text of the report are denoted by the following symbol: “ G4-X”.

Message from the CEO



Eandis takes up a special position in the Flemish energy landscape. As a regulated company, acting on behalf of 7 Distribution System Operators (DSOs) covering almost 80 per cent of the Flemish Region, we are faced with many challenges. Consequently, the strategy we develop and the actions we undertake will undoubtedly have an impact on many stakeholders and stakeholder groups: our customers, our shareholders, our employees, our suppliers, the regulators and society at large.

Our role in society compels us to formulate a strategy which takes into account many ecological, social and governance aspects. Eandis' Board of Directors and its Management Committee have taken this consideration to heart. And so, after careful analysis and frank discussions, we have reformulated our strategy. Five main 'pillars' now clearly define what Eandis stands for and what Eandis wants to deliver. These 5 strategic pillars, together with our mission and vision, are highlighted in the following pages. But it should be clear from the outset that sustainability aspects can be traced back in most of our strategic pillars.

I invite you to discover Eandis' views and performance on environmental, social and governance matters in this ESG Report 2012.

Enjoy reading it.

A handwritten signature in black ink, appearing to read 'Walter Van den Bossche'. The signature is stylized and written over a faint, rectangular stamp or watermark.

Walter Van den Bossche
CEO

WHO IS EANDIS

☒ G4-3 / G4-4 / G4-5 / G4-6 / G4-7 / G4-8 / G4-9 / G4-17

Established on 29 April 2006, Eandis is the independent electricity and gas grid operator, working on behalf of 7 Flemish distribution system operators (DSOs). The grid infrastructure is owned by these DSOs and together they are the company's sole shareholders as well. Eandis operates in 234 Flemish cities and municipalities, covering almost 80 per cent of Flanders (the Flemish region in Belgium).

Legal form:	cvba
Headquarters:	Brusselsesteenweg 199, B-9090 Melle (Belgium)
Website:	www.eandis.be
Activities:	distribution of electricity and natural gas, and affiliated activities – its activities are almost 100% regulated activities
Scale:	4,340 employees / serving 2,569,200 access points for electricity and 1,635,285 access points for gas / EUR 2.19 billion in revenue (2012 – IFRS – consolidated)
Subsidiaries:	De Stroomlijn cvba (<i>fully consolidated</i>) Indexis cvba (<i>fully consolidated</i>) Atrias cvba (<i>consolidated according to equity method</i>) SYNDUCTIS cvba (<i>not consolidated</i>)
Long-term issuer rating:	A1 (negative outlook) by Moody's

REPORT CHARACTERISTICS

☒ G4-28 / G4-29 / G4-30 / G4-31 / G4-32 / G4-33

Reporting period:	1 January 2012 – 31 December 2012
Most recent report:	June 2012 (Social & Environmental Report 2011)
Reporting cycle:	annual (January – December)
Point of contact:	Eandis – Investor Relations (e-mail: investors@eandis.be)
In accordance option:	This report is not in accordance with the GRI Guidelines (version 4), but it does contain references to the GRI-4 General Standard Disclosures and Specific Standard Disclosures
External assurance:	no global external assurance carbon footprint calculations are assured externally by Deloitte

MISSION, VISION & STRATEGY

☒ G4-1 / G4-24 / G4-56

Eandis' **mission statement** is:

“We supply energy around the clock to every customer in the municipalities connected to the grid in a safe, reliable and cost-conscious manner. We make targeted investments in the technological modernization of our distribution grids. This allows us to meet the energy demands of tomorrow and to manage the flows of energy to and from the customer.

We safeguard the social interest of the energy supply: we encourage the rational use of energy, we facilitate the supply of energy to people who have difficulty paying for it and we develop a wide range of energy services for our municipalities.

As an independent data manager we guarantee the functioning of the market.”

Our **vision** is formulated as follows:

“We are continually working to ensure added value for our shareholders, our customers, our employees, our operating environment and the authorities, and this is why we are seeking to:

- *systematically improve our performance in order to be – and to remain - the most cost effective public utility in Belgium;*
- *contribute sustainable technological innovations in order to guarantee the operational safety of the grids and to aid in the achievement of the Flemish climate goals;*
- *set the benchmark for the provision of safe, high-quality services while maintaining the utmost respect for the environment and society;*
- *combine forces with other utility operators in order to reduce the obstacles faced by the municipalities and residents;*
- *play a pioneering role in promoting the functioning of the market.”*

Eandis' company strategy is based on **five strategic pillars**:

- **Compliance**

We want to permanently anchor the basis for our activities within the regulated borders. That is why we want to

- carry on an open dialogue with our stakeholders and regulators,
- observe the principles of Corporate Governance,
- guarantee a fair remuneration for our shareholders,
- organize the public service obligations in the most efficient way possible.

- **Performance**

We want to reduce the energy cost for customers and society. That is why we want to

- promote and support energy saving measures,
- actively contribute to the efficient functioning of the energy market,
- integrate cost awareness in all aspects of our activities.

- **Customer oriented**

We want to provide services in a qualitative and transparent way. That is why we want to

- guarantee a reliable and qualitative service,
- attune our services to what the municipalities expect,
- minimize social hindrance.

- **Organization oriented**

We want to develop our organization in an efficient, safe and eco-friendly way. That is why we want to

- systematically improve and simplify our business processes,
- anchor awareness for safety and the environment into our organization,
- build partnerships and cooperation with third parties.

- **Learn & grow**

We want to prepare ourselves for changing market conditions. That is why we want to

- actively go along with opportunities,
- develop our organization and employees in response to new developments,
- pro-actively adapt our activities in view of an optimally functioning energy market,
- anticipate in a timely manner on evolutions in the market and advances in technology.

In our **regulated activities**, we put **operational excellence** first and offer qualitative services to our customers.

In our **non-regulated activities**, we actively go along with opportunities which **support** our strategic focus and enhance our strengths.

Our **core values** indicate how the individual employees realize the company's vision.

In carrying out our operations, we keep five basic values in mind:

- *focus on the customer*
- *performance*
- *independence*
- *regard for employees*
- *sense for responsibility*

Eandis has identified the following parties as its main **stakeholders**:

- *shareholders*
- *customers*
- *employees*
- *society*
- *suppliers*
- *regulators*

We keep these different stakeholders in mind while carrying out our operational tasks, and when setting and outlining our risk management policy and strategy.

As a guideline for all of our employees in their daily activities, Eandis has validated and published an Ethical Code of Behaviour. This document [in Dutch only] can be consulted on the company website www.eandis.be , heading: Publicaties en reglementen, Ethische gedragscode.

ENERGY AND THE ENVIRONMENT

Energy is a basic need for everyone. Night and day, we deliver electricity and natural gas to each customer in our operating area in a reliable and safe way and with due attention to man and the wider environment.

Our **environmental policy** was defined as follows:

“We wish to minimize the impact of our activities on people and the environment. Safety and environmental care are our absolute priorities. In all of its activities, Eandis operates economically, ecologically and sustainably, taking care of tomorrow’s society.”

The pillars of our environmental policy

Eandis considers that it is its social responsibility to continuously improve its environmental performance and to permanently seek a balance between energy, economy and ecology.

Our environmental policy is based on the following pillars:

- *we want to perform at least according to the objectives put forward by European directives, federal law, regional decrees and regulations by local authorities;*
- *we integrate environmental care into all parts of our organization and into all of our purchasing and operational processes;*
- *we proactively manage environmental risks and continuously adapt our procedures and methods in order to improve our environmental performance;*
- *we permanently promote energy efficiency, not only with our own employees, but also with our shareholders and customers;*
- *we carry on an open communication to our employees and society about the environmental impact of our activities.*

The continuous improvement of our environmental performance is guided by clear environmental objectives and measurable parameters, based on the principles of prevention, available technical evolutions and economic feasibility.

Through our permanent vigilance we want to heighten the environmental awareness of our employees and of everyone with a stake in the correct functioning of our company, and to reduce the ecological footprint of our organization.

ENERGY CONSUMPTION AND EMISSIONS

The way we use energy today has an impact on future generations. Eandis wishes to shoulder its responsibility and we therefore try to reduce our own energy consumption.

A few examples:

- New buildings in Turnhout and Erembodegem:

Innovative techniques of RUE (Rational Use of Energy) were used in our new office building in Erembodegem. The influence of outside temperatures is reduced through extensive insulation. More than 75 per cent of the building's energy demand for cooling and heating is covered by energy captured from the soil. Light and movement sensors control the lighting system and ventilation.

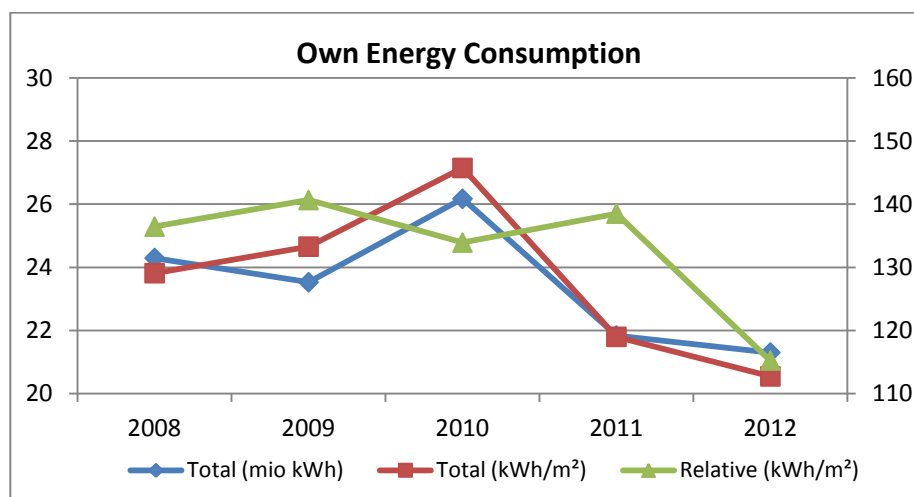
In Turnhout a heat pump and solar boiler were installed. Both the buildings in Erembodegem and Turnhout have far better energy performance scores than the current norms.

- Systematic measuring of our own energy consumption:

☒ G4-EN3 / G4-EN6

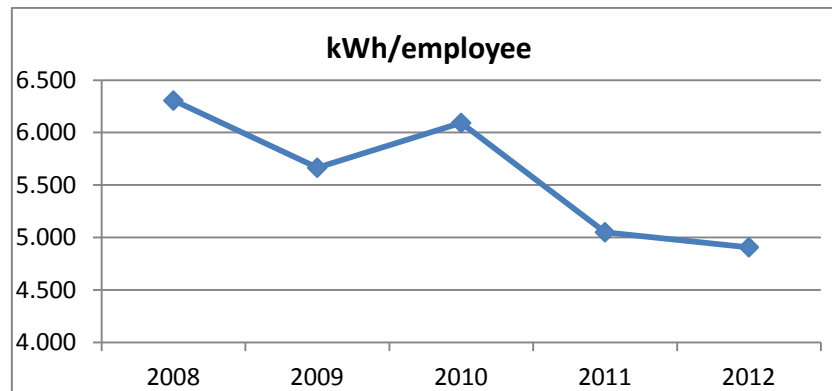
Eandis has been systematically measuring its energy consumption since 2008. We have noticed an increase in our consumption in the period 2008-2010 due to an increase in the number of employees and some cold winters. In 2011, however, we recorded a marked decrease, especially in the gas and steam consumption due to a mild winter and the relentless RUE efforts. In 2012 this decrease continued. See table and graph below for more details (*PM: some figures differ from those reported in last year's report due to some recalculations, e.g. in the number of m²*).

	Total (kWh)	Total (kWh/m ²)	Relative to temperature (kWh)	Relative (kWh/m ²)
2008	24,293,521	129.07	25,682,188	136.45
2009	23,527,021	133.27	24,829,798	140.65
2010	26,170,984	145.73	24,050,428	133.92
2011	21,838,899	118.98	25,421,302	138.50
2012	21,300,120	112.72	21,776,056	115.24



P.M.: the relative energy consumption takes into account the outside temperatures – relative energy consumption is calculated as: absolute electricity consumption + consumption of gas/steam multiplied by ‘average number of degree days divided by number of degree days for the reported period’

Taking into account the number of employees:



Over the period 2008-2012 Eandis has been able to reduce the average energy consumption per employee by more than one fifth (- 22.2%).

Since 2011 Eandis has been using **renewable energy** for its own electricity consumption. Net losses are being compensated by purchasing electricity from renewable generation as well. For social reasons, an exception is made for the electricity needed to supply our social consumers.

☒ G4-EN15 / G4-EN19

Carbon dioxide is one of the major greenhouses gases responsible for global warming. Eandis has been monitoring its carbon dioxide emissions since 2009. Our ambition is to reduce this emission by 20% compared to the 2008 level by 2020. Emissions are calculated according to the internationally accepted ‘Bilan Carbone TM®’,method’. Here are the results (the 2012 results were not yet available):

CO ₂ emission per employee	2008	2010	2011	2020 objective
tonne CO ₂	13.32	12.79	11.49	10.65
% change cf. 2008		-4,.%	-13.7%	-20.0%

Mobility accounts for almost half of the carbon footprint at Eandis. A lot of effort goes into awareness-raising campaigns and technical measures to reduce our carbon footprint. E.g. the car policy has a number of incentives for choosing eco-friendly cars.

Rational Use of Energy (RUE)

Eandis has been and still is a forerunner in the promotion of Rational Use of Energy (RUE) in Flanders. Our campaigns are primarily aimed at the municipalities and other local authorities with a specific focus on the socially vulnerable part of the population.

Eandis is convinced that there is still room for considerable improvements in RUE awareness and performance in Flanders. Energy consumption studies have indeed indicated that there is a potential

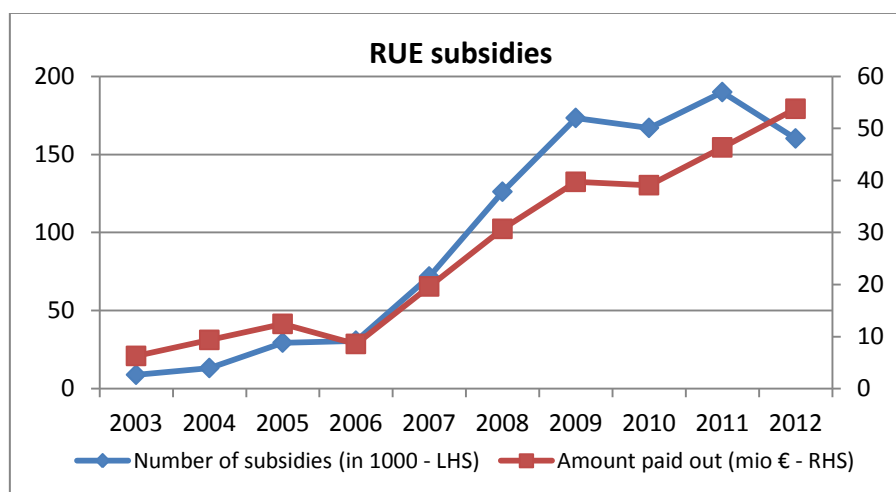
of 30% for energy consumption reduction. Eandis is the natural ally for the Flemish Government in reaching the climate objectives and the implementation of its energy policy.

An overview of our main RUE initiatives.

1. RUE subsidies

As from 2012, Eandis and the DSOs are no longer bound by obligatory targets for energy reduction measures, but the Flemish authorities have replaced this system with action obligations.

The major part of the action obligations imposed on Eandis takes the shape of RUE subsidies for energy-saving measures. The year 2012 has seen a shift in the philosophy of the subsidy system: nowadays the focus is on less subsidies, but the subsidies awarded are for larger amounts as evidenced by the graph below:



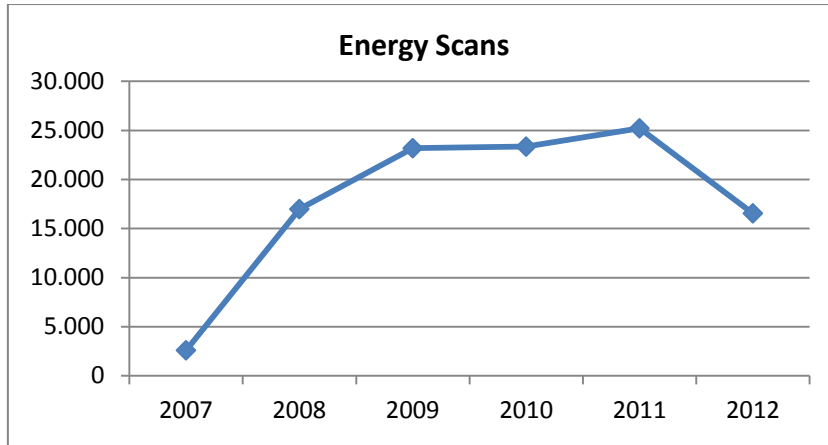
The total amount paid out over 2012 was EUR 53,750,510, a 16% increase compared to the 2011 amount. The average amount per subsidy has increased by 37.9% between 2008 and 2012 (EUR 335.59 EUR).

Most subsidies are awarded for rooftop insulation, super insulating glazing and wall insulation.

2. Energy scans

2007 was the starting-point for the energy scan action plan. A residential energy scan can trace bad energy consumption patterns and highlight where quick wins can be found for reducing energy consumption in the home. A few simple and low-cost measures (such as radiator foil and energy-low light bulbs) were put in place immediately after the scan. The plan was specifically targeted at the socially vulnerable part of the population.

The number of obligatory scans was reduced in 2012, but a customer from the vulnerable target groups could nevertheless still apply for an energy scan.



Since 2010, the basic scan can be evaluated and expanded by a follow-up scan. More than 500 follow-up scans were executed during 2012.

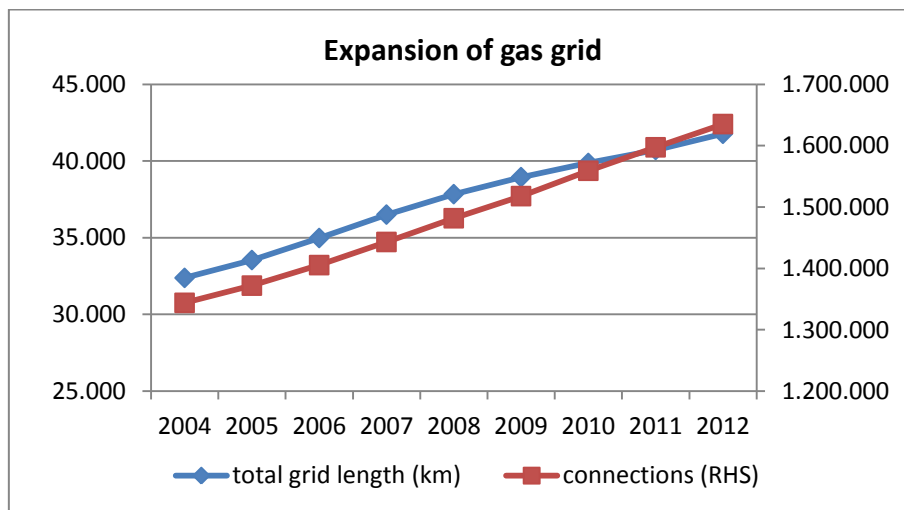
3. Rooftop insulation

Eandis is working together with over 50 housing societies on a large-scale insulation project. In the period 2011-2012 more than 70.000 m² of social housing rooftops was insulated. This scheme will be continued in 2013. The extra subsidy for housing societies of 10 EUR/m², on top of the regular 6-8 EUR/m² subsidy, contributed to the scheme's success.

4. Expansion of the gas distribution grid

Today, natural gas is still the most eco-friendly fossil energy source available. It generates less carbon dioxide while burning, it does not generate soot, its transport does not require transport by road and there is no impact on the soil or underground water resources.

In 2012, our teams realized a further expansion of the gas distribution grids: total net length grew by 179 km (+ 2.4%) in mid-pressure and 874 km (+ 2.6%) in low pressure. The number of connections to the gas grid increased with 37,864 (+ 2.4%).



Eandis is also closely monitoring the technological trends in gas distribution, such as the injection of methane gas into the distribution grids, the development of grids for heat distribution and compressed natural gas as a fuel for vehicles.

5. Energy services for local authorities (ESLA)

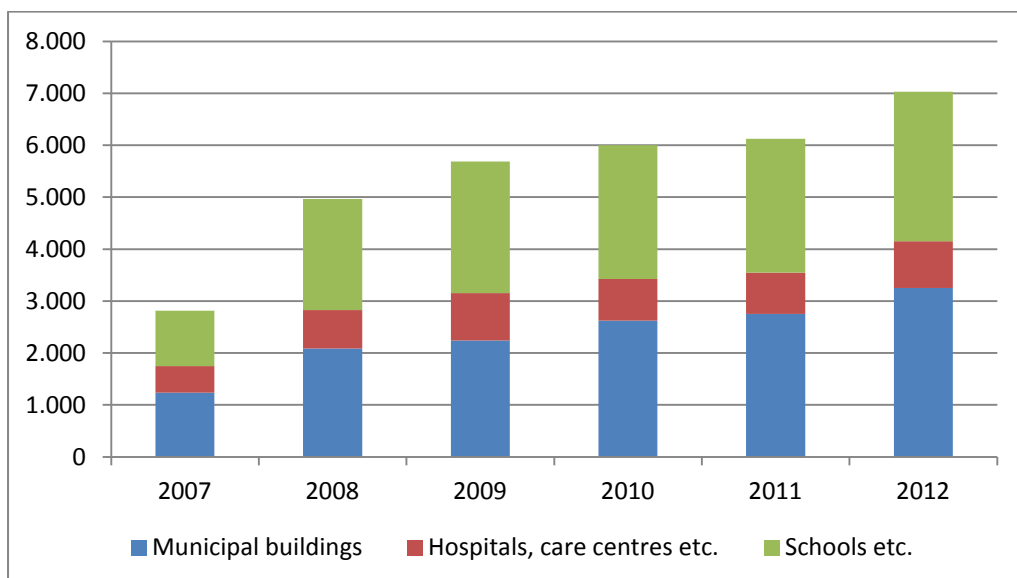
Local authorities are large energy consumers. They are in charge of large buildings (schools, office buildings, sports infrastructure, hospitals and others). They are responsible for public lighting as well. Consequently, there is a huge potential for energy-saving measures with a direct positive impact on overall consumption and municipal budgets.

Eandis targets the local authorities with a unique and diverse package of energy services:

- Heating, ventilation, air conditioning and cooling
- Lighting and relighting
- Energy management
- Insulation & glazing
- Renewable energy

About 70% of the municipalities in Eandis' operating area are now collaborating with us for these Energy Services. We have noticed a clear trend away from solar projects; the municipalities' focus in 2012 was rather more on renovating heating installations, insulation projects and maintenance contracts for heating installations.

We offer a system of energy accounting supported by an IT system. This is an effective means to collect valuable and detailed data on energy consumption patterns and thus to enable corrective measures. The number of buildings included in this energy accounting system has been steadily increasing:



A fine example of ESLA is Eandis' project in collaboration with Antwerp's Municipal School Board. Under the motto 'Energy Cool School' teachers and pupils were encouraged to use energy more efficiently and rationally. Both parties have drawn up an 'Energy Care Plan' for

130 school buildings, resulting in 555 energy-saving measures. When all measures will have been implemented, a gas consumption reduction of 30% (corresponding to 57 million kWh) will be realized; there will also be a considerable reduction in electricity consumption. The concrete measures being implemented are tailor-made for the specific needs of each building.

6. RUE in public lighting

Municipalities have the legal responsibility for lighting public roads and squares, but at the same time they are faced with the financial burden of this task. On average, public lighting swallows up 30 to 50% of a municipality's total electricity consumption.

Our multi-year plan for eliminating inefficient mercury bulbs and replacing them by modern and energy efficient ones has been continued throughout 2012.

Eandis is also intensely investigating the pros and cons of LED technology (Light Emitting Diodes) for public lighting. The positive outcome of a test project in the city of Mechelen carried out in 2011 led us to launch a public procurement procedure for lighting cycle lanes and residential neighbourhoods. With the current state of technology and calculated over a 25 year period, LED lighting is economically equivalent to traditional lighting techniques, but with a considerable carbon dioxide reduction as a nice extra.

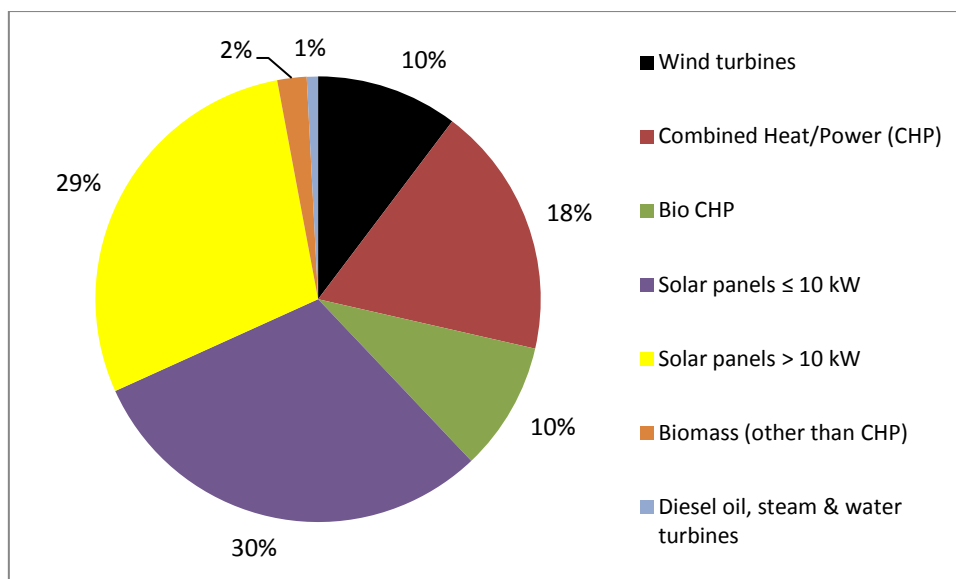
Other innovative lighting techniques, such as dimming and Intelligent Street Lighting (ISL), are being investigated and, where appropriate, test projects have been set up in order to gain technical expertise and insight into the relevant economic aspects.

7. Miscellaneous

Renewable energy

Eandis wishes to facilitate electricity generated from renewable sources. We are responsible for connecting those generating stations to our distribution grid. The rising trend of renewable energy did not diminish during 2012, on the contrary. Decentralized electricity generation (installed capacity) increased by 21% throughout 2012. This was mainly due to an increase in the capacity of solar energy (+ 28%) and wind turbines (+ 27%).

Total capacity of decentralized generation in Eandis' operating area has now reached 2.2 million kVA.



Eandis has been an active participant in sector-wide analysis to determine the optimal conditions for the geographic location of renewable generation installations in the Flemish region. The competent authorities now have at their disposal a detailed map indicating the best locations for renewable energy, both from an energy efficiency point of view as well as from an economical point of view.

SMART METERS AND SMART GRIDS CREATE SMART USERS

We are currently in the midst of a revolution in energy distribution. Being confronted with a lot of social, economic and ecological challenges, European distributors are investigating, testing and implementing ‘smart’ applications, thus facilitating decentralized and renewable electricity generation without losing reliability or power quality. In Eandis’ eyes, smart metering should be an element in transforming distribution grids into smart grids, without neglecting the end-user who should adapt his consumption behaviour and become smart as well.

Smart meters, i.e. digital meters recording electricity and gas consumption, can communicate in (quasi) real time in two directions, from and to the end user. Eandis is gradually building up its expertise and market knowledge. In last year’s report we informed about the proof of concept project in Leest and Hombeek where 2.800 families are acting as ‘energy pioneers’. With a smart meter installed in their home, these families gave us valuable information on how up-to-date feedback on energy consumption affects the use of energy. We discovered that the saving potential for electricity is around 2.6%. For gas, however, a smart meter does not significantly influence the consumption pattern. But we also discovered that a smart meter and the feedback it delivers can motivate more than 80% of end users to save energy... and euros.

Fourteen smart areas selected

Eandis is pursuing its knowledge building with the aid of smart metering. Consequently, we have selected fourteen different districts throughout our entire operating area, each with specific characteristics. This method will allow us to gain experience and insights on the technical, social and economic impact of a possible large-scale introduction of smart meters in Flanders. All in all, some

40,000 smart meters (25,000 electricity meters and 15,000 gas meters) will be installed in the period October 2012-June 2013. Specific points of attention in this pilot project are the 'plug & play' concept for the metering module, data communication and the protection of privacy.

Eandis is pursuing its policy to develop the commercial value of its PLC-concept (Power Line Communications), a device for transmitting data between the smart meter and the grid operator's databases along the low voltage electricity grid.

LINEAR study

Eandis is participating in a study by LINEAR ('Local Intelligent Networks and Energy Active Regions'), a collaboration of Eandis with the University of Louvain, VITO, the industry and the Flemish authorities (VIA – Flanders in Action). How can renewable energy be optimally integrated into the electricity grid by a smart management of electricity consuming and generating appliances, that is the key question in this LINEAR study. About one hundred households, both with and without smart appliances, have been selected for this test project, which was launched in 2012. Preliminary results are expected after a 12-month period.

RESPECT FOR THE SOIL

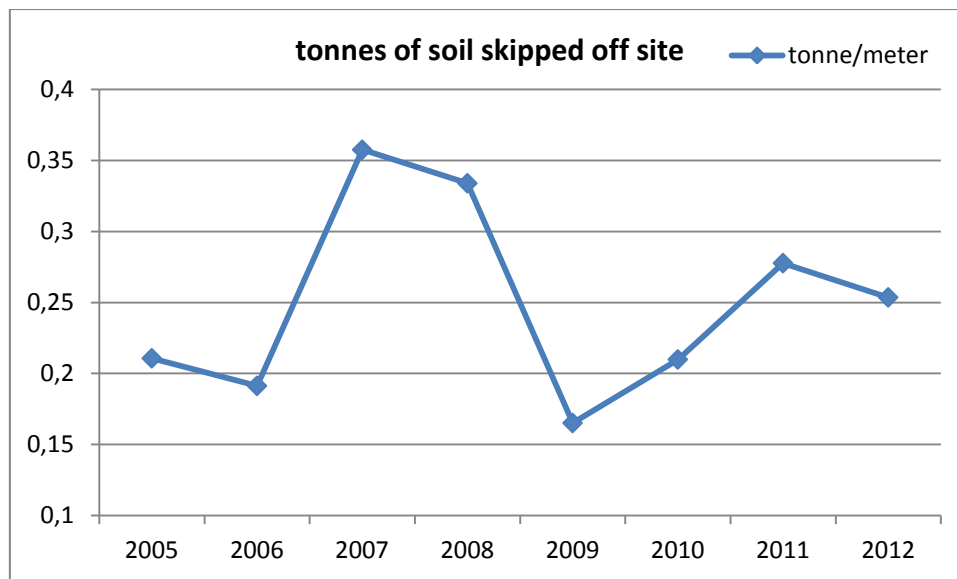
Eandis is fully aware that its activities can have an impact on the soil. That is why we put a lot of effort into minimizing this impact.

Soil remediation

In 2009 Eandis signed an agreement with OVAM (Flemish Public Waste Agency) concerning the soil remediation of 25 sites where a certain degree of soil and groundwater contamination is suspected. The site in Turnhout was completely rehabilitated in 2012. In Roeselare, the soil remediation project was launched in 2012. For a number of other sites (e.g. Wilsele), remediation projects will be launched in the period 2013-2015.

Earthmoving

Excavation works, as well as the transport of excavated ground, are strictly regulated in Flanders. Eandis has chosen to deliver this ground to specialized and certified storage facilities. The relative volume of transported excavated ground (i.e. the volume of transported ground divided by the length of earth works – tonne per meter) has decreased anyway over the year 2012:



TACKLING NUISANCE

Breaking up public roads is never popular, but inevitable when managing distribution grids that are mostly underground. However, Eandis tries to minimize the nuisance caused by its operations through a wide range of measures.

In 2012, Eandis was the first utility to link up to GIPOD, the generic information platform for the public domain of the Flemish authorities. During the first phase of the project the cities of Bruges, Antwerp, Louvain and Brasschaat are covered. In the course of 2013, the next steps in the roll-out will follow. Our planned works are automatically uploaded and updated into GIPOD. In this way, other utilities, municipalities and other stakeholders can consult this information. A data subset is also publicly available through the website: www.wegenwerken.be.

SYNDUCTIS

Working in synergy with other utilities is also a means to reduce the hindrance caused by road works. This is the basic idea behind the creation of SYNDUCTIS, Eandis' newest affiliate. On 18 December 2012, this new company was created by Eandis, and the water companies TMVW and IWVA. SYNDUCTIS will coordinate the infrastructural works in the public domain carried out by the associated utilities. The benefits are numerous: better coordination between utilities and public authorities, a positive impact on service, an overall cost reduction, enhanced flexibility in planning, and an exchange of know-how and best practices between all parties concerned.

In the long run SYNDUCTIS could be used for coordinated negotiations with subcontractors and suppliers, for a shared logistics system and others.

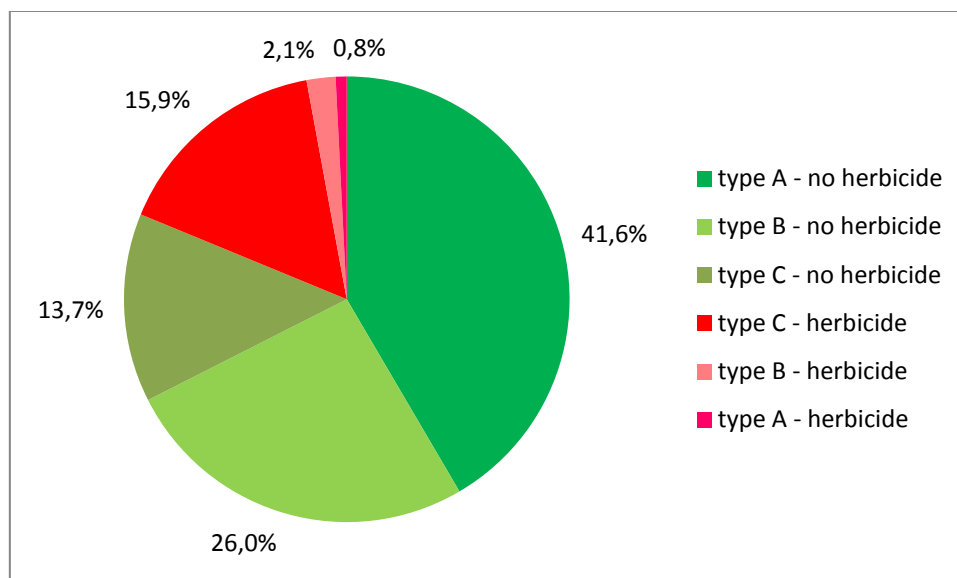
But, in the meantime, the priority is on infrastructural investments in the mid- and long-term. With a small but dedicated team, SYNDUCTIS will investigate quick wins and the best possible coordination.

Public awareness campaigns

Eandis is supporting two major public awareness campaigns. In 2012, both 'Earth Hour' and 'The 17th edition of the Night of Darkness' received wide acclaim. We proposed a joint action plan for both events to no fewer than 108 municipalities. We also switched off the public lighting at our own headquarter buildings in Melle during the action moments.

USE OF HERBICIDES

The use of herbicides for the maintenance of greenery at Eandis premises has further decreased to 18.8% in 2012 from 21.1% in 2011. This testifies to our determination to use alternative and eco-friendly methods instead. All herbicides are now banned for the maintenance of greenery surrounding administrative buildings and paved surfaces around electricity or gas substations (type A). For type B and C surfaces (i.e. those with a combination of paved surface and grass or shrubs), herbicides can only be used after consultation with the local authority.



RESPONSIBLE WASTE MANAGEMENT

Our guiding principle is clear: first of all prevent the creation of waste. In that is not feasible, Eandis tries to limit the volumes, reuse materials and/or aim at recycling. A few examples of how we put this principle into practice.

Transformers play a crucial role in electricity distribution. By making use of a centralized system for transformer management we have succeeded in reusing 300 transformers each year. Apart from that, Eandis is working on limiting transformers' energy losses.

The extensive use of paper is also a form of waste. For this reason, Eandis has switched to the electronic exchange of grid plans with contractors and subcontractors. Since the start of this new

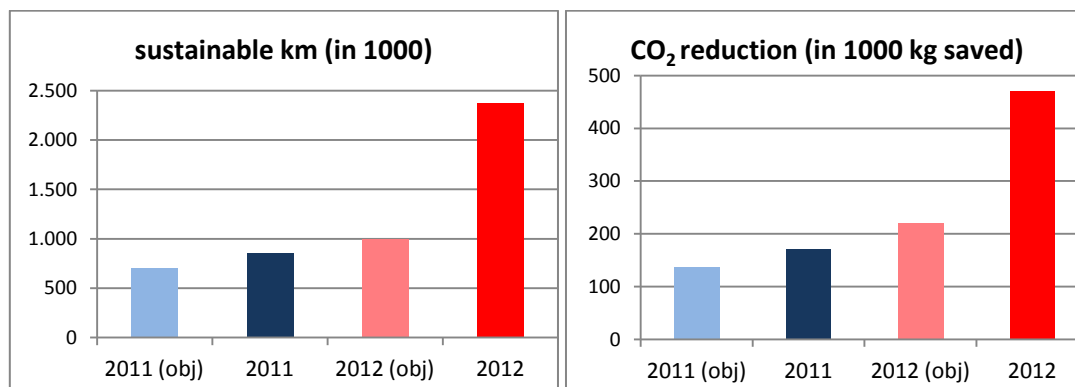
method in July 2012 the use of no less than 95,425 m² of paper (corresponding to 180 trees) has been prevented.

SMART MOBILITY

With more than 4.300 employees and an operating area covering over 80% of the Flemish territory (234 municipalities), mobility is a key aspect of our activities. We actively promote ‘smart mobility’ as a means to achieve sustainable mobility. This means that we try to avoid unnecessary kilometers and to use sustainable means of transportation as much as possible.

- Carpooling is promoted and incentivized throughout the company
- Employees commuting by train, bus, bicycle etc. get financial rewards
- Teleconferencing and telework is promoted
- Open offices: employees can plug into the Eandis computer system with their portable PC from all Eandis office buildings, irrespective of their usual office.

All mobility-related schemes at Eandis are coordinated by the mobility manager. In 2012 the ‘Eandis Mobility Months’ were organized between April and September. The aim was to stimulate our employees to develop more sustainable ways of commuting to and from work. The 2012 results far exceeded those of 2011 and the objectives put forward:



We recorded 1,299 unique participants who commuted to work in a sustainable way at least six times during the Mobility Months. 13 out of 14 sites succeeded in beating their objective.

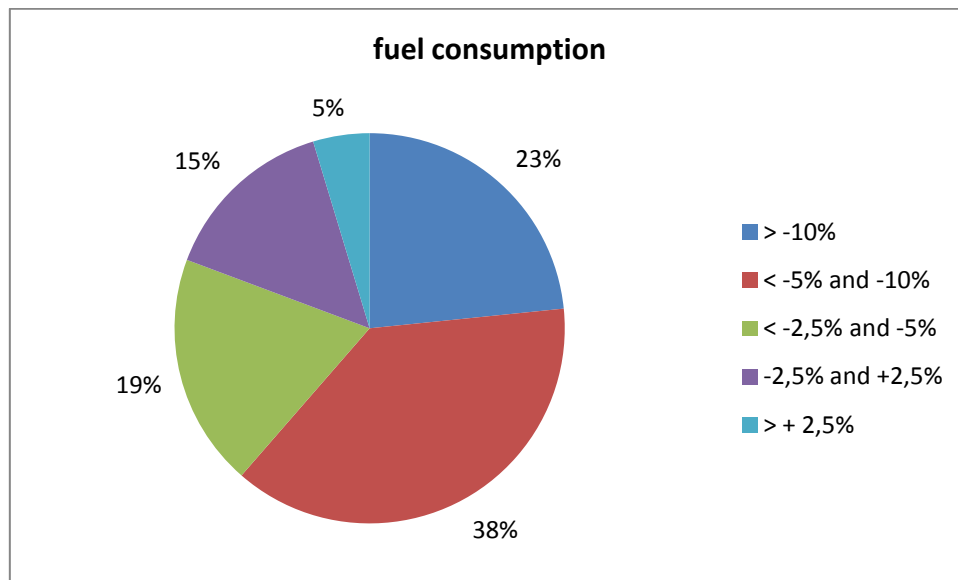
Mobility and electric mobility

Eandis is one of the leading partners of the ‘Electric Vehicles in Action’ (EVA) project, founded in 2011, an initiative supported by the Flemish government which brings together public and private partners [see also the 2011 Report].

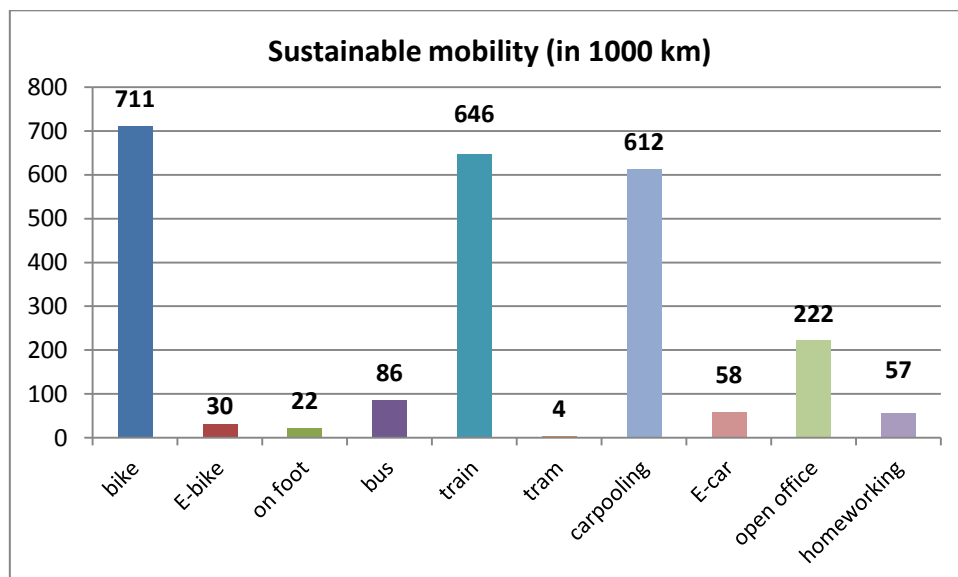
In 2012, Eandis - together with Blue Corner and Telenet - installed 65 charging islands. Eandis also bought 24 electric vehicles. Municipalities can use these vehicles for a three-month period so that they can get familiar with the advantages of electric mobility and at the same time support their

environmental objectives. 'EVA on the Beach', a road show which toured several coastal towns, gave the general public the opportunity to test electric vehicles, scooters and bikes.

During 2012, 171 of our executives took part in an e-positive driving campaign. The idea behind this campaign is that a course of e-positive driving can help reduce the carbon footprint of Eandis' car fleet. Spread out over one year, the course aims to create an attitude of driving safely, eco-friendlier and more economically. The results are encouraging: more than 4 out of 5 participants have actually been able to reduce their fuel consumption thanks to the e-positive driving course:



In 2012, the Eandis fleet grew by 6.7% to a total of 881 vehicles. Nevertheless, the average CO₂ emission decreased that year by 5.4% from 135.36 g/km to 128.08 g/km. Over a three-year period (2010-2012) CO₂ emissions decreased by 16.7%, while the number of vehicles increased by 41.2%.

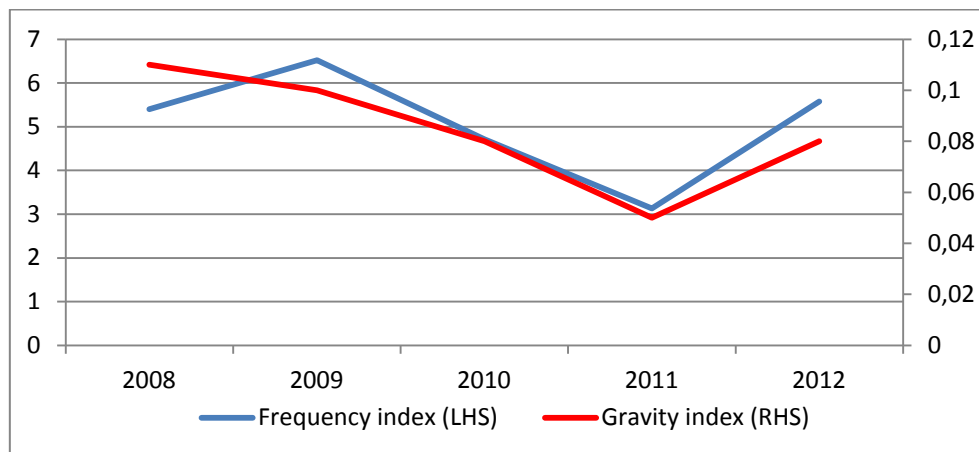


SOCIAL

Health & safety

Working with electricity and natural gas may put employees, the general public and/or the infrastructure at risk. Safety and protection are therefore a key element in our operational policy. Safety results form an integral part of the annual performance measures for executives throughout the company.

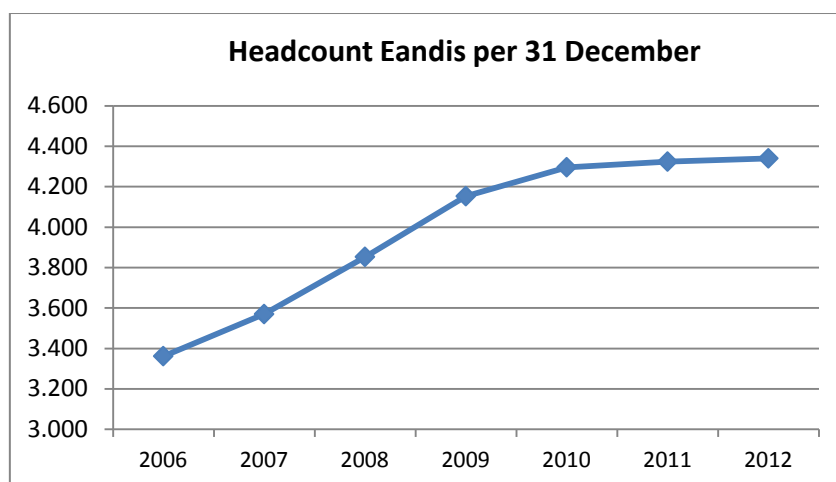
The 2012 safety results have clearly been below par. On all parameters the scores have been below the positive record scores of 2011. Overall, the 2012 scores closely resemble the 5-year average scores (2008-2012).



Employment and employment conditions

☒ G4-10

On 31 December 2012 our headcount was 4,340 employees or 4,212.05 full-time equivalents.



☒ G4-11

Remuneration and other employment conditions at Eandis are governed by the general conditions stipulated in the Collective Labour Agreement for the energy sector in Belgium (Collective Labour Agreement n° 326). This guarantees an equal treatment of all employees. Note that from a labour law perspective, all Eandis employees are employed as white-collar workers, irrespective of the exact nature of their day-to-day activities: the energy sector in Belgium does not distinguish between manual workers and white-collar workers from a legal point of view.

☒ G4-LA12

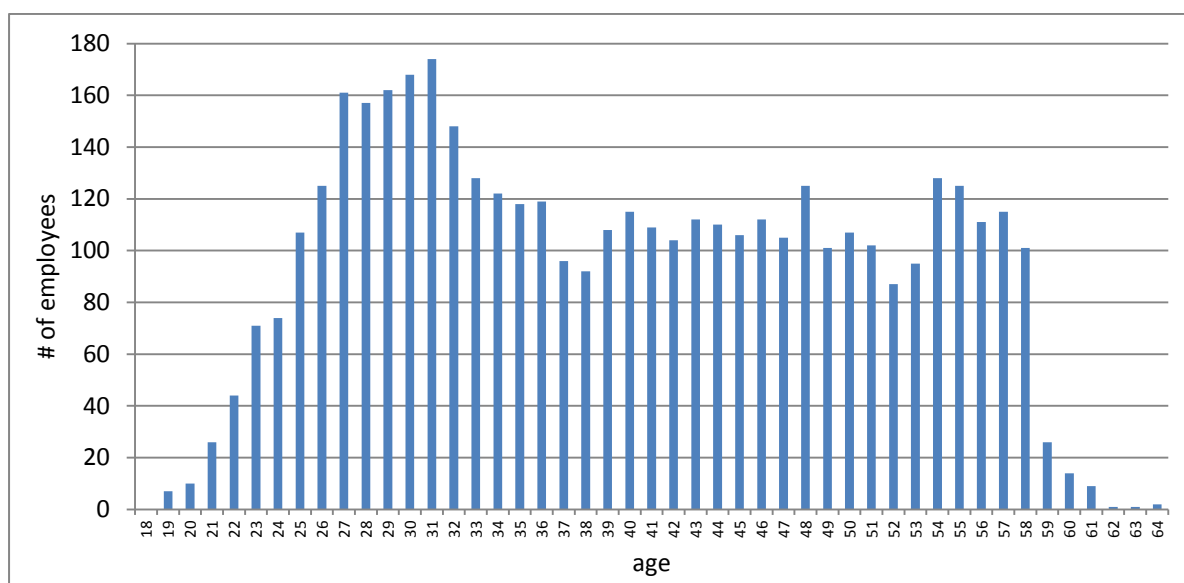
As at year-end 2012, women make up 26.8 % of the total headcount at Eandis. Over the years we see a slow but continuous rise in the proportion of female employees. We do notice that among the younger population the number of men and women is much more evenly spread than in the older age categories. Eandis' gender policy is straightforward: we do not make any distinction between men and women regarding employment, recruitment, promotion, qualification nor labour and payment conditions.

We do not have statistical information on other aspects of diversity, such as the employment of disabled people or immigrant workers.

A few other statistics:

- Part-timers make up 12.2% of the total headcount
- Most employment contracts are of unlimited duration: 95.2%, the others being employment contracts of limited duration
- Education level of the employees:
 - 10.0% primary education
 - 48.6% secondary education
 - 34.4% higher education (non-university degree)
 - 7.0% university degree

The age pyramid is as follows:



3,556 employees out of the total headcount of 4,340 (i.e. 81.9%) are working in our core business departments of Network Operations, Network Management and Customer Operations; the others are employed in the different support departments.

Training and personal development

G4-LA9

Eandis' Management dedicates a lot of resources towards training, both for job-related skills and general competencies. In the course of 2012, 88.9 % of all employees took part in one or more formal training programmes for an average of over 32 hours of training per employee (2011: 83% and 32 hours per employee). The total net investment in training for 2012 amounted to EUR 20.9 million, which represents just over 5,000 € per employee (2011: EUR 22.0 million and EUR 5,073 per employee).

Local communities

The municipal authorities are key stakeholders in Eandis. They are also ordinary shareholders, albeit indirectly through the Distribution System Operators. Our core business, i.e. distribution grid management and operations, is situated in the public domain (streets and roads). Within our organization we have appointed 30 Local Relationship Managers who are responsible for the first-line contacts with local municipalities and thus act as a liaison between Eandis and the 234 municipalities in our operating area. We regularly organize information sessions for the municipal authorities where we can inform them of what is happening at the DSOs and Eandis.

The battle against energy poverty

Eandis and its associated DSOs have been entrusted with the role of social supplier of electricity/gas for those end consumers who - due to payment problems - were 'dropped' by commercial suppliers. Budget meters with prepaid cards have proven to be an effective means of budget control for those consumers. These are the 2012 figures:

	2011	2012	% change
access points social supplier			
E	63,399	62,617	-1.2%
G	48,598	48,081	-1.1%
TOTAL	111,997	110,698	-1.2%
budget meters			
installed E	70,530	77,751	10.2%
installed G	26,519	34,243	29.1%
TOTAL	97,049	111,994	15.4%
active E	34,224	34,762	1.6%
active G	20,389	23,229	13.9%
TOTAL	54,613	57,991	6.2%
charging points	293	296	1.0%
turnover pre-paid	€ 37,821,576	€ 44,895,867	18.7%
# LAC sessions	1,578	1,521	-3.6%
# LAC files	43,378	46,513	7.2%

Eandis has forged close ties with the local social services, more specifically with the Public Centres for Social Welfare. If, in spite of all assistance, a consumer does not succeed in limiting his/her debts, only the Local Advisory Committee (LAC, i.e. a joint committee of the Public Centre for Social Welfare and the social supplier) has to take a decision; intensive budget supervision by the local social services, a pay-off plan over a longer period of time and/or other measures can assist these consumers to solve their budgetary problems. A decision to cut off the supply of electricity and/or gas is only taken in the case of fraud or manifest unwillingness on the consumer's part. Cut-offs are never carried out during the winter period. As such, Eandis is actively contributing to the battle against energy poverty.

Ombud service

The Ombud Service was created to guarantee the quality of service delivery. An annual Ombud Report, containing an overview of its activities, the complaints being filed and a number of recommendations, is presented to the Board of Directors of both Eandis and the individual DSOs. If the first-line handling of a complaint by the business department does not satisfy the customer, the latter can contact the Ombud Service. Eandis' Ombud Service is closely collaborating with the Federal Ombud Service for Energy.

In 2012, the Ombud Service processed 3.101 second-line complaints, which is a status quo compared to 2011 (3.040 complaints). More than 75% of the complaints was processed within 30 calendar days. The satisfaction rate for the Ombud Service is 64%.

Most complaints are about (i) the rectification of metering data, (ii) the application of the grid fee, especially in combination with the injection tariff for solar modules, (iii) planned and unplanned interruptions in the power supply and (iv) the quality of the pavement after works in the public domain.

CORPORATE GOVERNANCE

☒ G4-15

Considering its strategic objective to comply with the principles of Corporate Governance, Eandis has published its **Corporate Governance Charter**. Our Corporate Governance Charter is based on the one hand, on the Belgian Codes on Corporate Governance (the Buysse code for non-listed companies and the Daems code for listed companies) and, on the other hand, on the relevant sections of the federal laws and regional decrees. Non-conformities between the Belgian codes and the Eandis Corporate Governance Charter are therefore due to the specific nature of Eandis' role as a regulated operator for energy distribution grids.

☒ G4-7

Eandis has seven shareholders, namely the seven Flemish DSOs of the 'mixed' type (Gaselwest, IMEA, Intergem, Iveka, Iverlek, Sibelgas and Imewo):

Shareholder	Number of shares held	% of shares held
Gaselwest	57,380	16.60
IMEA	47,944	13.76
Imewo	78,105	22.42
Intergem	38,139	10.94
Iveka	49,976	14.34
Iverlek	67,701	19.43
Sibelgas	8,736	2.51
TOTAL	348,431	100.00

In each of these DSOs, approximately 79% of the shares are held by local municipalities (a total of 234 municipalities) and 21% by Electrabel, a subsidiary of the GDF Suez Group. Electrabel's shareholding in the DSOs should stop by the end of 2018 according to current Flemish legislation ⁽¹⁾.

☒ G4-38 / G4-39 / G4-40

Eandis' Board of Directors is composed of 16 members, all representing one of the 7 shareholders. Electrabel is not represented at the level of the Board of Directors. There are no independent directors, as defined in article 526ter of the Belgian Company Code. The current members of the Board are ⁽²⁾:

Name	Nominated on proposal by
Piet BUYSE, chairman (HR) (S)	Intergem
Koen KENNIS, 1st vice-chairman (HR) (A) (S)	IMEA
Geert VERSNICK, 2 nd vice-chairman (HR) (A) (S)	Imewo
Louis TOBBACK, 3 rd vice-chairman (S)	Iverlek
Christoph D'HAESE	Intergem

¹ The DSOs Gaselwest and Sibelgas are not subject to Flemish legislation due to their transregional operating area. Therefore, the obligatory Electrabel exit date of end 2018 does not apply to them.

² Situation as of the Extraordinary General Assembly of 27 March 2013

Christof DEJAEGHER	Gaselwest
Paul DIELS (A)	Iveka
Greet GEYPEN	Iverlek
Luc JANSSENS	IMEA
Piet LOMBAERTS	Gaselwest
Luc MARTENS	Gaselwest
Patrick MENSALT	Sibelgas
Katrien PARTYKA	Iverlek
Ilse STOCKBROEKX	Iveka
Sven TAELEMAN (HR) (A)	Imewo
Filip THIENPONT	Imewo

Legend:

(A): member of the Audit Committee

(HR): member of the HR Committee

(S): member of the Strategic Committee

All Board members, including the chairman, hold non-executive positions.

The current composition of the Board of Directors (see table above) is the result of the statutory candidature and election process, which is repeated in a six-year cycle, each time after municipal elections. Each municipality proposes one candidate for the DSO's Regional Management Committee (³). Next, the Board of Directors of each DSO is formed. These Boards then propose their candidates for the Eandis Board of Directors. The number of Board members for each DSO was agreed upon in 2006 at the start of Eandis.

☒ G4-LA12

At the moment, women hold 3 out of a total number of 16 seats on the Board of Directors, i.e. 18.75%. There are no female representatives on the special Committees.

The Board of Directors had 12 meetings in the course of 2012.

☒ G4-34

Three separate committees assist the Board of Directors: the Audit Committee, the HR Committee and the Strategic Committee. Each Committee is composed of four members; once again Electrabel does not have a representative on these Committees. The Audit Committee is currently being chaired by Paul Diels; the HR Committee and the Strategic Committee are being chaired by Piet Buyse. The company by-laws stipulate that the Strategic Committee is composed of the chairman and vice-chairmen of the Board of Directors.

Daily operations of the company are entrusted to the Eandis Management Committee, currently composed of eight members:

Name	Function
Walter VAN DEN BOSSCHE, CEO	Chairman of the Management Committee
Guy COSYNS	Director Customer Operations
Frank DEMEYER	Director HR & Organizational Management

³ Only the largest cities have the statutory right to propose two (Bruges), three (Ghent) or five (Antwerp) candidates for their DSO.

Wim DEN ROOVER	Director Network Operations
Luc DESOMER	Director Communication & Public Affairs
Jean Pierre HOLLEVOET	Director Network Management
David TERMONT, CFO	Director Financial, Administrative & ICT Management
Donald VANBEVEREN	Director Regulation & Strategy

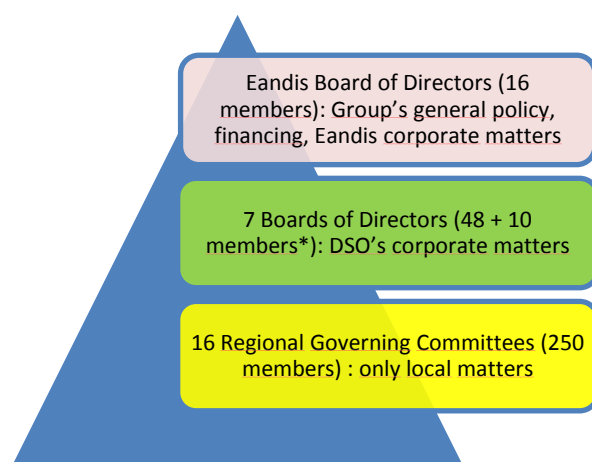
The members of the Management Committee attend the Board meetings without exercising any voting rights. The Management Committee has weekly meetings, with the exception of holiday periods.

Eandis' shares are not listed on a stock exchange. However, some of the bonds issued by Eandis are listed on the Luxembourg Stock Exchange or Euronext Brussels. For more details, visit our website.

The financial auditor is EY Bedrijfsrevisoren (formerly Ernst & Young Bedrijfsrevisoren), represented by Mr Jan DE LUYCK, auditor. His current mandate expires immediately after the Annual General Assembly in 2014. The auditor's mandate is renewable.

Eandis Economic Group structure

In 2012, all shareholders of the Eandis Economic Group (i.e. Eandis and the 7 DSOs) agreed to streamline the corporate structure of their Economic Group. The following three-layer and bottom-up structure was implemented as of end March 2013:



This new structure allowed for a reduction in mandates by approx. 60% while, at the same time, retaining close links with 234 municipalities.

Remuneration policy

The global gross remuneration for the members of the Eandis Board of Directors, travel allowances included, amounted to EUR 55,433.94.

The gross wage cost for the Management Committee members amounted to EUR 3,254,511.37 for the year 2012.

The auditor's remuneration is fixed by the company's General Assembly. The following additional amounts were paid out to the auditor:

- EUR 2,830.00 (excl. VAT) for activities and reporting regarding subsidies in the EIT-KIC Framework Partnership Agreement,
- EUR 17,495.00 (excl. VAT) for activities to evaluate derivate financial instruments at Eandis and the DSOs.

Risk management

A lot of effort is spent on internal control and risk management. Eandis has implemented a methodology of integral risk management. Permanent monitoring and the implementation of several procedures allow operational and other risks associated with our activities to be managed and reduced. For more details on the risks Eandis has identified, please consult Eandis' EMTN prospectus of 31 October 2012, which can be consulted on the company website.

All company processes are audited on a three-year cycle by the internal Audit Department. The general conclusion is that most processes are just below the level of 'mature'. As from 2012 onwards, Eandis will adopt a more risk-based auditing system. Almost half of the audit time and resources will be spent on thematic and control audits on those activities that show a higher risk profile. Traditional process audits will take up the other half of time and resources within a six-year cycle.

Supply chain

G4-12

As a distributing company for electricity and gas, these products are delivered to Eandis by Elia (electricity) and Fluxys (gas). Elia is Belgium's electricity transmission company, Fluxys is Belgium's gas transport company. Both Elia and Fluxys are regulated companies.

For most other products and services bought, Eandis is subject to a public procurement procedure in application of the Belgian public procurement law (*Wetgeving Overheidsopdrachten*).

Memberships of associations

G4-15

Below is a list of the most relevant association memberships by Eandis.

<i>BEC</i>	<i>Belgian Electrotechnical Committee</i>
<i>Becetel</i>	<i>Belgian centre for Technological Research of Ducts and Accessories</i>
<i>B-EEGI</i>	<i>Belgian European Electricity Grid Initiative</i>
<i>BIV</i>	<i>Belgian Institute for Lighting</i>
<i>CIRIEC</i>	<i>International Centre of Research and Information on Public, Social and Cooperative Economy</i>
<i>Contassur</i>	<i>group insurance company</i>
<i>ECEM</i>	<i>European Centre on Energy and Municipalities</i>
<i>EDSO</i>	<i>European Distribution System Operator for Smart Grids</i>
<i>EIT KIC Inno Energy</i>	
<i>Elgabel</i>	<i>pension fund</i>
<i>Enerbel</i>	<i>pension fund</i>
<i>Guberna</i>	<i>Institute for Directors</i>
<i>KBVE</i>	<i>Royal Belgian Association of Electro Technicians</i>

<i>KVBG</i>	<i>Royal Belgian Association of Gas Technicians</i>
<i>LUCI</i>	<i>Lighting Urban Community International</i>
<i>Pensiobel</i>	<i>pension fund</i>
<i>Powerbel</i>	<i>pension fund</i>
<i>SGF</i>	<i>Smart Grids Flanders</i>
<i>Synergrid</i>	<i>Federation of the Electricity and Gas Network Operators in Belgium</i>