Annual report 2023

Work in progress

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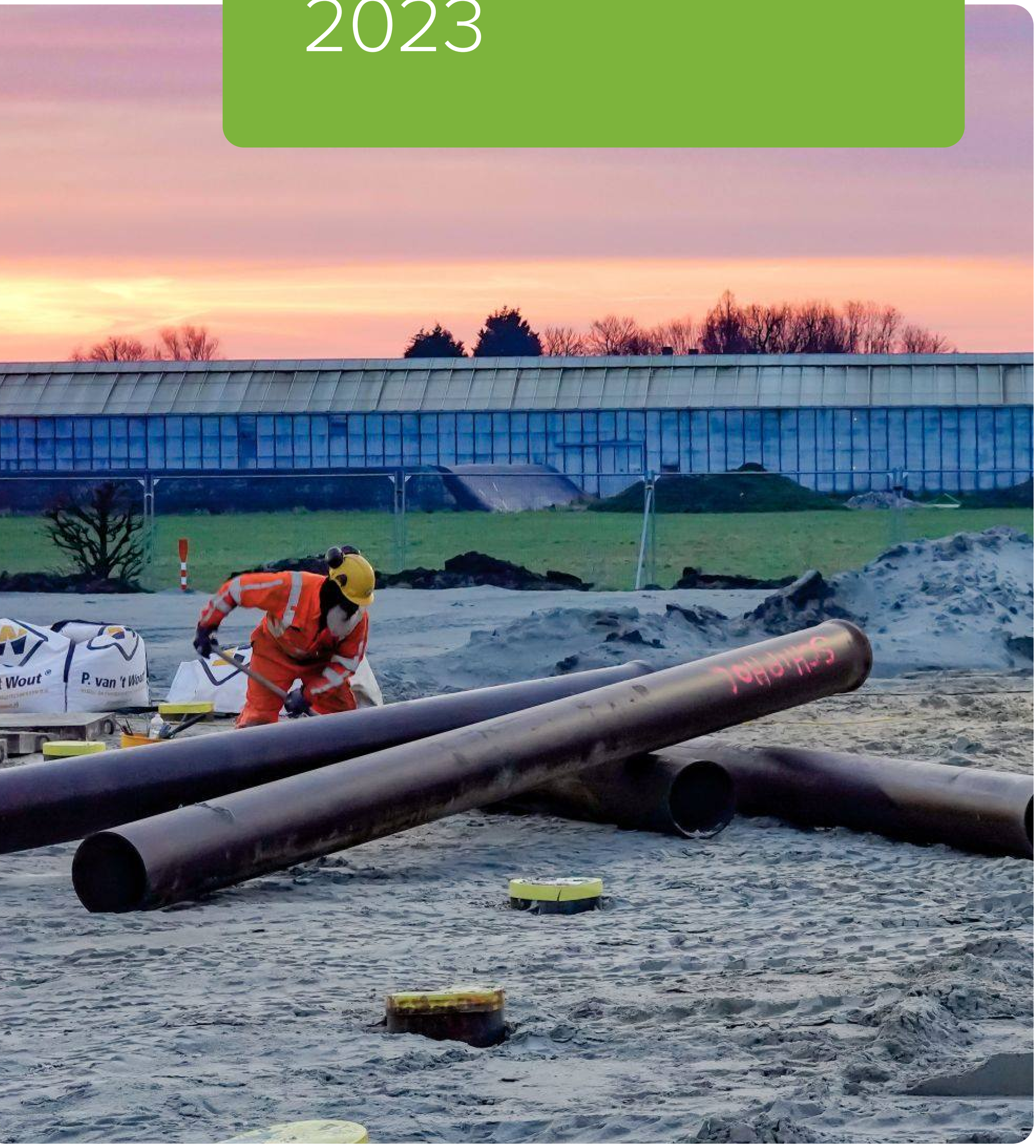
Our story in 2023



Our story in 2023

Work in progress

The energy transition is moving full speed ahead. Partly due to geopolitical developments, the gas crisis and rising energy prices, the further electrification and decarbonisation of the Netherlands received a massive boost in 2023. The growth in the number of heat pumps, solar panels, e-boilers and charging points for passenger transport and electric trucks continued and will also continue in the next few years. Over 280 million cubic metres of green gas were fed into the network nationwide. At the same time, a lot of attention was also paid to the challenges we face in the transition: developments are outpacing our network expansion and upgrade capabilities. The effects of this include companies not being able to grow and consumers having to wait longer for a connection. Our customers are experiencing adverse effects of the energy transition, and we find this deeply regrettable.

Together with our colleagues, we are doing everything we can every single day to develop and construct a reliable, affordable and sustainable energy system. The energy system of the future. That energy system should facilitate the ambitions of the Netherlands in the field of economic growth, sustainability and mobility. In order to help realise these ambitions and to comply with our social responsibility, we made significant investments last year to ensure that our networks are future-proof by expanding and upgrading them, and we developed smart solutions to continue meeting demand as much as possible. We constructed over 1,300 transformer substations and power stations, around 1,000 high-volume electricity connections, and laid more than 2,500km of electricity cables and 300km of gas pipes. This made last year another record year. Never before have we done so much work, never before have we invested so much in upgrading and expanding our energy infrastructure.

At the same time, we realised even more in 2023 that this still is not enough. Demand for electricity and new or upgraded connections is exceeding what we can currently build, resulting in transmission shortages throughout the country. Access to energy is no longer a given and both companies and households have been facing longer waiting times or were unable to feed the energy they generated into the grid. We know that these downsides will continue to exist for the time being. This means that businesses and consumers will continue to notice the effects of full networks for at least another 10 years. This may have persistently painful consequences for our customers which may not be avoidable. In addition to this, the affordability of energy remained a key topic last year, and was frequently addressed in the broader social discussion about socioeconomic security. The above-average inflation of 3.8% and the anticipated removal of the energy cap had a noticeable impact on our customers.

We have refocused our strategy

Creating a future-proof energy system requires greater focus on implementation. Our aim is to have a solution for every customer in time by 2030. To achieve this, we need to maximise our construction efforts, while also deploying flexible solutions to make optimum use of our existing electricity network, and we need to communicate clearly with our stakeholders and customers about when to expect certain developments. Last year we therefore refocused our strategy.

We are expanding our energy networks

First of all, we will continue to maximise our efforts to expand and upgrade our energy networks in the years to come. We will be laying cables, building transformer substations and constructing new electricity connections. In order to meet increasing demand, the existing network will have to be completely upgraded. We will be boosting our construction capacity significantly by signing long-term partnerships with contractors and suppliers, in which we will give them much more security regarding their work packages. The Liander network expansion programmes in Friesland, Gelderland and Noord-Holland are examples of this. In Friesland and Gelderland, work started last year for the construction and installation of hundreds of kilometres of cables and transformer substations in the years to come. This is a massive task that we are tackling together with the sector. We are also focusing on utilising residual and ambient heat by upscaling heating networks and by increasing our ability to feed in and transmit sustainable gases.

We are focused on making the energy system more flexible

Secondly, we are focused on enabling flexibility, as this enables us to free up available capacity in the existing electricity network. However, depending on the network situation in the years to come, this might not be possible for a prolonged period of time. Enabling flexibilty involves providing incentives (financial or otherwise), encouraging customers to balance supply and demand, for example through storage or heat bufferring. To achieve greater flexibility in the network and, as a result, to help more customers who are waiting for a connection or an upgrade, we are working together with the Dutch Ministry of Economic Affairs and Climate Policy, the Netherlands Authority for Consumers and Markets, and market parties within the National Network Congestion Action Programme. The application of flexible solutions allowed us to help 145 commercial and industrial customers last year. The need for flexible energy usage is also increasing in residential areas. Growing numbers of electric vehicles are causing high peaks in the power grid, for example. Our efforts to tackle this include making smart charging the standard throughout the Netherlands for charging electric vehicles. We have already implemented this in Amsterdam.

We are working continuously on improving our communications with customers

Thirdly, we are improving our communications with customers and stakeholders. We are aware that we will not be able to immediately fulfil all the ambitions and wishes of individual parties in the years to come. We need to work together to find both temporary and sustainable solutions to successfully create the energy system of the future. We are investing continuously in optimising daily customer contacts and we help customers to make choices, for example, using the newly introduced online selection tool. In 2023 we also launched our biggest consumer awareness campaign ever: ‘Met de stroom vooruit’ (Powering ahead).

Our focus on expansion, greater flexibility and communication is in line with the National Implementation Agenda, which we presented in November 2023 together with the other regional network operators. This approach is aimed at building more infrastructure, for example, by working more systematically, working on one district at a time and one region at a time. We are also making energy a determining factor when it comes to spatial planning.

All of this means that we are takingthe necessary steps together and pulling out all the stops. At the same time, we have also noticed that, as an organisation, we are not always aware of how we need to handle the developments and changes associated with the energy transition. Despite all the hard work from our colleagues, we missed several operational and organisational targets this year. So apart from focusing on performance, we are also working hard on creating a culture in which we continue to learn and improve.

Everyone home safely

Safety is always the top priority in our work, and we are actively working to improve our safety culture at all levels. In 2023, we attained level 4 on the KIWA Safety Ladder. Alliander’s Lost Time Injury Frequency was 2.0. We have noticed that the issues with the power grid, waiting times for a connection and visible engineering works in the streets are increasingly resulting in a lack of understanding and aggression towards our employees. This is unacceptable in our view. Our colleagues can turn to the Aggression Help Desk, which opened in 2023, for help and for legal and other support.

Our innovations enable us to work smarter and faster

Accelerating the performance of work and greater efficiency in the organisation also call for a fundamentally different approach to our processes and services. This requires innovations, which we are happy to develop together with other network operators, start-ups, companies and knowledge institutions. Examples of these are the compact connection module that can be used to substantially reduce the connection times for charging points, a plug-and-play medium-voltage network, which is an innovation that significantly speeds up outdoor work as it allows us to interconnect cables faster, and a map that provides real-time insight into the local network situation and loads.

‘The energy transition would be impossible without you’

All of this work requires more highly skilled technical specialists. We have made far-reaching investments in the labour market, training and retention. Last year, we welcomed almost 2,200 new colleagues, including 165 IT specialists and 429 technicians. For this, we successfully introduced our first multimedia recruitment campaign. Together with other network operators and contractors, we also launched the ‘Arbeidsmatchplatform’ (Labour matching platform), which focuses on the skills rather than the most recent work experience of potential candidates, and which we use to increase the number of potential candidates in the whole sector. Sectoral collaboration has been made more concrete, both nationally and regionally. The Engineering, Construction & Energy Action Plan has been initiated. This is a collaboration with FME, Metaalunie, Bouwend Nederland, Techniek Nederland, employers’ association WENB and the sector organisation for mobility BOVAG. On a regional level, we worked closely with educational institutions and municipalities to train and recruit new talent. In the Amsterdam region, we started collaborating with seven energy and water companies to increase our engineering capacity. In 2023, we prepared our organisation for the recruitment of talent from outside the Netherlands and recruited various colleagues from abroad.

Solid financial position

The increasing investments have an impact on our financial position: the results for 2023 are positive, but just like previous years we remain in need of significant funding. In 2023, we once again took steps to keep our financial position solid. In July 2023, the Dutch Trade and Industry Appeals Tribunal (CBb) delivered a positive judgment in the appeal proceedings of the joint network operators against the ACM’s method decisions. This means that the ACM will be making adjustments to ensure that the income of the network operators is more in line with the rising investment expenses. In 2023, an agreement was reached with buyers about the sale of Kenter. The transfer of shares was completed in January 2024. The proceeds from the sale have a positive effect on Alliander’s financial position.

Outlook

Creating a future-proof energy system consisting of electricity, sustainable gases and heat requires full focus on implementation in this phase of the energy transition. The focus we applied in 2023 in our work, aimed at maximum construction of energy networks, greater flexibility and clear communication to customers, will also be a determining factor in 2024. In 2024, the National Implementation Agenda will also be further specified by the joint network operators and the relevant stakeholders, and will play a key role in how we will scale up the implementation further. But we cannot do this alone: we expect the new cabinet to make some firm decisions to accelerate the implementation, which will require continuous consideration of the various interests, both now and in the future. We will require more construction space, shorter spatial planning procedures, enough technicians to carry out the work and regulations that provide maximum support for a flexible energy system. These are crucial preconditions for us to accelerate and continue building the energy system of the future: the foundations of a sustainable and prosperous society.

We would not be able to perform the work on the energy system of the future without our more than 8,800 employees and the many employees at our supply chain partners. This year, they will once again be working day and night, using their skills and commitment for our core task: creating an energy supply that gives everyone access to reliable, affordable and sustainable energy. We are very thankful for that. Without them, the energy transition would be impossible.

Alliander Management Board, 28 February 2024

Left to right: Maarten Otto (CEO), Marlies Visser (COO), Walter Bien (CFO), Daan Schut (CTO)

About this report

This Alliander annual report looks back on our activities and results in 2023. The primary themes for our integrated report are our value to society, the dialogue with our stakeholders on material topics, and transparency. The annual report was published on 4 March 2024.

Long-term value creation as the basis

Our value creation model provides the backbone for this annual report. It shows how we use our assets and what that brings to society. In the first section of this annual report, we discuss our role in the energy supply chain, our mission, trends and developments, and our strategy. In the second section, we report on our activities and the value we create in the long term:

- Ensuring a high level of supply reliability for a low cost
- Making the energy supply and our organisation sustainable
- Ensuring a safe energy network, a safe working environment, and a safe data environment
- Being an attractive, inclusive employer with equal opportunities for all
- Being a creditworthy company with solid returns

In the third section of the report, we describe the effects of our activities on society and our contribution to the United Nations Sustainable Development Goals (SDGs). We also explain our corporate governance structure in this section.

Structure of the chapters in the second section of the report

Each chapter in the second section of the report starts with a visual representation indicating its position in Alliander's value creation model. Where possible, the relevant colour codes are also used for clarification. These colours are used consistently throughout the report for the value creation model, the materiality matrix, the descriptive chapters and the tables on objectives and results. The 'value chapters', as we call them, also include a brief introduction of their content and a link to the material topics, relevant stakeholders and SDGs. Each chapter also has a dashboard with KPIs, results and objectives that are covered later on in the chapter.

Stakeholder dialogue

By maintaining an ongoing dialogue with our stakeholders, we stay informed of the trends in society and the expectations stakeholders have regarding Alliander. This also gives us the opportunity to work in unison to achieve a successful energy transition and keep energy supplies affordable. In keeping with previous years, a stakeholder panel read the report at an early stage in its preparation. The members shared their findings with us on 21 December 2023, after which we refined the contents of the report.

CSRD and material topics

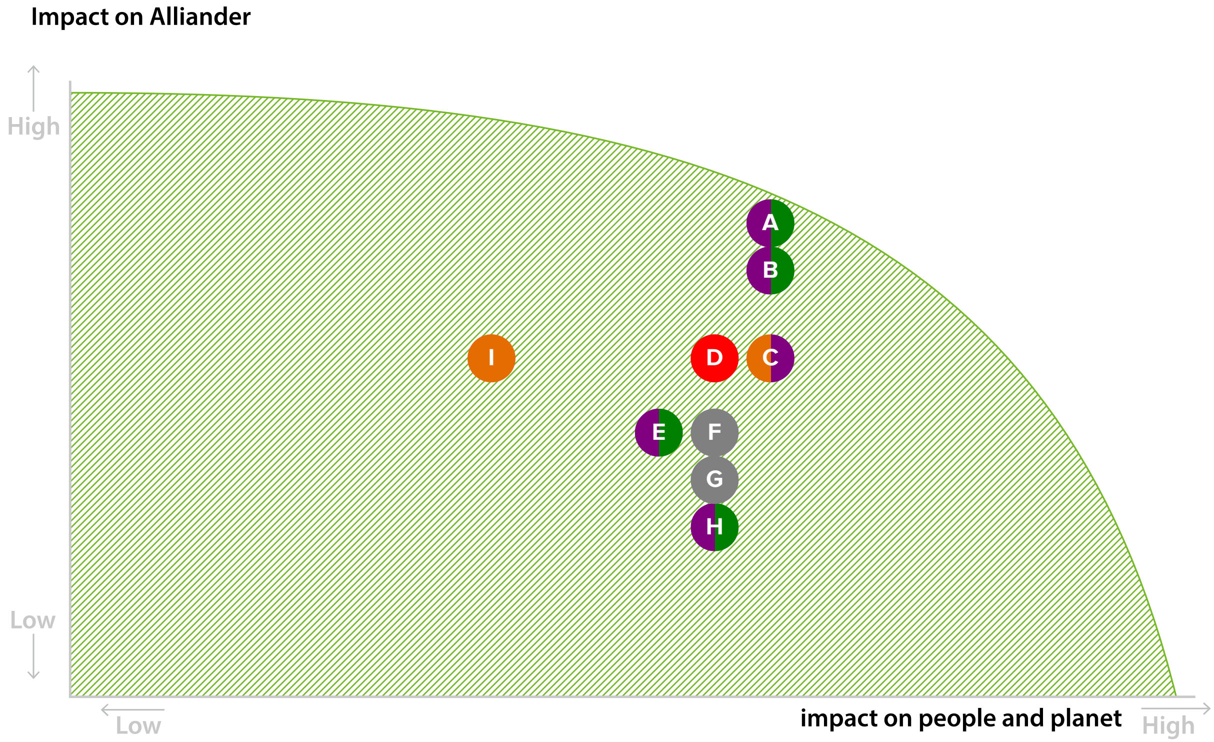
In 2023, we updated the materiality analysis using the guidelines of the Corporate Sustainability Reporting Directive (CSRD), which will replace the Non-Financial Reporting Directive from 2024. The goal of this new legislation is to improve the sustainability of the European economy regarding people, the environment and good governance. We are legally required to report in accordance with the CSRD starting at the financial year 2024. At Alliander, we have given an account of our sustainability performance for many years now. We started to implement the CSRD in 2023.

The provisions of the Directive include performing a double materiality analysis, not only considering the impact Alliander has on the environment (inside-out), but also the financial and other impact (risks and opportunities) that the environment has on our organisation (outside-in). This annual report includes a double materiality analysis in accordance with the CSRD guidelines. From the 2024 annual report onwards, we will be reporting fully in line with CSRD guidelines.

We used the GRI Standards to specify the material topics. We drew up a shortlist of topics based on an extensive identification round, the 2022 materiality analysis and various internal and external sources. We validated the topics using the CSRD, GRI and other international standards, peer and supply chain analyses, and our own risk framework. These modifications have no direct consequences for the content of the report because the topics already formed part of it. For a more in-depth explanation of the changes, the method used and the results of the reappraisal, please refer to the Materiality Test.

Materiality matrix

In our online annual report, you can click the following material topics for more information.



The value we create in the long term

- Ensuring a high level of supply reliabiliyu at a low cost
- Making the energy supply and our organization sustainable
- Ensuring a safe energy network, a safe working environment, and a safe date environment
- Being an attractive, inclusive employer with equal opportunities for all
- Being a creditworthy company with solid returns
- Impact on all values in the long term

A	Energy security for the customer
B	Climate change
C	Digitalisation and data security
D	Being a good employer
E	Corporate social responsibility in the supply chain
F	Governance
G	Dialogue with stakeholders and communities
H	Circular operations
I	Safe infrastructure

Integrated report

This annual report presents financial, operational and corporate social responsibility (CSR) information in an integrated manner, based on the following:

- International Financial Reporting Standards
- Dutch Corporate Governance Code 2022
- GRI Universal Standards 2021, report guidelines. The online annual report includes the GRI Content Index.
- United Nations Sustainable Development Goals
- EU Corporate Sustainability Reporting Directive 2023
- EU Directive on disclosure of non-financial and diversity information (NFRD)
- EU Taxonomy Regulation and the associated secondary legislation
- International Integrated Reporting Council (IIRC)
- TCFD (Taskforce on Climate-related Financial Disclosures)
- Part 9 of Book 2 of the Dutch Civil Code and Annual Reporting Guidelines

Consolidation

Financial information is subject to full consolidation regardless of materiality. In the social information section, the data relating to Alliander and its main subsidiaries has been consolidated. The most material topics for our stakeholders relate primarily to the activities of these companies. In addition, we have included information on other Alliander business activities when they are considered to be of material importance. Where necessary, additional information about the reach and scope is provided in footnotes to the information in the report.

The Disclosure of Non-Financial Information Decree and the Disclosure of Diversity Policy Decree are compatible with Alliander's intrinsic value of providing information about certain non-financial aspects and about diversity. Our reporting is accordingly in line with these decrees. For more information on the material aspects of the human rights topic, please refer to the relevant provisions in our Supplier Code of Conduct. Information about ethical business practices is provided in the 'Integrity' section of the Corporate Governance chapter.

Transparency

Alliander operates in the complex dynamics of a rapidly changing energy sector. Like our shareholders, we place great value on transparency. We comply with the Transparency Guideline, the revised Dutch Corporate Governance Code 2022, and the United Nations global Sustainable Development Goals (SDGs). We won two awards for our 2022 annual report: the Financieele Dagblad newspaper's Henri Sijthoff Award in the non-listed companies category and the Dutch Ministry of Economic Affairs and Climate Policy's Kristal Award for the Transparency Benchmark.

Invitation to stakeholders and readers

Alliander is keen to discuss the energy transition and the transfer to a new energy system with its stakeholders. We cordially invite readers of our annual report who wish to discuss topics like the energy transition, or who have any questions, suggestions or tips for us, to contact us at communicatie@alliander.com.

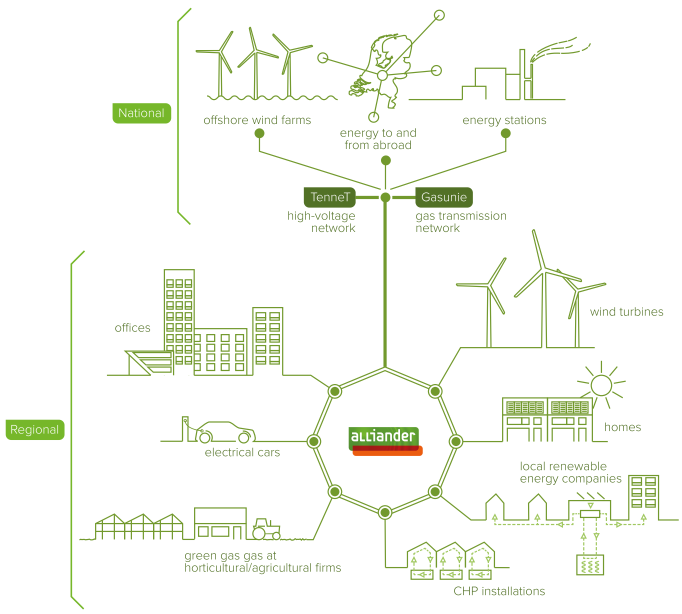
Profile of Alliander

Profile of Alliander

What we have at our disposal → Our role and the choices we have made → What our stakeholders notice in the short term → The value we create for the long term → The key social impacts → The global goals we help to achieve

Alliander N.V. is a network company comprising a group of companies that employ over 8,800 people (8,400 FTEs) in all, including agency workers. Alliander N.V.'s shares are held by Dutch provincial authorities and municipalities. Alliander stands for high-quality management of the energy network. We invest in the development of the energy networks and explore and implement innovative solutions. With our partners and shareholders, we discuss our plans for the future and offer solutions to complex energy transition issues. Sustainability plays a key role in the choices we make.

Our role in the energy system



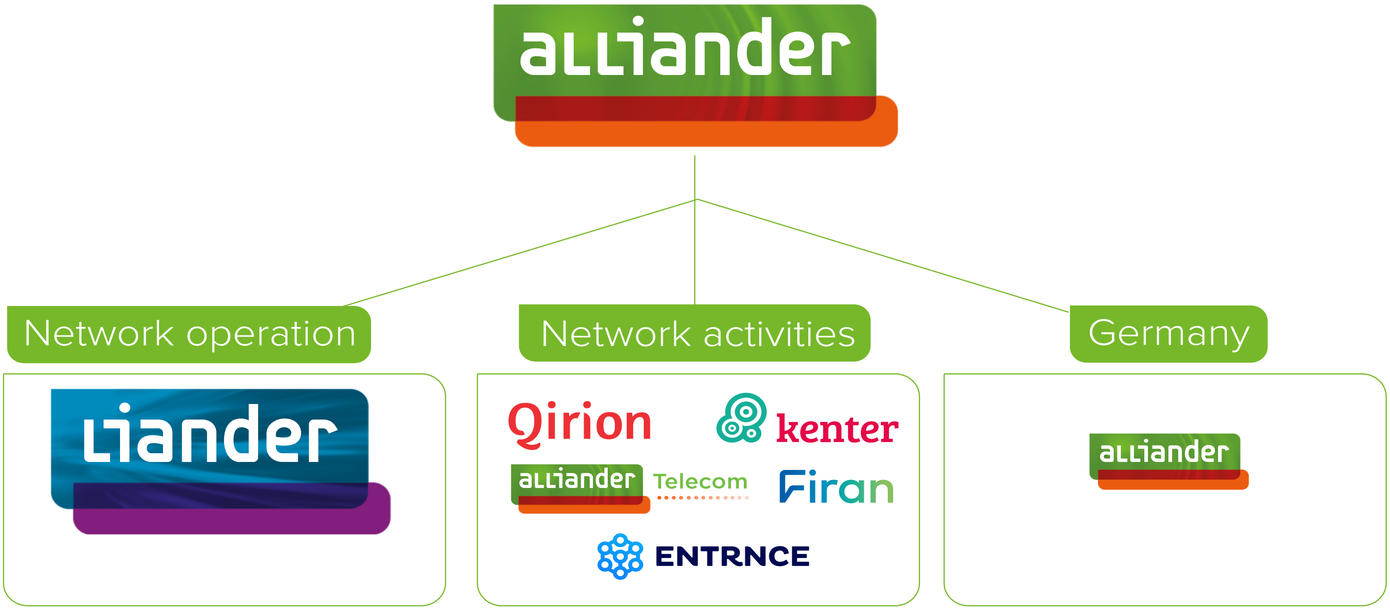
We distribute energy while ensuring maximum safety and continuity. We aim to make sure energy is available to our customers 24 hours a day, 7 days a week. Liander is the network operator and has a statutory obligation to manage and further develop the gas and electricity networks. We are on call day and night to deal with outages. The energy we distribute comes from power stations, wind farms, solar farms and imports from abroad, among other sources. More and more consumers and companies are feeding the sustainable energy they produce with their own systems back into our energy networks. As a result, energy supply and demand have become interwoven, influencing one another.

Alliander and its subsidiaries collaborate with many parties in the energy sector and with organisations that want to drive innovation in the field of energy. We facilitate the local exchange of energy and work in conjunction with public authorities on issues related to the heating transition.

As a co-designer, we provide the government, municipalities, provincial authorities and businesses with knowledge that helps in the long-term development of the energy system. We show them what the energy network can handle and the social costs associated with specific choices. In addition, we help organisations by offering data services and we collaborate with others to develop a flexible energy market that is driven by supply and demand.

The business units in our network company facilitate markets by providing products and services that help create a future-proof energy network. We build and maintain the infrastructure, and we help match energy supply and demand. We track who produces or consumes energy: when, where, and how much.

How we are organised



* On 31 January 2024, Kenter was sold to the consortium of ABP and OMERS Infrastructure.

Liander
Liander has a statutory obligation to maintain a reliable, affordable and accessible energy supply in our service area. Liander maintains more than 3.3 million connections in the Netherlands. Liander is on call 24/7 to deal with outages. Liander also develops, designs and manages the energy network. In addition, Liander shares knowledge and expertise with customers and government bodies to collaboratively create the most suitable energy network for everybody in the regulated domain.

Qirion
Qirion is the full-service implementation party for the integrated transmission domain of Liander and TenneT's high-voltage network, particularly in Liander's service area. Qirion designs, builds and maintains energy networks.

Kenter
Kenter supplies innovative solutions for energy metering and energy management. This includes installing meters, supplying metering data, and providing insight into energy usage via online analyses. In addition, Kenter is responsible for the sale, construction and management of mid-voltage installations in the free market domain. To ensure that maximum use is made of Kenter's potential and that of its employees for the energy transition, the company was sold to a consortium of ABP and OMERS Infrastructure on 31 January 2024.

Firan
Firan designs, builds and manages future-proof energy infrastructures for heating, cooling, steam, sustainable gases, solar power, wind energy and CO_2. Together with municipalities, project developers, housing corporations, energy producers and other partners, Firan works on smart energy solutions for buildings, regions and municipalities.

Alliander Telecom Cluster
Alliander Telecom supplies reliable telecommunication systems used to control and protect critical infrastructures (including electricity and gas networks). Telecommunications are of paramount importance, for instance for securing, controlling and reading data from critical network elements and communicating with control centres.

ENTRNCE
ENTRNCE facilitates current and future decentralised energy markets. Energy communities, generators, active producer-consumers ('prosumers') and innovative energy service providers play the leading role in these markets. ENTRNCE allows direct energy exchange between energy producers and consumers (peer2peer) and provides complete transparency about the source and final destination of the energy flows. By offering this facility, we give the decentralised markets freedom of choice and lower the entry barriers for the energy market.

Network management in Germany
Alliander AG manages several small electricity and gas networks in Germany. Alliander AG has a total of about 10,000 connections.

2023 in figures

Number of customer connections
5.9 million

5.9 million in 2022

Lost Time Injury Frequency (LTIF)
2.0

1.9 in 2022[1]

Number of employees including agency workers
8,438 FTEs

7,369 FTEs in 2022

Electricity outage duration
23.2 minutes

21.3 minutes in 2022

Gas outage duration
116 seconds

59 seconds in 2022

Net carbon emissions
0 kt

29 kilotons in 2022[2]

Net revenue
€2.7 billion

€2.2 billion in 2022

Investments in property, plant and equipment
€1,411 million

€1,228 million in 2022

Total assets
€11.6 billion

€10.7 billion in 2022

Profit after tax
€267 million

€198 million in 2022

Free cash flow
€-455 million

€-603 million in 2022

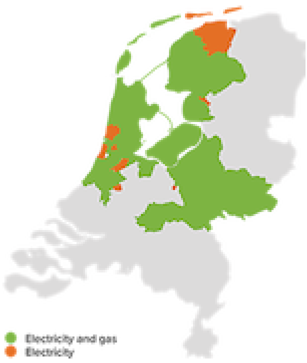
FFO/net debt ratio
21.1 %

19.2% in 2022

1 The standard time allocation used to calculate the LTIF was changed from 1,800 to 1,600 hours to match other companies in the sector, so the LTIF for 2022 was recalculated and is now 1.9.

2 The net carbon emissions figure for 2022 has been restated based on the most recent emission factors (2022).

Liander's service area



Electricity grid length

96,000 km

95,000km in 2022

Gas grid length

42,000 km

42,000km in 2022

Our mission

We stand for an energy distribution system where everyone has access to reliable, affordable and renewable energy on equal terms. This is the social mission that we work to achieve every day. We make sure the lights are on, homes are heated and businesses can keep operating, not just today, but also for a sustainable tomorrow.

How we make a difference for customers

Through our cables and pipes, over three million Dutch households and companies are supplied with electricity, gas and heating. We operate an electricity network of almost 96,000 kilometres in length and a gas network covering some 42,000 kilometres, and we take great pride in our networks being among the world's most reliable. Our colleagues are working hard day and night to achieve this.

Reliability

We distribute energy meeting the highest possible safety and continuity standards and ensure that it is available to customers 24 hours a day, 7 days a week. This is what drives us to put safety first in our working practices to try to avoid planned and unplanned energy outages as much as possible.

Affordability

We endeavour to improve the effectiveness and efficiency of our activities every day to keep prices as low as possible for our customers.

Accessibility

We provide the framework within which customers can choose their own energy supplier and service providers and feed energy back into the grid. We also help customers switch to renewable forms of energy.

Trends and developments

Alliander has a massive social impact because of its energy networks and activities. This means we need to respond appropriately to global and national developments. It is highly important for us to understand which factors affect our work, both in the short and the long term, allowing us to anticipate matters and refine our strategy if required.

Worldwide effects on society and the energy system

The energy transition in the Netherlands is not an isolated process, but takes place within a context of global trends and developments. Both the energy transition and the energy system that is currently being created have a profound effect on society. Below is a list of the key global trends and social developments that have the biggest impact on us:

- International collaboration is becoming increasingly unstable and regional. As a result, the EU and its Member States are focusing more on independence and sovereignty when it comes to matters such as energy supply and raw materials.
- Energy prices are rising, which negatively affects the competitiveness of the energy-intensive industry. This requires clear choices on which energy-intensive basic industry suits the definitive climate-neutral blueprint.
- Increasing costs in a broad sense due to economic developments and rising energy prices in particular put pressure on the affordability of household energy bills. This also increases the group of households without a focus on or financial scope for investments to improve the sustainability of their homes.
- There are vulnerable dependencies in international supply chains. Interruptions have an immediate impact and lead to greater regionalisation of production, so companies have to purchase materials more locally and at the same time need to safeguard the flow of required materials. Growing global scarcity of raw materials in the energy supply chain is expected to increase the vulnerability further.
- Society is electrifying and the use of renewable energy sources is increasing. This increases the need for flexibility in the energy system, requiring us to predict and respond to energy demands better in order to keep the system balanced.
- High energy prices contribute to electrification among consumers and companies, showing how sensitive the behaviour of consumers and companies is to price incentives and subsidies.
- Society is becoming more urban and cities are becoming denser. Scarcity of space complicates and slows down the construction of infrastructure and the transition to greener heating solutions in urban areas.
- New technologies like AI are being adopted rapidly. Application of these technologies will lead to new working methods, further optimisation and new types of collaboration.

Congestion issues enter a new phase

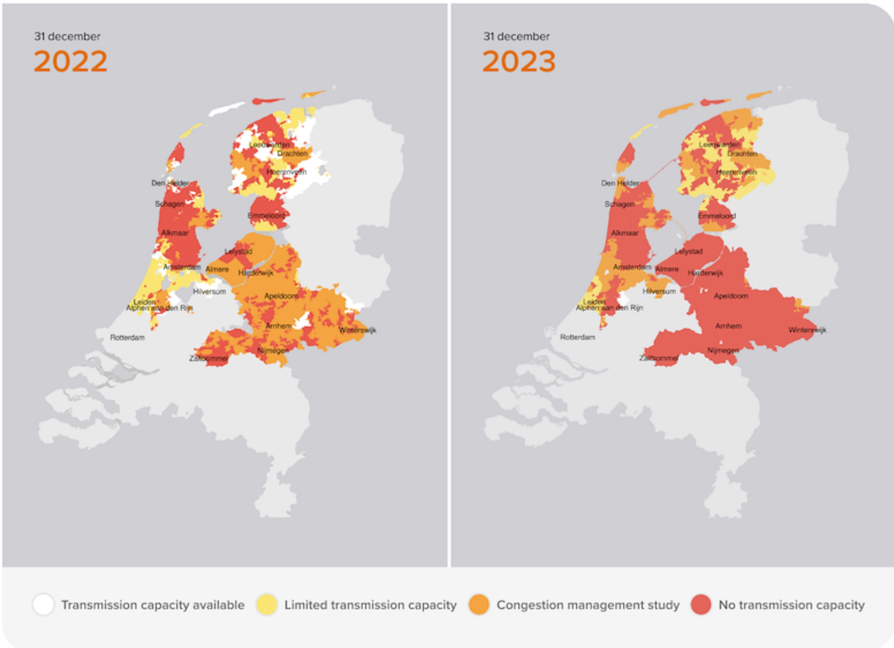
Access to the power grid was put under even more pressure in 2023 as a result of a steep rise in electrification. In October, high-voltage network operator TenneT published the results of the congestion management study for the Flevopolder, Gelderland, Utrecht and the port of Rotterdam. The study revealed that there is not enough capacity to help customers on the waiting list. For Noord-Holland, Overijssel and the south-western part of Groningen, TenneT also announced that there is no more room for new companies and institutions or for organisations that want to expand. Friesland is also getting close to the limits of its available capacity.

Steep rise in electrification among consumers and companies

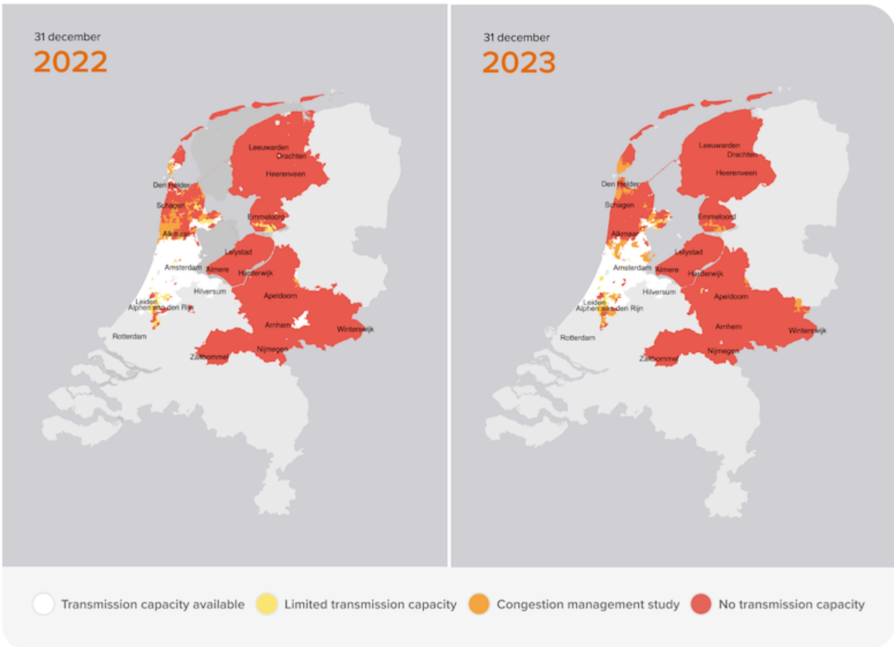
The energy transition is driving a huge transformation of the energy system, and this means we are generating and using more and more electricity. In 2023, the number of newly installed heat pumps rose to 170,000, a 60% increase compared to 2022. Starting in 2026, hybrid heat pumps will become mandatory when replacing central heating boilers, driving these numbers higher to as much as 240,000-300,000 heat pumps per year. There are currently 500,000 charging points in the Netherlands, and this figure is expected to increase to 2 million in 2030, which translates to hundreds of new charging points being added per day. Many companies are also moving away from natural gas and asking for (upgraded) connections to the power grid. We are seeing a significant acceleration among companies, with 1,800 of our largest customers indicating that they want to increase their electrification by 50% compared to their plans from two years ago.

Maps showing regional transmission scarcity

Capacity shortages on the grid when using electricity



Capacity shortages on the grid when feeding in electricity



In late 2023, the Dutch network operators have received requests for upgraded or new electricity connections representing over 105 gigawatts (GW), or more than 150 times the capacity of the electricity network in Amsterdam. These include requests for large-scale batteries (75 GW) as well as industry, companies, data centres, hydrogen plants and new residential areas. By way of comparison: current peak demand of all companies and consumers in the whole of the Netherlands is about 20 gigawatts.

At the same time, heat and gases are also part of the energy system of the future. Having the correct mix of energy carriers with adequate infrastructures is highly important to safeguard affordability, feasibility and reliability. One complicating factor here is that, for the time being, no sustainable gases will be available on a large scale, so electrification is also taking place in locations where collective heating solutions or sustainable gases would be a better alternative to fossil fuels. This puts extra pressure on the expansion and upgrading of electricity networks, which also increases the risk of divestments and inefficient use of workers and resources. Intensive collaboration with partners in terms of spatial planning and timing is therefore essential.

Congestion is the new normal

The ever increasing rate at which companies are asking for additional transmission capacity exceeds the rate at which network operators can expand the power grid. Unfortunately, the investments worth billions and additional measures are insufficient, leading to a further increase in connection lead times. Whereas longer connection lead times were already an issue for companies, the scarcity is now also impacting consumers increasingly often. This also means that greater demand for electricity, for things like new construction or to improve existing buildings, will not always fit into the power grid just like that. The congestion is expected to last for years.

Shortages are chronic, focus on existing technicians and resources

Structural scarcity will have an impact on efforts to change the system to enable a sustainable future. There are not enough technicians to carry out the work and there is not enough space for the required transformer substations and power stations. Materials such as cables, pipelines and transformers are not sufficiently available at the right time in order to perform all the work.

Staff shortages

Due to the ageing population and growing demand for skilled workers, there are persistent staff shortages in the engineering, construction and energy sectors, especially for technical and IT positions. The demand for labour is fuelled by investments in expansions and continues to grow due to housing development and climate challenges. Based on the net intensification in the coalition agreement, a calculation was made of what this means for the additional labour demand. Currently there are about 60,000 vacancies in the technical sectors and the shortages will hardly drop until the end of 2030. In the entire energy sector, thousands of additional technicians and IT experts will be required over the next few years, with our aim for 2024 being to recruit at least 1,400 IT experts and technicians. Due to the ageing population, a lot of experience is lost and the influx of new, inexperienced colleagues is insufficient. Without measures, the energy transition is at risk of stranding.

Not enough space

Space is scarce in the Netherlands, both in the cities and in rural areas. As the sustainability process speeds up, more space will be needed to fit the required infrastructure into the public space. As a society we should create this space, and we should get better at explaining to people who are getting a substation or medium-voltage transformer substation ‘in their back gardens’ why these measures are necessary and what the impact would be if we do not do this.

Lack of materials

In recent years, geopolitical developments have resulted in the interruption of international supply chains. Access to global markets is reducing, which puts the availability of raw materials under pressure. Shortages of raw materials and the imposition of lockdowns and sanctions have made it more difficult to purchase enough cables, meters and transformers. Their transport has also become more complex and many production lines are currently at maximum capacity.
Furthermore, the long-term outlook is that the world’s reserves of certain raw materials will become an obstacle for meeting the global climate objectives. The energy transition will increase demand for these raw materials significantly, but current supplies are not rising fast enough. We anticipate longer delivery times and price increases for raw materials required in the supply chain for manufacturing cables and installations. Examples of these are iridium, lithium, rare earth metals and cobalt, but also copper and possibly aluminium.

Changing views of citizens and public opinion

In society we are seeing various changes to the views of citizens and in public opinion, which affect the task we are required to perform and the work that we do.

- Confidence in institutions is dropping due to various crises (the housing shortage, socioeconomic security, inflow and reception of asylum seekers, the childcare allowance scandal, repair of damage due to gas extraction in Groningen, etc.). In 2023, this development resulted in election victories for the BBB (Farmer-Citizen Movement) in the Provincial Council elections and for the PVV (Party for Freedom) and NSC (New Social Contract) in the elections for the House of Representatives.
- We are seeing a hardening of views in society. Concerns and misunderstandings sometimes turn to hate and aggression, also against people who work to serve society. Almost 1 in 5 people in the Netherlands believe that the government is functioning so badly that it would be better just to tear down the ‘whole system’, and 1 in 20 believe that violence would be acceptable to achieve this. Last year, a manifesto against aggression and violence was prepared to put an end to aggression and violence.
- Individual cases are plastered all over the media (including social media) and are then viewed as the norm. The algorithms behind social media lead to faster propagation of messages that are sensational, radical or emotional.

How is Alliander responding to these trends and developments?

Last year, the trends, developments and issues in the world led to a reappraisal of our strategy. Our strategy describes how we as a company deal with the challenges of the changing energy system. The current acceleration puts increased pressure on the organisation, and waiting times for connections have lengthened. This is why we are focusing on a multi-track approach with Alliander’s revised strategy.

Our strategy

The government has agreed that in 2050 there must be no more harmful carbon emissions in the Netherlands. To achieve this, we should already be reducing our carbon emissions by 55% in 2030 compared to 1990, but 60% would be even better. Among other things, this will result in a high degree of electrification of society, new forms of energy generation and alternatives for natural gas with fitting infrastructural modifications. Apart from expanding and upgrading existing networks, this calls for a fundamental change to how the energy system is constructed, used and managed. The current rate at which the energy networks are being modified is not in line with what is required. Waiting times for new connections and upgrades are therefore increasing and this has a major impact on society, including the housing development challenge, efforts to improve sustainability in the Netherlands and the economy. This also puts pressure on efforts to accelerate development and improve sustainability in the Netherlands.

Our goal is to offer customers timely solutions that fit within an affordable and reliable energy system, both today and in the future. Our expansions, upgrades and modifications make improved sustainability and development in the Netherlands possible and enable us to work towards it's further acceleration. Our revised strategy shows how we will achieve this. The strategy is based on intensive collaboration with the government, provincial authorities, municipalities, other network companies, the industry, companies, citizens and other relevant parties that influence the energy infrastructure in the Netherlands.

The energy system of the future

We do not yet know exactly what the energy system will look like in 2050. This depends on many factors: how society will develop and how, where and in what way energy will be generated and consumed, but it also depends on global energy prices, relationships between countries and the extent to which we want to be self-sufficient. All of this affects things like how much energy we import, how much we are willing and able to generate ourselves and which infrastructural modifications this requires in certain locations.

Alliander's strategy

We performed a reappraisal of Alliander's strategy in 2023. As a result, we will now be using seven strategic pillars that strengthen and complement each other. These pillars will see us maintain a strong focus on further scaling up the required network upgrades and expansions, making the power grid more flexible and scaling up and improving communication with the users and partners in the energy system in the upcoming period.

1. Excellent management: optimising maintenance and improving customer services

We service our networks smartly and efficiently, and we are a reliable partner for our customers and society. We communicate openly and proactively to ensure that they know what to expect in terms of completing infrastructure in their area, what the waiting times are, but also what alternative solutions would be if we are unable to fulfil all their wishes straight away. We make sure that we resolve and prevent faults, questions and complaints in a timely and targeted manner. Our work is customer-oriented and we ensure that our customers and partners have easy access to the required information to make choices that match their needs and fit within an affordable and reliable energy system.

2. Reducing demand for transmission capacity

We help our customers to make choices that limit the demand for transmission capacity. This cuts their energy bills and also ensures that the scarcity in terms of people and space can be used in the most effective way possible. It is important here that clear choices are made about which energy solutions are implemented at each location and at each point in time. This allows customers to make choices while knowing what will be modified in terms of the infrastructure in their area at certain points in time. It also gives contractors greater certainty for investing in scale up activities. This allows the timely purchase of space required for transformer substations, and allows the planning for various infrastructural modifications to be agreed with the local stakeholders in each area. It is important here that energy infrastructure is given a more prominent position in spatial planning and in the plans that are drawn up for places like residential areas and industrial parks. This requires coordination and clear choices at a provincial and municipal level, all the way down to district and neighbourhood levels. This will enable us to prevent unnecessary investments and successfully accelerate the required overhaul of the energy infrastructure by deploying people and resources in a targeted manner. Our efforts are also aimed at helping customers reduce their energy demand, together with partners and smart innovations. Solutions range from insulation to smart appliance controls, including behind a company's or home's energy connection.

3. Making better use of the network

In various locations in the Netherlands, the power grid has (almost) reached maximum capacity. By making better use of the network, we want to connect more customers in the years to come. This is why we are digitising the networks, which gives us more insight and control options, and allows us to handle the available network capacity with greater flexibility anywhere and at any given time. We are increasing the load on the network, but safely. Rather than focusing on contracts based on peak demand a few times a year, we are working towards flexible use and other relevant contracts. This requires new rules and incentives. Examples include tariffs that allocate the costs to where they are generated and simultaneously safeguard the general affordability and reliability of the energy system.

4. Completing more work

We will be scaling up the construction of network expansions and upgrades even further. To make planning processes more proactive, we are working towards an approach that is more area and district based. By organising space and permits at an early stage based on planning decisions, we will be able to create more connections and expansions using the same realisation capacity. We are also working on long-term collaboration models with contractors and suppliers. We are focusing on the further development of smarter processes to reduce the time lost during implementation and enable us to use our scarce workforce in a more targeted manner. We are increasing the number of available technicians by making engineering work more appealing in the sector and by making the transition of workers from other sectors easier. We are shortening training periods and investing in outsourcing extensive work packages together with contractors to make optimum use of the capacity in the sector. We are also focusing on making use of local installers to perform part of the work on behalf of the customers themselves.

5. Sharing data and developing new market services

Proactively making data and services available ensures that the energy market can function properly, customers can make choices beneficial to the network and we can balance supply and demand on a local level. Between now and 2030 we will therefore be making (more) asset and customer data available and offering it to customers as enriched data, so that they can control their own energy usage and make independent optimisation choices.

6. Developing infrastructure for heating and sustainable gases

Hydrogen and green gas will become important in our energy system. We are using the existing gas network to distribute these gases and to improve the energy system. We are adding more green gas to the gas network and making sure that supply and feed-in are possible. We will also be constructing new hydrogen networks from 2028. In addition, we are also constructing more district heating networks, both for existing buildings and new construction. We are working together with public authorities and companies to provide complete solutions, from design to management. We do this in neighbourhoods where it makes sense to use district heating networks and where a local heat source is present. This allows quick and large-scale use of sustainable heat and at the same time reduces the load on the power grid.

7. Future-proof foundations

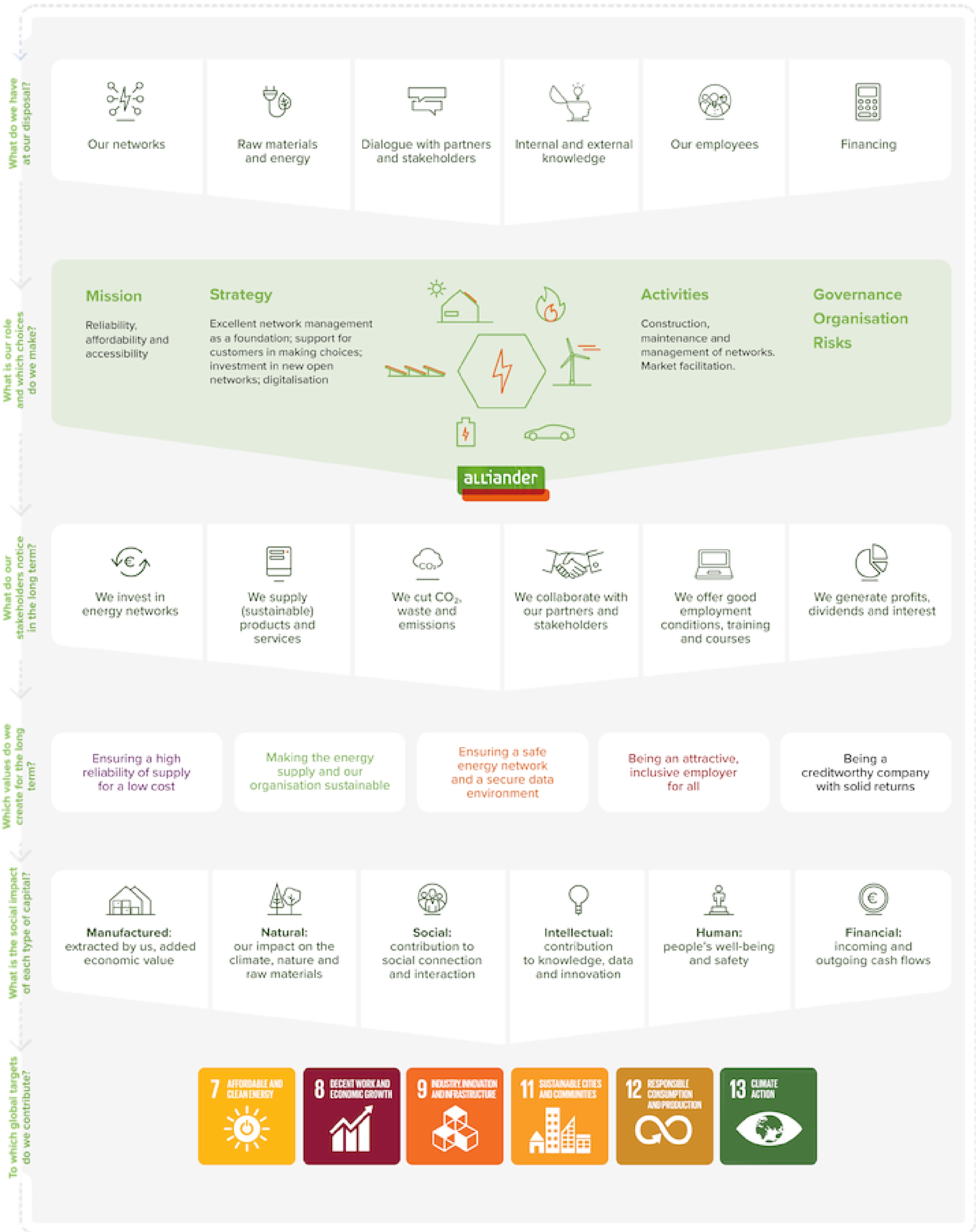
Our organisation, our people, our working methods and our systems make up the foundations for implementing the aforementioned strategies. In the years to come, we will be investing in things like an integrated focus on results in the end-to-end value chains with our partners. We are agile and effective, and have a culture that prioritises safety, results, cost awareness, sustainability and inclusion. We are investing in an IT landscape and digitisation to provide maximum support for the scaling up of our work, the flexibilisation of our network and communication with and solutions for our customers, partners and stakeholders.

How we create value

Alliander aims to create value for stakeholders and for the society of today and tomorrow. We accomplish this through our daily work, by innovating, and by investing. We use the resources available to us as efficiently as possible, while focusing on making the greatest possible contribution to society. That contribution is expressed in our value creation model, which clearly shows our capital flows, how we use them, how we add value and the resulting benefits for society.

Value creation model

The model below is interactive when viewed on our annual report website. You can open the relevant paragraph or chapter by clicking an element. Please visit the website of SDG Nederland for a list of all the Sustainable Development Goals (SDGs).



Connectivity matrix

In the connectivity matrix, we show how elements like value, material topics, indicators, objectives and results, strategy, social impact and the contribution to the Sustainable Development Goals are interconnected.

Objectives and results

What we have at our disposal → Our role and the choices we have made → **What our stakeholders notice in the short term** → The value we create for the long term → The key social impacts → The global goals we help to achieve

Ensuring a high reliability of supply for a low cost[1]

Target for 2023	Performance in 2023	Target for 2024	Strategic objective	Most significant risks[8]
Customer convenience: the measured NES score is higher than 48% (consumers) and 42% (business market)	Customer convenience: Consumer: 43% Business: 36%	Customer convenience: the measured NES score is higher than 50% (consumers) and 29% (business market)	Increase in customer convenience for consumers and business market over the coming years.	Completion of work package Cybersecurity Capacity for change Future-proof IT environment Meeting customer expectations Future-proof investments Grip on organisational growth
Electricity outage duration: maximum of 23 minutes	Electricity outage duration: 23.2[2] minutes	Electricity outage duration: maximum of 23 minutes	High reliability of supply.	

Making the energy supply and our organisation sustainable

Target for 2023	Performance in 2023	Target for 2024	Strategic objective	Most significant risks[8]
Gross CO_2 emissions, own business operations: maximum of 416 kilotonnes	Gross CO_2 emissions, own business operations: 425 kilotons	Gross CO_2 emissions, own business operations: maximum of 416 kilotonnes	Comply with SBTi provisions and scope requirements for climate emissions mitigation from 2025 on.[4]	Long-term focus of legal and regulatory framework Future-proof IT environment Capacity for change Future-proof investments Meeting customer expectations
Net CO_2 emissions from own business operations after greening[3]: 0 kilotons	Net CO_2 emissions from own business operations after greening[3]: 0 kilotons	Net CO_2 emissions from own business operations after greening[3]: 0 kilotons		
Circular procurement: at least 31% of all our primary assets[5]	Circular procurement: 31%	Circular procurement: at least 37% of all our primary assets[5]	45% circular procurement in 2027	

Ensuring a safe energy network, a safe working environment and a safe data environment

Target for 2023	Performance in 2023	Target for 2024	Strategic objective	Most significant risks[8]
LTIF (lost-time injury frequency): -[6]	LTIF: 2.0	LTIF (lost-time injury frequency): -[6]	Safety is key to our operations. We create a proactive safety culture.	Safety Privacy Cybersecurity Meeting customer expectations Grip on organisational growth

Being an attractive, inclusive employer with equal opportunities for all

Target for 2023	Performance in 2023	Target for 2024	Strategic objective	Most significant risks[8]
Employee survey: enthusiasm and engagement minimum score of 81%	Employee survey: enthusiasm and engagement 82%	Employee survey: enthusiasm and engagement minimum score of 81%	Being a top-class employer: an innovative and successful company where we develop future-oriented knowledge and competencies.	Capacity for change Grip on organisational growth
Absenteeism among own employees: maximum 4.3%.	Absenteeism among own employees: 4.4%	Absenteeism among own employees: maximum 4.3%.	The absenteeism among own employees will be no more than 4.3% in the coming years.	
Women in managerial positions: at least 32% of all managerial positions	Women in managerial positions: 30.5%	Women in managerial positions: at least 33% of all managerial positions	By 2024, at least 33% of our managerial positions will be held by women.	
People with poor employment prospects: offer at least 154 apprenticeships. The aim is to provide at least 154 positions that comply with the Dutch Labour Participation Act.	People with poor employment prospects: 125[7]	People with poor employment prospects: offer at least 168 apprenticeships. Aim is a minimum of 154 places that comply with the Dutch Labour Participation Act and comply with the Dutch Labour Participation Quota Act.	We offer long-term work to people with poor employment prospects who meet the criteria of the Dutch Labour Participation Act. In addition, we offer work experience placements, internships and other learning experiences for a broad target group.	

Being a creditworthy company with solid returns

Target for 2023	Performance in 2023	Target for 2024	Strategic objective	Most significant risks[8]
Credit rating: Maintain solid A rating profile	Credit rating: S&P: A+/A-1/watch positive Moody's: Aa3/P-1/ stable outlook	Credit rating: Maintain solid A rating profile	Remain a creditworthy company. Continuously outperform the sector in terms of costs and operational excellence. Solid profits within the boundaries of what is permitted in the regulated domain.	Long-term focus of legal and regulatory framework Ability to obtain financing Future-proof investments
FFO/net debt: at least 15%	21.1%	FFO/net debt: at least 15%		
Interest coverage: at least 3.5	12.2	Interest coverage: at least 3.5		
Net debt/ (net debt + equity): maximum 60%.	46.9%	Net debt/ (net debt + equity): maximum 60%.		
Solvency ratio: at least 30%	46.1%	Solvency ratio: at least 30%		

A further explanation along with the definitions of the objectives and results can be found in the Terms, abbreviations and definitions chapter.

1 In accordance with the 2023-2027 business plan, the repeat outages KPI is no longer reported at Alliander level and is therefore no longer presented in the objectives and results.

2 The electricity outage duration differs from the figure stated in the regulatory report. This report does not include the interruptions in the high-voltage network (CBL assets) owned by Liander.

3 Greening is mainly achieved with Guarantees of Origin from national wind farms (see also the Sustainable organisation chapter).

4 Alliander's CO_2 reduction policy for scope 1 and scope 2 emissions is in line with the science-based targets. Converted to the maximum carbon emissions per sector and the maximum carbon emissions per company, this means that Alliander will have to reduce its carbon emissions by a total of around 21% for 2025 compared to 2020 and by 42.4% for 2030. We will be defining our objectives for scope 3 emissions in 2024 for the final verification.

5 The scope of the KPI comprises primary assets: Low-voltage and medium-voltage cables, gas pipes, distribution and power transformers, and legacy and smart electricity and gas meters.

6 No target is set for the LTIF performance indicator, because the number of accidents leading to sickness absence should ideally be zero. Our objective with this indicator is to show a downward trend each time.

7 The number of employees with poor prospects in the labour market comprises 125 jobs created under the Dutch Participation Act, amounting to 100.4 FTEs.

8 The Risks chapter explains the risks in detail.

The value we create

Our network: high supply reliability at a low cost

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → **Which values do we create for the long term?** → What are the most significant social impacts? → To which global targets do we contribute?

We achieve 99.99% availability in our energy networks, making them among the most reliable in the world. In 2023, reliability of supply remained at this level. Just like in 2022, the timely connection of customers and expansion of the networks are under pressure. Because of this, we are working on ways of reducing demand for transmission capacity, making better use of our network and completing more work.

Related topics

This chapter is about our measures in the area of access to energy, reliability of supply and customer convenience. The reported information relates to topics that stakeholders feel are important. Furthermore, these activities contribute to achieving an SDG.

Material topics	SDGs	**Stakeholder groups**
A) Energy security for the customer B) Climate change C) Digitalisation and data security E) Supply chain responsibility F) Governance G) Dialogue with stakeholders H) Circular operations		Customers Shareholders Investors

Objectives and results for reliability of supply

Customer convenience rated by consumers

43% result in 2023

≥48% objective for 2023

49% in 2022

Customer convenience rated by business customers

36% result in 2023

≥42% objective for 2023

34% in 2022

Electricity outage duration

23.2[1] result in 2023 in minutes

≤23.0 objective in 2023 in minutes

21.3 minutes in 2022

1 The electricity outage duration differs from the figure stated in the regulatory report. This report does not include the interruptions in the high-voltage network (CBL assets) owned by Liander.

The changing energy system

The Netherlands aims to be climate neutral by 2050, which means that we need to restructure our energy system: demand for energy is changing and increasing. Customers are submitting requests for large-scale batteries (75 GW) and the industry, companies, data centres, hydrogen plants and new residential areas are also submitting requests for upgrades or new connections. All of these developments together are far outpacing our network expansion capabilities. Rising energy prices and increasingly strict climate ambitions are speeding everything up by a significant margin. The number of users switching to electricity is skyrocketing. In many regions, there is no room for them in the power grid. On a national level, we are analysing the limits of what the networks can handle in the regions. In addition to this, the electrification of companies and households also increases the number of users connected to district electricity networks. As a result, smaller companies and consumers are increasingly having to wait longer for a connection or upgrade as well.

The pressure on the electricity supply is mainly high at peak times, which leads to certain risks. It may slow down housing developments, economic growth and efforts to improve sustainability in the Netherlands. Maximising the accessibility of the energy network not only requires significant investments in the network, but also requires a behavioural change from all of us.
We should mainly be using electricity during periods when sustainable wind or solar generation is high and less electricity during peak times. Smart charging of vehicles and appliances with smart controls should become the norm. The fact that companies are locally coordinating their electricity supply and demand to reduce the capacity required for the power grid is a positive development. In addition, starting this year the cabinet and network operators want to proactively launch flex tenders this year, allowing companies like battery operators to offer a capacity of more than 1 GW to the power grid for longer periods in strategic locations during peak times.

Integral Infrastructure Survey

The restructuring of our energy system is the largest overhaul our country has ever seen. The joint network operators are working hard to modify and expand the energy infrastructure accordingly. In April 2023 we presented the Integral Infrastructure Survey for 2030-2050. This new report presents a current picture of the developments required to successfully restructure the energy system and how we as a society can grow towards a climate-neutral energy system in 2050. Here we are also considering the need for infrastructure and the development pathways for this infrastructure. Together with the other network operators, we worked on an Implementation Agenda in 2023, containing the specifications of the approach for regional infrastructure.

National Implementation Agenda for acceleration
Network operators are hard at work scaling up to build as much additional infrastructure as possible, but that is not enough. The implementation needs to be accelerated, and that is only possible by working together – network operators, contractors, clients and public authorities – more systematically, with a focus on building the energy system, with the risks assigned to those parts of the supply chain where they can be absorbed and eliminated. This will make the implementation more logical and faster. In November, the network operators therefore published a proposal for a National Implementation Agenda for Regional Infrastructure, in which the regional network operators take a first step in outlining how this acceleration should be achieved. Network operators want to enter into discussions with stakeholders regarding this Implementation Agenda to see how the acceleration can be achieved together. The Association of Energy Network Operators in the Netherlands (Netbeheer Nederland) views this National Implementation Agenda for Regional Infrastructure as the starting point for a national dialogue regarding the implementation, which should result in an implementation agreement to be signed by the parties involved.

Coordination and collaboration

The changing energy system presents an infrastructural task the likes of which have not been seen before and the scale and timelines are highly challenging. It is important for the development of supply, demand and infrastructure to take place as much as possible in mutual consultation. To make sure the roll-out of energy infrastructure is more in line with issues raised by customers, we require timely clarity about the energy solution we will need to create for each area and what its spatial design should be. Alliander is collaborating closely with all the public authorities in our service area. We call this systematic combining of developments ‘energy planning’. Together we make coordinated, structured and well-considered decisions in the field of spatial planning, energy and phasing on all levels (national, provincial, regional, municipal and residential). In Gelderland, for example, these efforts have partly resulted in locations being assigned for future development as energy hubs. Energy hubs make optimum use of local sustainable energy and manage its generation, storage, conversion and consumption. They also enable direct connections between various types of green electricity.

How we are working on the changing energy system

2023 really showed how urgent the situation is for the Dutch power grid. The grid is under immense pressure and almost completely full. This situation will persist in many places for at least 10 years. The rate at which Alliander can increase its capacity for the large-scale construction and upgrading of electricity networks is reaching its limits.

Until 2030, the regional network operators are expected to invest a total of about €60 billion to resolve bottlenecks in the power grid and to expand the network. The network management costs for customers will almost double. Creating a future-proof energy system requires full focus on its implementation. We are not creating new goals or ambitions, but rather concrete plans and actions to make sure that we can deliver the energy networks for a sustainable future. This enables us to make clear choices in the field of space, energy and transition timelines for each sector or area and ensure, together with suppliers and contractors, that our implementation capacity grows significantly and maximum use is made of energy infrastructure through flexible energy usage. In this way, we will be able to prevent a lot of investments.

The changing energy system requires us to become more assertive and proactive. For example, we will no longer wait for customers and public authorities to make their choice, but rather specify the optimum planning for the energy system ourselves down to district or area level. We actively help public authorities to scale up and accelerate the permit process, which will eventually allow us to upgrade districts or areas in a single integrated effort based on a district-by-district approach. In addition, we are working on extensive flexibilisation in order to significantly improve network usage. We also consider it our task to ensure that companies and households recognise the benefits of flexible energy usage and are offered concrete products for this.

But even then, the work cannot all be performed at once. We are therefore focusing on certain areas in implementation, flexibilisation and communication: we will build what we can, use new products to make the most of the network in the meantime by making optimum use of customer flexibility and take responsibility by proactively telling people what is going on, how we are resolving things and how long this will take.

Last year, we worked hard to upgrade and expand our electricity network in our service area. We created over 1,000 electricity connections and 56 gas connections for high-volume customers and about 43,500 electricity connections and 2,200 gas connections for low-volume users. We built more than 1,300 new transformer substations and modified around 850 of them. We also constructed around 2,500 kilometres of electricity cables and 300 kilometres of gas pipes. By implementing large-scale expansions to the network now, we help bring about the energy transition and ensure that connections can be made more smoothly in the future. This choice does, however, mean that we are not always able to connect customers on time at present and that connection lead times may increase. Obviously, we are far from happy with this situation.

Investment breakdown

In 2023 Alliander invested the record-breaking amount of more than €1.4 billion in its energy networks. This is a growth of 15% compared to 2022 and 69% compared to when the national Climate Agreement was signed in 2019. The regional breakdown of the investments over our service area is as follows.

€ million	Electricity	Gas	Other	Total
Amsterdam	115	65	0	180
Flevoland	85	4	0	89
Friesland	153	13	0	166
Gelderland	383	55	0	438
Noord-Holland (excluding Amsterdam)	325	48	0	373
Zuid-Holland	119	18	0	137
Other (mainly Kenter, Alliander AG and district heating)	0	0	28	28
Total	**1,180**	**203**	**28**	**1,411**

From strategy to implementation

Our task is clear and our strategy for it is in place. It is our ambition to help make the Netherlands more sustainable by 2030 by upgrading or expanding our energy networks now and using them smartly, so that we can meet our customers' demand for capacity without making concessions on affordability, reliability and accessibility. To bring the capacity of the energy networks in line with our customers' demand, we are working on various ways of making the energy system future-proof:

- Completing more work
- Making better use of the network
- Developing heat infrastructure
- Sharing data and developing new market services

Completing more work

For the fifth year in a row, Alliander invested more than the year before, but this is still not enough. A shortage of technical staff, drawn-out procedures and insufficient available space in the public environment are hampering further scale up efforts, and this is quite concerning for us. To achieve the energy system of the future, production will have to increase even further. Every month, the joint network operators need to install underground cables covering a distance from Groningen to Maastricht. The required expansions include 1,000 kilometres of sustainable gas pipes, 50,000 substations and 30km^2 of space for system batteries.
In the period between now and 2033, Liander is planning to install almost 40,000 kilometres of cables, to build or modify almost 23,000 medium-voltage stations, to build 110 new stations and to expand about 49 large and 82 smaller ones. In addition to this, our network quality investments ensure that the energy supply's high level of reliability is maintained.

Considering the challenges that are ahead of us, Alliander wants to be able to get even more work done even faster. The challenge is so huge that we are essentially creating a completely new energy system next to and within our existing energy system. As Alliander we need to achieve this task within a context of structural shortages in terms of technicians, space and materials. This requires upscaling throughout the supply chain and a production process aimed at efficiency. But it also gives rise to dilemmas.

District-by-district approach for low voltage

Together with suppliers, contractors, municipalities and provincial authorities we are planning to make the roll-out of energy networks more akin to production work in the future. We expect this approach to gradually replace individual upgrade projects in the long term. In concrete terms this means that we will be using what we call 'production convoys' to install the whole future-proof energy infrastructure for the low-voltage network at once, district by district and area by area, using a schedule prepared together with public authorities and following on from the agreed energy planning. To upscale this approach, we are working with public authorities and implementation partners to standardise the process. Our specific focus here is on eliminating obstacles, such as permit issuing, in a timely manner.

Permit factory

The available aboveground and underground space for energy infrastructure is limited and becoming more scarce. In order to maintain the rate at which the energy transition is implemented, the underground and aboveground space we require will need to be made available more quickly and with more certainty. That is a challenge for municipalities, and in order to gain support we will be helping them with a 'permit factory' in which we actively provide assistance in their communication with residents and companies about our plans and their efforts to obtain permits for projects. In 2023 we outlined this concept and completed the preparations for the pilot.

Offering large-scale work packages for high and medium-voltage networks

We are outsourcing large work packages, which also reflects our commitment to creating flow in the end-to-end supply chain and long-term collaboration with contractors, where we provide them with more guarantees for their long-term work packages. We do this to ensure that they have sufficient prospects and will actually be scaling up and investing in recruiting and training additional staff and in labour-saving innovations. Performing work in construction teams will shift the work traditionally carried out by Liander to the contractor, reduce lead times and increase the total available capacity. In 2023, Liander signed its biggest contract ever with five different contractors. In the years to come, they will be working on greatly expanding the power grid in Gelderland and Noord-Holland-Noord on our behalf. This is a massive job involving an investment of more than €1.5 billion. We will be installing 4,500 kilometres of new cables and building 1,600 transformer substations. The work for the NuLelie programme started in September 2023. The programme consists of 37 projects that are divided over three subareas in the Noordoostpolder and Friesland. Until the end of 2025, several ring networks, various stations and upgrades will be installed to increase the capacity of the network in Friesland and the Noordoostpolder.

Customers connecting themselves

In order to create more opportunities for customers and installers to act on the challenge, we will make it possible for customers to connect themselves with help from their own installer. In late 2023 an initial draft for this was prepared for medium-volume connections. Ensuring that customers can choose their own installer or contractor approved by the network operator to create or upgrade the connection with due care in a single step (without the network operator intervening) reduces the number of dependencies, shortens lead times for the customer and saves on labour capacity. We expect that the first companies will be able to make use of this in 2024.

Reducing sensitivity to interruptions in supply chains

In view of geopolitical tensions and instability we are actively working on reducing our sensitivity to interruptions in the supply chains regarding cables, transformers, medium-voltage stations and other components. We do this by maintaining security inventories, increasing the number of available suppliers and complying with market standards. A new 32,000m^2 storage site in Marknesse was put into service in 2023. Preparations have also started on a new site in Apeldoorn, which will be put into service over the course of 2024.

Using smarter labour-saving systems

Another step we will be taking is developing standards to ensure that construction becomes much more ‘plug and play’. One example of this is the compact connection module, which enables us to create connections in the public space significantly faster. This new module is installed in a charging point, a public lighting mast or another object in the public space. Another advantage is that an installer can perform this activity for the customer as a single job, making the connection process for our customers more efficient. In addition to this, we are developing plug and play medium-voltage stations, which make it easier to connect cables and transformer substations.

Scaling up of our own production capacity

All of the aforementioned work requires even more highly skilled professionals, from technicians, foremen and network specialists to IT specialists and colleagues whose work includes coordinating matters with municipalities and customers. In 2023 we also invested in retaining and finding new highly skilled professionals, partly through lateral entry and through the use of migrant workers, and we will continue the targeted and accelerated training of our technical colleagues.
The labour shortage is so huge that we are also focusing on increasing our productivity by simplifying processes, through digitisation and by implementing labour-saving innovations. One example of this in the design of a substation is the increased use of standard building blocks that we combine into a solution that suits the local conditions.

Making better use of the network

In order to reduce the pressure due to congestion, Liander is working hard to make better use of its networks. There are opportunities here, as capacity is often still available outside of peak times. Making energy usage more flexible is therefore crucial and can help us maximise the number of customers who have access to the power grid. It will help to reduce the pressure due to congestion in the short and medium term, and will also contribute to security of supply as the share of our energy from volatile energy sources increases. Alliander will be introducing new customer products to make optimum use of the dips in network usage and to ensure that as many customers as possible can be connected to the power grid.

Roll-out of customer products

To stimulate the flexibilisation of energy demand, we set up a special team last year that aims to offer flexibility products to large business customers. We have noticed that the ‘CapaciteitsBeperkend Contract’ (CBC, Capacity-Limiting Contract) is particularly popular among customers in congestion situations. One example of the successful application of a CBC can be seen in the Leimuiden area. Due to a capacity shortage at the substation, companies were asked to reduce their usage at peak times for a monetary reward. A grower responded to this invitation, allowing nine other businesses to be connected before the power grid was expanded. Liander helped a total of 145 customers with a technical solution or a flexible contract.

New contract types made possible sooner through National Network Congestion Action Programme

Liander is working together with industry peers in the National Network Congestion Action Programme (LAN) to make alternative transmission rights possible sooner in order to offer customers alternatives in addition to the 24/7 capacity guarantee. This should provide more opportunities for using dips in network usage. In the third quarter, the ACM published a draft code amendment decision with which network operators can offer alternative transmission rights (‘non-firm ATOs’) in congested areas. Since 1 February 2024, network operators can offer contracts without a fixed transmission capacity in areas where the power grid is full (referred to as congested areas). From 1 February 2025, network operators will be required to do so.

Making smart charging the norm in public spaces

Alliander is committed to making smart charging of electric vehicles the norm in the public domain. In 2023, to promote this norm, the Smart Charging in the public domain guideline was published together with our partners. Smart Charging is the charging of electric vehicles within the capacity limits of the local transformer substation. It provides options to make optimum use of the locally available network capacity for all electricity users in a district. In addition, smart charging can prevent the local network from overloading due to demand peaks. Alliander has performed a practical test of this concept in Amsterdam and is using the guideline to target further scale up in the Netherlands. The guideline explains how municipalities and regions can translate the concept of Smart Charging into requirements for public charging infrastructure contracts.

Reducing demand for transmission capacity

In view of the skyrocketing demand for transmission capacity, we will also be focusing on preventing capacity issues in the years to come. Improving our consultations with customers, promoting collaboration and introducing more innovations in our supply chains will make it possible to slow down the ever increasing demand for transmission. In 2023 we investigated the possibilities in great detail. As it turned out, the main things we can do involve improving awareness for our energy needs. The recommendations will be converted into concrete actions in 2024. In 2023 we also invested in a project to visualise an 'energy-aware society'. We used our spot at the Dutch Design Week to present an ice-cream stand that would respond immediately to solar energy (ice-cream would only be available if there was enough sunlight). This stand is part of our efforts to increase our collaboration with other parties to achieve an 'energy-aware society'.

Behavioural change

Apart from making significant investments in our network, a behavioural change among high and low-volume consumers will also be required to reduce demand for transmission capacity at peak times and to make better use of the electricity network. The pressure on the electricity supply is mainly high at peak times. We still have room in the network outside of these periods, which can be used for housing development, economic growth and efforts to improve sustainability, provided that customers are flexible in their energy usage. Alliander is therefore working to introduce incentives that should encourage users to use electricity mainly during periods when sustainable wind or solar generation is high and use electricity less during peak times. In a study with CE Delft, we are also mapping out the other behavioural changes that would help to reduce the pressure on our infrastructure.

Increasing the load on assets

As a network operator, we are obviously also looking into ways of making better use of our networks by increasing the capacity we get out of the existing network. We have started assessments for all of our major stations to see how far we can increase their thermal load at peak times. This is possible by carefully analysing the load during the day and using off-peak times to let overloaded installations cool down. One example is the Hemweg station in Amsterdam, where we freed up an additional capacity of 41 MVA in 2023 by applying dynamic loads. By now we have freed up a total additional capacity of 128 MVA at 14 stations, while additional potential has been identified for even more stations.

Making the energy system more flexible

As part of a complex multi-year programme, Liander worked on creating a more flexible energy system in 2023. Carefully balancing the demand for energy and its sustainable supply allows for more efficient use of the network. Market parties are charged based on energy flows actually measured and end users are encouraged to modify their usage. The regional network operators, TenneT, programme managers, suppliers and parties responsible for metering work closely together in this 'Allocation 2.0' programme to set up a system for allocating energy flows.

In April 2023 we took an important step towards modifying the allocation method, when new dynamic usage profiles were introduced. Usage profiles reflect the relative usage in a year for a certain type of customer. The old usage profiles did not take sufficient account of feed-in and were always determined well in advance. The new dynamic profiles take into account feed-in, as well as other factors like weather effects. The profiles are determined retrospectively and are based on data measured by the smart meters of a large group of customers. This reduces the fluctuations and shifts in the allocations. The new profiles method facilitates better market operation with fair, transparent and efficient processes.

Proactively communicating with customers

The challenge of achieving our objective not only hinges on the technical side of our work. After all, we work for customers, and what we do is visible and noticeable to residents and companies in the areas surrounding our work. If we dig up the road in front of our customers' homes and interrupt the power to carry out our work safely, this causes inconvenience and nuisance. Customers require clarity in these cases. This will become increasingly important, especially if more consumers and small businesses will be dealing with waiting times in the future and we are working in several locations at once.

This is why we record customer information in a central location and conduct customer surveys. We do this to find out how we can inform customers better and improve regional communication. Construction managers and foremen can also use this information when talking to market parties or local media, for example.

Customer strategy

Many different parts of Alliander's organisation are responsible for serving our customers. In 2023 we developed a customer and channel strategy that directs all the departments in contact with customers. Part of this is a customer data model to ensure that we store data in the same way in all organisational units. In addition to this, we have trained 16 ambassadors who involve customers in the development of new products and services. We do this through customer surveys and panel discussions. The intention is for us to improve how much our services align with the needs and expectations of our customers.
An Alliander-wide integrated multi-disciplinary team was also set up last year to manage the improvement of how we serve our customers throughout the company. This allows us to manage and direct integrated customer services from a central location.

Tracking requests on 'Mijn Liander'

In 2023 we improved the provision of information to our customers by investing in a customer system that helps us give customers the right answers to their questions. We have also made certain choices to prioritise our efforts. We started out with low-volume customers. This is a large group of customers who are increasingly having to deal with network congestion. Since early 2024, customers have been able to track the status of their request on 'Mijn Liander' (My Liander), even without a 'Mijn Liander' account. They receive an email with a link that provides direct access to the request status page.

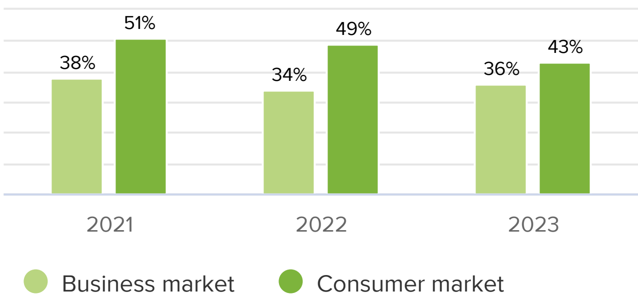
Improved regional communication

In addition to introducing a new customer system, we are also focusing on good regional communication. As part of the national press campaign on October 18th regarding network congestion, we organised separate press events for each region. In connection with Liander's investment plans, we launched the 'Liander in jouw buurt' (Liander in your district) format, in which we show local work being performed by sharing it on social media and in that district.

Customer convenience

The key determining factor of customer satisfaction is the convenience they perceive in their contact with us. Immediately after completion of a job, we ask customers for feedback on our services. To express the amount of convenience experienced by customers, we calculate a score – the Net Effort Score, or NES. We calculate the NES by deducting the percentage of customers experiencing some or a lot of difficulty with the service from the percentage of customers finding it easy or very easy. This information gives us insight into the results we achieve and the areas where improvements still need to be made. In 2023, we improved the measurement method for NES consumers. Apart from providing a more relevant insight, this explains the break in the trend for this score. In 2024 we will start reporting the '% difficulty' Key Performance Indicator. This KPI enables us to improve our insight into what inconveniences customers and the way in which we improve these things.

Customer convenience in consumer and business markets



Customer convenience rated by business customers

The NES for business customers rose from 34 to 36% in 2023, which is lower than the target of 42%. Perceived customer convenience during the establishment of a connection has remained stable, but this figure remains under pressure. The challenges here are still difficulties with the connection period and the associated communication. We have been working on this by training project managers in how to approach conversations with customers.
We have also improved the self-service environment for business customers so that they can personally take care of even more things online, like providing an account number for direct debits. Customers who have requested a higher contracted transmission capacity can also use 'Mijn Liander' to view the requested capacity for which they are on the waiting list. This information used to be available only by contacting customer services by telephone or by email. Since July 2023, we have also been offering a central data help desk together with the other network operators, where our partners in the energy transition can submit data requests.

Customer convenience rated by consumers

Our score for the consumer market stood at 43% in 2023. This is lower than in 2022 (49%) and below the target of 48%. The key cause of the continued drop remains the prolonged lead times between the moment someone requests a new connection and the performance of the work. Communication during the intervening period is also a point for attention, so we have improved communication for customers who submit a single request, for example. Their confirmation email will now also state the expected performance date. Furthermore, we have a simple online tool to offer consumers help when requesting a new connection. This gives customers all the information they need to achieve their sustainability improvement plans and stops them from requesting an excessively high capacity connection. We also launched the 'Met de stroom vooruit' (Powering ahead) multimedia campaign for consumers last year. In this campaign, we are raising customer awareness about the role of Liander and the challenges regarding the energy network, and offering consumers tips on what they can do.

Number of customer queries remains stable

We received over 376,000 customer queries by telephone in 2023, so those remained stable compared to 2022. Despite increasing dissatisfaction with connection lead times, the number of customer telephone queries remained more or less the same. This is because material shortages were resolved this year, so we were able to connect more customers, and we are now also informing customers more proactively about their request status.

The number of consumer complaints was about 1,900 in 2023. The number of claims was about 3,500 in 2023 and is comparable to 2022, only a large part of the claims in 2022 were the result of a major outage in Flevoland. Claims mainly relate to faults and damage caused by work. We have noticed that customers are willing to take us to court more often, supported by the publication of connection lead times in the ACM Netcode amendment decision in June 2023.

Developing heat infrastructure

Our public heating networks ensure optimum deployment of renewable sources for the lowest costs to society and with transparent prices for consumers. The approach encourages the development of new, local sources of heat and the further greening of the network. The collective system provides access to the full potential of locally available sustainable sources, such as aquathermal energy, residual heat from data centres, biomass and geothermal energy. In 2023, we worked on developing and expanding district heating networks in various municipalities through our subsidiary Firan.

- In Harderwijk, the district heating network for the new Waterfront residential area was put into service. Since the spring, 130 new homes have been using the district heating network, which can accommodate a total of 1,100 homes.
- In Apeldoorn, the municipality and 'Gelders Warmte Infrabedrijf' (Gelderland Heating Infrastructure Company) have made the decision in principle to set up the Apeldoorn District Heating Network to develop and manage the heating network in the Kerschoten district.
- In Haarlem, the municipality, Elan Wonen, Ymere, Equans and Firan made an investment decision, under certain conditions, to construct a district heating network for the Meerwijk district.
- A preliminary investment decision was made in the Amsterdam Buikslotermeer district for a heating network that will recover heat from wastewater.
- An SDE+++ subsidy was granted in 2023 for the development of a district heating network that uses local geothermal heat in the 'Duin- & Bollenstreek' (dune and bulb-growing area) in the Holland Rijnland region.

Collaboration to take the local heat transition a step further

An important milestone in the local heat transition was setting up the Gelders Warmte Infra Bedrijf (GWIB) in early 2023, which was approved by Gelderland Provincial Council in 2022. The public organisation is used by the Province of Gelderland, Firan and Oost NL as a basis for accelerating the heat transition in Gelderland. Another 340,000 homes can potentially be connected to district heating networks in the province. GWIB supports municipalities in the development, construction and operation of public district heating networks. For this, Firan is sharing knowledge and expertise on open future-proof heat infrastructure.

Sharing data and new market services

Allowing the energy network to function in a sustainable manner requires more data. Network operators need data to optimise the networks. End users can use data to make better choices that contribute to optimising their energy usage. Between now and 2030 we will be introducing several new data services and proactively making customer, market and infrastructure data available to customers and market parties. We will do this in the form of concrete data products, which will allow customers to control their energy usage better and make choices beneficial to the network.

Energy Neighbourhood Scan

The Energy Neighbourhood Scan allows companies, consultancy firms and market parties in a congested area to view energy data from their immediate surroundings. Examples are data on the capacity of assets in the immediate vicinity or data on the contracted power and power used by companies ('network neighbours') present in the area. The Energy Neighbourhood Scan also provides an insight into the waiting list for customers who want a connection in the area. Basically, the scan visualises who your network neighbours are and what congestion is like in a certain area. Companies can use this information to start exploring the congestion issues themselves and investigating area-specific solutions with help from an energy consultancy firm and together with their network neighbours.

Changes to the law

Alliander's activities, and particularly those of Liander, are heavily regulated by legislation and regulations. These rules often predate the energy transition, and there is an urgent need for a legislative framework that will help to realise the transition. Alliander is continuously consulting with relevant stakeholders to ensure that legislation is suitable for the energy transition.

Integrated Energy Act

The current Electricity Act and Gas Act are set to be modernised and merged in the new Energy Act. The act is expected to come into force in 2025. Alliander endorses the objective of the Energy Act, which is to create an integrated and future-proof legislative framework for the energy system. The act will support the energy transition and contribute to better use of the existing network. The subordinate laws and regulations still to be drawn up are crucial for this and will ultimately determine how effective the act will be in practice. Alliander would like their provisions to include that we are allowed to read and use smart meter data to improve our network management. Among other things, this will enable us to determine the order of network upgrades better. We are also calling for more options for cable pooling (several projects that share a single connection) and a statutory basis for energy sharing. This will lead to better utilisation of the networks.

Changes to connection time rules

The ACM has changed the 'Netcode Elektriciteit' (Power Grid Code) and added a connection lead time for low-volume consumers. However, some changes are not in line with the exponentially increasing demand for network capacity and the restrictions caused by limited labour capacity and space, so the network operators have appealed this code change. Together with all the supply chain partners, the network operators are also working on a new connection lead time for high-volume consumers, as the European rules state that the statutory 18-week period currently present in the Electricity Act should be stated in the Netcode rather than the law.

A new Heating Act

The expectation is that many houses will be connected to a district heating network in the coming years, as an alternative to heating with natural gas. While we are already working on open district heating networks, this process can only really accelerate once the new Heating Act comes into force. Legislation should be supportive of the accelerated roll-out of district heating networks, while also ensuring that consumers are properly protected. The new Collective Heating Supply Act, which the cabinet submitted to the Dutch Council of State for advice in late 2023, should make this possible. Its stipulations include that more than 50% of a heating company must be owned by public parties. This will allow for more public steering, which contributes to the sustainability and affordability of the heat supplied to households and companies. Over the coming period, the Ministry of Economic Affairs and Climate Policy will specify the underlying regulations, which should be appropriate for ensuring that network companies can actually make a valuable contribution to the heat transition.

Heating Transition (municipal instruments) Act

The Minister for Housing and Spatial Planning and the Minister for Economic Affairs and Climate Policy submitted the proposed Heating Transition (Municipal Instruments) Act to the Dutch House of Representatives in late June 2023. The objective of this act is to amend the Gas Act and Environment & Planning Act, and to give municipalities the authority to designate specific districts where a sustainable energy supply will be introduced to replace natural gas (the authority to designate). This implies that the network operator's existing natural gas transmission obligation and authority in that particular residential district will expire after a certain date. The act makes an affordable district-oriented approach possible with room for a careful process with the residents, where districts collectively switch to a heat supply that differs from natural gas. The parliamentary debate for this proposal is planned for 2024.

Decarbonisation package

In late 2023, an agreement was reached on the European Decarbonisation Package. This legislative package contains rules about the correct functioning of the European internal market for natural gas, renewable and low-carbon gases and hydrogen. Apart from including key rules to give renewable gases (green gas) more space in the existing natural gas network, these regulations introduce the market organisation for hydrogen transmission. This paves the way for a future regulated role for Alliander in the field of hydrogen distribution. The implementation of these regulations in Dutch legislation will start in 2024.

Phased reduction of statutory feed-in rate

In February 2023, the House of Representatives approved the legislative proposal that manages the reduction of the statutory feed-in rate. The Senate rejected the proposal on 13 February 2024. Liander and the other network operators have voiced their support for the proposal, as solar panels no longer require a financial incentive from the government. Instead, owners of solar panels should be encouraged to use the electricity they generate immediately in their own homes as much as possible to reduce the load on the power grid.

Environment & Planning Act

The Environment & Planning Act came into effect on 1 January 2024. Alliander wants to actively work with public authorities to deploy instruments under the new environment and planning legal system that directly help us to perform more work. We are actively working to ensure compliance with the Digital System for the Environment & Planning Act.

Flexibility and tariffs

Liander is working on various initiatives to use the available network capacity as efficiently as possible at times when more transmission capacity is available. This must be supported by legislation and regulations. Draft code amendment decisions were published in 2023 that would allow alternative (non-firm) transmission rights to be offered in congested areas to ensure that customers can no longer claim the right to contracted but unused transmission capacity ('use it or lose it'). Work is also underway to prepare proposals that would allow alternative transmission rights to be offered outside of congested areas as well and would allow groups of high-volume consumers to jointly reduce the load on the power grid by means of a group transmission agreement.

National Network Congestion Action Programme
In 2022, Liander drew up a National Network Congestion Action Programme (LAN) together with the other network companies, public authorities and market parties. The programme contains three priorities: accelerated expansion of the network, greater focus on making better use of the network and increasing flexible capacity. The actions were developed further under the leadership of the Ministry of Economic Affairs and Climate Policy in 2023. In October 2023, outgoing Minister Jetten announced additional measures for tackling network congestion. An additional priority for the low-voltage network was added to the LAN last year. Network operators, public authorities, market parties and knowledge institutions are working on a joint action programme for resolving current and future bottlenecks in the low-voltage network. The network companies and authorities are also working on a programmatic approach to developing the energy system. This approach focuses on aligning the future demand for and supply of energy. On this basis, decisions must be made about the associated energy infrastructure – what must be built where and when?

Social prioritisation

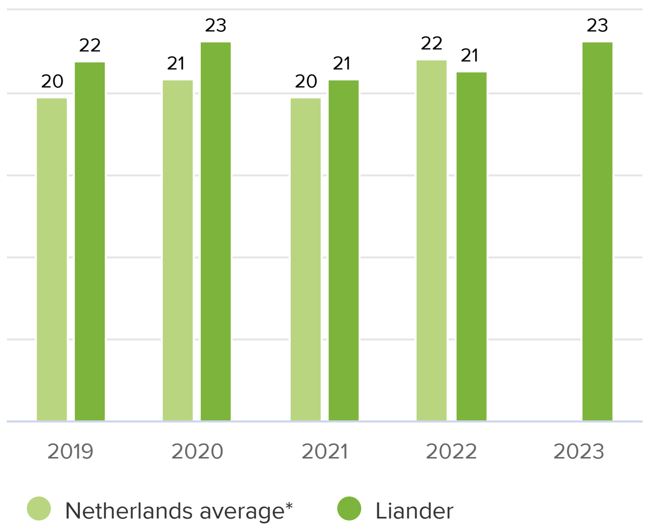
In late February 2023, the ACM announced that it wants to provide scope for network operators in congested areas to prioritise individual projects that help reduce congestion or projects with a social function. On 13 July 2023, the ACM published the draft code amendment decision regarding scope for prioritising transmission requests. The draft decision submitted by the ACM states that network operators may deviate from the 'first come, first served' principle based on the prioritisation framework in the draft decision when handling transmission requests.

Excellent network management

Supply reliability of the electricity grid

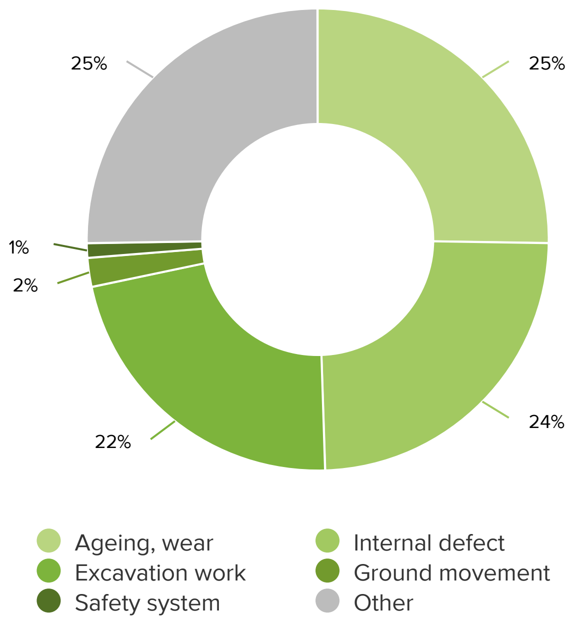
In 2023, our customers were without electricity for an average of 23.2 minutes (2022: 21.3 minutes). This is slightly more than the target of 23.0 minutes. The increase compared to 2022 is almost entirely due to faults in the low-voltage network. Due to the increased number of faults, the outage duration is higher than in 2022. In contrast, the outage duration for the medium-voltage network has dropped.

The average outage duration per connection in the power grid (minutes)



* The average for the Netherlands in 2023 is not yet known.

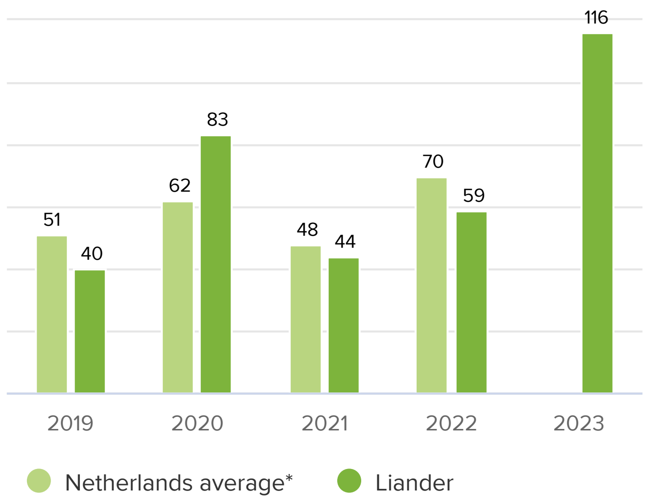
Causes of power grid outages



Supply reliability of the gas grid

Gas outages are relatively uncommon. The main cause of fluctuations in the gas outage duration is ad hoc outages caused by a third party, for example during excavation work, which often leave customers without gas for a long time. However, last year still saw an increase in the number of seconds for outages (116 compared to 59 in 2022). This can mainly be attributed to faults in Velsen-Noord and Culemborg. Without these faults, the average outage duration would be 40 seconds.

Average outage duration per connection in gas network (seconds)



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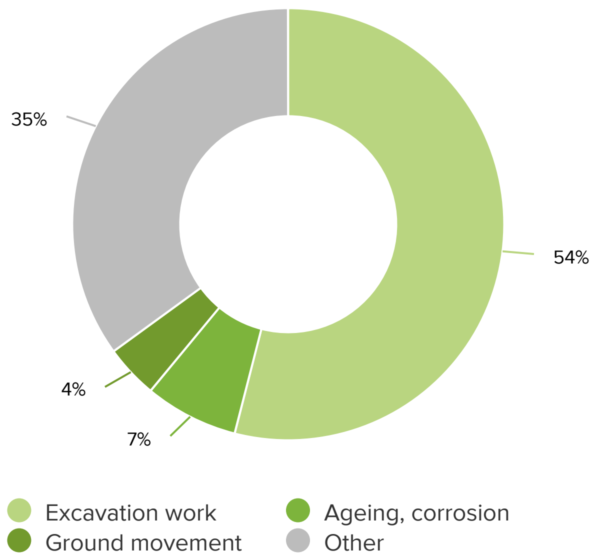
Causes of gas network outages



Access to energy

As a network operator, we believe that energy should be accessible and affordable for everyone. Disconnections happen at the request of the energy supplier. We exercise restraint in disconnecting households that have trouble paying their bills. Energy prices have risen rapidly since 2022. This put many people at risk of running into financial problems. In late 2022, energy suppliers, municipalities and network operators made arrangements with the government to prevent this. They decided that all parties would have to make an (additional) effort to prevent people from being disconnected. Liander's technicians, fraud specialists and office workers focused on contacting customers and explaining which options they have for (financial) support. Together we looked for a sustainable solution that allows consumers to get a new energy contract.
In April 2023, the temporary disconnection policy was changed to a permanent scheme. This has reduced the risk of disconnection due to energy poverty for lots of customers.

Preventing energy poverty

As Liander we feel the social responsibility to prevent disconnections and will continue to focus on developing sustainable solutions. We do this based on the principle that nobody in the Netherlands should have to deal with energy poverty, as we view energy as an inextricable part of socioeconomic security. Last year we launched a pilot in partnership with the municipality of Amsterdam to fight energy poverty. The municipality of Arnhem also joined during 2023. In this way we are fighting the risk of families getting trapped between the Energy Act and social legislation. In 2024 we are committed to increasing support based on this vision and intensifying collaboration with our supply chain partners to make the protection of vulnerable consumers as effective as possible. We are looking for opportunities in current laws and regulations, but also at which (legal) policy adjustments could contribute to greater consumer protection.

Disconnections during wintry weather

During extreme winter weather, we take appropriate action to ensure that everyone has access to electricity and heat. In this context, we go further than the law requires. The law states that we must stop disconnecting customers if the temperature in De Bilt (the site of the Royal Netherlands Meteorological Institute) drops below zero for a 48-hour period. Every week, we take a look ahead to determine whether the average temperature will be below zero in any 24-hour period. We do not disconnect anyone during the public holidays in December.

Making the energy supply and our organisation sustainable

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → **Which values do we create for the long term?** → What are the most significant social impacts? → To which global targets do we contribute?

As a network operator, we are not only preparing our gas and electricity networks for a sustainable future. We are also preparing our market facilitating systems and services for the future. We are working towards a new situation of higher awareness and more choices in energy generation and consumption, and a sustainable energy system which is reliable, accessible and affordable. We cannot do this alone. To achieve this goal, all parties need to have a clear picture of what the energy system in 2050 looks like and how we can reach it.

Related topics

This chapter is about our measures to make the energy supply and our own organisation more sustainable. The reported information relates to topics that we and our stakeholders feel are important. Furthermore, these activities contribute to achieving SDGs.

Material topics	SDGs	Customer groups
A) Energy security for the customer B) Climate change E) Supply chain responsibility F) Governance G) Dialogue with stakeholders H) Circular operations	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Customers Shareholders Investors

Sustainable developments in our service area

Installed solar energy capacity

7,362 MW

+25.3% compared to 2022

5,874 MW in 2022

Installed wind energy capacity

1,824 MW

-1.4% compared to 2022

1,850MW in 2022

Volume of fed in green gas

75 million m^3

+13.6% compared to 2022

66 million m^3 in 2022

Number of public charging station

16,648

+29.6% compared to 2022

12,850 in 2022

Objectives and results for sustainable business operations

Gross carbon emissions, own business operations

425 2023 result in kilotons

≤416 2023 objective in kilotons

289 kilotons in 2022[1]

Net carbon emissions from business operations

0 2023 result in kilotons

0 2023 objective in kilotons

29 kilotons in 2022[1]

Circularity[2]

31%[3] result in 2023

≥31% objective for 2022

28% in 2022

1 The results of the gross CO_2 emissions and decarbonisation for 2022 were recalculated based on the most recent emission factors and more up-to-date insights into the total network losses for electricity and gas in 2022.

2 The scope of the Circularity KPI comprises primary assets: Low-voltage and medium-voltage cables, gas pipes, distribution and power transformers, and smart electricity and gas meters.

3 This score is discussed in more detail under 'Circular Procurement' later in this section.

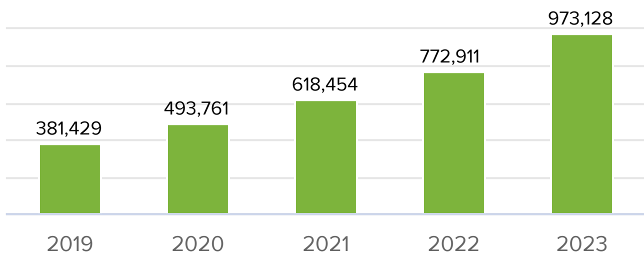
Improving the sustainability of the energy system

The transition to a sustainable energy system and achievement of the climate objectives entails major changes in every sector of our economy. It affects every household and business, and requires a large-scale overhaul of the energy system. Together with stakeholders, the network operators explored what the overhaul might look like in the Integral Infrastructure Survey for 2030-2050. The Dutch government's National Energy System Plan explains where we are heading as a country, with fundamental choices to commit fully to saving energy, production of sustainable energy in the Netherlands (both centralised and decentralised) and direct electrification. Direct electrification means that fossil fuels are replaced directly with electricity, for example, when replacing a gas boiler with an electric boiler or heat pump. The overhaul of the energy system should basically be 80 to 90% complete during the period 2035-2040. This is a major challenge for the energy sector, the industry, mobility, agriculture and house building. There is a huge need for additional infrastructure to make this possible. The focus on lots of renewable power, energy savings and electrification also requires us to handle energy differently in the future. Soon the wind and the sun will determine in which direction we turn.

Unabated growth in the number of customers generating renewable energy

Each year we connect more wind turbines and solar farms to the power grid. In addition, green gas producers are also increasingly turning to us for connections so that they can feed their sustainable gas into the natural gas network. In 2023, we again saw an increase in the number of consumer-registered connections with an active feed-in installation in our service area, from 773,000 to approximately 973,000 (up 26%).

Number of feed-in installations at our customers



High energy prices are rapidly boosting demand for sustainable solutions

Issues like the energy crisis and high energy prices since the war in Ukraine started have prompted many of our customers to look for sustainable solutions over the past year. This applies both to households and to businesses. Sustainable solutions are often geared towards reducing energy usage by improving the insulation of homes and buildings, reducing process losses in industry and switching to electric solutions.

Insulation is the first step

Reducing energy usage is a crucial step in the transition to a sustainable energy system. In 2023, the government provided additional resources for measures to promote energy savings and to keep the energy bills of households and businesses affordable, making us less dependent on other countries and avoiding overcrowding of the electricity grid. This is important: insulation is a crucial building block for reducing the energy usage of buildings, since most of the energy consumed in the built environment is used to heat homes and other premises in the winter. Reducing the demand for energy will also reduce peak loads on the networks, which is crucial.

Choosing electric solutions

Demand for electric solutions has risen dramatically. In the built environment this is reflected, for example, in the increased number of heat pump installations. On our roads, the number of electric vehicles rose by about a third in 2023 compared to 2022. The rapid growth in electrification is difficult for us as network operators: it means that we need to be working everywhere at once, but we cannot do that. This is why we are calling on public authorities to manage this development more and adopt a more structured approach. We call this energy planning. In November we therefore presented the National Implementation Agenda for Regional Infrastructure as part of Netbeheer Nederland. We are currently discussing the suggested approaches with our partners.

High and volatile energy prices lead to new contract types

The high energy prices and the growing share of sustainably generated energy are leading to major fluctuations in the price of electricity during the day. This affects some of our customers and provides certain opportunities for us. The large price differences are accelerating the use of flexibility and thus also the demand for new contract types. Part of energy usage and energy feed-in is not flexible. We have noticed that the energy price can sometimes be zero or negative. The number of energy storage projects increased rapidly to allow more flexible balancing of energy generation and consumption. The number of households in the Netherlands with a dynamic energy contract also rose in 2023. The hourly prices in these contracts are agreed with the suppliers the day before. They are particularly beneficial for customers with flexible loads, such as electric boilers, electric cars or home batteries. The increase in the number of dynamic price contracts may be the start of a future trend that could potentially have a major effect on our network load.

Our customers are requesting solutions for balancing supply and demand locally

Our business customers are increasingly asking us for solutions that make it possible to exchange energy locally in response to the available local network capacity. These customers are open to the idea of organising as groups in ‘energy hubs’ or energy communities. By coordinating generation and demand locally, less network capacity is required and industrial estates can expand or become more sustainable. In our vision of the energy system, we view these local exchanges as an essential part of the energy system’s overall balancing challenge. Alliander is developing innovative ways of facilitating this approach and working on making the data and market facilitation systems suitable for this. We aim to establish partnerships in which other parties deploy solutions and we add our own solutions such as ENTRNCE, a local market platform. We are working on making group transmission agreements possible, in which network users start sharing transmission capacity between themselves to balance local supply and demand, and to reduce network loads as a result.

Electrification in the area of mobility

The number of electric vehicles continues to grow. The government’s aim is to ensure that 100% of new cars sold are zero-emission by 2030. In order to charge all of these cars, the principle of smart charging should be made mandatory for all public and private charging points. The essence of smart charging is that charging electric vehicles should not contribute significantly to the peak loads on the power grid, as charging is only performed within the capacity limits of the power grid.

Zero Emission zones

From 2025, the logistics sector will have to deal with Zero Emission (ZE) zones in a few dozen cities. These zones will accelerate the transition to zero-emission cargo transport. In 2030, the number of electric vans is expected to rise to about 225,000 and the number of electric trucks to about 24,000. 85% of the electricity demand for the vans and trucks is supplied in the evenings and at night, which are often relatively ‘quiet times’ on the power grid. Liander is responding to this by offering new contract types.

Sustainable heating supply

The transition to an alternative, sustainable heating supply affects all companies, consumers, building owners and public authorities in our service area. Choosing new heating solutions is not an easy task and the availability of infrastructure increasingly often plays a major role as well. The choices being made are already having a major impact on the low-voltage network capacity. As the scale of sustainability improvements increases, we are also expecting issues in the higher voltage networks.

Support from municipalities and housing corporations

At Alliander, we see it as our role to effectively facilitate the process of making the built environment sustainable, to inform customers about the best way of doing so and to work together with municipalities and housing corporations. To this end, we have a contact person for each municipality to discuss and contribute ideas for the Transition Vision Statement for Heating, the district implementation plans and the housing corporations’ sustainability plans. In 2023, we also started using permanent contact persons for housing corporations. Housing corporations can also perform a digital network test, with Liander indicating whether the sustainability improvements can be implemented.

Sustainability of the built environment is increasing

In 2023, removal of gas connections rose by around 39% compared to the previous year. However, sustainability improvement is more than direct gas connection removals only. The national increase in hybrid heat pumps has gone up. The impact of hybrid heat pumps on the grid is lower than that of all-electric pumps. Liander finds it difficult to predict where the growth is taking place due to a lack of collective alternatives and management from the municipalities. An area-based approach to the transition remains necessary to achieve the best possible heating solutions at a local level and to be able to tackle the network upgrades systematically. We are also calling on municipalities to continue their focus on promoting insulation.

Start of local programming

Creating an early picture of all the developments in a district and suggesting the best possible energy system for them is a complex task for municipalities. As we have noticed, however, autonomous growth is so rapid that congestion is also occurring in residential districts. This requires faster upgrading of the district networks, but this does mean the decision-making process for matters such as alternative heating solutions needs to be accelerated in line with the regional developments and the higher voltage networks. In late 2023 we therefore started local programming with municipalities, in which we design an energy system together with municipalities.

Sustainable gases

Sustainably produced hydrogen is an important part of the envisaged future energy supply. Alliander is working on a vision for hydrogen use in the six industrial clusters in the Netherlands.
We are exploring the use of hydrogen in various projects. A major goal of this is to learn how our existing networks can be used effectively. In a pilot in Lochem, Alliander is investigating the use of hydrogen together with its residents. Alliander is also investing in the development of regional hydrogen distribution networks. In Amsterdam, for example, we are working with the Port of Amsterdam on developing a regional hydrogen network. Firan prepared the design for this in 2023. Alliander is also participating in the European Hy2Market project, in which leading regions collaborate to accelerate hydrogen production, distribution and application. The project was launched in 2023 and runs until 2026.

Green gas

In 2023, 27 green gas providers fed in 75 million cubic metres of green gas to the Liander network. Over 280 million cubic metres of green gas are fed in nationally. Due to increased incentives from the government (higher SDE subsidy for green gas and the announced blending obligation), we have seen an increased number of surveys for green gas feed-in and signed quotations (contracts) since 2022. The increased feed-in expected as a result of this was not reflected in the feed-in figures for 2023. The target in the Climate Agreement is that two billion cubic metres of green gas should be fed into the Dutch gas networks by 2030, so this requires upscaling. To achieve the required acceleration, Liander is preparing for the expected growth in both the number of green gas providers and the volume of green gas in our networks together with Netbeheer Nederland. We do this, for example, by developing a national map that provides insight into the existing room for feed-in, but also by removing obstacles in the field of gas quality and other aspects.

Network connections

In 2023, Liander worked on a plan for connecting the networks in Flevoland and Friesland in collaboration with Gasunie Transport Services (GTS). In these provinces, not enough of the green gas in the Liander networks is being used in the summer for all existing and desired gas providers. Moving the green gas to the GTS network will expand the reach for consumers over larger distances and creates room in the Liander network for further growth of green gas feed-in.

Sustainable organisation

Our social policy is one of the fundamental pillars of our governance: Alliander is future-proofed because we act to make our organisation safe, cost-conscious, sustainable and inclusive. Our social objectives focus on the facilitating capacity of our energy network for sustainable energy, our carbon emissions, the circular use of materials, our efforts to promote biodiversity, a diverse and inclusive corporate culture and our performance as an employer. We discuss the topic of having a diverse and inclusive company culture in the section An attractive and inclusive employer with equal opportunities for all.

Climate-neutral operations in 2023

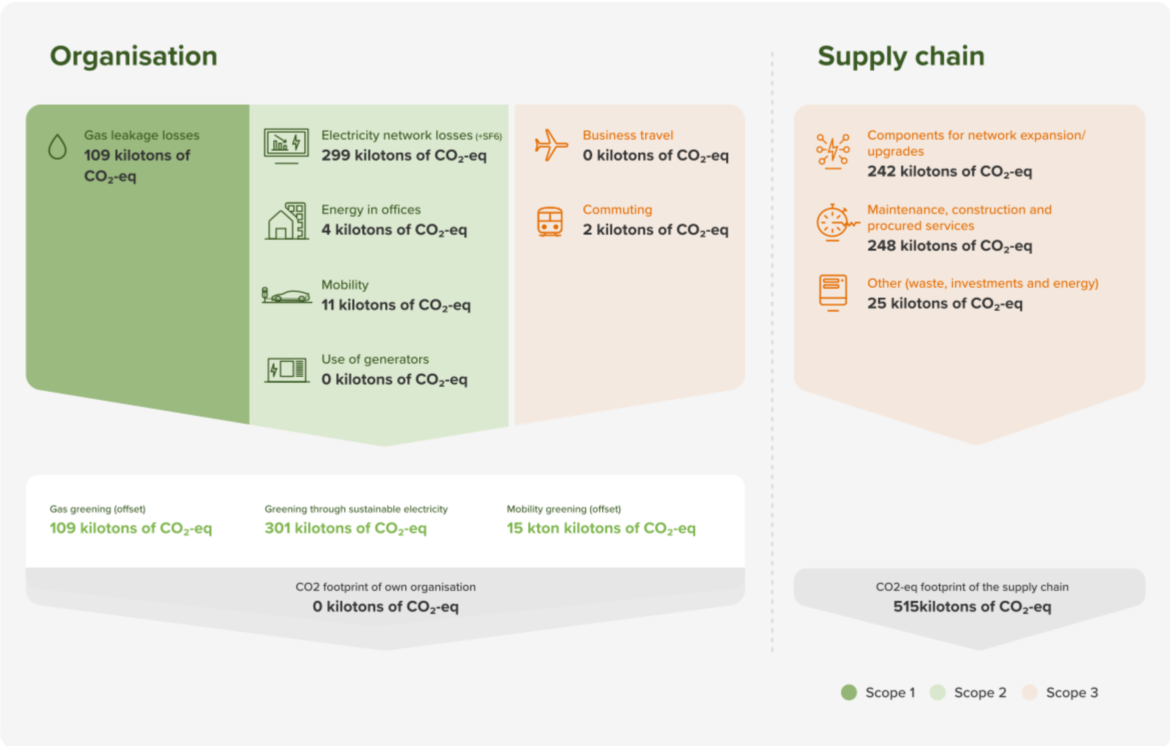
Partly thanks to green certificates, Alliander achieved climate-neutral operations in 2023 in line with its target. In other words, we had net zero carbon emissions caused by our network activities, offices and vehicles in 2023. We have achieved this by reducing carbon emissions and becoming more sustainable in recent years. Our vehicle fleet is increasingly electric, energy usage in our buildings is falling, and we are focusing on limiting our network losses for electricity and reducing the environmental impact of this.

Unfortunately, our direct gross emissions in 2023 were up on 2022, exceeding our target for 2023. Among other things, this is caused by increased network losses (the largest share of our footprint). The increased network losses are related to higher loads on our components; feed-in doubles the load on a cable. We also started increasing the load on our cables as standard to create room in the power grid. Our emissions were also up due to the procurement of electricity with a higher carbon emission factor (less green) to compensate for network losses.

Emissions in our supply chain

We determined the supply chain-related 'scope 3' carbon emissions in 2023. These include the emissions released by our suppliers when making, transporting and delivering products and providing services. As an organisation, we have an indirect influence on the scale of these emissions. Therefore, they are not covered by the scope of our own internal climate objectives. The supply chain-related emissions in 2023 amounted to 515 kilotons of CO_2. This is 21% higher than our direct gross emissions under scopes 1 and 2. Carbon emissions are a criterion in many of our procurement tenders (buildings, lease partners, components). We began identifying an appropriate target for our scope 3 emissions in 2023. This revealed that parties in our sector calculate scope 3 emissions in different ways and that the costs of eliminating these emissions entirely can be high. In 2024, we will publish a proposal for improved collaboration within the sector and a potential common target. We are also planning to report on gas-related emissions as part of a new CO_2 methodology.

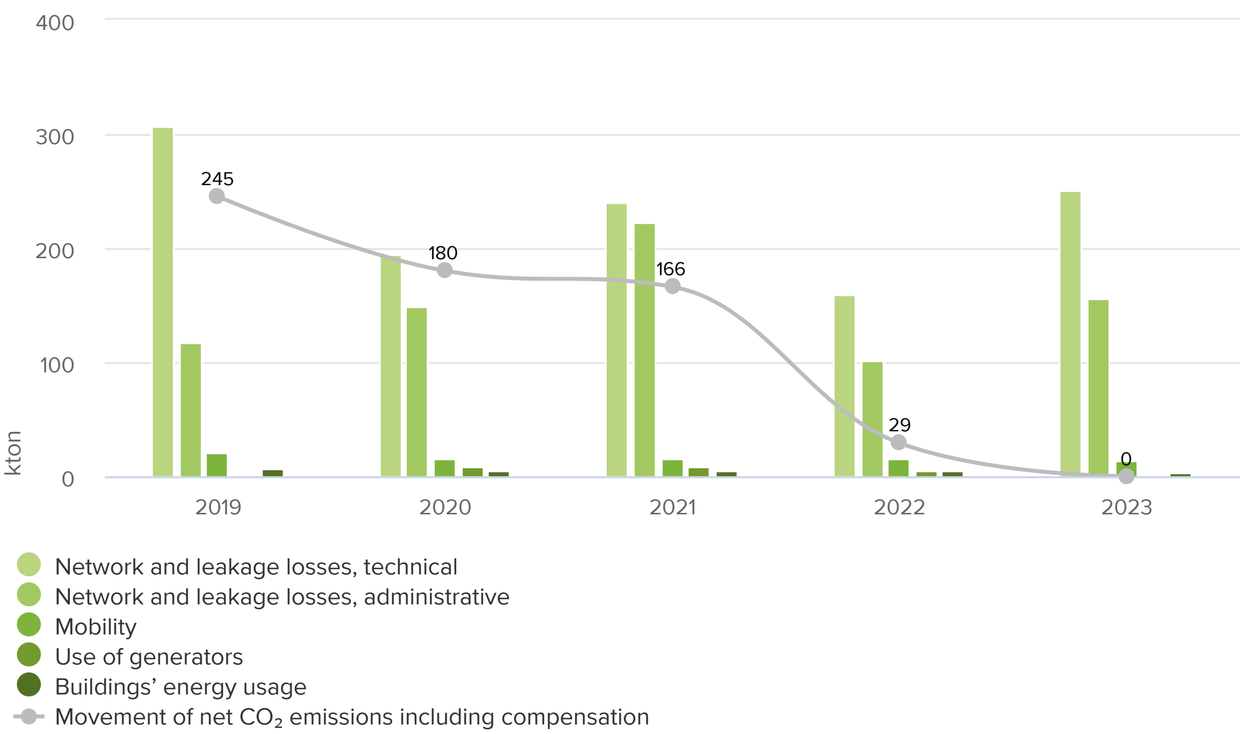
Emissions per scope, converted to CO_2 equivalents (CO_2-eq)[1]



1 In order to add up the effects of the various greenhouse gases, emission figures are converted to CO_2 equivalents, or the extent to which a gas contributes to the greenhouse effect. One CO_2 equivalent is equal to the effect of emitting 1 kilogram of CO_2, e.g. 1 kilogram of methane (CH4) emissions is equal to 25 CO_2 equivalents. The GWPs of fluorinated gases vary quite significantly and can be very high, e.g. 1 kilogram of sulphur hexafluoride (SF6) is equal to 22,800 CO_2 equivalents.

Trend-based development of carbon emissions

Classified gross carbon emissions with trend line for net carbon emissions[1]



1 The results of the gross carbon emissions and sustainability improvements for the years 2019-2022 were recalculated based on the most recent emission factors and new insights into the overall network losses for electricity and gas in 2022.

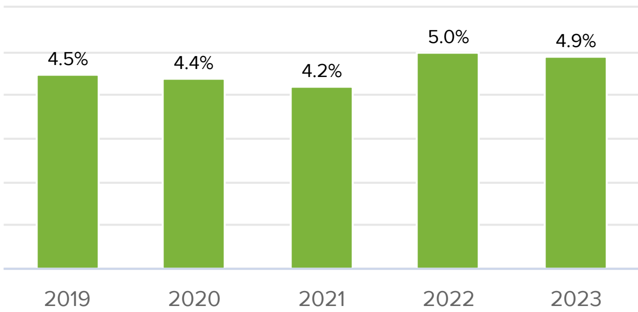
Internal CO_2 price increased

Since 2021, we have used a higher internal CO_2 price as a weighting factor when assessing the sustainability of our investments. Energy savings or reductions in methane leaks are assigned greater weight as a result. The higher CO_2 price is part of a sector-wide agreement between all network operators, which was initiated and is coordinated by Liander. Following intensive discussions, the ACM approved the price agreements between the network operators in February 2022. In 2023, all Dutch network operators increased the calculation price from €100 to €150 per ton CO_2. The network operators are investigating options to increase the calculation price further in the next couple of years. The higher CO_2 price is forcing us to consider all the risks associated with greenhouse gas emissions more closely, including replacement investments for (old) cables, transformers and SF_6 emissions. It also helps us assess suppliers objectively during tender processes regarding the CO_2 performance of components.

Emissions from network and gas leakage losses

Network and leakage losses, which arise mainly during the transmission of electricity and gas, account for 96% of our gross carbon emissions by our own organisation. Network losses cost us €330 million in 2023 and can only be mitigated to a limited extent. Nevertheless, we are working to reduce our technical and administrative network losses each year by using the stated internal CO_2 price, among other things. The network losses percentage is an accurate approximation.

Share of network losses compared to total input



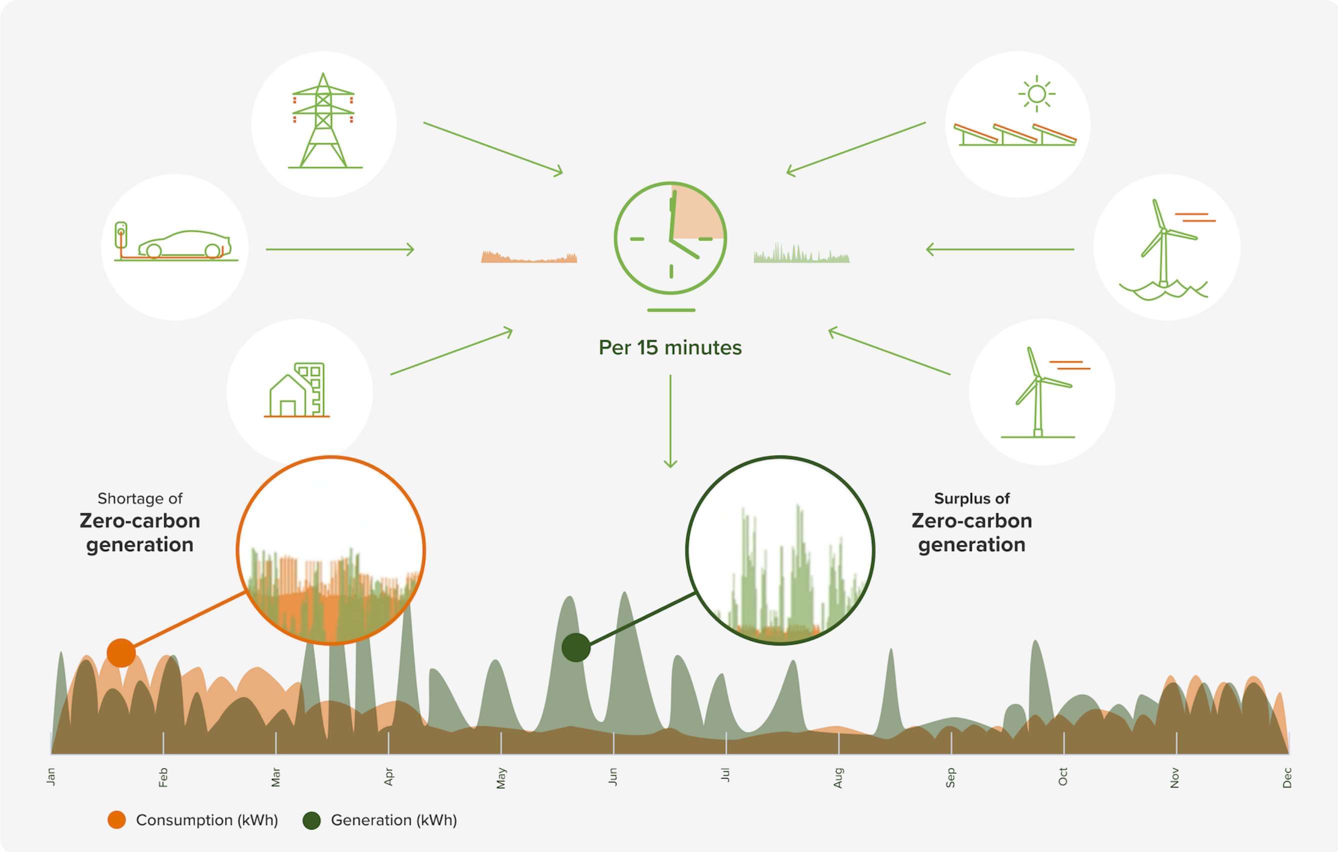
Greening network losses with renewable energy

Alliander is offsetting its network losses for electricity by generating additional renewable energy in the Netherlands. We made 297 kilotons of our total network losses sustainable with Guarantees of Origin in 2023 and also received 27% of the electricity network losses as green electricity. We have made a conscious decision to progressively green our procurement for network losses with electricity from investments in renewable sources. This approach ensures that our network losses are low-CO_2 and supports growth in renewable energy generation. In 2023, we made 100% of the total electricity network losses sustainable by activating additional contractually secured green certificates with Dutch wind certificates. The gas network losses were made 100% sustainable with EU Gold Standard certificates.

24/7 matching

Alliander recognises that purchasing electricity sustainably with Guarantees of Origin does not take account of the simultaneity of generation and consumption. Because the electricity network must remain balanced at all times, the system works better if network users coordinate the timing of their consumption and (purchased) generation. This concept is known as 24/7 matching.

24/7 consumption and origin of electricity purchased by Alliander[1]



1 Electricity generated from fossil and non-fossil (sustainable) sources is made available for use, depending on production levels. The graph shows in steps of 15 minutes how much of Alliander's consumption is simultaneously provided by sustainable energy sources (solar power from own sites and procurement of onshore and offshore wind power using guarantees of origin). It shows that sustainable energy sources are often lacking during the winter period, while the summer months have a 'green' surplus. Alliander uses its matching model to calculate the matching score of power generation and consumption for every kWh it consumes in steps of 15 minutes.

We used the ENTRNCE Matcher to calculate the matching score for Alliander for 2023 based on the consumption due to network losses, electricity consumption in offices and (EV) mobility. Our own generation from solar panels on the roof and wind power purchased with Guarantees of Origin was then offset against this consumption. The matching was calculated on a quarterly basis to ensure alignment with the Dutch electricity market. The result for 2023 was a matching score of 61.0%. We are planning to investigate how we can increase this score in the coming years. This may include diversifying generation technology of the electricity we purchase or adding storage or demand management.

Technical network losses

The total technical electricity network losses rose by 14% in 2023 compared to 2022. This increase was mainly due to the increased network load compared to 2022, which resulted from an increase in local sustainable power generation and network congestion. This resulted in higher network losses. In the years to come, we are expecting further increases in the feed-in of sustainable energy and persistence of congestion issues for the time being. Eventually this will lead to higher loads on our networks, increasing network losses. Our gas-related network losses rose by 35% compared to 2022. In the coming years, the CO_2 equivalent of a cubic meter of gas will be increased, so we expect to report higher gross carbon emissions for this category in the future.

Administrative network losses

Administrative network losses are caused by issues like energy fraud, e.g. illegally tapping into the electricity supply to grow cannabis, or the absence of contracts for new or existing connections. In view of the high energy prices, we mainly looked closely in 2023 at how we can minimise that impact. Disconnections and the absence of contracts automatically lead to higher administrative network losses for the network operator. Measures implemented by the national government in partnership with suppliers and network operators kept the number of disconnections and customers without a contract to a manageable level.

We rely partly on the efforts of the police and judiciary, with whom we have collaborative agreements, to help us detect fraud. In 2023, we continued to improve our fraud detection and recovery of losses suffered due to the absence of contracts for new and existing connections. We recovered more administrative network losses in 2023.

Emissions from buildings

CO_2 consumption in our offices and buildings fell in comparison to 2022. This was primarily due to reduced gas consumption. Part of this was due to leaving the gas-fired Spaklerweg site in 2023 after more than 100 years. The replacement Westpoort core site was put into service in May. Its wooden structure makes Westpoort an office of the future: wood is fully renewable, stores CO_2 and is light-weight, so parts like the foundations require fewer materials. Sustainable energy generation, including the use of solar panels and thermal energy storage, make the site energy-neutral. An energy label is being prepared. The renovated sites in Doetinchem and Leeuwarden were also put into service, in June and October respectively. These sites now also operate without gas. NZEB (nearly zero energy building) calculations were performed for both sites and labels are being prepared. By now 67% of our buildings have been disconnected from the gas network.

The energy purchased for buildings is fully greened through Guarantees of Origin. Sustainability improvements are still being planned for a number of sites in the years to come, such as disconnecting the buildings in Alkmaar and Leiden from the gas network. Removing gas connections does, however, boost electricity consumption. We have also noticed an increased use of electric vehicles, so our sites are being used more for charging.

Emissions from vehicle fleet

In recent years, Alliander has taken steps to improve the sustainability of its vehicle fleet. Fully electric vehicles will become standard for business use. Since July 2023, employees with a lease vehicle have only been able to choose a fully electric vehicle. The percentage of electric vehicles in our vehicle fleet rose to 29.6% last year (up 5.2% compared to 2022). We expect our lease vehicle fleet to use completely fossil-free energy by 2030.
In 2023, we also started the electrification of company vans. About 40 mechanics and technicians are now driving electric vans. They are participating in a programme for electric vehicle use frontrunners using company vans. This gives us the opportunity to gain experience and to learn from driving electric vans. All Alliander employees have NS Business Cards, which allow them to use public transport for their work. In this context it was also agreed that the commuting allowance for car or bicycle use should be similar to the average cost per kilometre of second-class public transport. In 2022, the travel allowance was therefore raised temporarily to 19 cents per kilometre. For official travel kilometres, the allowance was raised from 19 to 28 cents per kilometre. We extended the travel allowance scheme in 2023.

Footprint of IT equipment

Our IT facilities are responsible for a large part of Alliander's electricity consumption and carbon emissions. The measurements for 2022 were published in mid-2023, the figures for 2023 will follow in mid-2024. Data centres had the highest contribution to our overall CO_2 footprint (77%) in 2022, followed by computers (10%) and decentralised networks (10%). Alliander's digitisation organisation is taking measures to reduce the energy usage and carbon emissions of the IT equipment. Their efforts focus on equipment in offices, Alliander's data centres, cloud services and equipment being used to work from home, which is issued or registered by Alliander. In 2022, the total carbon footprint was 2,217 tons of CO_2. As we included the energy usage of the operational technical data centres in the measurements for the first time in 2022, the total CO_2 footprint cannot be compared to previous years. In order to reduce emissions, our efforts in 2023 included improving the efficiency of the data centres and replacing desktop computers with laptops and other more energy-efficient systems. We are phasing out desktop computers and fax machines as much as possible and replacing power-hungry multifunctionals with more energy-efficient models.

Top level on the CO_2 performance ladder

We assess our approach to and the reduction of our climate footprint based on the criteria for the CO_2 performance ladder. We have now performed at the highest level for several years. This demonstrates our understanding and implementation of the following:

- Our own footprint (level 1)
- Possible reduction measures (level 2)
- Our capability of actually implementing those measures (level 3)
- Transparency regarding our performance and ambitions (level 4)
- Innovations with our supply chain partners (level 5)

CO_2 performance is an assessment criterion for tenders. We know the carbon emissions of our main suppliers and are committed to the government's CO_2 reduction programme. In 2023, an interim assessment of the operation and scope of our certification was performed externally by our certification body and confirmed.

Air emissions

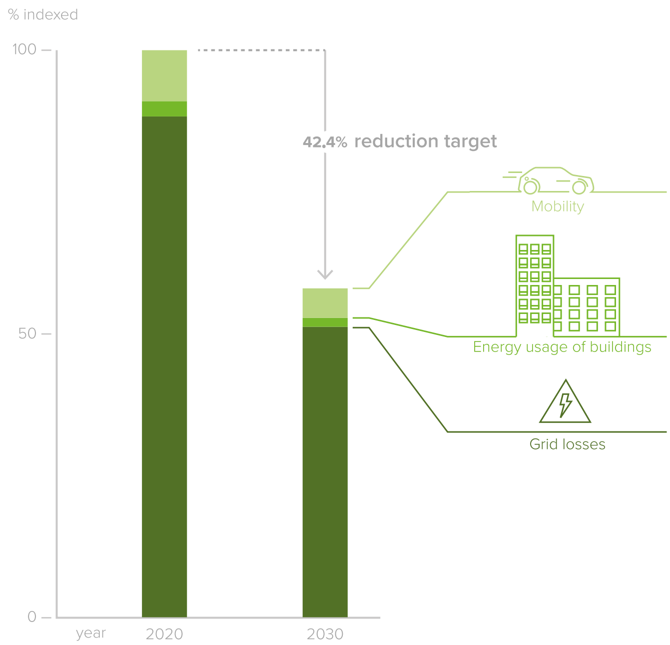
Apart from its focus on carbon emissions, Alliander is also looking at emissions of other (non-greenhouse) substances in the air. Examples of these are nitrogen (NOx), sulphur oxides (SOx), particulate matter (PM2.5 and PM10), chlorinated substances and halogenated hydrocarbons (CFC-x, Halon-x, CCl_4, HFC-x). The investigation into emissions of these substances performed in 2023 revealed that particulate matter, NOx, SOx and CO are Alliander's most relevant emitted substances. The business activities with the greatest impact on the investigated emissions are transport and network losses. Petrol used for transport is the biggest source of particulate matter and CO emissions. Network losses are the biggest source of NOx and SOx emissions. We were advised to conduct a more in-depth investigation into the biggest emission sources. Most of the recommendations to reduce emissions match the CO_2 reduction measures. We will be aligning ourselves with the existing GHG (CO_2) approach. The conclusions of this investigation will be discussed in 2024, including the calculation model that aligns with Alliander's impact model. Based on this, an action plan will be drawn up in 2024.

Soil emissions

Many of Alliander's energy networks are buried underground. The management of these networks may cause soil contamination. Since 2018, we have known that minor prolonged gas leaks may cause benzene contamination in the soil. Netbeheer Nederland has since conducted several investigations with contributions from Alliander to determine the nature, scale and risks of this contamination to employees and the physical living environment. Based on the investigations in 2022, a 'Benzene soil contamination due to gas leaks' action framework was drawn up. Alliander uses this action framework as a guideline for handling possible benzene contamination due to gas leaks. Another form of soil contamination is caused by oil pressure cables. These cables were used in the past for the transmission of higher voltages (>50 kV). The oil provides the electrical insulation. If the sheath of an oil pressure cable is damaged, this may cause local soil contamination. In order to prevent this, Alliander has a policy in place to limit damage to oil pressure cables, to track down possible leaks and to eliminate the consequences of them.

Science-based targets

Science-based targets are business objectives that align with the two-degree scenario in the Paris Agreement. In 2023, we spent a lot of time and effort preparing to sign up to the Science-Based Target Initiative (SBTi) for verification in 2024. In 2020, it was determined that Alliander's CO_2 reduction policy for scope 1 and scope 2 emissions is in line with the science-based targets. This goal can be broken down into the maximum CO_2 emissions per sector and maximum CO_2 emissions per company. This is known as the Sectoral Decarbonisation Approach. In Alliander's specific case, this scenario means a total CO_2 reduction of about 21% by 2025 in comparison to 2020 and 42.4% by 2030, in line with our current CO_2 reduction policy. We are also obliged in 2024 to define our objectives for scope 3 emissions for the final verification.



Climate risks and adaptation

TCFD

Alliander aspires to be future-proof. One aspect of this is dealing effectively with the risks and opportunities presented by climate change. These risks may be physical, e.g. flooding, but they can also be related to the business and commercial environment; e.g. changes to the tax regime. Alliander uses the guidelines of the Taskforce on Climate-related Financial Disclosures (TCFD) as the starting point for its approach. Following on from this, climate risks have been part of the Alliander risk management framework since 2021. This means that climate risks are included in the annual risk session with the Management Board.

Outcomes in 2023 and follow-up action

The results of the 2023 risk session indicate a potentially high risk of damage and loss of company assets due to flooding. The effects of drought and high temperatures can also pose a risk to the continuity of our operations. During the analysis of the results, we concluded that more research on climate scenarios is needed to increase the accuracy of our assessment of the possible risks due to climate change. A Climate Adaptation working group is investigating the potential physical effects of climate change on network components and energy infrastructure under the Netbeheer Nederland banner. The group is also developing proposals for climate adaptation measures in line with the TCFD's recommendation.

Physical risks and opportunities

Our physical risks mainly stem from supply chain effects in the event of extreme weather conditions and flooding. This involves potential damage to our own components or TenneT's high-voltage pylons. Given the low elevation of some of our service areas, rising sea levels also pose a risk. Having to deal with higher temperatures more frequently also leads to higher electricity consumption, as homes and businesses will have to be cooled more.

Transition risks and opportunities

Our networks are an indispensable element for ensuring a successful transition to a sustainable energy supply. The transition offers opportunities: growing electrification in society and the growth of green gas feed-in in our networks. But there are also transition risks: the demanding but unavoidable pace at which we must fulfil our task, and phasing out the gas infrastructure.

Physical risks	Possible effects
Extreme weather events like drought, heat waves, wildfires and heavy rainfall	Damage to infrastructure Power outages Damage at suppliers, in the energy supply chain and to transmission infrastructure
Rising sea level	Damage to energy supply chain, assets and at customers
Increasing average temperature	Damage to company assets Pest damage/insect plagues More demand for air conditioning, cooling, etc.
Transition risks	**Possible effects**
Technological innovation and market changes	Decrease in natural gas distribution in our networks in combination with the transition to other sources for heating Limitations in available workforce More and more consumers are becoming 'prosumers' Electrification of society Energy storage Opportunities for hydrogen
Changes in policy and regulation	Cost allocation of energy transition Carbon pricing

Biodiversity

Under the Dutch Nature Protection Act, we are already bound by spatial requirements in our building and construction activities. In addition to that statutory duty, we want to focus more intensively in our operational processes on minimising or mitigating damage to biodiversity. To give an example, we are now working on standards for sustainable power station design. Following a successful pilot in which sheep were used instead of mowing, we embedded this structurally into our mowing policy for Westwoud station in 2023. The experiment into reducing the nutrients in the soil in switching areas was continued in 2023. We implement our mowing policy with the assistance of the Dutch butterfly foundation (Vlinderstichting).

Implementation of biodiversity

We want our infrastructure to add positive value to biodiversity from 2030 onwards. In order to achieve this, we have improved our internal organisation so that we can now work towards this. This year, Naturalis and the Impact Institute developed a management model showing how an organisation like Alliander should be embedding biodiversity in its organisation and driving results. This management model is being offered to the sector, allowing them to benefit from it as well. In addition, we launched an analysis to investigate where Alliander is impacting biodiversity and how high that impact is. Finally, we published an Inspiration Guide in 2023, which presents an overview of a series of successful facilities that promote biodiversity and which provides insight into possibilities for making energy infrastructure more nature-inclusive. This guide is being offered to the sector, so that we can work on developing a sectoral standard.

Ecological Main Infrastructure

Alliander participates in a broader coalition of infrastructure companies, which considers opportunities to manage and connect the land they own for large-scale nature recovery. In total, the national infrastructure companies in the Netherlands manage roughly 900km² of land, so a collaboration among these companies to promote biodiversity will have a national impact. The 'Ecologische Hoofdinfrastructuur' (Ecological Main Infrastructure) project started in 2020. In 2023, a new dimension was added to the partnership with the 'Agenda Natuurinclusief' (Nature-Inclusive Agenda). The initiators of this agenda, intended for nature recovery in all non-Natura 2000 areas, include the Ministry of Infrastructure and Water Management, and the Association of Provincial Authorities (IPO). Alliander will be signing the 'Agenda Natuurinclusief' in 2024.

Supply chain responsibility and circular procurement

The energy transition poses major procurement and logistical challenges for our organisation. Our supply chain partners play a crucial role in achieving our objectives. Alliander's annual procurement expenditure is approximately €2.6 billion for products and services. This will increase considerably in the coming years due to the energy transition. Contractors, components, energy purchasing and transmission tariffs are the main areas of procurement expenditure. Our societal role means that our procurement needs to be socially responsible.

Alliander wants to continue accelerating in a sustainable manner, despite the scarcity of raw materials in the market, shortages due to high energy prices, a tight labour market and geopolitical conditions. Our goal is to always weigh up price, quality and sustainability when procuring parts, materials and services.

Contributing to sustainability

Our procurement policy contributes directly to Alliander's CSR policy. Together with our suppliers, we aim to make a net positive contribution to SDG 12 (Responsible Production and Consumption). We do so by entering into new forms of collaboration with our suppliers, adopting innovations as they appear on the market and forming partnerships. Our procurement department upholds the principles of procurement law, such as being transparent and non-discriminatory. Sustainable procurement is an integral part of our tender invitation and evaluation criteria. They include, for example, provisions relating to human rights, working conditions, use of raw materials, recycling and carbon emissions. For each category, we will determine where we can have the biggest impact. Alliander requires work to be performed in line with specific safety protocols and standards for working with gas and electricity infrastructure, such as VIAG and BEI. The employees of contractors and subcontractors must comply with these protocols and standards as well.

CO_2 score in tenders

When assessing our tenders, our award criteria include the energy consumption of components during their useful life as much as possible.

Code of conduct for suppliers

Alliander is committed to ensuring that suppliers comply with the Alliander Code of Conduct for Suppliers. This code is based on OECD guidelines and requires suppliers, as well as their suppliers and manufacturers, to adhere to ethical and fair business practices. If the code is violated, we may impose sanctions. Suppliers can also expect Alliander to deal with them in accordance with ethical business practices. We subscribe to and apply the principles of the EU taxonomy, including the OECD guidelines and ILO convention. We want suppliers to see us as an attractive business partner. We aspire to be a 'Customer of Choice'.

Compliance with agreements made with suppliers

Each year, we carry out multiple supply chain audits. In 2023, we performed a total of nine audits to assess the quality of the products and services supplied (2022: 23). Five audits were performed as a result of tender procedures where the CSR criteria were also assessed. No critical deficiencies in respect of CSR aspects were reported. The other four audits were specifically aimed at product quality. During the audits, compliance with the Code of Conduct and with supply chain responsibility aspects is discussed, as well as the actions taken or to be taken in relation to any issues discussed. On top of the customary quality and product checks, we look at compliance with CSR requirements such as universal human rights, working conditions, health and safety, and the environment. Outsourcing, investments and production in other countries sometimes lead to an increased risk regarding these aspects and for the recognition and observance of fundamental human rights. An organisation can involuntarily become involved in dubious practices such as child labour. Findings are shared with the supplier. We did not implement any measures with regard to suppliers in 2023.

In the event of proven negligence or violation of the agreements, we terminate the relationship or impose other sanctions in accordance with the contract and Alliander's Supplier Code of Conduct. In the event of damage or risks, we communicate with our stakeholders, carry out investigations and implement temporary or structural measures. We keep in touch with the parties concerned and inform them about the progress we make.

Circular operations

Working on the energy transition requires large amounts of materials. Alliander believes that respect for people and the environment is paramount here, as we want to make choices that contribute to keeping our planet liveable: we want to build in an energy-efficient way, but we also want to use sustainable materials and focus on maintaining a healthy living environment. In procurement terms we want to be aware of what we really need.

Circular procurement

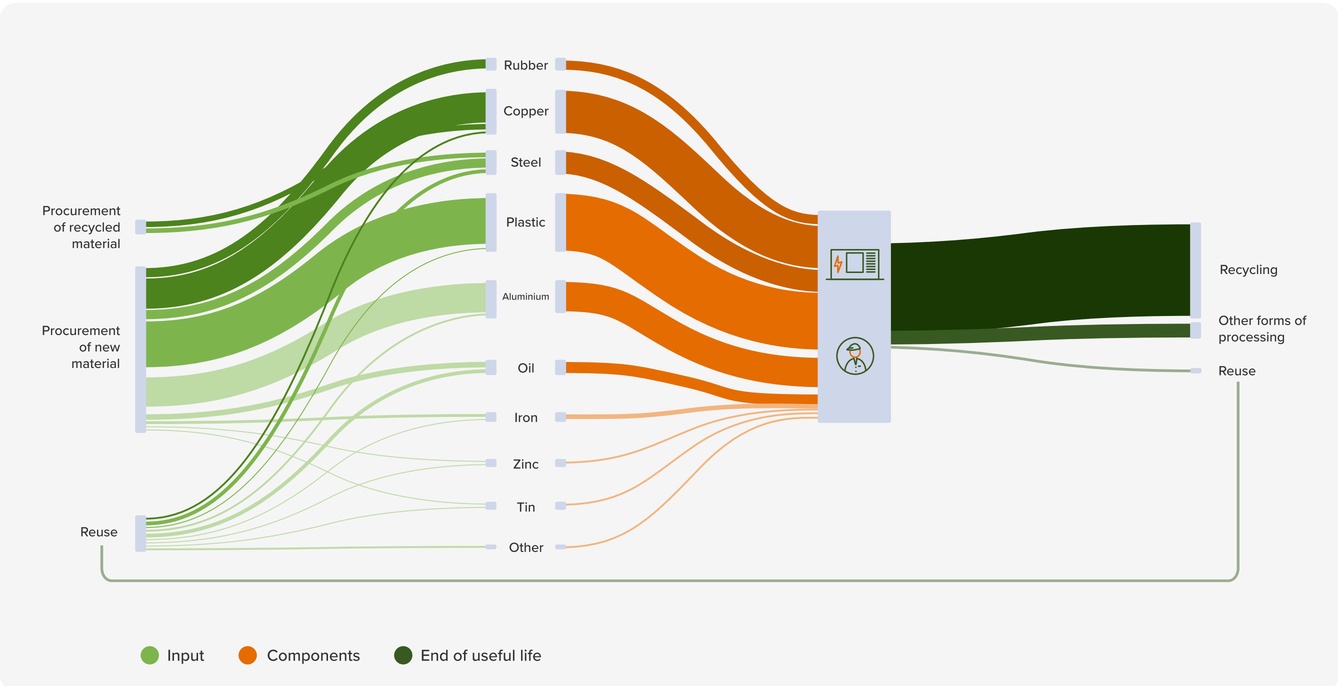
Each quarter we investigate what we can obtain through circular procurement. We do this for all of our primary assets: low-voltage and medium-voltage cables, gas pipes, distribution and power transformers and (smart) electricity and gas meters. We use the term 'circular procurement' to refer to the procurement of materials made largely from recycled constituents or materials that are recyclable after use. In line with our target, circular procurement accounted for 31% of our total in 2023 (2022: 28%). In the component mix, the share of transformers obtained through circular procurement increased. They have a high level of circularity.

The percentage of recycled or recyclable materials is determined based on raw material passports provided by our suppliers, which state these percentages. We therefore rely on the support and expertise of our suppliers to identify these percentages, and we validate them with data provided by DNVL, an independent research and consultancy firm. We aim to achieve 45% circularity in our procurement by 2027. We want to do this together as a sector and be able to manage the process. This is why we are working on a common policy that should provide guidelines for the application of circularity within all the procurement processes of the three joint network operators.

Raw materials passports

In order to calculate our circular procurement, our suppliers issue raw materials passports that include these percentages. In 2023 we managed to make the raw materials passport formally certifiable within the sector. An assessment guideline was developed in collaboration with KIWA and two of our cable suppliers were the first to be formally certified. As a result of this, the truthfulness of the raw materials passport is guaranteed by an independent party. It means that we comply with relevant EU laws and regulations, and the government's requirements that make us eligible for tax subsidies. This certification does not affect our circular procurement percentage, but it does make data more transparent and more easily verifiable. We intend to expand this certification to other assets in 2024.

Circular materials flow



This figure shows the key materials that support our primary process. The percentages of plastics (jacketed pipes, cables, gas pipes), copper and aluminium (base metal for cables) are high. Understanding the composition of our materials helps us manage risk against the backdrop of internationally increasing demand for raw materials for the energy transition. The impact of the use of materials is not only determined by the quantity of the material used, but also depends on the impact on human health, the ecotoxicity and scarcity of the material, and its CO_2 footprint. These impacts are expressed in the eco-costs per kilogram of material. If materials are recycled or reused, these eco-costs will be significantly lower.

Making the best use of what already exists: reuse

The development of the ‘Herinzet’ (Reuse) team is in full swing. Due to the growth of the team and the broad potential of the topic both inside and outside of Alliander, the team will continue under the name Alliander Circular from 2024.

One example of circularity is our reuse of network components from the low-voltage, medium-voltage, high-voltage and gas domain. This directly contributes to the feasibility of our work and allows for cost and (lead) time savings. The development of the ‘Herinzet’ (Reuse) team is in full swing. Due to the growth of the team and the broad potential of the topic both inside and outside of Alliander, the team will continue under the name Alliander Circular from 2024. A few examples from 2023:

- The regional recycling stations are a success. We use them to collect uncoded and incomplete materials. In 2023 a total worth of more than €1,850,000 of materials was returned to the organisation, of which over €850,000 originated from the reuse of components and €1 million originated from the reuse of tools.
- Together with suppliers we are overhauling compact stations, transformers, switching systems and gas couplings.
- We have donated overhauled and used materials and tools following the earthquakes in Turkey, Syria and Morocco.
- We have supplied materials to the University of Twente for the development of a live field lab for research into underground infrastructures, in particular the ground radar system.

Circular energy economy

The aim of the Circular Energy Economy (CEE) is to take significant steps with all the partners in the energy infrastructure towards achieving a circular energy economy. The partnership between InvestNL, network operators Liander, Enexis and Gasunie, and several manufacturers once again emphasises the importance of the government’s objective to reduce the use of primary raw materials by 50% in 2030. Last year we laid the foundations for the development and upscaling of circular initiatives, such as the overhaul and reuse of components, and further circular improvements for our cables. Network operators and manufacturers are becoming more knowledgeable and managerial commitment is growing. This is accelerated by the requirements regarding sustainability reports, like those in the CSRD, from 2024 onwards.

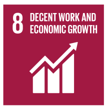
Ensuring a safe energy network, a safe working environment, and a safe data environment

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → **Which values do we create for the long term?** → What are the most significant social impacts? → To which global targets do we contribute?

Everyone home safely! Out of genuine concern for one another. Safety is part of Alliander's identity and is embedded in our way of thinking, our do's and don'ts. It is our perspective of our work. We take responsibility for working safely. Alliander does this together with its partners on the basis of equality.

Related topics

This chapter describes what we do in the area of safety, security, privacy and cybersecurity. The reported information relates to topics that stakeholders feel are important. Furthermore, these activities contribute to achieving SDGs.

Material topics	SDGs	Customer groups
C) Digitalisation and data security D) Being a good employer E) Supply chain responsibility F) Governance G) Dialogue with stakeholders I) Safe infrastructure	 	Customers Employees Supply chain partners and contractors

Objective and result for a sustainable and safe working environment

Lost Time Injury Frequency (LTIF)

2.0 result in 2023

-[1] objective for 2023

1.9[2] in 2022

1 No target is set for the LTIF performance indicator, because the number of accidents leading to sickness absence should ideally be zero. Our objective with this indicator is to show a downward trend each time.

2 The standard time allocation used to calculate the LTIF was changed from 1,800 to 1,600 hours to match other companies in the sector, so the LTIF for 2022 was recalculated and is now 1.9.

Safe working practices

The challenges presented by the energy transition put safety under pressure, as the safety risks are increasing due to the growing amount of work, the high work pressure and the drop in average experience levels of technicians. To be well prepared for this, the transition to a safer way of working was initiated in 2022 and we continued to build on this in 2023. It means that we are improving our existing safety system and the safety structure and training, and we must ensure that safety becomes an inherent part of our behaviour. Everyone should also feel responsible for contributing to this. The safety transition focuses on three key aspects: safety controls, broad safety expertise and safe behaviour.

Aggression at work

Colleagues were subjected to aggression more often in 2023. The number of aggression reports more than doubled: from 19 in 2022 to 53 in 2023. We have seen instances of customers physically attacking colleagues or visiting our offices to demand an explanation for their situation, which in our view is completely unacceptable. Any type of aggression has a major impact on colleagues and their families. We are focusing on improving the registration of incidents and supporting colleagues through training to handle increasing external pressure. We have also set up an aggression help desk and installed emergency buttons at reception desks. People can be reported to the police in case of an incident. Whether this happens depends on the circumstances of the case and on what the employee wants to do. The employees in question and their managers are supported by colleagues from the legal department.

Personal safety

The Central Employee Barometer shows that 86% of employees view Alliander as a socially safe workplace. However, 6% of our colleagues indicate that they experienced inappropriate behaviour last year, like abuse of power, bullying or discrimination. These cases often remain unreported, unlike cases of aggression or violence.
For the first time, our employee satisfaction survey included questions about experiences with inappropriate behaviour by customers or passers-by. People experienced inappropriate behaviour and aggression in some parts of the organisation. This appears to be a social trend, which has a major impact on our colleagues. One positive thing is that a third of those involved address the customer or passer-by themselves and one in five colleagues report it to their manager. The new ‘Through Different Eyes’ intervention can help people learn to recognise such situations and teach bystanders what they can do.
The number of times people reported situations to confidential advisers increased to 83. We are happy that people are becoming more willing to report situations and contact confidential advisers sooner. Efforts by confidential advisers in 2023 to improve this included organising information sessions. During the Integrity Week in December, our programme included a topic regarding the value of confidential advisers.

Working voltage-free

Sometimes we need to work on a system under power, but this may lead to unsafe situations for our technicians. We have therefore tightened our policy: from now on we will always work on systems that are not under power, unless we really have to, e.g. if the risk of social disruption is high. It is impossible to predict every single situation with major social impact in advance, which is why an assessment framework was prepared that distinguishes between ‘urgent necessity’, a ‘grey area’ and ‘no urgent necessity’. We accept that working whilst not under power may reduce the speed at which we work and that this may cause dissatisfaction among our customers.

Safety controls

The risk assessments and evaluations of all of Alliander’s organisational units were transferred to a central system in 2023. Thanks to this new method, we now have a complete picture of all the safety risks of our work and the associated control measures. We will also be using this risk register to record new safety risks, which guarantees that every employee can perform their work safely and passes on the importance of working safely to colleagues and contractors.

Broad safety expertise

Last year we improved safety levels further by ensuring that all employees follow the mandatory training on time, including instructions for first-time visitors, VCA and life-saving actions. In addition to this, we centralised tool testing and calibrations to ensure that technicians have access to the right tools in a timely manner and without having to interrupt their work. We organised another Safety Week in 2023. During this week, employees were recognised for their special contribution to working safely. We also provided training on safe behaviour and on how to handle safety dilemmas at work. The energy displayed by colleagues for working safely in a safe environment is huge. Incident Review Groups of executive parts of the organisation are used to assess incident reports adequately. Behavioural safety specialists have been appointed and we have set up a knowledge platform that provides insight and frameworks on which steps to take to safeguard and further improve our safety culture. The knowledge platform is also the place where employees share best practices and can learn from one another. One part of this is safeguarding professional skills during the selection, onboarding, education and training of our employees. We started preparing a safety leadership programme for managers in 2023.

Score on the Safety Culture Ladder

Alliander attained level 4 on the Safety Culture Ladder in 2023. KIWA visited 20 projects during 18 audit days and spoke to 80 colleagues from operations and 40 management and staff colleagues. Level 4 indicates that safety has priority throughout the company and investments are constantly being made to raise safety awareness. Employees are encouraged to challenge each other's unsafe behaviour. Improvements are structurally introduced and evaluated. Forward thinking is applied and initiatives are taken. Consciously working safely is experienced as someone's own responsibility: 'What can I contribute?' This form of behaviour is highly valued.

Employees film 'Veld 11' safety video

In order to raise safety awareness further in our organisation, we made the 'Veld 11' safety video on the initiative of two employees in 2023. This video, which is intended for colleagues, shows in an impactful way how important safety is and what the possible consequences of incidents are for employees and the people around them. The video encourages employees to listen to their intuition, to express any concerns they may have and to take responsibility when it comes to safety. In addition to the video, a discussion guideline has been developed for teams to talk about safety after watching the video. You can watch the video on YouTube.

Safe behaviour

Working safely is not limited to our own organisation; it also affects our supply chain partners, contractors, suppliers, customers and local residents. A total of 122 incidents involving injury occurred in 2023, 80 of which occurred in our own organisation, 22 at contractors and there were also 20 incidents where 20 passers-by were injured. We are responsible for implementing measures to prevent accidents involving employees, including those of our supply chain partners, and passers-by. A new incident reporting system allows structural registration of incidents and near-misses involving supply chain partners and passers-by. In addition to this, we endorse the Safe Energy Networks Governance Code. We also evaluate and discuss incidents in the Contractors Platform. The purpose is to learn so that we can improve our work processes and continuously increase safety at work.

Primary process certification

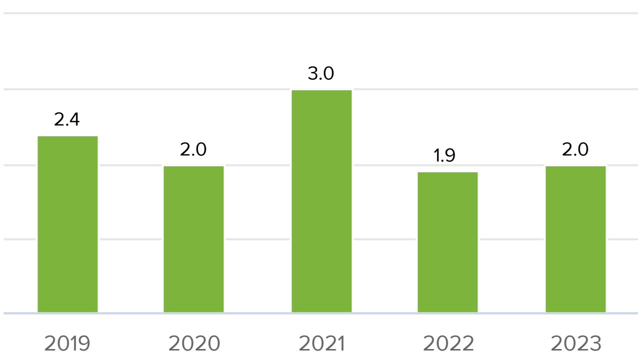
We view it as our responsibility to ensure zero accidents and minimum environmental impact. Each year we order an independent institution to investigate whether we have adequate processes, working methods and systems in place for this. The audits are conducted based on the international ISO 45001 and ISO 14001 standards. Alliander was granted recertification in 2023 without any nonconformities.

Lost time injury frequency and accidents with/without lost time

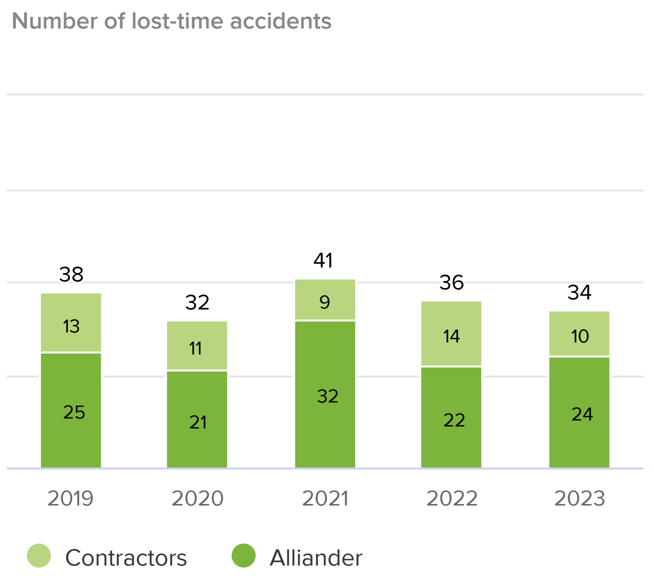
Lost Time Injury Frequency (LTIF) expresses the number of accidents resulting in sickness absence per one million worked hours. The LTIF in 2023 was 2.0, which is higher than the LTIF in 2022 (1.9).

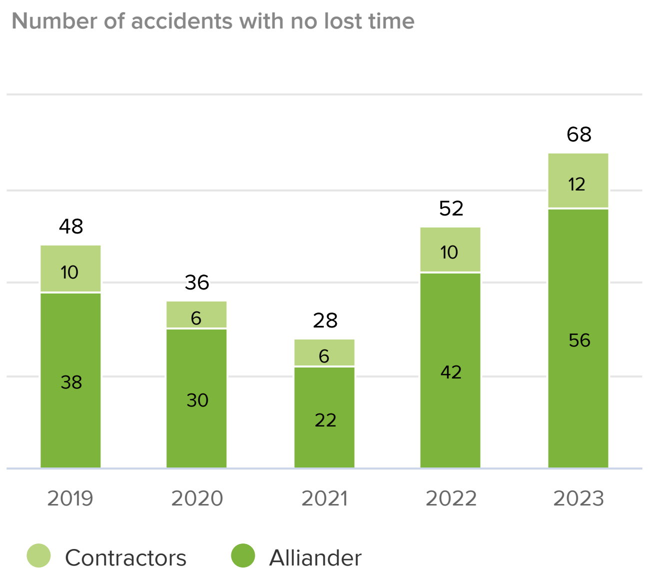
In 2023, most lost-time incidents occurred in situations involving crushing, hitting or cutting. We also noticed that falling and tripping are key causes of lost-time incidents, followed by road traffic incidents. Within the category of potentially dangerous situations, the increased number of wrongly cut cables is striking. New cable selection training has been prepared for all technicians and foremen. They are required to complete this once every three years. It also turned out that switching in low-voltage networks is still often done while under power, even if switching power-free was also possible. This was therefore made mandatory in 2023.

Lost Time Injury Frequency[1]



1 The standard time allocation used to calculate the LTIF was changed from 1,800 to 1,600 hours to match others in the sector, so the LTIF values for previous years were recalculated.





Safe infrastructure

Customers expect us to ensure a safe infrastructure and guarantee their safety while we perform our work. The safety of our networks for everyone involved is a high priority for us. We are constantly investing in the reliability of our infrastructure based on information regarding the condition of our network.

Replacement programme for grey cast-iron and asbestos cement gas pipes

Grey cast-iron and asbestos cement pipes were often used in the past as main pipelines in the gas distribution network. Over the years, more modern materials (plastic) became available, and these are now used to construct and replace gas pipes. In 2019, the remediation plan for grey cast-iron and asbestos cement gas pipes was brought forward by eight years to 2032. In 2023, Liander removed over 168 kilometres of grey cast-iron and asbestos cement gas pipes. This is 16 kilometres more than the annual target of 152 kilometres. Besides replacing pipes, we proactively and frequently check for (small) gas leaks using highly sensitive equipment These checks are not limited to the grey cast-iron and asbestos cement pipes; they cover all mains and connecting pipes in operation. This approach ensures that we can address gas leaks at an early stage, before they reach a critical level. We remain alert to changing situations and new risks, and give high priority to the replacement of pipes wherever necessary.

Asbestos in above-ground systems and buildings

In the distribution activity area, we continued the asbestos remediation work in the medium-voltage transformer substations that needed to be tackled according to the industry-wide colour coding policy (red and orange). Our plan is for the asbestos remediation work in these selected transformer substations to be finished in 2027.

Investigating damage after outages

We set up an investigation when incidents arise in the electricity network. A damage investigation team (SOT) conducts the investigation to identify damage and faults in Liander components. The purpose is to identify the possible cause and gather information on the assets' failure. This allows us to revise or set up maintenance programmes and improvement actions. In 2023, we completed 109 damage investigations, consisting of 104 in the medium-voltage and low-voltage domains and five in the high-voltage domain.

Security at electricity substations

In 2023, we saw that the temporary cameras installed in 2022 led to an increased number of reports of suspicious situations and burglaries. We registered 61 reports (2022: 48). We are working on structural measures to provide the substations with the right level of security. For example, we are installing permanent security systems at critical substations.

Privacy and security

Privacy

Protecting the personal data of our customers, employees and other stakeholders has Alliander's continuous attention. We aim for an increasing level of maturity when it comes to privacy, for example, by setting up a new central, automated Privacy Control Framework for optimising privacy and control measures in 2023. We expect to have this system completed in early 2024.
We also devote effort to Privacy by Design, which involves ensuring that privacy is systematically part of a product or service under development from the start of the process. Especially the Digitisation/Mission Control development teams are taking big steps in this regard. A targeted validation check is performed on all (new) IT applications (data minimisation, authorisations for access rights and removal of personal data).

Data breaches

There were no major privacy-related incidents in 2023, but we did investigate a total of 14 identified data breaches. One of these involved a case for which a duty to report applied in line with the GDPR. In addition, two of these incidents involved centralised processing, so the network operators bear joint responsibility for them.

Security

We want to remain resilient in the field of security, allowing us to keep focusing on our strategic objectives, retain the trust of our customers and shareholders, and comply with relevant laws and regulations. By investing in people, procedures and technology, we are taking measures to prevent security incidents or to minimise the impact of incidents. In recent years, the number and frequency of threats to organisations in general and organisations with vital infrastructure have increased. Examples of these are:

- Geopolitical developments and state actors
- Cybercrime, such as hijacking of systems and data
- Vulnerabilities in our ecosystem regarding systems, software and human actions

Alliander has a well-considered security strategy in place for structurally safeguarding security within Alliander and for structurally keeping our resilience at an adequate level.

ISMS

We are working towards an Alliander-wide information security management system (ISMS) to manage security within Alliander consistently in a dynamic world. In 2023, we uniformly defined our security policy in accordance with ISO 27001 and implemented it throughout the Alliander organisation. The ISO 27001 certificates for Liander, Alliander Telecom and Utility Connect were renewed. Qirion was granted an ISO 27001 certificate.

BCM

We facilitate business continuity management (BCM) to minimise the impact of a crisis or contingency on business processes. We do this by optimising our preparations for a crisis and by defining our actions during and after the crisis. We are trying to improve this structurally by having an action plan and policy relating to BCM. The goal of BCM is to implement measures required in the field of operational and information technology to safeguard the continuity of the (most critical) business processes and to minimise the impact of outages on the services we provide. This makes BCM an important addition to the existing crisis organisation and crisis approach.

Sufficiently mature security

Alliander finds it important for us as a vital infrastructure company to be able to structurally control security risks. This is why we are constantly working on improving our security resilience. In concrete terms this means that we work in accordance with ISO 27001 and that we allow the level at which we do this, the maturity of our security, to be measured using the C2M2 (Cybersecurity Capability Maturity Model) methodology. The C2M2 methodology is specifically designed for energy network operators and includes both the IT and the OT environment of an organisation.

Security by design

We apply security by design in digitisation initiatives as much as possible, whether or not we build them ourselves. This enables us to implement security wishes and requirements as efficiently and effectively as possible. Security must be included in the Definition of Done for all IT initiatives and all software developed in-house is tested for risks or critical findings to ensure that no software is used without a security check.

Being an attractive, inclusive employer with equal opportunities for all

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → **Which values do we create for the long term?** → What are the most significant social impacts? → To which global targets do we contribute?

Alliander employs over 8,800 people (8,400 FTEs), including agency workers, who all work together to ensure a reliable, affordable and accessible energy supply. These people are an indispensable link in the daily performance of our tasks.

Alliander acknowledges the importance of good employment practices and wishes to be and remain a top-class employer, i.e. an inclusive place of employment where employees trust the people they work with, have opportunities for personal development and are proud of what they do. Alliander wants to be an organisation where they enjoy working in a pleasant atmosphere with colleagues, customers, suppliers and partners on the energy supply for a sustainable future.

Related topics

This chapter describes what we do in the area of recruitment and the composition of our company. The information relates to the topics the stakeholders feel are important. Furthermore, these activities contribute to achieving an SDG.

Material topics	SDGs	Stakeholder groups
D) Being a good employer F) Governance G) Dialogue with stakeholders	8 DECENT WORK AND ECONOMIC GROWTH	Employees

Objectives and results for employees

Employee absenteeism

4.4% result in 2023

≤4.3% objective for 2023

4.8% in 2022

Employee survey score: engagement

82% result in 2023

≥81% objective for 2023

82% in 2022

Women in managerial positions

30.5% result in 2023

≥32.0% objective for 2023

28.3% in 2022

Employed people with poor employment prospects

125[1] result in 2023

≥154 objective for 2023

90 in 2022

1 The number of employees with poor prospects in the labour market comprises 125 jobs created under the Dutch Participation Act, amounting to 100.4 FTEs.

Getting the job done with our employees

The Dutch labour market has always had shortages, especially for technical and IT positions. About 60,000 additional technicians will be structurally required in the Netherlands until 2030. The shortage of technicians limits Alliander's implementation agenda.

In 2023, Alliander played an active role in the public debate regarding the labour market and education. This debate focused on three messages, which we believe are important to be able to implement the required changes to the system. The first one is making it easier for people to choose a technical education, for example, by making these courses financially attractive. Secondly, it must be possible for foreign workers from outside Europe to work in certain sectors in the Netherlands, such as healthcare and technology. In addition to this, investments should be made to create a labour market infrastructure for working in technology, construction and energy. This can be done, for example, by creating a Golden Gate for each sector, which includes a job guarantee. Make switching more appealing to lateral entrants by providing subsidies that cover a possible drop in salary during the training.

Alliander is collaborating on these topics in partnerships such as the Industry Coalition and with the major technical sectors through the Labour Market Shortage Action Plan for Technology, Construction and Energy. The National Implementation Agenda explicitly states the need for political choices on the labour market as well.

Labour market, training and retention team

In 2023, our multidisciplinary labour market, training and retention team worked on implementing our vision for the labour market and education. These efforts had various results in 2023, including:

Inflow, advancement, outflow

In 2023, we welcomed 2,196 new employees and agency workers. We recruited a total of 1,153 employees from outside of Alliander, including 165 IT specialists and 429 technicians. In addition, 471 internal employees moved to new jobs within Alliander (25% of vacancies). Unfortunately we also saw a number of colleagues leave. A total of 669 employees left the organisation, including 96 who retired and 84 who were forced to leave the organisation. Labour market shortages remain a challenge for Alliander as well. We have set up additional recruitment campaigns for new talent, including IT specialists and technicians. We have launched an onboarding programme for new employees to give them a successful start in their careers. A total of 823 colleagues participated in these in 2023.

International

In 2023, we decided to focus on internationalisation due to the labour market shortages. We can do this by having people from abroad work in the Netherlands, but also by taking work packages abroad through nearshoring. Various programmes are currently underway, strengthened by the preparations for the deployment of foreign electricians and preparations for using a bilingual system.

Focus on retention

Following surveys of the reasons why people leave and work enjoyment in 2022, we worked on the key retention factors in 2023: having a good manager, doing interesting work, having a good salary and development opportunities.

- With regard to managers, we have drawn up and introduced a competency profile for managers, added an extra group who started the leadership programme, invested in our managers through leadership days and launched an initiative to support the effectiveness of team leaders.
- A multidisciplinary installation capacity team was set up for the aspect of doing interesting work. This team is looking at optimum employability and opportunities to reduce downtime.
- In early 2023, we decided to give a number of technical target groups a temporary financial boost while awaiting the outcome of the collective labour agreement negotiations, the new job classification system and the new remuneration policy. Staff turnover is too high within these critical groups and the training efforts are considerable. The financial boost increases the chances of retaining the target group for a longer period of time. In addition, an agreement was reached for a new collective labour agreement for network companies in December 2023. It entered into force in January 2024. The most important aspect of this is a structural raise of at least 10% within 18 months, largely to compensate for the earlier period of inflation. In response to the agreement, negotiations have started on the Alliander collective labour agreement. The aim is to include the changes to the job classification system, performance management and the remuneration policy, which were prepared in 2023.
- In terms of development opportunities, we announced a new appraisal system, which centres on having a good conversation, on our intranet and at the leadership day in December 2023. The system went live on 1 February 2024. We also launched a tender procedure for a service provider that will allow us to launch academies in 2024 and provide unlimited learning.

Labour matching platform

In order to help more people from other sectors find work in the technical sector, we will be matching the skills of candidates rather than their level of education. Seven companies operating in the energy transition have joined forces for this in the Arbeidsmatchplatform (Labour matching platform). This is a social start-up by the initiator Alliander, other network operators and contractors, who want to promote skills-based recruitment among other companies in the energy transition. AI is used to match the skills of unemployed people with the skills required for the available vacancies.

Regional ecosystems

Our ambition is to build regional 'ecosystems' to entice more people into the technical sector together with regional partners, such as contractors, municipal and provincial authorities, the education sector and the Dutch Employee Insurance Agency UWV. The first concrete ecosystem was launched in 2023: Infra Groot Amsterdam. It combines the forces of Alliander, Heijmans, Dmissi Electro, PWN, Visser & Smit Hanab, Stichting Waternet and Van Gelder Groep BV. Programme lines were developed and project teams were launched based on the strategic pillars of Choosing, Learning and Working in the technical sector. In addition to supply chain collaboration, partnerships with educational institutions such as the Regional Training Centres and authorities such as the municipality of Amsterdam and the province of Noord-Holland are sought for each programme line. Infra Groot Amsterdam is also part of the MRA Green Tech Campus and the network therefore receives a subsidy to ensure optimum collaboration with other related initiatives in the region. Collaborating more smartly allows more technicians to be recruited, trained and retained for the energy, water and underground infrastructure sectors.

Separate training teams set up

Considering the rapidly increasing demand for new technicians and the challenges of on-the-job training, we started setting up separate teams in 2023 that focus fully on training in practice.

Strategic workforce planning

The combination of labour market shortages and considerations regarding the upscaling of work strengthens the need for strategic workforce planning. In 2023, we obtained a better picture of the groups of employees who are on a critical pathway to achieving our ambitions. We now have a clear picture of the desired inflow channels and the required development of skills for 47% of our total labour capacity, which represents 65% of our total need for recruitment. These insights enable the organisation to provide better direction in the development of the total workforce.

Revamped recruitment campaigns

Our growing recruitment challenge in the tight labour market requires a greater focus on our reputation as an employer and awareness of our brand. This is why in 2023 we invested in the major 'Zonder jou' (Without you) campaign to boost awareness of our brand and Alliander's reputation as an employer, and to strengthen internal pride. We also intensified our online target group campaigns for the recruitment of technicians and IT specialists.

Alliander's own technical college

The number of courses taken by new and experienced colleagues at Alliander's technical college ('Alliander Technische Bedrijfsschool') amounted to 3,063 in total. These courses corresponded as much as possible to real-life situations and were arranged at various training locations. We also continue to innovate the way we learn, for example, by building several modules in the HoloLens, a virtual-reality headset that allows students to 'really' practise their skills in a safe setting. We collaborate closely with several educational institutions. Alliander and its technical college are involved as partners in labour market platforms such as mbostart.nl and TechGelderland.

An agile and responsive organisation

We can help achieve the energy transition by being agile and responsive in our own actions. In 2023, meetings between Alliander's managers focused on boosting our effectiveness and improving our results orientation. Topics discussed include sharing and fully embracing our strategy, and how teams can contribute to this. Our aim in this regard includes seeking a dialogue with employees and allowing teams to work on this in a relaxed way.

Performing together

In the 'Performing Together' approach, we offer teams an opportunity to improve their effectiveness and reflect with each other on results and behaviour so that they can perform better together. At the managerial level, we explain more clearly what we expect from our managers: Alliander's leaders should connect with others by being open to them and paying attention to what motivates them. Professional expertise and connections are central to our leadership profile.

Culture of accountability

Through communication on our intranet and during the Integrity Week, we are encouraging a transition towards a culture where colleagues feel able to speak their mind. Sometimes this involves directly stating how they are affected personally, but it is also about exhibiting exemplary behaviour as a manager in being receptive to criticism. We have noticed that colleagues are starting to challenge each other more. We also see that, in spite of the increasing lack of tolerance in society, most of the communication within Alliander remains enquiring and constructive in nature.

Composition of the organisation

An organisation where everyone feels at home

Alliander wants to be an organisation where everyone feels at home. Only this will allow everyone to be themselves and ensure that every employee performs to the best of their ability. We pay attention to the needs of different employees. One example of this is the 'flexible public holidays' pilot. This year we also organised iftar for the second time, in which 80 Islamic and non-Islamic colleagues had a meal together after a day of fasting.

Diversity, inclusion and equality policy

Alliander values a good balance between gender and cultural diversity. It makes us more innovative and more effective, which safeguards our future. The Management Board approved the diversity, inclusion and equality policy in 2023. The policy was incorporated in an annual plan containing spearheads in the field of inflow, women in managerial positions, management and data, advancement and retention of colleagues from minority groups. Our inclusion policy focuses on five areas:

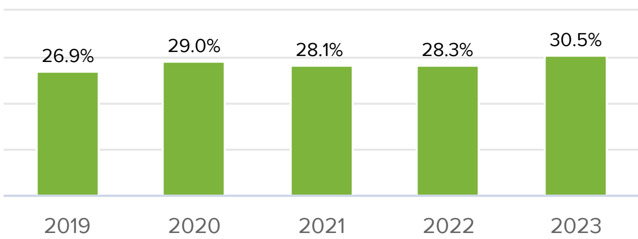
- Gender: we aim to create equal opportunities for everyone, regardless of their gender. We aim to balance diversity in all layers and parts of our organisation. Our policy specifically targets representation of women in managerial positions and in technical positions.
- Cultural background: we aim to create equal opportunities for everyone, regardless of their ethnic background (colour, religion, culture). We aim to improve cultural diversity in all layers and parts of our organisation.
- LGBTIQ+: we aim to create a culture where everyone can be themselves and feels safe to express their sexual orientation, gender identity, relations or family situation.
- Poor employment prospects: we aim to include people with poor employment prospects, focusing on the target group that falls under the government's job promise scheme ('banenafspraak'). We offer long-term jobs and work experience placements.
- Age: we aim to create a culture where both young and old people feel at home and realise their potential. Here we also target diversity: different generations bring different perspectives that will make the future energy transition possible.

Diversity objectives and target figures

Gender diversity at board and senior management level

We have set ourselves the target of having 50% women in managerial positions by 2030. In 2023 this was 30.5% (2022: 28.3%). This is lower than our target of 32.0%. We are targeting the inflow and advancement of women within and towards managerial positions. At board and senior management level, the number of women in managerial positions grew steadily in 2023: 36% in senior management and 34% at board level (2022: 29% and 25% respectively). In the next few years, we aim to achieve a good balance between women and men at all management levels within the organisation to achieve our 50% target.

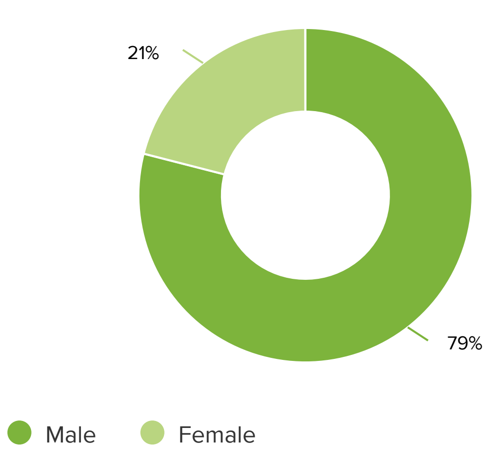
Percentage of women in managerial positions



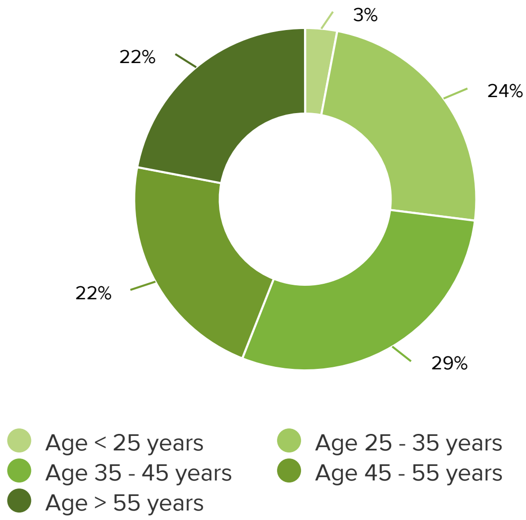
Cultural diversity

The composition of the working population is changing rapidly, and Alliander is changing along with this. In 2024, we will investigate the best way to measure cultural diversity, which will enable us to implement and monitor the required interventions.

Employee breakdown by gender



Employee breakdown by age



Equal remuneration for men and women

In 2021, Alliander ordered the performance of a gender pay gap analysis. Following the outcome of the investigation, no specific policy for equal remuneration was developed or implemented at the time. Nevertheless, we are currently focusing more specifically on equal remuneration for the same work in our recruitment process. After the introduction of the new job classification system in 2024, we want another pay gap analysis to be performed.

Employee networks

Six internal employee networks contribute to the inclusive culture of our organisation. Five of these networks represent a focus group from our diversity, inclusion and equality policy.

- 'Wij zijn Nexus' (multicultural network)
- Lianne (women's network)
- Pride (LGBHTQ+ network)
- Tension (young employees network)
- Mission Possible (network for colleagues who require support)
- Globals (for non-Dutch-speaking employees, new in 2023)

Diversity Week

In October, Alliander organised a whole Diversity Week rather than just a Diversity Day. Its theme was 'Voor iedereen, Met iedereen' (For everyone, with everyone). A total of 12 events were organised. Six of these were organised by the employee networks.

Opportunities for people with poor employment prospects

Work helps people contribute to society, which is why Alliander is creating opportunities specifically targeted at people with poor employment prospects. By providing the right facilities and support, Alliander ensures that these candidates can also provide a valuable contribution to achieving the energy transition. In 2023 we offered a total of 125 people a job or work experience placement (2022: 90). This is lower than our target. In our experience, the labour market shortages also apply to the target group of people with poor employment prospects. Finding suitable candidates for Alliander requires additional effort. We are actively looking for new partners who have candidates with the right level of education. Alliander's demand for candidates currently exceeds the supply.

Future Leader Board launched

The Future Leader Board, which was launched in June, represents the voice of our youngest employees by advising the Management Board and the management team (LTA) on strategic topics and by explaining what is important to them. In doing so, the Future Leader Board bridges the gap between decision-makers and young employees, and challenges our directors to open themselves up to a different perspective. Its members were selected on the basis of diversity, both in terms of backgrounds and departments within our organisation.

Future Leader Board

Perspective of young employees gets structural place in decision-making

Choices that are made now directly affect the future of the younger generation. Alliander therefore believes it is highly important for young employees to have their say on policy choices and to have their needs and perspectives heard, whereby Alliander's youngest generation of colleagues challenges the company to step up its efforts to achieve the energy transition.

In January 2023, the Management Board approved the proposal to set up the Future Leader Board. This is a new, permanent body within Alliander's governance system that represents the voice of young Alliander employees in current decisions. The council advises management about ongoing administrative topics or current themes. Last year the council's work included:

- selecting a team of seven members from six different organisational units, with the selection being as diverse and inclusive as possible. In addition, the Future Leader Board is officially embedded in Alliander's governance and consultation structure.
- building the foundations of the newly formed council. This included drawing up a vision document to show what the council stands for, our views on certain topics and our ambitions for the coming year.
- organising three council meetings with members of the Management Board and directors. The meetings were used to address the personal result and development (PRO) system, the remuneration policy and general prosperity, and to put all of this into perspective. In the years to come, the Future Leader Board will continue its development to keep offering a high-quality, constructive and own perspective for young employees in our organisation.

We are excited about this new role and the discussions it will bring with our directors and Management Board. In 2024, we will continue to build strong foundations with ambition, to represent the perspective of young employees.

On behalf of the Future Leader Board,
Daphne van Paridon (chair)

Attractive employer

Health and sustainable employability

Alliander is actively committed to being a sustainable and valuable employer, with continuous and sustainable investments in our employees. This means that we pay close attention to retaining and attracting the right people, and helping them to get the best out of themselves and the organisation.

Alliander Fit!

In 2023, the Alliander Fit! programme was used to organise customised programmes in the field of mental, physical and social health. Roadshows were also organised and employees could visit our intranet for challenges and theme weeks.
In 2023 we focused on the financial fitness of our employees. Last year 214 people (accounts) participated in the programme offered by Alliander.

Preventive medical examinations

Once every three years, our employees receive invitations for a preventive medical examination. 3,063 invitations were sent and 1,406 examinations were performed in 2023.

SE budget

We support employees in managing their own well-being through the sustainable employment (SE) budget. Among other things, this enables them to purchase facilities for their workplace, cover budget coach fees or recover expenses for sports facilities and equipment. This year a large number of employees made use of this budget. 40% of the budget is spent on sports.

Alliander is a technical top-class employer

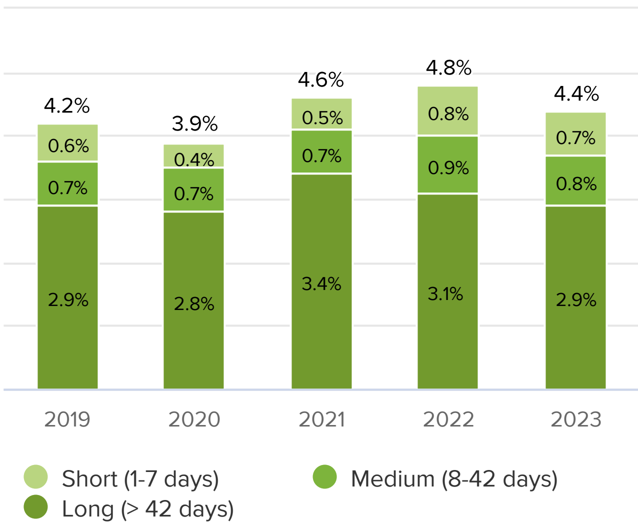
Partly because of all our investments in and focus on our efforts to be a good employer, Alliander was awarded the designation 'technical top-class employer' in 2023. Alliander's HRM Director also won the HR Top 100 public award in the Sustainability category.

Sickness absence

In 2023, the sickness absence rate was 4.4% (2022: 4.8%, target 4.3% max). The sickness absence rate gradually dropped during the year. At the end of the year, it increased due to increased medium and long-term absence.

The prevention and employability consultations (PIOs) focus a great deal on the self-management ('Eigen Regie') model and its further development and optimisation. Managers who have to deal with absence management receive support from internal prevention and sickness absence specialists. An external occupational health and safety service is also available to them. This service can help managers who have questions and require advice on counselling employees who are absent or reintegrating. To maximise and maintain the employability of employees, interventions are frequently performed by the collective health insurer Zilveren Kruis.

Sickness absence rate



Employee satisfaction

We use the Central Employee Barometer to measure how satisfied all colleagues are with our work at Alliander. This year's response was higher than in previous years (74%). Employees feel inspired and proud (82%, target 81%). Alliander's score for enthusiasm is also high compared to the benchmark. Because of this, plus our high score as a good employer, Alliander was awarded the designation 'World Class Workplace'. People are mainly concerned about Alliander's agility and effectiveness. In concrete terms, this is reflected in the low rate at which improvements are converted into working solutions. The perceived workload has decreased. Nevertheless, some of our teams still perceive their workload as high or very high. The barometer shows that more colleagues in these teams are now looking around for a job outside Alliander. The various organisational units and teams have been informed of the most important points for improvement from the employee barometer and can use the results as a starting point for discussions and improvement initiatives.

Hybrid working

Alliander's employees work at Alliander sites for an average of two days a week. The 2023 barometer results show that the time employees spend working from home and in the office hardly affects their level of commitment and satisfaction. We have an Alliander-wide policy in place for hybrid working.

Training and development

In 2023, Alliander invested 3.0% of its wage bill in employee training (2022: 2.9%). We offer various training programmes and opportunities for development to make teams better able to perform and learn. In addition, the right professional knowledge and skills are available when needed and we apply a broad approach to talent development, both professional and personal. These learning and development opportunities are offered by way of team coaches and training and development programmes, but they are also part of our talent management and trainee programmes.

Collective labour agreement for network companies

The network companies want to be attractive workplaces, where people are happy to work and contribute to achieving the energy transition with a positive attitude. Based on this vision, employers and unions have agreed a collective labour agreement for network companies for 2023. The agreements laid down in this document include a 4.0% structural wage increase and a one-time payment of €1,250. Other key results are a new Sectoral Social Plan and extension of the Vitality Scheme. Agreements regarding diversity and inclusion, such as flexible public holidays, and an investigation into the effectiveness of the SE budget are also part of the package. In late 2023, the employers' association and the unions reached an agreement for the new collective labour agreement for network companies (NWb) and the Sectoral Social Plan NWb, including successive wage increases of 7% in 2024 and 3% from 2025.

Career centre

The career centre supports all Alliander employees who are reviewing their career and employment options because their job has changed, or may be about to change or be terminated. A total of 21 colleagues became redundant in 2023 (2022: 23), and 367 (2022: 340) people made use of careers advice and coaching. In 2023, 78 employees managed to find a new job or an appropriate alternative (2022: 64). Career counsellors help employees to discover their talents and find the most suitable role for them, either inside or outside Alliander. We believe that everyone is worth investing in, and we do this by offering internships, secondments, and training. We talk to employees about their future development in their current role or elsewhere. By making timely investments in our employees, we try to avoid redundancies wherever possible.

Alliander Foundation

The Alliander Foundation encourages and helps our employees to engage in volunteering. The Alliander Foundation spent a total of €275,000 on various projects and activities in 2023. All colleagues were given four hours off for voluntary work in 2023. Over 2,515 colleagues participated in this initiative. Community-related activities were organised, both for teams and for individual colleagues to participate in. In addition, as in other years, colleagues could obtain support for their own voluntary work or set up an action for a good cause. There was also an opportunity for pleasantly surprising people going through a difficult period or who are lonely, with a fun activity or gift. Alliander is proud that the Foundation supports employee volunteering. In turn, the employees experience benefits such as an opportunity to broaden their horizons and increased workplace happiness.

Internal compensation ratios

The transparency of compensation ratios within organisations is the subject of global debate. Alliander aims to report openly on this issue. The salary of the CEO and employees falls within the scope of the collective labour agreement for network companies (CAO Netwerkbedrijven). The total income of the CEO is 3.7 times the median salary of all Alliander employees in the Netherlands (2022: 3.7).

Review by the Works Council

2023: scaling up in an unstable world

In 2023, the Works Council further specified and shaped its vision, OGSM and spearheads formulated in 2022, based on Alliander's vision and strategy. The key priorities relate to the balance between control and participation, between acting as an outstanding employer and as outstanding employees, and between fulfilling Alliander's task and resilience.

We had monthly meetings with the Management Board in 2023 and also handled seven requests for advice, eight requests for consent and 26 information memos, with changes limited to a part of Alliander. Examples of these are the requests for advice on future-proof GVR&N (high-volume usage, reconstruction and networks), the set-up of major work packages and the sale of Kenter. Our meetings also covered changes with a major impact on all of Alliander's employees, such as the performance management, job classification system and remuneration policy HR projects. In addition to this, the Works Council also carried out deep-dives with experts responsible for matters such as strategy, finance, HR, the occupational health and safety service and sustainable employability. Finally, informal meetings about Alliander were also held with the Management Board based on the control and participation roles, and an open discussion was held with the Supervisory Board on the topic of task feasibility.

Task feasibility: everything affecting Alliander's work package

In meetings with the Management Board, the Works Council gained a clear insight into Alliander's strategy, financial situation and way of communicating with the national government. Last year we regularly discussed the topic of task feasibility based on the strategic agenda and in different sessions with the Management Board and the Strategy Director. Task feasibility is aimed at building, building and more building, on using networks in better and more flexible ways, and on improving communication with customers. The most important things for the Works Council are to know what the feasibility challenge is, how Alliander is doing, whether its task is manageable, whether Alliander's plans are suitable for it, and what the impact is on the organisation and its employees. In response to the working week in September, for example, where the directors shared their strategic multi-year plans, the Management Board ran us through Alliander's integrated business plan. In the business unit committees, we continue to follow the specification of the business plans of the individual organisational units with a sharp and critical eye. The investigation into the sale of Kenter was also carried out and concluded. As the Works Council we were closely involved in this development, with an advisory role. The Works Council also supported the development of employee participation at Kenter.

Top-class employer: management of and prerequisites for the organisation

Congestion issues greatly affect what our employees have to do and how they do this. Increasingly often this results in unsafe situations for our employees, both in the field and online. As the Works Council, we find this completely unacceptable and we applaud the introduction of the aggression help desk this year and other measures to make our employees more resilient.
The planned massive growth in the number of employees requires all HR processes to become more efficient, so the Works Council has spent a lot of effort on the HR projects, including a simpler job classification system, more effective performance management and a more transparent remuneration system, and in the relationships between these instruments. For its consent regarding performance management, the Works Council already asked that attention be paid to its major impact and linked it to the Works Council's spearhead 'from work pressure to work enjoyment'.
The Works Council also participated in other matters as co-creators, for example, by advising on the lease policy regarding the topics of vehicle fleet electrification and standard lease amount increases. In its meetings with the Management Board, the Works Council has called for modernisation of the current mobility policy.

Top-class employee: proactive implementation of Alliander's policy

Despite the outflow of employees due to retirement and the labour market shortages, the number of employees grew significantly last year. Because of this, about half of all employees have only been working for Alliander for four years or less. This requires a greater focus on topics such as onboarding, training and guidance. It puts additional pressure on the current employees. Alliander is asking its employees to proactively contribute to the challenges faced by Alliander, to cultural changes and to further developing their personal leadership. As a participation body we share our thoughts to ensure that this process succeeds. One example is the Works Council survey investigating employee retention, the results of which were used for the development of the aforementioned HR tools. The Works Council will closely follow their implementation in 2024.

In 2023, the Works Council also made the Management Board aware of the risk of (energy) poverty among our employees. The HR organisation is keeping track of earnings attachment numbers as an indicator for energy poverty. However, as not all employees are sufficiently aware of the schemes offered by Alliander, the Works Council has called for better communication in this regard.
Negotiations on employee benefits are held between the employer and the unions, but as a participation body we have influenced this process by giving both parties an insight into people's thoughts and feelings within the organisation and the expectations employees have in terms of modern benefits. The Works Council directly affects the formulation of employee benefits in company schemes, for example, it used its influence and advocated measures to strengthen the purchasing power of employees. Further examples are company schemes that compensate for inflation, such as temporary increases to travel allowances, increases to standby and breakdown service allowances, sundry expense allowances for employees working in the field and a temporary 'measure A' for authorised technicians. We also have schemes that can be used to assist employees with debts.

Resilience: from work pressure to work enjoyment and mental resilience of employees

The workload perceived by employees in some departments or teams worries the Works Council, making it a frequently discussed topic during meetings with the Management Board. The Works Council has expanded the framework document on reorganisations, which we use for every planned major change to call for an explicit focus on the impact of the change on the workload and work enjoyment of employees. Personal safety remains important to the Works Council. Making it possible for people to come forward with their story and keeping it this way is extremely important in a rapidly growing and increasingly diverse Alliander. The basis for doing your job well is to feel accepted as you are and to feel safe in your interactions with managers, colleagues, suppliers and customers.
As more responsibilities are being transferred to the organisational units, employee participation needs to be strengthened at the management level of the organisational units. After all, employee participation is only effective if it follows whoever has control. This may help to ensure that we can talk to directors about the thoughts and feelings of our employees.

Employee retention will continue to be a focal topic for us as the Works Council, both in 2024 and the years to come. It is especially important in an unstable world in which employees attach great importance to a pleasant, safe and stable working environment in which they can perform optimally and develop effectively. The Works Council continues to work to achieve this situation.

On behalf of the Alliander Works Council,
Nico Büskens

A creditworthy company with solid returns

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → **Which values do we create for the long term?** → What are the most significant social impacts? → To which global targets do we contribute?

As a major energy network company, we have an important social role in Dutch society. Our social, financial and sustainability performance is of significance in the considerations of shareholders and investors. Having a sound financial position enables us to perform accordingly.

Related topics

This chapter details what we do to ensure that our financial position is sound and remains so in the future. The reported information relates to the topics that stakeholders feel to be important. Furthermore, these activities contribute to achieving an SDG.

Material topics	SDGs	Stakeholder groups
A) Energy security for the customer F) Governance G) Dialogue with stakeholders		Shareholders Investors Customers

Objectives and results for creditworthiness

Credit rating

Result in 2023:
S&P A+/A-1/watch positive
Moody's Aa3/P-1/stable outlook

2023 target:
To retain a solid A rating profile

S&P A+/A-1/stable outlook
Moody's Aa3/P-1/stable outlook in 2022

FFO/net debt

21.1% result in 2023

≥15.0% objective for 2023

19.2% in 2022

Interest cover

12.2 result in 2023

≥3.5 objective for 2023

12.1 in 2022

Net debt/(net debt + equity)

46.9% result in 2023

≤60.0% objective for 2023

43.8% in 2022

Solvency ratio

46.1% result in 2023

≥30.0% objective for 2023

49.0% in 2022

Developments in 2023

The overhaul of the energy system due to the growing demand for electricity involves a significant expansion of our energy infrastructure. In recent years this had resulted in considerable growth of our work package: investments were €1.4 billion in 2023, representing a 15% increase compared to the year before. We expect increasing demand to require much higher investments as well in the years to come.

Furthermore, we once again had to deal with considerable price rises due to a lack of technical personnel, due to price rises at external contractors and for materials, and due to TenneT's rising purchase costs. The higher energy prices, partly as a result of the war in Ukraine, also led to increased costs of network losses for us in 2023, which totalled more than €300 million.

By way of compensation, part of the increased costs were factored into our tariffs faster in consultation with the regulator ACM. This mainly concerns the costs of network losses and TenneT's purchase costs. As a result, our net revenue increased by more than €500 million in 2023 compared to last year, as a result of which we generated a net profit of €267 million for 2023 despite the higher costs (2022: €198 million).

Based on the regulatory framework, compensation for the significantly increasing annual investments is incorporated in the tariffs over an average period of 40 years. Despite the increased profit, this leads to considerable funding shortfalls. In 2023 net debt increased by almost €600 million, totalling over €3.8 billion at the end of 2023. As a means of absorbing the funding shortfall for 2023, Alliander issued a green bond with a face value of €500 million in June 2023.

In the long term, the annual funding shortfall cannot be financed exclusively with borrowed capital. Reinforcing the networks companies' equity is a crucial precondition for being able to continue making the necessary investments and to avoid even more pressure on investments in the gas and electricity networks. Apart from our key objective of working cost-efficiently to keep the energy system affordable, negotiations were started with the State in 2022 about strengthening our equity. As a result of this, a Framework Agreement has been drawn up. This agreement, which forms the basis for a possible participation agreement between the State and the network company, describes the conditions under which the State will contribute capital to the network company's equity, making it a shareholder of the network company. Among other things, these conditions relate to the time required for an accession request and to governance. With the accession of the State to Stedin, the Framework Agreement entered into force in 2023.

The shares of group company Kenter BV were sold to a consortium of ABP and OMERS Infrastructure on 31 January 2024. The proceeds of this totalled almost €1 billion.

Alliander's financial policy is explained in further detail in this chapter. The financial results will also be presented, as well as Alliander's position regarding matters such as cash flows and financing. These sections are followed by taxation, regulatory developments and requirements based on EU taxonomy. The chapter ends with a look ahead at the results expected for 2024.

Financial policy

In principle, our financial policy is designed to allow us to maintain a solid A rating. This means that we are able to continue to invest in our networks and grow the business thanks to our financial position. It enables us to pursue our strategy.

Financial framework

Alliander's financial framework is formed by the FFO/net debt, interest cover, net debt/net debt plus equity and solvency ratios. These ratios and associated standards are important in obtaining and retaining a solid A rating profile. In a departure from IFRS, when calculating the ratios, the subordinated perpetual shareholder loan and the convertible shareholder loan are treated as 50% equity and 50% debt capital. Security deposits paid and received in the context of network losses are excluded from the ratio calculations.

Financial policy

The financial policy remained unchanged in 2023:

- Credit rating: solid A rating profile
- FFO/net debt ratio: at least 15%
- Interest coverage: at least 3.5
- Net debt/(net debt + equity): maximum of 60%
- Compliance with regulatory requirements for network operators

Ratios on the basis of Alliander's financial policy

	norm	31 December 2023	31 December 2022
FFO/net debt	> 15%	21.1%	19.2%
Interest cover	> 3,5	12.2	12.1
Net debt/(net debt + equity)	< 60%	46.9%	43.8%
Solvency	> 30%	46.1%	49.0%

Dividend policy

As part of the financial policy, the dividend policy provides for distributions of up to 45% of the profit after tax, adjusted for fair value movements, periodic payments relating to loans that are recognised in equity and exceptional items that did not lead to a cash flow, unless investments or financial criteria demand a higher profit retention percentage and/or unless the solvency ratio falls below 30% after payment of dividend. For more information, see the proposed profit appropriation for 2023.

Investment policy

The investment policy is consistent with the financial policy and is part of Alliander's strategy. Elements of investment policy include compliance with regulatory requirements relating to investments in the regulated domain, such as safety and reliability, and the generation of an adequate return on investment. Ordinary investment proposals are tested against minimum return requirements and criteria as set out in the financial policy. Innovative schemes require specific Management Board approval. As well as quantitative standards, investment proposals must also satisfy qualitative requirements. It should also be noted that, in principle, investments in the regulated domain arise from a network operator's statutory duties.

Social performance

Alliander makes a major contribution to the prosperity of the Netherlands, indirectly through the considerable impact that the distribution of energy has for the Dutch economy and for the quality of life experienced through the permanent availability of energy. This is further explained in our impact model in the section Our impact on society. The dividend distributed to shareholders and payments to providers of capital and government authorities make an indirect contribution to social goals. The way these items are allocated and used is set out below.

Financing

The huge investment challenge and the associated financing requirements for the next couple of years increase the importance of having good access to sources of funding. Alliander has set up its financing based on a number of principles, enabling it to cover its financing requirements in the best way possible for the next couple of years:

- Cost-efficient. Alliander's strong credit ratings, transparent reporting and regular visits to investors enable us to make optimum use of the public capital markets. This allows us to raise funding at the lowest possible costs.
- Green. Alliander sees that, alongside a sound financial policy, shareholders and other investors are increasingly focusing on sustainability. Alliander endorses the importance of sustainability and so the company's sustainability targets play a prominent role in the management of the business and external financing. Alliander is able to issue green bonds and green Euro Commercial Paper (ECP). The company also has a committed Sustainability Linked credit facility. This financing structure is a financial incentive for Alliander to make sustainable investments and to conduct its business sustainably. Our sustainability efforts have been rewarded with a sustainability classification of B+ by rating agency ISS ESG and a Low Risk classification by Sustainalytics. This puts us among the best-performing companies in our sector in the Netherlands regarding sustainability performance, according to these rating agencies. It allows Alliander to respond to growing demand for green debt instruments in the best way possible and, as a result, achieve favourable financing conditions.
- Scalable and flexible. We are capable of upscaling our funding rapidly and cost-efficiently in order to meet our ever increasing financing needs. Apart from upscaled financing programmes, this also requires adequately proportioned liquidity lines. It will only remain possible to use our ECP programme to issue flexible and competitively priced short-term debt instruments as we see fit with the coverage offered by extra committed bank credit lines.
- Guaranteed in the long term. To be able to finance our investments in the long term as well, agreements with the State regarding possible capital support were laid down in the Framework Agreement. Based on these agreements, accession of the State as a new shareholder will be possible under certain conditions. This guarantees a minimum credit rating of A- (minus), which provides a great deal of comfort to Alliander's current and future financiers.

Our financial stakeholders

Alliander pursues an active policy of maintaining an open and constructive dialogue with shareholders, bondholders, financial institutions, credit rating agencies, sustainability rating agencies, analysts, and the media. We try to provide all stakeholders with timely and accurate relevant information on finances, strategy, risks, sustainability and other matters, in reports, in press releases, and in meetings, as well as by other means.

Shareholders

All of Alliander's shares are held directly by Dutch provincial and municipal authorities. A full list of the shareholders can be found on www.alliander.com. The authorised share capital of Alliander N.V. is divided into 350 million shares with a nominal value of €5 each. All the shares are registered shares. As at 31 December 2023, there were 136,794,964 issued and paid-up shares. Contact with shareholders primarily takes place during the shareholders' meetings. The company and its shareholders also meet outside of the shareholders' meetings. A summary of the various shareholder dialogue structures can be found on the Alliander website.

Institutional investors

Institutional bond investors, such as asset managers, insurance companies and pension funds, provide a large part of our loan capital financing. These are mostly Europe-based professional players on the international financial markets. We keep existing and potential bondholders informed of the company's financial position and results, as well as developments in the industry by actively engaging in Investor Relations activities in addition to complying with ordinary publication requirements. In this context we spoke with investors about the current figures for 2023 in London, Paris, Frankfurt and Amsterdam during an Investor Relations Roadshow in November 2023. This discussion included various other topics such as the progress made in the energy transition, the increase in investments, measures to expand our financing capacity, the convertible shareholder loan and the new regulatory period.

Banks

Alliander has access to a back-up credit facility of €900 million, committed by seven banks. In 2023, all the participating banks once again committed to the second extension to December 2028. The fee paid for this facility depends in part on Alliander's performance in relation to a number of sustainability KPIs. As in previous years, no use was made of the credit facility during the past year. A €300 million loan arranged with the European Investment Bank was drawn down in 2017 and 2018. The loan becomes repayable in full in 2031.

In 2023, we also took out an additional €400 million in committed bilateral back-up credit facilities that will expire in 2024, with the option of extending them by one year to the end of 2025. These facilities were not drawn on during 2023.

Rating agencies

Alliander has credit ratings from S&P and Moody’s. These ratings comprise a long-term rating with an outlook and a short-term rating. The outlook is an indication of the expected change to the long-term rating over the next few years. S&P granted Alliander the status of Government Related Entity (GRE) on 14 February 2023. The consequence of this designation was that the standalone credit rating was moved up one notch. At the same time, S&P downgraded the standalone credit rating by one notch, so in the end the effect on the credit rating was neutral. On 13 October 2023, S&P published the ratings for Alliander N.V. on Credit Watch Positive. There were no changes to Moody’s credit rating. At year-end 2023, Alliander’s credit ratings were as follows:

	Long term	Short term
Standard & Poor's	A+ (watch positive)	A-1
Moody's	Aa3 (stable outlook)	P-1

On 2 February 2024, S&P confirmed that Alliander’s credit rating is A+ with a stable outlook. This means that the Credit Watch Positive status has been withdrawn.

During the reporting period, Alliander was in contact with the rating agencies on several occasions. We discussed the developments in the regulations, the increase in demand for electricity, the associated increase in investments and the measures taken to expand our financing capacity, including the Framework Agreement with the Dutch State. The recent financial performance figures and forecasts that Alliander provided on these occasions were taken into account by S&P and Moody’s when assessing Alliander’s creditworthiness.

Financial results in 2023

Introduction to Alliander’s finances

Almost 90% of Alliander’s income comes from the regulated activities of network operator Liander and 10% is from other sources, the latter being income from rental of high-volume meters and transformers, and income from the activities of other companies outside the regulated energy sector. As a network operator, Liander will publish its own annual report on its performance in 2023. This annual report will appear in the second quarter of 2024.

The main expenditure relates to work maintaining and extending the electricity and gas networks and the operating expenses connected with all other activities. We invested €1.4 billion in 2023, mainly in the replacement and expansion of our networks. This investment equates to 40% of our total expenditure. Expenditure on operating expenses, such as procurement for network losses, TenneT’s transmission capacity and employee benefit expenses, accounts for 56% of our expenditure. Additionally, there is the dividend payable to our shareholders and the interest payments to the holders of the subordinated perpetual bond loan and other financiers. The dividend and interest payments for 2023 together amounted to 4% of our overall expenditure. The tax payments regarding corporate income tax were almost zero in 2023.

Cost-effective and efficient operations

The multi-year organisation-wide cost-saving programme that was launched in 2018 ended in mid-2023. The total savings achieved (including improvements in efficiency) amounted to some €240 million. The foundation of the programme was to continuously work on increasing cost awareness throughout the organisation and to critically consider which activities are really necessary for performing the job we do – without compromising on safety or quality. The objective of this programme was not only to cut costs, but also to increase productivity. After finishing this programme, the responsibility for this topic will be placed in the hands of the organisation itself. The need for this remains equally high due to the challenges in the field of feasibility and affordability.

Income statement for 2023

Net profit amounted to €267 million in 2023, which was €69 million higher than in 2022 (€198 million). Costs are increasing, but as key elements of the rising costs are (partly) covered by the regulated tariffs, this leads to higher revenue and, therefore also, higher profit.

The net profit is affected every year by exceptional items. In 2023, these items resulted in a positive net profit of €4 million, whereas in 2020 they had a positive impact of €26 million on our net profit. Net profit excluding exceptional items worked out at €263 million, €91 million higher than the comparable profit in 2022.

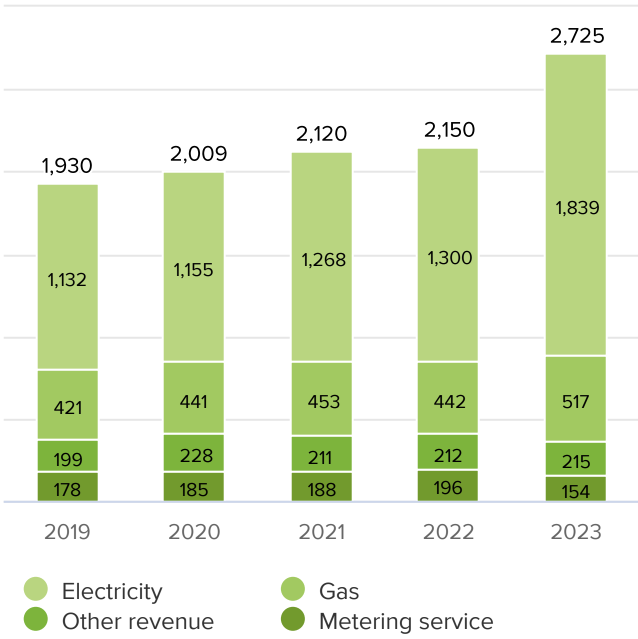
The most notable developments in our profit were as follows:

Net revenue

Net revenue in the 2023 financial year rose by €575 million compared with the previous year, from €2,150 million to €2,725 million. The key cause for this rise is the increase in our regulated tariffs for both electricity and gas. This increase is mainly driven by the rising costs for procurement to compensate for network losses and procurement of transmission capacity from TenneT, which is (largely) covered by our tariffs.

- Revenue from electricity was up €539 million on 2022. Almost €500 million of this increase is explained by the aforementioned tariff rises. We also had a larger number of connections and higher transmitted volumes, resulting in a €20 million revenue increase. Among other things, the higher amortisation of customer contributions also resulted in higher revenue.
- Despite the lower number of connections, gas revenue was up €75 million on 2022. All of this was due to the increased regulated tariffs.
- In contrast to the tariffs for electricity and gas, the metering service tariffs were lower in 2023 compared to 2022, which resulted in a €42 million revenue drop.
- Other revenue came to €215 million, which is in line with the previous year.

Net revenue (€ million)



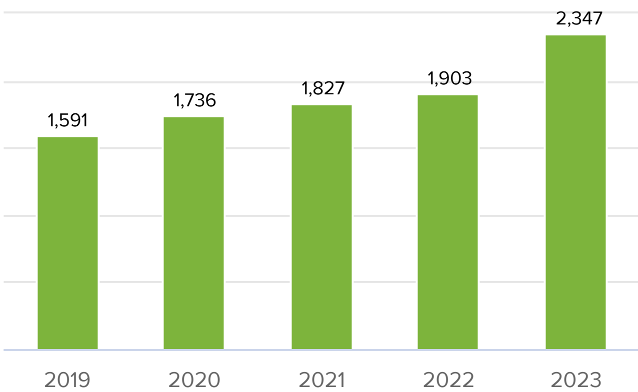
Operating expenses

Operating expenses rose from €1,903 million in 2022 to €2,347 million in 2023. This €444 million increase was primarily caused by the following factors:

- The cost of procuring transmission capacity rose by €162 million as a result of the higher tariffs set by TenneT.
- Employee benefit expenses (total of permanent and temporary staff) were €147 million higher in 2023 compared to 2022 as a result of workforce expansion. For further details, please refer to the following page.
- The increase in energy prices led to procurement costs associated with network losses that were €78 million higher compared to 2022.
- Other operating expenses amounted to €249 million and were therefore €62 million higher than the expenses for 2022. One of the causes for this is the increased consultancy costs for various projects. These were higher due to the use of external consultants during the Kenter sale process, but also to prepare for the Kenter carve-out in late January 2024. Consultants were also used during the negotiations for the Framework Agreement with the State, as well as for the (multi-year) project to future-proof our information systems. We also incurred higher costs due to our own energy usage and due to the growth of the organisation (facilities costs, maintenance costs and leasing costs). The costs for 2022 were also lower due to the one-off release of a provision for a loss-making contract at one of the entities in Germany.

The most significant trends in these expenses are discussed below in greater detail.

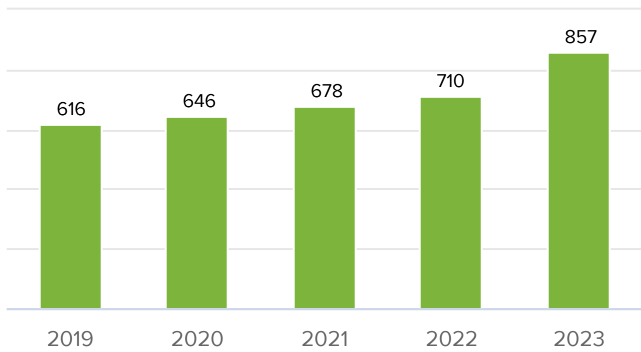
Operating expenses (€ million)



Employee benefit expenses

The total employee benefit expenses for both internal and external employees were €147 million higher than in 2022. The workforce increased by 579 FTEs in 2023, with the average expenses per FTE increasing due to an increase under the collective labour agreement (4%) and due to a labour allowance for technical staff. The larger workforce also resulted in a €12 million cost increase. The number of agency FTEs increased by over 489. These agency workers were hired to ensure sufficient staffing for the work package and specific expertise for ongoing projects, such as digitalisation projects. The larger workforce and the higher average expenses per FTE also resulted in higher capitalised production: this was €318 million, which is €24 million more than in the previous year.

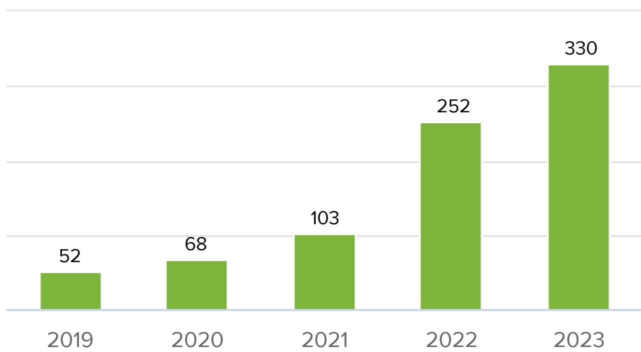
Employee benefit expenses (permanent and temporary, € million)



Costs of network losses - electricity and gas

The costs of network losses were €330 million and were up by €78 million compared with 2022. The main reason for these higher costs is the price effect: the increase in energy prices led to much higher market cost of procurements associated with network losses. Besides the price effect, we had to procure higher volumes. The increase is visible for electricity where the costs increased by €129 million. The gas procurement costs were €51 million lower. Since 1 January 2020, the network operators have had a statutory obligation to purchase gas to compensate for network losses.

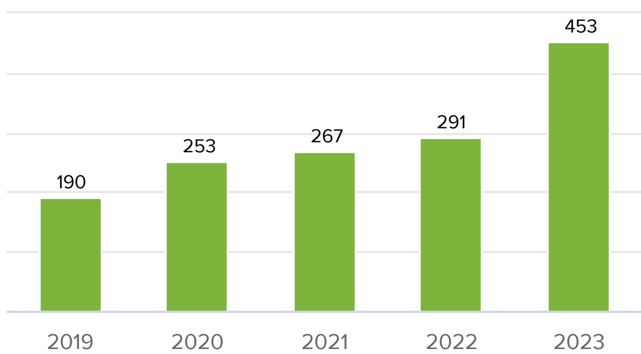
Costs of network losses - electricity and gas (€ million)



Transmission capacity costs

Transmission capacity costs in 2023 amounted to €453 million, an increase of €162 million compared to the previous year (2022: €291 million). These costs mainly consist of the costs for transmission capacity charged by TenneT. TenneT's increased tariffs have led to increased costs for us. These tariffs have risen due in part to the investments TenneT has to make, inflation and rising energy prices. In the current regulatory method, the higher procurement costs are covered by our tariffs, so the cost increase does not affect our profit.

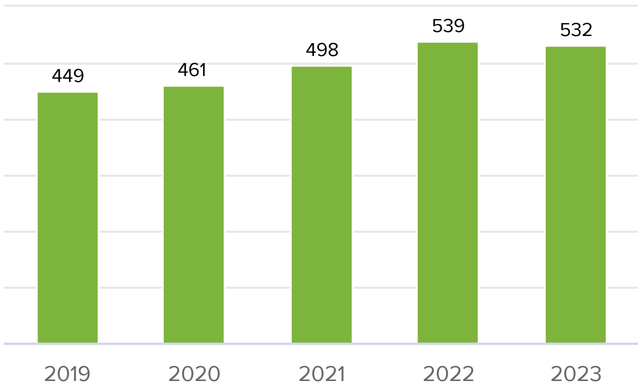
Transmission capacity costs (€ million)



Depreciation and impairment

The depreciation and amortisation charges and impairment losses on non-current assets amounted to €532 million, which despite the higher level of investment is a decrease of €7 million compared with the preceding year (2022: €539 million). One of the causes of the decrease is the held-for-sale classification of our subsidiary Kenter. From December 2022 this entity was being held for sale, so based on IFRS there was no more depreciation of non-current assets in 2023. This also resulted in depreciation charges being down €10 million in 2023. A relatively larger number of meters was also replaced in 2022, resulting in higher expenses due to divestments. The application of the declining balance method on the gas network from 2022 also resulted in lower depreciation charges. This was used due to an expected decreased utilisation of our gas assets as alternative energy sources become more predominant. The declining balance method has been chosen as this method is better suited to the expected future decrease in the number of users of the gas network. Alliander also estimates that the decrease in the number of users of the gas network will not lead to large-scale decommissioning of the gas assets. Despite a decrease in the number of users of the gas network, the gas mains infrastructure will remain largely operational. In addition, it is expected that natural gas will continue to be of relevance, along with sustainable alternatives such as green gas and hydrogen. Therefore, this does not imply a reduction in the useful life of the gas assets.

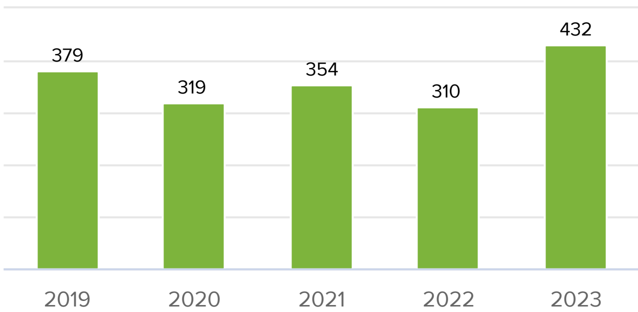
Depreciation and impairment (€ million)



Operating profit

The graph on the right shows the operating profit for the last five years. The low profit in 2022 stands out here: this was mainly caused by the rising cost of network losses. These increased costs were partly compensated in our tariffs in 2023, resulting in higher revenue and an increased operating profit for this year.

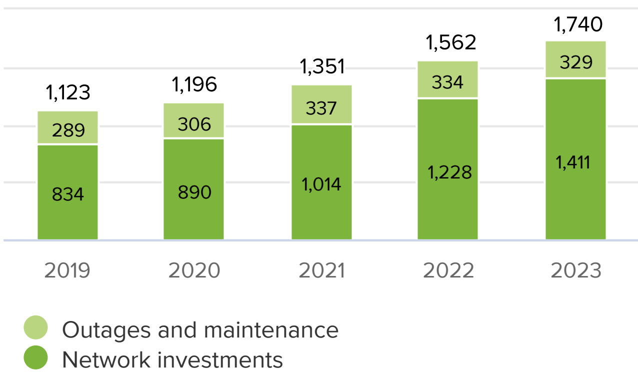
Operating profit/loss (€ million)



Network investments and maintenance costs

The graph shows the changes in maintenance costs and investments in the network over the last five years. Total expenditure on network investments and maintenance costs in 2023 was €1,740 million, an increase of €178 million compared with 2022 (€1,562 million). The increase was caused by higher investments (€183 million), whereas the costs of maintenance and outages remained relatively stable.

Network maintenance costs and investments (€ million)



Incidental items

Alliander's results can be affected by incidental items and fair value movements. Alliander defines exceptional items as items that, in the management's opinion, do not derive directly from the ordinary activities and/or whose nature and size are so significant that they must be considered separately to permit proper analysis of the underlying results. In 2023, exceptional items had a positive impact of €4 million on our net profit. In 2022, exceptional items provided a gain of €26 million. This means that the net profit, adjusted for these exceptional items, was €91 million higher than in the previous year. The middle column in the table below shows the exceptional items, with an explanation below.

Reported figures and figures excluding incidental items and fair value movements

€ million	Reported		Incidental items and fair value movements		Excluding incidental items and fair value movements	
	2023	2022	2023	2022	2023	2022
Revenue	2,725	2,150	-	-	2,725	2,150
Other income	54	63	5	13	49	50
Total purchase costs, costs of subcontracted work and operating expenses	-2,133	-1,658	-	10	-2,133	-1,668
Depreciation and impairments	-532	-539	-	-	-532	-539
Own work capitalised	318	294	-	-	318	294
Operating profit	**432**	**310**	**5**	**23**	**427**	**287**
Finance income/(expense)	-69	-53	-	-	-69	-53
Result from associates and joint ventures	-3	3	-	4	-3	-1
Profit before tax	**360**	**260**	**5**	**27**	**355**	**233**
Tax	-93	-62	-1	-1	-92	-61
Profit after tax from continuing operations	267	198	4	26	263	172
Profit after tax from discontinued operations	-	-	-	-	-	-
Profit attributable to minority interests	-	-	-	-	-	-
Profit after tax	**267**	**198**	**4**	**26**	**263**	**172**

Other income

(2023: €5 million; 2022: €13 million)

In June 2023 we sold our Spaklerweg site, which led to a one-off positive sales result of €5 million; this item is recognised under other income.

The exceptional income in 2022 relates to the book profit of €13 million due to the sale of our shares in our subsidiary Stam in January 2022.

Total procurement costs, costs of subcontracted work and operating expenses

(2023: nil, 2022: €10 million income)

The exceptional income of €10 million in 2022 relates to the release of two provisions. One was a provision of €3 million made following a dispute concerning the past sale of an associate and the other was a provision for a loss-making contract at one of the subsidiaries.

Tax

(2023: €1 million income, 2022: €1 million income)

The income item of €1 million in 2023 and the income item of €1 million in 2022 are due to the impact of the aforementioned exceptional items on corporate income tax.

Profit/loss from associates

(2023: nil, 2022: €4 million income)

The payment of €4 million in 2022 from a trust office in which Alliander holds 100% of the depositary receipts for shares has been classified as exceptional income, which was recognised as the result of the non-consolidated participating interest.

Segment reporting

General

Alliander distinguishes the following segments:

- Network operator Liander
- Other

The figures for each reporting segment, excluding incidental items and fair value movements, are shown in the following table. These figures are a direct reflection of the regular internal reporting. Detailed information on segment reporting can be found in note 2 of the financial statements.

Primary segmentation

	Network operator Liander		Other		Eliminations		Total	
€ million	2023	2022	2023	2022	2023	2022	2023	2022
Operating income								
External income	2,519	1,949	255	251	-	-	2,774	2,200
Internal income	4	3	427	351	-431	-354	-	-
Operating income	**2,523**	**1,952**	**682**	**602**	**-431**	**-354**	**2,774**	**2,200**
Operating expenses								
Operating expenses	2,088	1,675	690	592	-431	-354	2,347	1,913
Operating profit	**435**	**277**	**-8**	**10**	**-**	**-**	**427**	**287**

Network operator Liander

The Liander network operator segment consists of the legal entity Liander N.V., which, as designated network operator within network company Alliander, has a statutory duty to manage the electricity and gas networks and related assets in the provinces of Gelderland and Flevoland, as well as in parts of Friesland, Noord-Holland and Zuid-Holland. Liander connects customers to the energy infrastructure through which it distributes electricity and gas to those customers. Liander's operating income for 2023 was up €571 million on 2022, coming in at €2,523 million. This increase is mainly due to the increase in the regulated tariffs. Liander's operating expenses were also up by €413 million. This is mainly caused by the higher tariffs charged by TenneT for the procurement of transmission capacity, increased procurement costs associated with network losses, higher costs due to increasing digitisation and efforts to future-proof our information systems. Employee benefit expenses also increased due to regular raises and increases under the collective labour agreement, and due to the larger workforce. The operating profit of €435 million was €158 million higher than in 2022.

Other

The Other segment covers the entirety of the other operating segments within the Alliander group, such as the activities of Qirion, Kenter, Alliander AG and Firan. At €255 million, external operating income in 2023 was up by €4 million compared with 2022. Operating profit for 2023 amounted to €8 million negative (2022: €10 million profit). The €18 million drop in operating profit is mainly the result of the increased costs of sustainability initiatives and consultancy costs related to the sale of a subsidiary.

Balance sheet

The abridged balance sheet as at 31 December 2023 is shown below.

€ million	Alliander N.V. 31 December 2023	31 December 2022
Assets		
Non-current assets	10,509	9,726
Current assets	957	804
Assets held for sale	180	162
Total assets	**11,646**	**10,692**
Equity and liabilities		
Total equity	4,749	4,570
Non-current liabilities	5,296	5,098
Short-term liabilities	1,581	1,008
Liabilities held for sale	20	16
Total equity and liabilities	**11,646**	**10,692**

The significant changes in the balance sheet as at 31 December 2023 compared to the situation as at 31 December 2022 are explained below. Detailed information on balance sheet items is given in the financial statements.

- Non-current assets increased by €783 million. This increase is explained by our investments in property, plant and equipment (€1,388 million), which were mainly intended for expanding and upgrading our electricity network. Together with depreciation and divestments (€604 million), this results in an increase in property, plant and equipment of €881 million. On the other hand, the application of discretionary depreciation for tax purposes resulted in the deferred tax assets dropping by €99 million compared to 2022.
- Current assets rose by €153 million. The key cause for this rise is the increase in trade and other receivables (€143 million). The higher (regulated) tariffs have also increased invoicing compared to the previous year, so outstanding receivables are also higher as a result.
- The assets and liabilities held for sale relate mainly to Kenter. The increased assets are due to the investments in Kenter's property, plant and equipment, and Kenter's increased stock position.
- Equity increased by €179 million, mainly as a result of the profit of €267 million generated in 2023, after deducting the dividend of €82 million paid over 2022 and the €6 million coupon payment for hybrid holders. A summary of the movements can be found in note 12 of the financial statements.
- The increase in non-current assets was financed, in part, through external loans. Total interest-bearing liabilities increased by over €600 million compared to 2022, partly due to the €500 million green bond that we issued in 2023. In addition we expanded our short-term loans under the ECP programme by €200 million, but we also repaid a loan of €125 million.

Cash flow

Consolidated cash flow statement

A summary of the cash flow statement for 2023 is shown below.

€ million	2023	2022
Cash flow from operating activities	724	572
Cash flow from investing activities	-1,179	-1,175
Cash flow from financing activities	494	184
Net cash flow	**39**	**-419**

Cash flow from operating activities

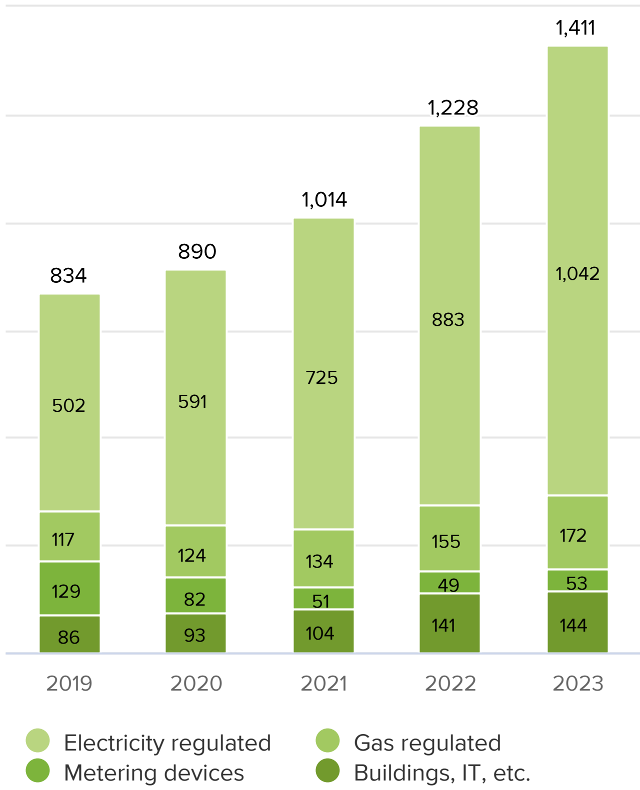
The cash flow from operating activities in 2023 amounted to €724 million (2022: €572 million). The €152 million increase compared to 2022 is mainly due to the higher net profit in 2023, plus the application of the discretionary depreciation scheme, resulting in a corporate income tax payment of €2 million in 2023 (2022: €60 million).

Cash flow from investing activities

The cash outflow from investing activities in 2023 was €1,179 million, compared with an outflow of €1,175 million in 2022. The €183 million increase in gross investments in 2023 is almost fully neutralised by the receipt of security deposits. Regarding procurement to compensate for network losses, €51 million of the security deposits paid in 2022 (€100 million) was repaid in 2023 due to dropping energy prices in 2023. In addition, Alliander received the remainder (€28 million) of the purchase price for the Allego group company, which was sold in 2018. The above resulted in an investment cash flow in 2023 that was €4 million lower than in 2022.

In 2023, the investments increased by €183 million relative to 2022. This is almost entirely due to the increased investments in the power grids (€159 million) as a result of replacements and expansions, among other things, and the increasing demand for connections for solar farms and wind turbines. Besides rolling out new and heavier-duty cables, we are building new electrical substations and expanding existing ones. Compared to 2022, investments in the gas networks rose by €17 million.

Investments (€ million)



Cash flow from financing activities

The cash flow from financing activities for 2023 amounted to €494 million (2022: €184 million). The green bond issued both in 2023 and in 2022 led to an incoming cash flow of almost €500 million in both years. ECP financing was also acquired in both years, totalling €200 million in 2023 and €300 million in 2022. Furthermore, we reinstated €41 million in loans to shareholders in 2023. This is offset by the contractual repayment of bonds under the EMTN programme in 2022 (€400 million) and also explains most of the difference in the financing cash flow between 2023 and 2022.

Free cash flow

€ million	2023	2022
Cash flow from operating activities	724	572
Acquisition/sale of associate	13	12
Investments in property, plant and equipment	-1,411	-1,229
Paid deposits	51	-100
Construction contributions received	140	142
Loans received	33	-
Loans repaid	-5	-
Free cash flow	**-455**	**-603**

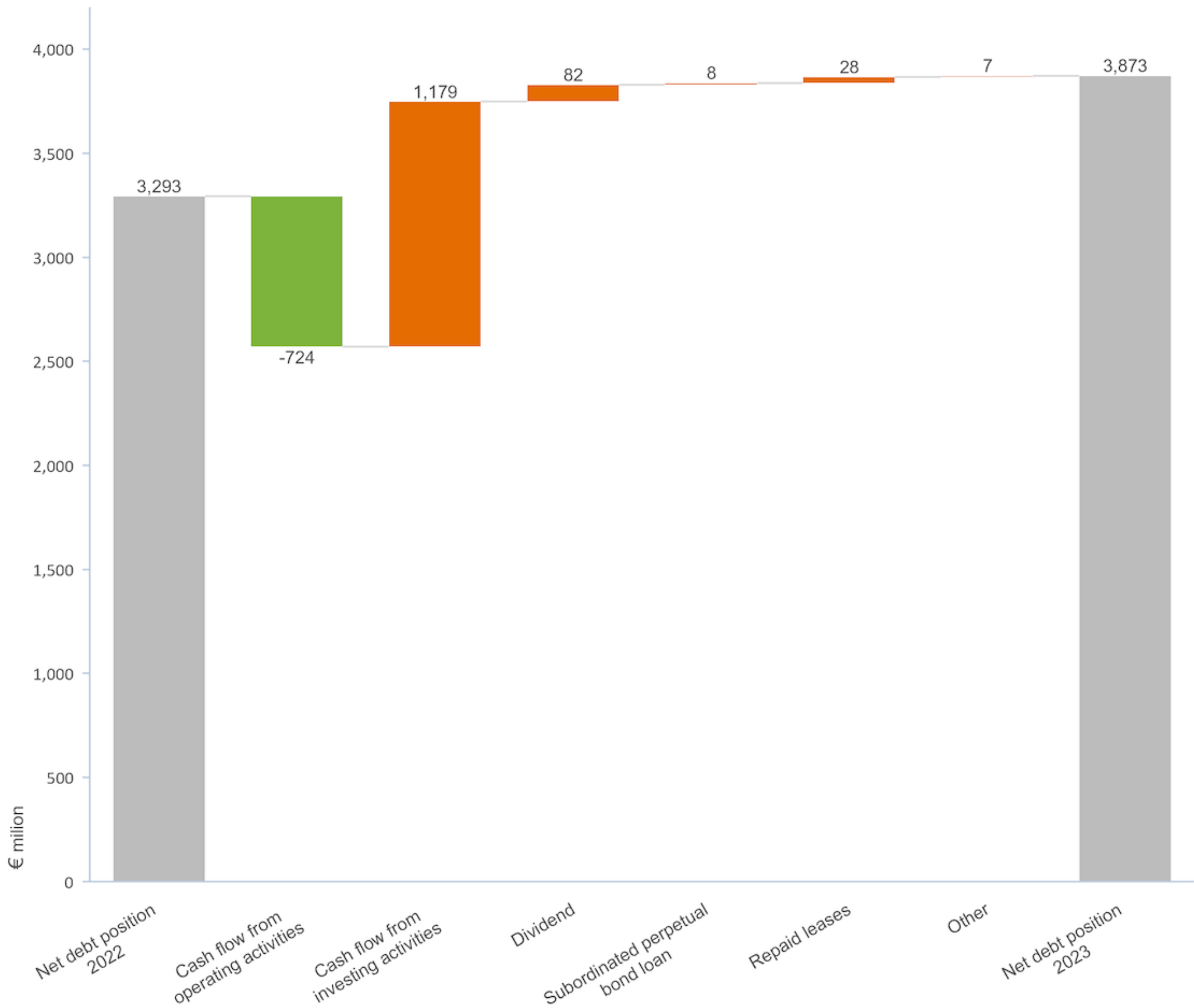
The free cash flow in 2023 totalled €455 million negative, compared with a free cash flow in 2022 of €603 million negative. The less negative free cash flow was almost entirely caused by the higher operational cash flow in 2023.

Financial position

Development in debt position

The net debt position rose by €580 million to €3,873 million at year-end 2023 (31 December 2022: €3,293 million). This rise is a direct result of much higher investments in 2023 in relation to the cash flow from operating activities. The redeemed leases are paid lease obligations that are justified based on IFRS 16 as repayment of the financial lease obligation. The development in the net debt position during 2023 is shown in the graph below.

Development in net debt position



Net debt position

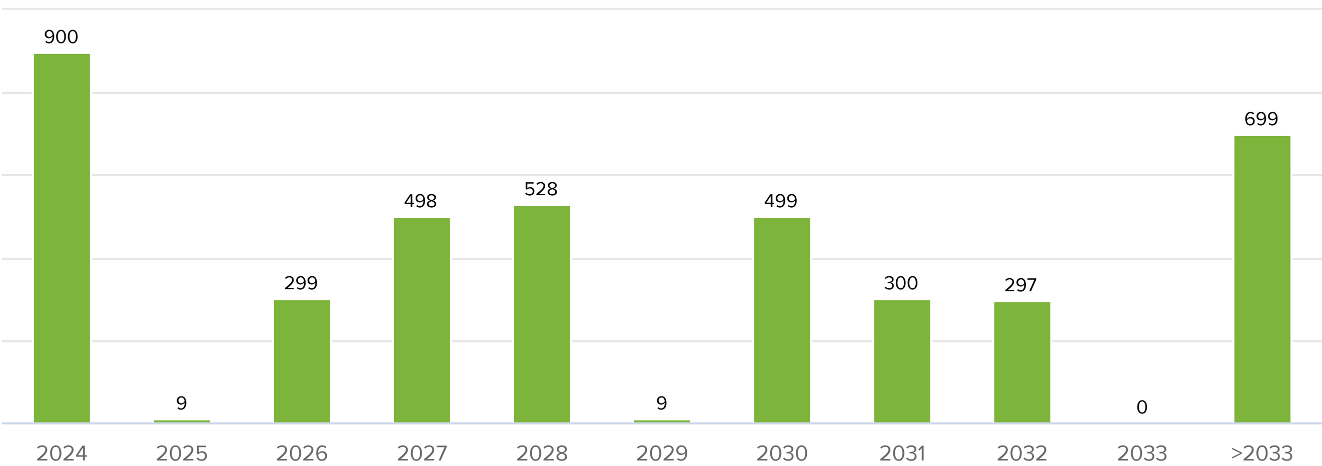
€ million	31 December 2023		31 December 2022	
Long-term interest-bearing debt	3,137		3,000	
Short-term interest-bearing debt	924		426	
Lease liabilities	107		123	
Gross debt		**4,168**		**3,549**
Cash and cash equivalents	244		205	
Total cash and cash equivalents and investments		**244**		**205**
Net debt in accordance with the annual financial statements (IFRS)		**3,924**		**3,344**
50% of the subordinated perpetual bond loan		248		248
50% of the convertible shareholders loan		-299		-299
Net debt on the basis of Alliander's financial policy		**3,873**		**3,293**

Alliander has an EMTN programme worth €5 billion. This used to be €3 billion, but was increased as of 15 July 2022. As at 31 December 2023, the carrying amount of the outstanding bonds was €2,187 million (nominal value €2,200 million). Alliander has two euro commercial paper (ECP) programmes totalling €1,500 million, which can be used to issue short-term debt instruments. In addition to the standard ECP programme there is also a separate programme to issue green ECP debt instruments. In the latter case, the funds obtained are used to finance assets that are further specified in the Green Finance Framework. At year-end 2023, €500 million in ECP loans were outstanding (2022: €300 million).

Interest-bearing debt

The repayment schedule for the interest-bearing debt as at year-end 2023 was as follows:

Repayment schedule for interest-bearing debt (€ million)



The amounts scheduled for repayment in 2024, 2026, 2027, 2028, 2030 and 2032 mainly relate to bond loans. The other amounts relate to the repayment of shareholder loans and other loans.

Available green financing capacity

Alliander has arranged six green financing facilities since 2016, including five publicly issued green bond loans. The proceeds of these financing facilities have been used to fund various assets that are defined in more detail in the Green Finance Framework of August 2022. (https://www.alliander.com/en/green-finance-framework/). These assets and financing facilities are accounted for in separate reports (https://www.alliander.com/en/investors/financing/green-bonds/). A summary referred to as the allocation table is part of these reports. This summary details the size and composition of Alliander N.V.'s green asset portfolio and green financing facilities.

Allocation table: use of funds available from green financing facilities

€ million	Net book value	Weighting factor	Weighted sum
Renewable energy	4,423	50%	2,212
Smart meters	457	100%	457
Fibre optic network	43	100%	43
Total energy efficiency	**500**	**100%**	**500**
Sustainable buildings	60	100%	60
Total green asset portfolio			**2,772**

€ million	Instrument (ISIN)	Date of issue	Maturity date	Principal sum
Green bond loan	XS1400167133	22-04-2016	22-04-2026	300
Green bond loan	XS2014382845	24-06-2019	24-06-2032	300
Green, privately placed bond loan	XS2152901315	08-04-2020	08-04-2035	100
Green bond loan	XS2187525949	10-06-2020	10-06-2030	500
Green bond loan	XS2531420730	09-09-2022	09-09-2027	500
Green bond loan	XS2635647154	13-06-2023	13-06-2028	500
Total green financing				**1,200**

The table shows that the net weighted carrying amount of green assets as at 31 December 2023 was €2,772 million. This represents an increase of €660 million since 31 December 2022. As a result, €572 million in green financing capacity was available as at year-end 2023. A new long-term green financing facility was arranged in 2023: a green bond for a nominal amount of €500 million. The weighting factor for the renewable energy asset category as at year-end 2023 has been set at 50% (source: nationaalklimaatplatform.nl). This relates to the share of renewable energy generation in the total electricity production capacity in the Netherlands. Rather than using green financing for our entire electricity grid, we have decided to invest these funds solely in the part used to transmit green electricity.

Tax matters

Alliander's tax policy focuses on national taxes in the Netherlands, which are mainly corporate income tax, wage tax and VAT. The key aspect of this tax policy is that Alliander is a committed, reliable and transparent tax-paying company that pays its fair share of taxes to society. Our tax policy is published on our public website. In 2023 we published our tax-related transparency report on this public site. Alliander has subscribed to the VNO-NCW Tax Governance Code and applies the code's principles. The principles of this code are:

- A clear tax strategy
- A clear governance strategy
- Compliance with tax laws and regulations
- A constructive relationship with the tax authorities
- Maximum transparency about tax payments

Alliander has signed a horizontal monitoring agreement with the Dutch Tax and Customs Administration for a period of three years. This agreement will remain in effect until 31 December 2026.

Alliander made use of the discretionary depreciation scheme in 2023, so no corporate income tax will be payable for the year 2023. Due to carry-back of losses, we are expecting a partial refund of the corporate income tax payable for 2022.

Most of Alliander's activities are subject to Dutch tax law, although the local tax rules apply to our activities in Germany. The table below shows the totals per type of tax per country.

Tax payments in 2023

€ million	Netherlands	Germany
Corporate income tax	-3	1
Dividend tax	12	0
Wage tax	198	1
VAT	216	2
Total	**423**	**4**

Regulatory developments in 2023

The most important regulatory development in 2023 was the judgment by the Dutch Trade and Industry Appeals Tribunal (CBb) in the appeal proceedings of the joint network operators against the current method decisions for regional gas and electricity network operators for the period 2022 to 2026 inclusive.

In addition, the ACM concluded in 2023 that retrospective calculation of the costs of network losses for both electricity and gas will in any case be required for the years 2022 to 2024 inclusive.

Appeal proceedings for method decisions

The network operators had launched appeals against the method decisions for regional gas and electricity network operators, because the network operators believe that more adjustments have become necessary in addition to the measures already planned, and this should lead to higher income.

The CBb delivered its judgment in this case on 4 July 2023. Its conclusion was that both method decisions, for electricity and for gas, should be nullified. The ACM would be required to make new decisions, basing the initial income for the electricity method decision on the actual cost level in 2021 rather than the estimated cost level. The ACM should also change the way in which it estimated the productivity development of the regional network operators, taking the consequences of investments due to the energy transition more into account.

In addition, the CBb also delivered a positive judgment on a few of the network operators' grounds for appeal regarding the WACC. In the new method decisions for both electricity and gas, the ACM will need to include a minimum value of 0.5% for the risk-free interest rate.

On 21 December, the ACM published the modified method decisions incorporating the CBb judgment. In the spring of 2024, the ACM will calculate the financial effects of these in the x-factor decisions for each network operator.

As this will lead to considerable additional permitted income for the network operators, the ACM has already incorporated an advance in the tariffs for 2024. This advance is €187 million for Liander.

Regulation in the longer term

The ACM and the network operators already initiated a joint process in 2022 to determine the long-term regulatory method. The energy transition signifies a break in the trend of network operator cost developments and raises the question of which requirements a regulatory method should meet when it comes to setting permitted income and tariffs.

The ACM conducted a consultation in 2023 into which tariff regulation method would best suit the energy transition. Companies, municipalities, interest groups, experts and network operators recognise the importance of the energy transition and agree that network operators will need to be given more financial scope to make all the required investments over the next few years. The ACM is expected to outline the main aspects of the draft method in 2024, after which the new method decisions will be determined for the period from 2027 onwards no later than in 2026.

Together with the other network operators, Liander indicated during this process that the focus should be moved to the social challenge of the energy transition and ways to tackle it.

EU taxonomy

Introduction

In order to achieve the objectives of the Paris Agreement by 2050, the European Union drew up the EU Action Plan in 2018 as part of the Green Deal to ensure that the European economy becomes more sustainable. The three main elements of the EU Action Plan are:

- Redirect capital flows toward a more sustainable economy;
- Make sustainability a permanent aspect of risk management;
- Encourage transparency and long-term thinking.

The next step was the adoption of the EU taxonomy, a classification system that shows whether cash flows support ecologically sustainable business activities. Under the EU Taxonomy Regulation (EU) 2020/852, companies report three financial indicators regarding ecologically sustainable business activities: turnover, CapEx and OpEx.

The EU taxonomy serves six environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

Alliander's operations have to be assessed against the EU taxonomy to establish whether they qualify as climate-related business activities on the basis of the definition (i.e. are eligible). The assessment of the climate-related business activities involves determining whether they meet the criteria for substantial contribution to the environmental objectives and also meet the criteria for doing no significant harm in relation to the other five environmental objectives. Whether Alliander meets the minimum safeguards with regard to human rights, corruption, tax and fair competition will be determined at the corporate level. If the aforementioned conditions are met, these business activities qualify as ecologically sustainable (aligned) under the EU taxonomy.

Business activities that are eligible under the EU taxonomy

The EU taxonomy (Climate Delegated Act 2021/2139) defines which business activities are climate-related and thus qualify as eligible under the taxonomy. A number of Alliander's business activities fall under the 'climate change mitigation' environmental objective: 'Transmission and distribution of electricity' (code 4.9) and 'District heating/cooling distribution' (code 4.15) have been designated as climate-related. The business activities 'Transport by motorcycles, passenger cars and light commercial vehicles' (code 6.5) and 'Acquisition and ownership of buildings' (code 7.7) are also reported on; although they do not generate revenue, they do contribute to Alliander's sustainable objectives as supporting business operations. Alliander has no business activities that focus on the four other environmental objectives stipulated by the Environmental Delegated Act 2023/2486. The climate-related business activities were therefore assessed on the basis of the 'climate change mitigation' objective. They do not overlap with other business activities, so there is no duplication in the reported figures.

Ecologically sustainable business activities

Transmission and distribution of electricity is an ecologically sustainable business activity under the EU taxonomy. The infrastructure for distributing electricity is part of the European electricity network and so this facilitative business operation meets the most important criterion relating to substantial contribution. However, direct connections between the network and third-party production units with emissions exceeding 100g of CO_2/kWh do not meet the requirements. Energy meters that are not smart meters are likewise excluded. The financial value of these activities is therefore included in a separate line. Electricity distribution meets the 'Do No Significant Harm' (DNSH) criteria for the other environmental objectives; a climate impact assessment has been carried out within the context of climate adaptation and the criteria relating to circularity, pollution prevention and biodiversity are satisfied.

Minimum safeguards

Alliander set up a process in 2023 to integrate due diligence in the procurement domain. We started raising awareness within Procurement and updating the risk analysis with regard to the violation of workers' and human rights in the supply chain. Further to this risk assessment, the measures will also be redetermined. The monitoring of human rights in the supply chain was expanded in 2023 by conducting more audits at suppliers. We are communicating with fellow network operators and with suppliers in the chain about the introduction of the CSRD and the actions required to gain a better insight into human rights in the supply chain and to safeguard them. For components that are made up of many parts, it can be difficult to obtain a clear picture of the entire supply chain. On the other hand, our suppliers are often major European businesses that are also busy implementing human rights legislation. The introduction of HRDD in the supply chain is a continuous process to organise monitoring of human rights in accordance with international legislation throughout the supply chain and implement measures to correct violations where required. The implementation of awareness, risk control, monitoring, correction mechanisms and supply chain management ensures that Alliander complies with its due diligence obligation in the field of workers' and human rights, as required under the minimum safeguards of the EU taxonomy.

Climate-related but ecologically non-sustainable business activities

Heat distribution complies with the substantial contribution criteria (more than 50% of the distributed heat is residual heat) but not with the DNSH criteria; for instance, a climate impact assessment specifically for the district heating networks has not been carried out. It is also not possible to demonstrate that the DNSH criteria for the marine environmental objective or for pollution prevention have been met.

As regards transport by motorcycle, passenger cars and light commercial vehicles, only some of the passenger cars meet the emission requirement of no more than 50g CO_2/km as set in the substantial contribution criteria. The lease companies do not yet have the information required to determine whether these vehicles also meet the DNSH criteria for the other environmental objectives.

As regards acquisition and ownership of buildings, we have determined the locations at which investments have been made in new-build or renovation. These projects meet the substantial contribution criteria as regards energy efficiency. No climate impact assessment has been performed for this business operation in 2023 to determine which measures have to be taken for climate adaptation, and no data is available for the other environmental objectives to determine whether they meet the DNSH criteria.

Due to the fact that the aforementioned business activities do not meet the DNSH criteria, they cannot be designated as ecologically sustainable.

Business activities that are not eligible under the EU taxonomy

Natural gas distribution and other (supporting) operations are not considered to be climate-related business activities under the EU taxonomy and are therefore not eligible for the EU taxonomy.

Financial information

The financial figures are presented below in the table structure stipulated by Delegated Regulation (EU) 2023/2486, with the comparative figures for last year included in a separate table.

The turnover under the EU taxonomy (Disclosure Delegated Act 2021/4987) is consistent with IFRS reporting standards and is therefore equal to the net revenue as included in the financial statements under note 21. The turnover is allocated to Alliander's various business operations on the basis of sales records. The table shows how each operation is classified under the EU taxonomy.

The CapEx relates to investments in property, plant and equipment (note 3), investments in intangible assets (note 4) and additions to right-of-use non-current assets (note 3). The investments associated with the assets held for sale are not part of this CapEx. The portion of the total investments that concerns climate-related business activities was determined by identifying the economic activity to which each asset group is related and assessing whether this activity is mentioned in the EU taxonomy.

The OpEx under the EU taxonomy is defined as the non-capitalised direct costs for preserving the assets. Based on this definition, Alliander has only classified maintenance and outage costs as operating expenses under the EU taxonomy. We have determined which part of these maintenance and outage costs is associated with climate-related business activities based on the underlying work order and project records.

EU taxonomy key figures

Net turnover in 2023				Substantial contribution criteria						DNSH criteria (Do Not Significantly Harm)								
Economic activities	**Code**	**Absolute net turnover**	**Net turnover proportion**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of net turnover, year N**	**Taxonomy-aligned proportion of net turnover, year N-1**	**Category (facilitating /transitional activity)**
		€ m	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	F/T
A. Taxonomy-eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
Transmission and distribution of electricity	4.9	2,028	74%	Y	N	N	N	N	N	Y	n/a	Y	Y	Y	Y	74%	0%	F
Net turnover relating to environmentally sustainable activities (A1) (Taxonomy-aligned) (A.1)		**2,028**	**74%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**							**74%**	**0%**	
A.2 Taxonomy-eligible, but not environmentally sustainable activities																		
Distribution of district heating and cooling	4.15	5	0%															
Transport by motorcycle, passenger car or light commercial vehicle	6.5	0	0%															
Acquisition and ownership of buildings	7.7	0	0%															
Transmission and distribution of electricity	4.9	6	0%															
Net turnover relating to Taxonomy-eligible, but not environmentally sustainable activities (A.2)		**11**	**0%**															
A. Total of the Taxonomy-eligible activities (A.1+A.2)		**2,039**	**75%**													**74%**	**0%**	
B. Taxonomy-non-eligible activities																		
Distribution of gas (NACE 35.22)		598	22%															
Other business operations		88	3%															
Net turnover relating to Taxonomy-non-eligible activities (B)		**686**	**25%**															
Total turnover for Alliander (A+B)		**2,725**	**100%**															

2023 CapEx				Substantial contribution criteria						DNSH criteria (Do Not Significantly Harm)								
Economic activities	**Code**	**Absolute CapEx**	**Proportion of CapEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of CapEx, year N**	**Taxonomy-aligned proportion of CapEx, year N-1**	**Category (facilitating /transitional activity)**
		€ m	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	F/T
A. Taxonomy-eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
Transmission and distribution of electricity	4.9	1,075	76%	Y	N	N	N	N	N	Y	n/a	Y	Y	Y	Y	76%	0%	F
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1,075**	**76%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**							**76%**	**0%**	
A.2 Taxonomy-eligible, but not environmentally sustainable activities																		
Distribution of district heating and cooling	4.15	17	1%															
Transport by motorcycle, passenger car or light commercial vehicle	6.5	24	2%															
Acquisition and ownership of buildings (<2020)	7.7	2	0%															
Transmission and distribution of electricity	4.9	0	0%															
CapEx of Taxonomy-eligible, but not environmentally sustainable activities (A.2)		**43**	**3%**															
A. Total of the Taxonomy-eligible activities (A.1+A.2)		**1,118**	**79%**													**76%**	**0%**	
B. Taxonomy-non-eligible activities																		
Distribution of gas (NACE 35.22)		186	13%															
Other business operations		112	8%															
CapEx of Taxonomy-non-eligible activities(B)		**298**	**21%**															
Total for Alliander (A+B)		**1,416**	**100%**															

2023 OpEx				Substantial contribution criteria						DNSH criteria (Do Not Significantly Harm)								
Economic activities	**Code**	**Absolute OpEx**	**Proportion of OpEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of OpEx, year N**	**Taxonomy-aligned proportion of OpEx, year N-1**	**Category (facilitating /transitional activity)**
		€ m	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	F/T
A. Taxonomy-eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
Transmission and distribution of electricity	4.9	154	75%	Y	N	N	N	N	N	Y	n/a	Y	Y	Y	Y	75%	0%	F
OpEx of environmentally sustainable activities (A.1)		**154**	**75%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**							**75%**	**0%**	
A.2 Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy-non-aligned activities)																		
Distribution of district heating and cooling	4.15	2	0%															
Transport by motorcycle, passenger car or light commercial vehicle	6.5	0	0%															
Acquisition and ownership of buildings (<2020)	7.7	5	3%															
Transmission and distribution of electricity	4.9	0	0%															F
OpEx of Taxonomy-eligible, but not environmentally sustainable activities (A.2)		**7**	**3%**															
A. Total of the Taxonomy-eligible activities (A.1+A.2)		**161**	**78%**													**75%**	**0%**	
B. Taxonomy-non-eligible activities																		
Distribution of gas (NACE 35.22)		45	22%															
Other business operations		0	0%															
OpEx of Taxonomy-non-eligible activities (B)		**45**	**22%**															
Total for Alliander (A+B)		**206**	**100%**															

Comparative figures

In comparison with last year, the Transmission and distribution of electricity business activity was classified as an ecologically sustainable business activity, as Alliander complied with the minimum safeguards in 2023. In 2022, this business activity was still classified as being eligible, but not ecologically sustainable. No other changes were made to the classification of our business activities under the EU taxonomy. The changes to the figures are the result of the developments explained above in the Income statement for 2023 paragraph.

	Turnover				CapEx				OpEx			
€ million	2022		2023		2022		2023		2022		2023	
Environmentally sustainable activities			2,028	74%			1,075	77%			154	75%
Taxonomy-eligible, but not environmentally sustainable activities	1,527	71%	11	0%	988	80%	43	2%	143	77%	5	3%
Taxonomy-non-eligible activities	622	29%	686	25%	252	20%	298	21%	42	23%	45	22%
Total	**2,150**	**100%**	**2,725**	**100%**	**1,240**	**100%**	**1,416**	**100%**	**185**	**100%**	**205**	**100%**

Financial outlook for 2024

Investments

Alliander's work package will continue to grow significantly in 2024. We anticipate that the gross investments, mainly for expanding the networks, will total in excess of €1.8 billion in 2024. As a consequence of the fast-growing demand for transmission, the power grid is becoming increasingly congested, resulting in limits on transmission. Besides the traditional way of resolving this issue by laying additional cables, Alliander is also boosting its efforts to make better use of the networks.

Cash flow

The ever increasing investment level cannot be fully financed with the operational cash flows, which is expected to result in a substantial negative free cash flow in 2024. In addition, €900 million in interest-bearing debt will expire in 2024, consisting of €500 million in ECP financing and €400 million in bond loans. The amount of financing required as a result of this is limited by the revenue of almost €1 billion regarding the sale of Kenter no later than in January 2024.

Implementation of the CSRD

As a Public-Interest Entity (PIE), Alliander will be required to report in line with the CSRD (Corporate Sustainability Reporting Directive) from 1 January 2024. This is a statutory obligation that will apply from the 2024 financial year; an account of this will be disclosed in the 2024 annual report. Furthermore, this account will be included in the scope of the external auditor's assignment.

Our impact on society

What do we have at our disposal? → What is our role and which choices do we make? → What do our stakeholders notice in the long term? → Which values do we create for the long term? → What are the most significant social impacts? → To which global targets do we contribute?

The energy transition is causing major changes in the energy system. Electrification of the energy supply increased notably in 2023, especially due to the continued growth of grid feed-in from non-fossil, decentralised energy sources. At the same time, demand for electricity transmission rose due to increased use of electric vehicles, heat pumps and economic growth. Gas distribution amounts dropped. These developments are beneficial for the climate impact and for meeting the goals of the Climate Agreement. Due to the major challenges we face as an organisation to make the country more sustainable and to achieve the energy transition, our impact on society is huge. In this chapter, we will illustrate our social impact and value creation based on the International Integrated Reporting Council's six capitals model.

Focus on impact

Focusing on impact in an organisation such as Alliander means that, among other things, we require an insight into the internal value drivers and managing instruments. In 2023, we investigated what will need to be added to achieve a focus on impact in every nook and cranny of our organisation. This would enable us to take better decisions on projects and activities. In 2023, we assessed internal working methods and designed a Biodiversity governance model. Alliander is one of the co-founders of the 'Verbond van Brede Welvaart' (General Prosperity Association) and collaborates actively with network operators to develop working methods for measuring and driving general prosperity.

Harmonising the impact model in the sector

Alliander, Gasunie, Stedin, Vitens, Enexis and Prorail are working together on developing a sectoral model for measuring social impact. Among other things, we are using a handbook updated in 2023 for this with additional information about measuring and reporting on biodiversity, ecological damage through procurement of materials and the impact of work-related outages and accidents. The update aligns all the impact calculations within the sector, with links to the Corporate Sustainability Reporting Directive (CSRD).

Impact and SDGs

Alliander's activities contribute to achievement of the Sustainable Development Goals (SDGs) adopted by the member states of the United Nations in 2015. These seventeen Sustainable Development Goals aim to put an end to poverty, inequality, injustice and climate change by 2030. The Netherlands has also committed to achieving these goals. Government, politicians and companies are currently working out their contribution in more concrete detail. The result of the SDG analysis is documented in our connectivity matrix. This matrix shows the relationships between our process of value creation, the material topics, performance and the SDGs. Impact measurements are used to calculate the extent to which our activities affect society. We can see whether we have achieved our goals and what our contribution to the global SDGs is. By being transparent about our calculations and measured results, we can actively involve our stakeholders in our development, the contribution we make to the SDGs, the choices we make regarding the SDGs we want to contribute to and our value creation in a broad sense.

SDG	Description	Indicators
7	As an energy network operator, we play a vital role in guaranteeing a safe, affordable and constant availability of sustainable energy. SDG7 largely coincides with our mission and strategy. We see opportunities and challenges for the proper regulation of the heating market and energy storage, flex-markets, the technical and regulatory feasibility of smart connections, system integration and the prevention of network problems. Together with our supply chain partners, we want to continue making a contribution to a sustainable energy supply system at low costs.	Financial capital Manufactured capital Natural capital Intellectual capital
8	We work non-stop on ensuring a safe and fair working environment for all our employees and an inclusive corporate culture.	Human capital
9	Every day, we focus on making our networks suitable for the requirements of the energy transition. We facilitate customer choices, make maximum use of digital opportunities, actively create open networks and do our work efficiently. The speed of the energy transition creates new challenges that require us to continuously innovate and invest in our network. We support our customers in the built environment in switching to a sustainable energy system.	Manufactured capital Intellectual capital
11	The agreements in the Regional Energy Strategies (RES) and the elaboration of the Dutch Climate Agreement in combination with social initiatives lead to concrete strategies and district plans. Our task is to assist municipalities in this process and to programme and implement changes as well as possible. By enabling energy feed-in and connecting a growing number of charge points for electric mobility, we are also contributing to the sustainability of our cities, towns and communities.	Social capital
12	We are acutely aware of the impact of our operations on the planet, and strive to make our business operations climate-neutral and circular.	Natural capital
13	Climate change leads to our assets being subject to changing physical conditions, such as drought and flooding. We are giving increasing attention to how to respond and adapt to the consequences of climate change in relation to the energy network and our assets.	Natural capital

Most significant results in 2023

- The energy transition is accelerating. The number of gas connections is dropping and the number of electricity connections is rising.
- The electricity mix is becoming cleaner, which reduces the pressure on climate change per kWh.
- Electricity transmission is intensifying, increasing the total pressure on natural capital.
- Congestion issues are restricting access to energy and impacting social capital as a result.

CVO of the Year award

The CVO of the Year award is an initiative of the Impact Economy Foundation. The award emphasises the importance of social value and celebrates CFOs who are committed to this. CFO Walter Bien was one of the recipients of the award in 2023. The panel of experts valued his innovative methods for integrating sustainability in decision-making and financial processes.

Our Sustainability and Corporate Responsibility report: general prosperity measured

Alliander follows the six capitals model of the International Integrated Reporting Council (IIRC). We measure impact at the level of society as a whole: where the impact may be limited at group level, it can be perceived as extremely large in an individual context, for example, the impact of an accident or individual energy costs. We quantify our social impact by expressing our positive and negative effects on the environment in euros, in a manner that is as objective as possible. In the model, we quantify and monetise the impacts where we can make the largest contribution to society, both in terms of our direct activities and in the supply chain. We have described the other indicators qualitatively and made an estimation on the basis of external sources. Supply chain impacts are effects for which parties in the chain are jointly responsible. For basic assumptions, calculations and comparative figures, please refer to the Accountability document. Our aim is to contribute to broad prosperity in society by reducing the negative impact and increasing the positive impact. In doing so, we contribute to the global climate objectives, as agreed at the Conference of the Parties (COP), to the United Nations Sustainable Development Goals (SDGs) for 2030 and to the development of general prosperity, measured in the Statistics Netherlands Monitor of Prosperity in the Netherlands.

Details of our impact in 2023

The distribution of energy and its feed-in to our networks make a positive contribution to the economic development and welfare of regions and stakeholders. The investments we make for this are very much needed. Employees and suppliers add significant value to this and receive a reward for their performance. On the other hand, we know that we are also removing value from society through our activities, for example, through the emission of greenhouse gases, the use of raw materials, safety and security risks, and the effects of interruptions in the energy supply. The section below provides a more in-depth explanation of our negative and positive impact on each type of capital. Closer collaboration with other energy network operators has increased the extent to which the results are comparable regarding the indicators for human and natural capital.

Our impact model

Capital value decrease **(€ millions)** **Capital value increase**

Financial capital

Capital value decrease	€ millions	€ millions	Capital value increase
Sale of business premises	13		
Other revenue	54		
Contributions received	140		
Change in cash and cash equivalents	39	3	Tax
Loans raised and repayments received	926	308	Dividends, repayments and interest
Payments by customers (business)	782	539	Payments to employees
Payments by customers (households)	1,860	2,885	Payments to suppliers

Manufactured capital

Capital value decrease	€ millions	€ millions	Capital value increase
		2.5	Contribution of heating transmission to consumer well-being
		27	Contribution of solar energy feed-in to well-being
			Digital security: cybercrime and hacking prevention
Change in economic value of traditional assets (internal)			External change in value of assets
Value of goods procured for business customers	368	715	Value of energy transmission for business customers
Value of goods procured for gas transmission	780	2,373	Contribution of gas transmission to consumer well-being
Value of goods procured for electricity transmission	1,150	2,338	Contribution of electricity transmission to consumer well-being

Intellectual capital

Capital value decrease	€ millions	€ millions	Capital value increase
			Development of new market models and open platforms
			Technological development
			Change in value of intangible assets
No impact quantified		1.2	Value of data collection for market facilitation

Natural capital

Capital value decrease	€ millions	€ millions	Capital value increase
Environmental damage due to waste	0.1		
Environmental damage through procurement of materials	36		
Climate change due to CO2 emissions	230		
Further environmental impact			*No impact quantified*

Social capital

Capital value decrease	€ millions	€ millions	Capital value increase
			Contribution to social cohesion in the Netherlands
			Contribution to social cohesion in communities
			Contribution to improved institutions and regulations
Digital security: privacy breaches		5	Value of change in reputation of Alliander

Human capital

Capital value decrease	€ millions	€ millions	Capital value increase
Safety incidents in immediate environment			
Economic value of labour		93	Employee development
Work-related sickness absence and employee accidents (safety)	0.8	80	Well-being effects of having work

Capital value decrease **Capital value increase**

Quantified in € millions *Not quantified in € millions*

Financial capital: investing in future-proof networks

Relationship with SDGs

Ensuring universal access to affordable, reliable energy (SDG 7) is explicitly mentioned in our mission statement. Our impact is reflected by the investments we make to meet the demand for capacity, feed-in and renewable energy transmitted through our networks. We aim to keep the social cost of accessing energy as low as possible. Our impact on SDG 9 is reflected in our activities to build a future-proof energy infrastructure and our use of innovative techniques, such as in hydrogen projects. We invest in local and regional energy networks that support the necessary shifts in supply and demand patterns.

Impact

Financial capital is a source of broad value creation. An increase in the number of employees and the pay rise under the collective labour agreement have increased the impact of salary payments by €123 million. In addition, suppliers receive payments for goods, services and operating assets; this generates work and income for other parties. Due to increasing investments and significantly higher procurement costs, the payments to suppliers have risen to €2.9 billion in 2023, a 27% increase. On the other hand, financial contributions from customers and from loans have increased. We use a significant part of our financial capital to contribute to the energy transition, the regional economy and employment.

Manufactured capital: shift to electricity

Relationship with the SDGs

Achieving timely access to energy for our customers is our daily priority. This contributes directly to the level of well-being and prosperity that customers experience (SDG 7.1). Energy distribution and transmission are the core of our manufactured capital and reflect the value that energy has for our customers. We are working on increasing the share of renewable energy in accordance with SDG 7.2 and contributing to SDG 9.1: develop quality, reliable, sustainable and resilient infrastructure. In doing so, we support economic development and well-being, with a strong emphasis on affordable and open access to energy for all.

Impact on consumers

Our main impact on manufactured capital is the well-being experienced by consumers through the availability of energy. We analyse this impact by looking at the distributed volume, the price and the willingness of households to pay for energy. According to economic theories, the value of a product to a customer is at least equal to the price paid but can be even greater if the customer's willingness to pay is higher than the price.

The total volume of gas distributed to consumers dropped by 10% compared to 2022. This is in line with the major pressure on the energy supply chain, the geopolitical situation regarding energy and relatively mild weather during the winter of 2023. Alliander's share of gas distribution in the energy supply chain dropped this year. All in all, the contribution of our gas transmission to the well-being of consumers was down 5.2%, from an adjusted €2,503 million in 2022 to €2,373 million in 2023. Considering the drop in distributed volumes, we can conclude that consumers have adapted their usage to the price developments. The perceived well-being value per distributed cubic metre of gas has risen for customers.

The perceived well-being due to the distribution of heating systems dropped to €2.5 million in 2023 (2022: €3.8 million adjusted). This is due to the lower financial income from a heat connection for customers in comparison with a gas connection. The total number of heat connections managed by Alliander increased.

The overall volume of electricity distributed to consumers rose by 19%, partly due to the electrification of our energy usage. The well-being customers perceive due to the transmission of electricity also increased by 14%, from €2,001 million in 2022 to €2,338 million in 2023. The impact of feeding in solar energy to the grid for consumers was €27 million in 2023, an increase of 15%. The income generated by individual connections from feed-in dropped slightly because of the higher primary purchasing costs for solar panels.

Impact of business connections

The total energy transmission value for business connections rose from €489 million to €715 million due to an increased number of electricity connections and a drop in the number of gas connections. Major investments in energy networks resulted in higher total procurement costs for goods: €1.2 billion for electricity networks, an increase of €246 million, and €780 million for gas networks, an increase of €21 million.

Natural capital: slight increase in ecological pressure

Relationship with the SDGs

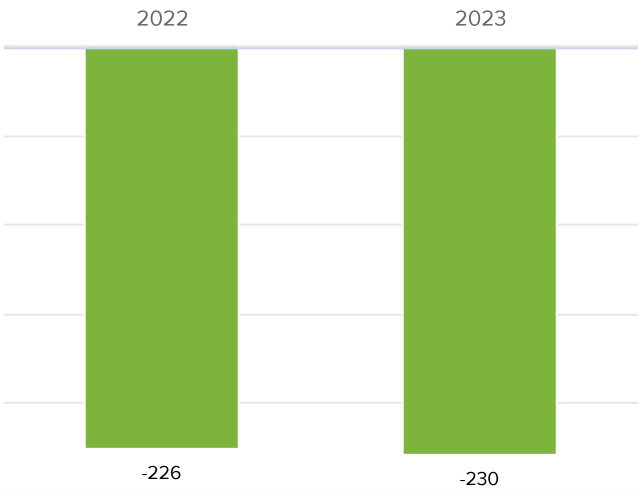
Alliander applies SDGs 7, 12 and 13 to quantify the negative impact of its operations on natural capital in the form of raw materials usage, waste, effects on biodiversity, air, water and soil quality, and effects on climate change. We contribute to the international emissions reduction targets in order to remain within the scenario of limiting global warming to 1.5 degrees. We do not yet measure the quantitative impact of measures designed to achieve climate adaptation at the level of our assets (SDG 13).

Impact on climate costs

In 2023, Alliander rendered its scope 1 and 2 emissions and its scope 3 mobility fully sustainable, making the company climate-neutral on balance for these aspects. This is in line with our target for 2023. This impact excludes emissions generated by the transmission of gas and electricity at customers and the supply of goods and services by supply chain partners. By making its own emissions sustainable, Alliander achieved a net positive impact of €415,000 in 2023.

The impact of carbon emissions on climate change increased by 1.7%, from an adjusted €226 million in 2022 to €230 million in 2023. The significant growth in electricity transmission increased the volume of network losses and supply chain emissions. However, reduced gas transmission and the cleaner Dutch energy mix for electricity generation slowed down this increase. Compared to 2022, there was a decrease in the carbon emission coefficient for Dutch electricity from 0.427kg CO_2/kWh to 0.328kg CO_2/kWh.

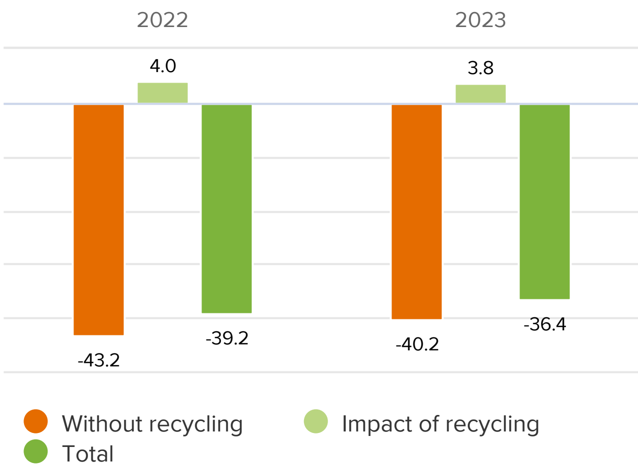
Impact of greenhouse gases (€ million)



Impact on eco-costs

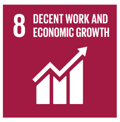
The net negative impact of purchased materials was lower than in 2022. This is mainly due to the fact that we purchased fewer materials, cables in particular, as we still had sufficient inventories. Circular procurement reduced the eco-costs compared to 2022. In the years to come, however, we are expecting a rapidly growing work package, which will boost the need for materials. This puts the availability of materials under pressure and, as a result, the associated eco-costs. We are attempting to curtail the rising eco-costs by focusing on circularity, reuse and smart procurement of materials.
We recycle or reuse about 82% of the weight of our waste. However, the rising eco-costs of incinerating part of the other waste flows have increased the impact for the same volume. The total impact of waste in eco-costs was limited: €0.13 million.

Impact of recycling (€ million)



Human capital: above-average growth

Relationship with the SDGs



Our impact on decent work and economic growth (SDG 8) is reflected in our positive contribution to employment, the well-being of employees in the Netherlands and our efforts to positively influence working conditions and workers' rights in the Netherlands and elsewhere. Our procurement and tendering policy focuses on encouraging suppliers to apply corporate social responsibility. Anyone who carries out work on our behalf must comply with the same safety standards that we use ourselves. In our labour market policy, we pay special attention to specific groups. As a result, we contribute to SDG 8.5: achieving full and productive employment and decent work for all women and men, including young people and people with poor employment prospects, based on the principle of receiving equal pay for work of equal value.

The major challenges of the energy transition are creating lots of job opportunities. Our own number of employees increased by almost 500 in 2023. We recruited 10% more people with poor employment prospects and sickness absence numbers also dropped. On the other hand, the impact of accidents did increase.

Impact of well-being effects of having work

The impact of well-being effects of having work increased for employees due to inflation and the increased number of employees. The percentage of employees who indicated their satisfaction with Alliander as an employer in the Alliander Barometer dropped slightly. Overall, the impact increased from €71.7 million in 2022 to €80.3 million in 2023.

Impact of work-related sickness absence and employee accidents

Long-term work-related sickness absence or safety incidents have a dampening effect on the positive value of being in work. The 'work-related sickness absence and employee accidents' impact indicator increased from €700,000 to €830,000. This higher negative impact was mainly caused by an increase in work-related sickness absence due to physical complaints. We suspect that this increase can be attributed largely to better and more extensive registration and classification of these complaints. The number of absence days as a percentage of the total number of employees decreased.

Impact of employee development

We measured the impact of employee development for the first time in 2023. We believe this is important, as it allows us to map out the dynamics between work quality and staff shortages. The growth experienced by employees in their work is a distinguishing factor for an organisation. A total value of €92.6 million was created through the skills and knowledge gained by employees last year. Among other things, this development is reflected in career advancement. We use this career advancement as the basis for the impact calculation. This method is limited by the fact that the development of employees in their current jobs is not measured, so the calculated result is somewhat conservative. Employees who advance in their careers are generally more productive. That is a positive thing for Alliander. The percentage of employees who continue to work for Alliander is important when calculating the impact development of employees. Staff turnover at Alliander is 9% per year, which is relatively low compared to the Dutch average of 17%. This produces a positive impact result for Alliander.

Social capital: exploratory study for broader measurement

Relationship with the SDGs

Our social impact is expressed in our connecting role. In the Regional Energy Strategies, we are the connecting factor between government bodies, energy companies and community initiatives. Within the framework of a collaborative planning process, we focus on meeting energy infrastructure needs and creating sustainable cities and communities (SDG 11). Participation and connectedness are important values in an open, inclusive and democratic society and nurture the trust that individuals have in each other and in institutions. Alliander attaches great importance to participation and inclusion in the energy transition.

Impact

We explored our social capital further in 2023 by conducting a qualitative pilot on the impact of our disconnection policy. The previous exploration revealed that we can profile ourselves more emphatically and focus more on connection and participation in our working methods, for example, through direct interaction at district level and by making better use of the practical knowledge of supply chain partners. The results of a pilot together with the municipality of Amsterdam are included in the box below.

How stakeholders perceive and value our performance is part of our social capital. We have been measuring the value of reputational change in our model for a few years now. This value indicates how the development of our reputation compares to similar companies. A good reputation is beneficial for collaboration, employee recruitment and customer satisfaction. The measurement for 2023 shows a drop in the calculated value. The average brand value in the measurement for all of the largest European utility companies has dropped. This largely explains the drop in Liander's brand value. In addition, we see that our reputation among large business customers and their support for Liander, used as input for this impact indicator, has dropped and is under pressure. This drop is mainly caused by the changing views of this target group regarding Liander due to the network congestion issues and long connection times. Trust has deteriorated among small business customers, but Liander still has a good reputation among this group and a reasonable amount of support. Consumers have a lot of confidence in the organisation and are the most willing to support Liander. The impact for 2023 was €5 million (2022: €12 million).

Case study: preventing disconnections together

Visualising social impact
Forced disconnection of energy has serious consequences for households. Being in arrears with payments means that the energy supplier is required to tell the customer that their contract will be terminated and to send a supply termination notification to the municipality in question. If no payment scheme is agreed immediately afterwards, the network operator will receive a supply termination notification, after which they are legally required to start the disconnection process. The fact that the municipality does not always receive an early warning or supply termination notification, or does not receive one on time, restricts opportunities for timely debt assistance and preventing disconnection. The growing number of customers with problematic payment arrears is creating a risk of increasing social costs for assistance and care, and increasing inequality and stress in society.

Study question
In 2023, network operator Liander conducted a pilot with the municipality of Amsterdam, in which it actively reported addresses that were at risk of disconnection because of payment issues. The regular disconnection period was also extended by four weeks. This gave the municipality the opportunity to provide help in the critical phase. In connection with the pilot, an impact study was launched in which the effects of this working method, where the network operator shares address details with the municipality and postpones disconnection, are compared with the regular process. The study was described in qualitative manner.

Results
The signal Liander sent to the municipality during the pilot appeared to be loud and clear, which enabled it to provide targeted and effective assistance. This gave the municipality a strong case, resulting in their assistance reaching more residents. The pilot was primarily aimed at preventing disconnections: the impact of the pilot mainly appeared to be preventing financial stress by making debt assistance more effective. The changes to Liander's disconnection process resulted in fewer disconnections during the pilot. Liander played a key identifying role in this and acted as a bridge between the customer and the municipality for debt assistance. The improved reach of the municipal (debt) assistance meant that arrangements were made sooner and disconnection was prevented at 130 households. A total of 250 cases were forwarded to the municipality, 34% of which had not been previously identified by the municipality.

To achieve the pilot's goal, the network operator made arrangements about the privacy of those involved. Regulations on privacy protection contain certain guarantees for customers, and rightly so, but they also impede rapid identification by network operators if customers are at risk of disconnection. Apart from helping households in Amsterdam, the results of the pilot have contributed to changes in national legislation. Energy suppliers are now required to submit early reports of customers who are at risk of disconnection. The network operator does not share any personal data with third parties, but Liander does inform residents early by sending them a disconnection letter, after which they need to take action themselves. Further to the pilot, Liander has set up an energy poverty team to make further arrangements with municipalities and welfare organisations, see also the section Our network: high supply reliability at a low cost.

The case study provides insights into the potential costs and benefits of the broad application of the network operator identifying and postponing disconnections. These were not quantified, but form a good starting point for more extensively measuring Alliander's social impact on people and society.

Intellectual capital: value of market-facilitating data

Relationship with the SDGs

7 AFFORDABLE AND CLEAN ENERGY

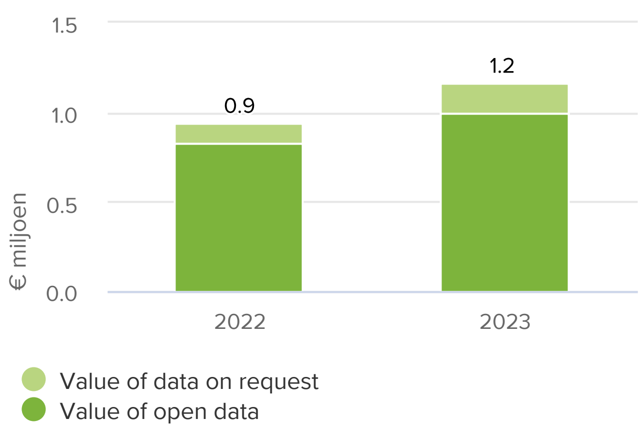
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The digitisation of power grids is essential for the energy transition. New models for business and markets and the use of renewable energy lead to knowledge and data on these developments. This knowledge and data is intellectual capital that can make a positive contribution to issues around the energy transition, raw materials and implementation. Transparency, innovation and collaboration are key concepts for denoting intellectual capital. We associate the indicators for intellectual capital with industry, innovation and infrastructure (SDG 9). They are reflected in our activities to build a future-proof energy infrastructure and our use of innovative techniques, such as in hydrogen projects. Participation in international initiatives aimed at knowledge sharing and technology development and application is associated with SDG 7.4.

Impact

The impact of data rose to €1.2 million, an increase of about one third compared to 2022 (€0.9 million adjusted in 2022). On the one hand, this is caused by the higher number of times open and custom data was referenced and downloaded. One key change here is that, since the summer holidays, customers have been able to submit their custom data requests through the Partners in Energy network operator platform in which Liander, Enexis, Stedin, Coteq, Westland Infra and Rendo participate. This allows them to retrieve their data from several network operators at once. On the other hand, the increase is partly caused by the high rate of inflation in 2022.

Impact of data (€ million)



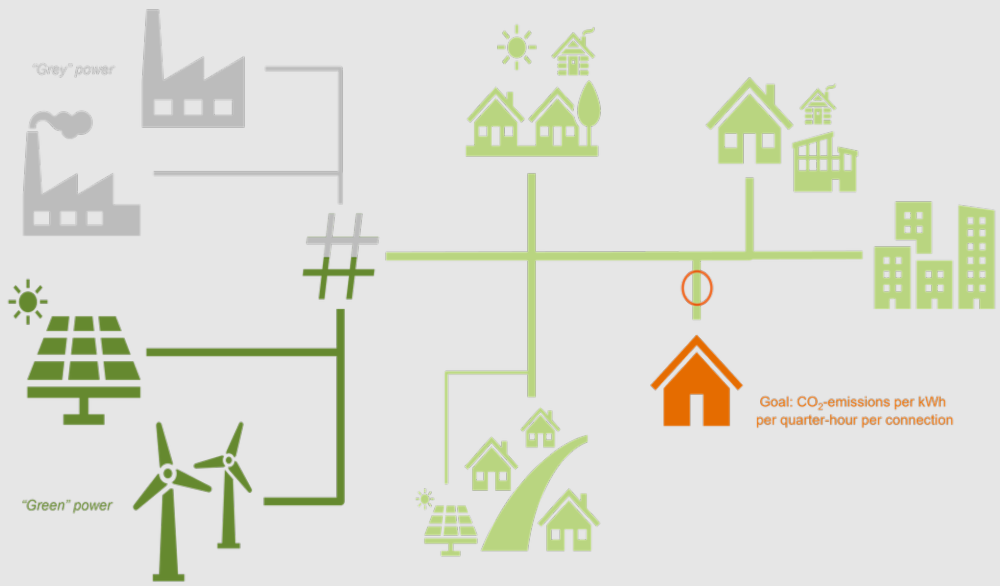
Case study: green electrons

The value of transparency regarding electrons in the grid.

Balancing electricity supply and demand is a key pillar of the energy supply system and it is done on a national scale. Electricity from fossil sources (e.g. from natural gas, coal and oil) and energy from non-fossil sources (wind and solar) is fed into the grid in the form of electrons. They move through the energy system until the moment they are used. The ratio between fossil and non-fossil energy is determined afterwards each year. Network operator Liander has information that could help to make electricity supply and demand more transparent in terms of its origin, time and place, and has the technology need to make this happen.

Study question

Mapping out how green and grey electrons are distributed over the grid at each point in time and in each location will allow demand for electricity to be adjusted accordingly. Liander conducted a qualitative study to investigate the technical feasibility of transparency regarding the origins of electrons. We investigated which role Liander is willing and able to play in this process, what kind of data can be supplied, how potential users would use this and what kind of social value can be created in this way.



Results
Liander can use the available data to provide transparency regarding the carbon footprint of green and grey electricity distribution. Targeted transparency on the time and location of electricity supply and demand supports the management and choices geared towards greening and can help reduce local network congestion.

Low-voltage data in particular may help improve CO_2 models. This may provide a valuable addition to existing models for carbon emissions per kilowatt hour. The CO_2 monitor, for example, shows the average carbon emissions in the Netherlands. Having more (low-)voltage information will allow these models to be improved, facilitating the provision of information at connection level, for example. The results of the internal consultation were used at the start of the study to conclude that access to data for market facilitation would be the most valuable role for Liander. Things like the purposes for which resources should be used were taken into account here, for example, the question from a number of large business customers about publicly available solutions. The impact study shows that data gathering and the development and application of the information in the model also provides added value if it is just used internally by Liander, without exchanging any data with third parties.

Liander can use the data to map out congested areas more accurately. This has a high potential value by enabling faster connection of new customers and sustainable power generation. Detailed voltage information can be provided on a local level and the electricity network can be set up more efficiently. The use of voltage information by parties like business customers and energy suppliers is expected to have positive social effects. The highest potential impact is expected to come from a verifiable green power model for large business customers who want to minimise their climate impact. It also creates the opportunity to entice market parties to implement congestion-reducing measures and improve their CO_2 data monitoring. Parties acting as energy storage initiators can draw up a more accurate business case for batteries and energy suppliers can provide guaranteed 'CO_2-free' contracts.

Case study: opportunities for biodiversity

Alliander wants to contribute to restoring biodiversity

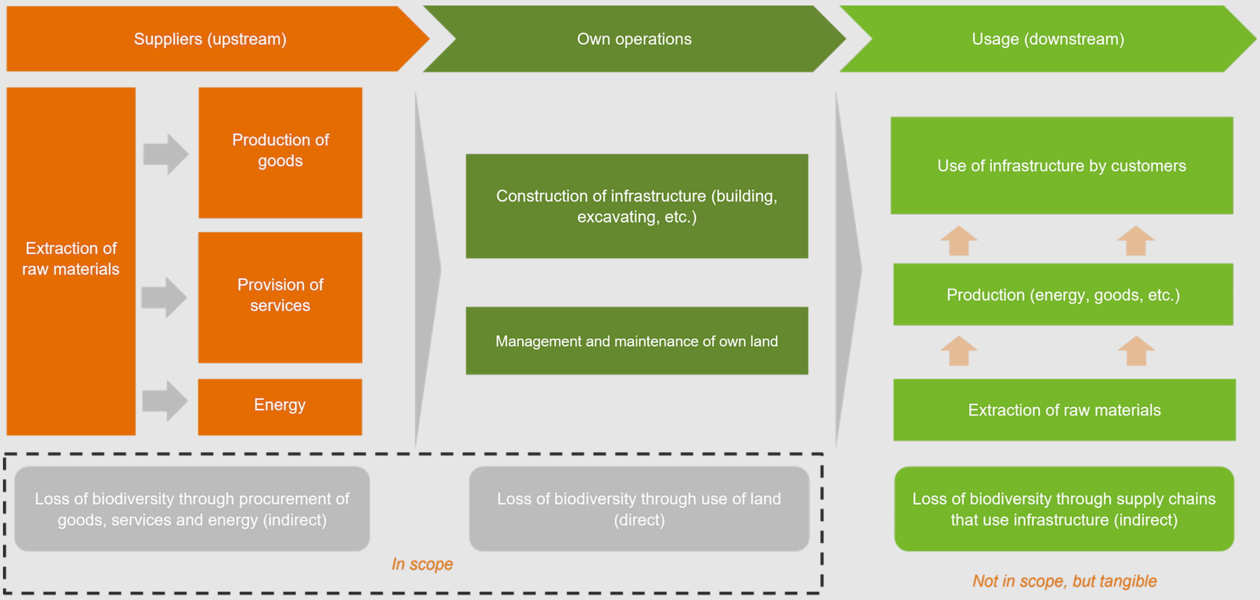
Since 1970, worldwide populations of species have decreased by an average of 69%. Commitment is increasing on a global level to resolve the biodiversity crisis. The Kunming-Montreal Global Biodiversity Framework was signed in 2022 by 188 countries, including the Netherlands. The aim of this framework is to reverse loss of biodiversity before 2030. Alliander would like to play a key role in this. New standards and regulations, like the EU taxonomy and CSRD, are challenging us to develop sustainable solutions. Only a small part of our considerations currently address biodiversity.

In 2023, we made an initial assessment of Liander's impact on biodiversity. A governance model was drawn up for biodiversity, which can be used to obtain an overview of where the organisation can achieve a positive impact in its operations and reduce its negative impact.

The impact of biodiversity loss is considerable, especially in the supply chain

Improving biodiversity requires certain conditions, such as natural land use and having clean air and water. Liander itself and the entire supply chain affect these conditions. Together with four other infrastructure parties (Stedin, Gasunie, the Port of Rotterdam and Vitens), Liander participated in a programme to measure this negative impact. We mapped out Alliander's contribution to climate change, air pollution, water pollution and land use. Direct exploitation and invasive species were left out of scope here, as they are immaterial to the network operator.

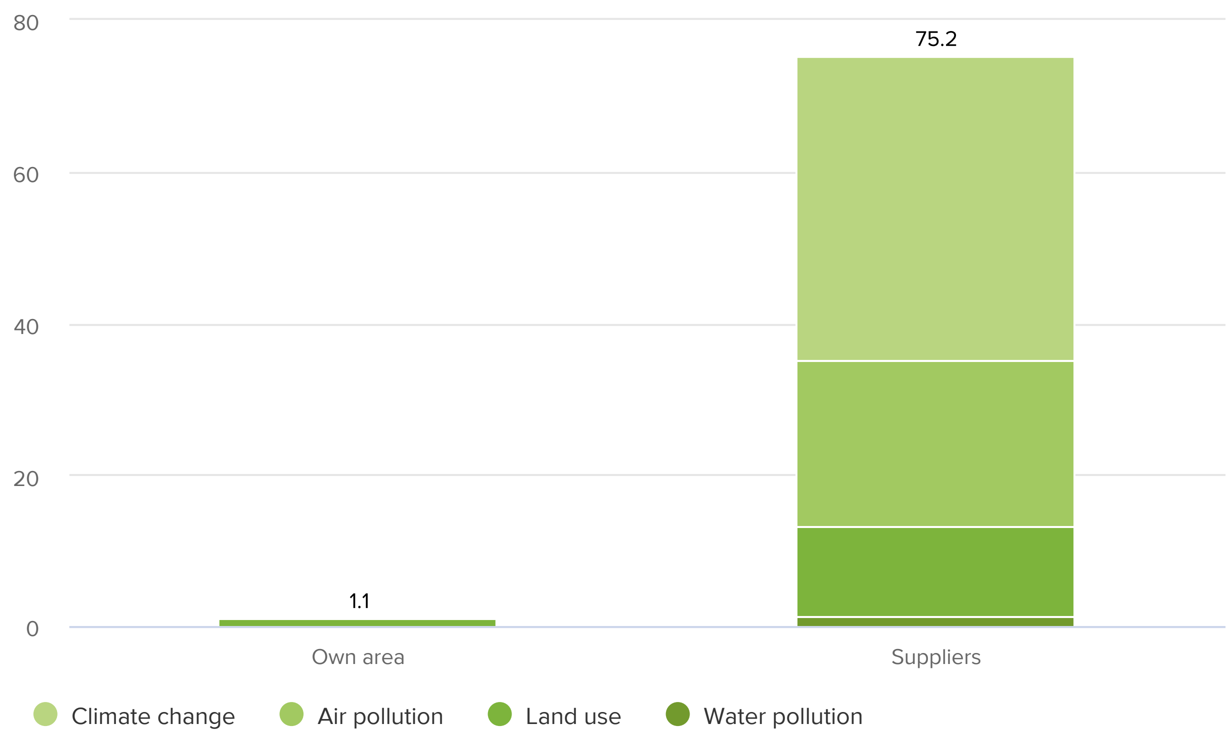
Liander's impact on biodiversity is caused by its own operations, through suppliers and through the energy's end users. The impact of Liander's own operations is mainly caused by the use of its own sites. Suppliers and the associated supply chains create a negative impact during their production processes, for example. End users emit CO_2 and particulate matter when they consume gas.



The total negative impact of the products and services Liander purchases and the land it uses came in at a rounded €76 million based on annual data for 2022. The biggest impact Liander has on biodiversity loss occurs in supply chains, especially due to the procurement of materials: a negative impact of €75 million in the supply chain. In order to reduce this impact, Liander could focus on nature-inclusive procurement. The network operator is already doing so to a limited extent, for example, by applying award criteria related to sustainability in the procurement process.

The negative impact measured for Liander's own land use on biodiversity loss came in at a rounded €1.1 million. Loss of biodiversity occurs because land with a high natural value is converted into business parks and green areas. Despite the fact that our impact is much smaller in this regard than through the supply chain, Liander can have a direct positive impact on this with things like green site development and greener site management. This also serves as an example for the surrounding area, for third parties and for suppliers who have to deal with strict biodiversity requirements.

Climate change is a primary driver for loss of biodiversity. The case study shows that carbon emissions from fossil energy sources contribute greatly to the impact on biodiversity in Alliander's supply chain. The total impact of climate-related emissions is calculated and reported separately in our impact model, creating a partial overlap between climate costs in the impact model and the costs of biodiversity loss in this case study. In the case study, the climate-related impact is one of the factors for the natural conditions for biodiversity. The impact model considers the direct impact and social costs of climate change resulting from energy distribution.



The impact of these emissions is already calculated in our impact model and represents a significant natural impact caused by Liander. This creates an overlap between the climate costs and costs of biodiversity loss in this case study and the impact model, with the difference being that this case study only considers the impact on nature, while the impact model also considers the direct impact on people due to climate change.

Getting started: the biodiversity governance model

Last year we developed a biodiversity governance model to inform the organisation of how they can make a more positive contribution to biodiversity. This makes it possible to drive biodiversity improvements.

The governance model includes examples of measures that can be used to improve biodiversity. Examples are applying nature-inclusive conditions when purchasing components and using the 'Meetlat Biodiversiteit' (biodiversity benchmark) for investments and collaboration with other infrastructure companies.

Dilemmas and lessons learned

Alliander always aims to perform its duties and carry out its activities to the best of its ability. In so doing, we are faced with dilemmas that can influence the way we plan and are able to carry out our work. Moreover, certain incidents, developments and events can have unforeseen consequences for our day-to-day work. By being aware of this and learning from it, we can continue to enhance the quality of our company. In this chapter, we present a few of the dilemmas and events we had to deal with in 2023.

Dilemmas

1. When collective and individual interests differ

The major challenges faced by the Netherlands require coordinated and structured decisions when it comes to spatial planning, energy and timing on a national, provincial and municipal level. This is because the policy goals can only be achieved in a structured and therefore efficient manner if: (i) space is provided in a coherent and timely manner for matters such as the housing challenge, the energy transition and the climate challenge, (ii) clear choices are made regarding the socially most logical energy carriers per district, area and sector, and (iii) the time frames for improving sustainability are clarified. Such an approach requires firm choices to be made based on collective interests, but in practice these may also clash with individual interests or wishes. Individuals may object to the installation of new cable connections on their land. Local residents may take issue with the construction of a substation or a transformer substation in their neighbourhood. Or district residents may protest against the energy carriers planned for their district. In the absence of clear rules for this, we need to choose the lesser of two evils: (i) opt for the most collectively desirable option, with the risk of individuals or groups of individuals trying to obstruct or stop the process through political or legal channels, or (ii) continue to seek consensus and then arrive at suboptimal results (late) after prolonged negotiations.

2. The transition is putting existing objectives under pressure

We stand for an energy supply system where everyone has access to reliable, affordable and renewable energy on equal terms. In 2017 we invested €666 million in our networks, we spent €1.4 billion in 2023 and in the years to come our investment level will be rising well above €2 billion per year. TenneT is making huge investments, including in offshore wind, which are partly charged to us and therefore also to our customers. This leads to rising network management costs per connection, especially for electricity, also because the electricity network costs are rising more rapidly than the number of connections. Between now and 2030, the network management costs are expected to rise by more than 70% (not adjusted for inflation). These kinds of increases are a serious point for attention, especially in times when so much focus is on socioeconomic security. At the same time, we cannot deny that these investments are required to achieve a reliable and sustainable energy system for the future. This means that, on the one hand, we are facing the challenge of achieving this massive and therefore costly overhaul of the energy system and, on the other, we need to keep the transition affordable, both for households and companies.

3. Within the planetary boundaries

Science tells us that human activity has pushed the conditions on our planet beyond the limits of what is safe for humans. As an organisation we are very well aware of this and are extremely worried about it. As Alliander we try and make sustainable and responsible choices in that regard, with a particular focus on society. At the same time, we are working on massively expanding and upgrading our networks, which undeniably puts great material pressure on the earth, even though this pressure should be greatly reduced very soon if we truly want to respect the limits of our planet. It is also clear that we are constructing infrastructure for a society that disproportionately consumes the natural resources of our planet. The question here is also whether there are enough raw materials at all to achieve the planned energy system of the future and what the effects on our planet will be of extracting all of those raw materials. Wind turbines, solar panels and batteries also still generate a lot of non-recyclable waste at the end of their service life. So on the one hand we are working hard to achieve the climate objectives, but on the other hand this is worsening the ecological crisis, which according to scientists is at least equally disastrous. The question is whether and how we as an organisation can truly operate within the planetary boundaries and which role we should and could play in this ‘broader’ discussion, while at the same time facing such a massive operational challenge.

What have we learned?

1. Continuing to learn and improve

It was not that long ago that we prepared our investment plans relatively ‘autonomously’ as network operators. Each of us did this separately, and even though the plans were subject to consultations, there was only limited truly active interaction with the outside world. On the one hand, this led to stakeholders feeling insufficiently heard and regularly criticising the plans and, on the other, this kind of approach does not align with the fact that we need to achieve the energy transition together. Against this background, we asked our most important external stakeholders last year to actively share their thoughts in advance on the challenges we face. This was quite an exciting process, which saw us discuss our plans and expectations during various stakeholder sessions. Even though the various parties were critical on the outside, we generally had a lot of good and constructive discussions in the end, and we also improved our understanding of our stakeholders’ expectations and their understanding of our working methods and challenges. Setting up our work process through the external stakeholder sessions also enabled us to achieve quicker results. As network operators, we had to share more information with each other as well. We are now really forced to use the same set of scenarios, which has also strengthened the mutual collaboration between the network operators. This process has shown us that you can actually achieve more and do things faster together! At the same time, there really is room for further improvement and we need to continue working on both increasing the legibility of our investment plans, which are still considered to be too technical, and the substantiation of the choices and decisions we make.

2. Really making a difference

In late 2022 we saw an increasing number of households get into financial trouble due to the high energy prices. The result of this was that energy suppliers were forced to terminate contracts, so the number of supply termination notifications increased at our end. As a network operator we are legally required to disconnect households if they no longer have a contract with an energy supplier. Of course we want to prevent this, but the question is which role a network operator is able and willing to play within these broad(er) issues. Eventually we started collaborating with the municipality of Amsterdam in a pilot project to help residents whose energy contracts were terminated due to payment issues. The success of the pilot with the municipality of Amsterdam has contributed to national legislative amendments, as a result of which energy suppliers are now required to report people who are at risk of being disconnected. We also launched a similar pilot with the municipality of Arnhem, in which we are investigating how we can optimise the current implementation of laws and regulations. We do this to prevent people from ending up in a void between social legislation and energy legislation. We share the results of our study with the Ministry of Economic Affairs and Climate Policy, with the aim of improving existing laws and regulations, and preventing energy poverty as much as possible. This process shows that, by looking beyond the confines of our own four walls, we can really put the broad corporate social responsibility that we all feel to good use, so we can truly make a difference in the lives of individual people and households.

3. Helping more customers by not helping them individually

Last year, the sunny spring also saw increased numbers of voltage-related complaints. From the perspective of customer-friendliness, we handled these complaints on an individual basis and also tried to help customers on an individual basis. However, the nature and scale of this challenge led to a new insight during the year: this approach does not work in the current context and you can sometimes help your customers more by not helping them right away. Our current ‘modus operandi’ therefore is to register all voltage-related complaints, so that we are aware where the issues are, but no longer handle and resolve them individually. We now tackle these issues on a district or neighbourhood basis, allowing us to work much more efficiently and resolve a much higher number of complaints in the end. This approach was a huge change, for us as well, and entailed a major challenge in terms of communication to optimise the way in which we inform customers about when voltage issues in their area are resolved. But last year convinced us that this is the best way to overcome the issues, from a customer perspective as well. And we can also apply this lesson to the energy transition in a broader sense: the exponential upscaling of energy infrastructure requires a more structured and systematic approach, with us being able to get much more work done and ultimately serve many more customers, even though this will not always be at the desired time.

Statement by the Management Board

In Control Statement

As the Management Board, we are responsible for the adequate design and effectiveness of our risk management and control system. In 2023, we evaluated the design and effectiveness of this framework, based in part on information from the business control framework, the quarterly updates, the internal audit reports and the management letter from the external auditor. The outcomes of this evaluation were periodically discussed with the Supervisory Board.

The risk management and control system does not provide absolute assurance that corporate objectives will be achieved, nor can it give any absolute guarantee that material errors, losses, fraud or violations of legislation and regulations will not occur in the processes or in the financial reporting.

With due regard to the above, the Management Board is of the opinion that the report provides sufficient insights into the effectiveness and any failings of Alliander's internal risk management and control system. The aforementioned system provides reasonable assurance that the financial reporting does not contain any material misstatements. Moreover, the Management Board is of the opinion that it is appropriate to prepare the financial reports on a going concern basis based on the current state of affairs, and that the report states those material risks and uncertainties that are relevant to the expected continuity of the company for a period of twelve months after the preparation of the report.

Board of Directors' statement of responsibilities

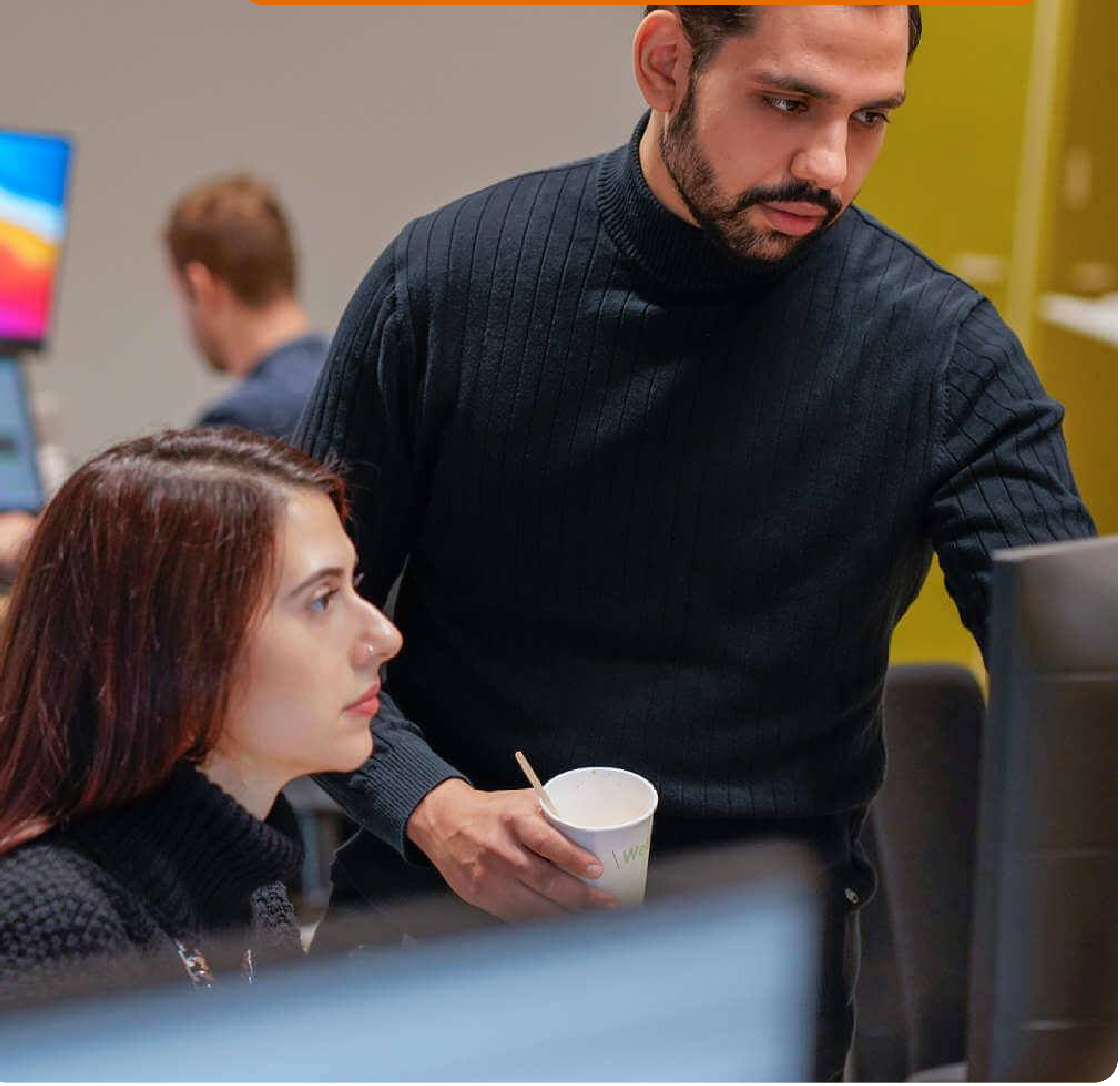
We state that:

- the financial statements provide a true and fair view of the assets, liabilities, financial position and profit of Alliander N.V. and its consolidated companies;
- the additional information provided by the Management Board, as included in this annual report, provides a true and fair view of the position as at 31 December 2023 and of the business during the 2023 financial year of Alliander N.V. and its group companies, the results of which are included in the financial statements; and
- the key risks to which Alliander N.V. is exposed are described in the annual report.

Arnhem, Netherlands, 28 February 2024

Maarten Otto
Walter Bien
Marlies Visser
Daan Schut

Corporate governance



Corporate governance

As a large public company with an important role in Dutch society, Alliander values effective and responsible management and supervision, and transparent governance. Alliander therefore voluntarily applies the principles of the Dutch Corporate Governance Code.

Shareholders and legal structure

The Alliander group is made up of various companies, including Liander, Qirion, Alliander Telecom, TReNT and Firan. Alliander N.V. (hereinafter: Alliander) stands at the head of the Alliander group of entities. Alliander is a statutory two-tier company and applies the full two-tier regime. Alliander has a two-tier management structure, with a Management Board and a Supervisory Board. The Management Board controls the company in its day-to-day operations; the Supervisory Board oversees the Management Board and its management of the company's business. Each board operates independently of the other and each is accountable for the performance of its duties to the General Meeting of Shareholders (AGM). All of Alliander's shares are held by Dutch provincial and municipal authorities.

Governance structure

Alliander's corporate governance is determined by the legal provisions regarding company law, including the two-tier regime, Alliander's articles of association and various internal regulations and guidelines. The Dutch Gas Act and the Dutch Electricity Act 1998 also contain provisions that influence the governance of Alliander. In addition, the Dutch Corporate Governance Code and the by-laws of the Management Board, the Supervisory Board and its committees are also important. The articles of association, various regulations and other documentation can be found in the corporate governance section of Alliander's website. The Management Board and the Supervisory Board are jointly responsible for Alliander's corporate governance.

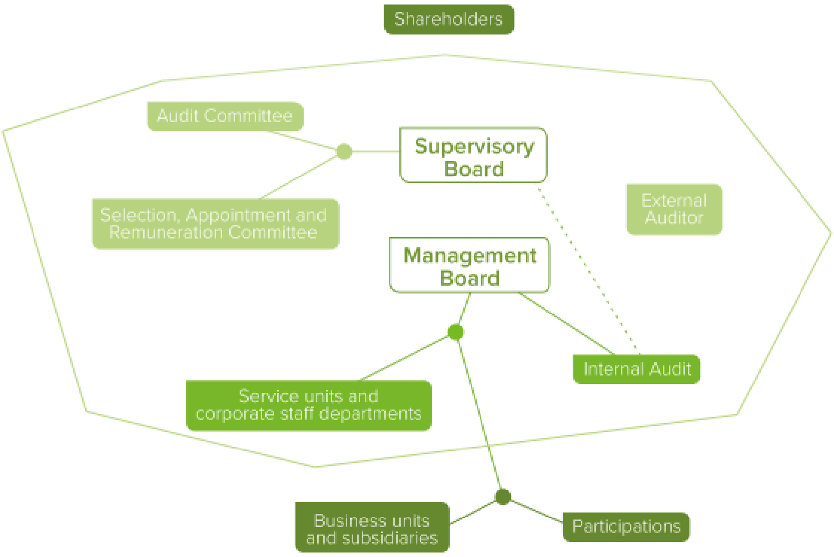
Dutch Corporate Governance Code

The Dutch Corporate Governance Code (hereinafter: the Code) contains principles and best-practice provisions governing the relationship between the Management Board, the Supervisory Board and the shareholders/General Meeting. The principles and provisions are aimed at detailing responsibilities for sustainable long-term value creation, risk management, effective management and supervision, remuneration and relationships with the shareholders/General Meeting and with other stakeholders. The law stipulates that the Code applies to companies whose shares or depositary receipts issued for shares are listed on the stock exchange. Even though the company's shares are not listed, Alliander applies the Code voluntarily where possible and if relevant. The Code is applied at the level of Alliander N.V. as a holding company.

The updated Code was published on 20 December 2022, with a greater focus on sustainability, diversity and inclusion. It entered into force for the 2023 financial year and is an updated version of the Code from 2016. In line with this, our report for the 2023 financial year is the first one based on the updated Code. Where required, the by-laws of the Management Board, the Supervisory Board, the Audit Committee and the Selection, Appointment and Remuneration Committee and other internal regulations and procedures were modified in 2023 to comply with the updated Code. This did not result in any substantial changes to Alliander's corporate governance structure.

Where applicable to us, we comply almost fully with the principles and best practice provisions of the Code. A number of principles and best practices in the Code do not apply to Alliander, for example, because we use a two-tier regime and the Management Board does not have an executive committee. In addition to this, shares in Alliander are held by local and regional government bodies rather than being listed on a stock exchange. The principles and best practice provisions relating to remuneration in shares or options, issuing depositary receipts for shares and institutional investors do not apply. The 'comply or explain' summary can be found in the corporate governance section of Alliander's website and should be read in conjunction with this section of the annual report. It is considered to be part of this report by reference.

Main aspects of corporate governance



Management Board

The Management Board is responsible for Alliander's management, continuity and sustainable long-term value creation, and has developed a vision on sustainable long-term value creation and formulated a suitable strategy. The Management Board takes into account the effects of Alliander's actions in the field of sustainability, including their effects on people and the environment, balancing the interests of stakeholders that are important in this regard. The Management Board also monitors the design and effectiveness of the internal risk management and control systems, and performs annual systematic assessments of their design and effectiveness. In addition, the Management Board is responsible for compliance with all relevant legislation and regulations, creating a culture aimed at sustainable long-term value creation, risk identification and management, and financing of the company. In addition to their collective responsibility for the management of the company, individual members of the Management Board are assigned specific tasks and responsibilities. The division of tasks has been approved by the Supervisory Board. The Management Board as a whole and each of the Management Board members have the authority to represent Alliander.
Given that Alliander is a two-tier company, the Supervisory Board appoints the Management Board members. Members of the Management Board are appointed for an indefinite period of time. The Management Board aims to have a mixed composition regarding aspects such as background, knowledge and experience, gender and age. Management Board members can be suspended or dismissed by the Supervisory Board once the AGM has been heard on the intended dismissal.

Supervisory Board

The Supervisory Board's tasks include supervising the Management Board's policy, the general course of business at Alliander and the way in which the Management Board implements the strategy for sustainable long-term value creation. In addition, the Supervisory Board supports the Management Board in an advisory role. The Supervisory Board acts as the employer of the Management Board. The Supervisory Board of Alliander is also the Supervisory Board of Liander N.V., the network operator within the Alliander group. The Supervisory Board primarily focuses on Alliander's interests in the performance of its task, and in so doing, takes into account the effects of Alliander's actions and those of its group companies on people and the environment, balancing the interests of stakeholders that are important in this regard. In addition, the Supervisory Board focuses on the effectiveness of the internal risk management and control systems, and on the integrity and quality of Alliander's financial and sustainability reporting. The Supervisory Board is fully responsible for the performance of its duties.

The members of the Supervisory Board are appointed by the AGM after nomination by the Supervisory Board. Nominations are made based on the profile drawn up by the Supervisory Board, taking into account the Supervisory Board's diversity policy. The Supervisory Board aims to have a mixed composition regarding aspects such as background, knowledge and experience, gender and age. The Works Council and the shareholders have a priority right of recommendation with respect to one third of the number of supervisory directors. Members of the Supervisory Board can be appointed for a maximum period of four years and can then be reappointed for a new four-year period. After two four-year terms, a member of the Supervisory Board can be reappointed for a new two-year period, which can then be extended by another two years. This means that a member of the Supervisory Board can remain for a maximum period of 12 years. Before reappointing a member, the way in which they fulfilled their duties over the previous period is taken into account and they are only reappointed after careful consideration. The members of the Supervisory Board step down in accordance with the retirement schedule established by the Supervisory Board. The Supervisory Board may suspend its members. A supervisory director can only be dismissed by the Enterprise Division of the Amsterdam Court of Appeal. The General Meeting of Shareholders may also withdraw its confidence in the Supervisory Board. Any such resolution will result in the immediate dismissal of the Supervisory Board members.

Supervisory Board Committees

Due to the volume, diversity and complexity of the topics to be dealt with, the Supervisory Board has two permanent committees: an Audit Committee and a combined Selection, Appointment and Remuneration Committee (hereinafter: the SAR Committee). The committees meet independently, advise the Supervisory Board and prepare the decision-making process in the Supervisory Board. The committees report during the Supervisory Board meetings. As such, the committees help the Supervisory Board to make decisions effectively. The Supervisory Board remains collectively responsible for the decisions prepared by a committee.

The Audit Committee advises the Supervisory Board and prepares materials to help the Supervisory Board in its decision-making on areas within its supervisory scope, such as the integrity and quality of financial and sustainability reporting, the tax policy and group financing, (assessments of) the effectiveness of the design and operation of internal risk management and control systems, and reports by the internal audit function and the external auditor.

The SAR Committee prepares materials to help the Supervisory Board in its decision-making on matters such as the selection criteria and appointment procedures for Supervisory Board and Management Board members, the performance of the Supervisory Board and Management Board members, and the remuneration policy for the Management Board and the Supervisory Board. The committee also works on diversity and inclusion, as well as succession planning and HR-related matters. This committee also prepares the annual Remuneration Report.

Shareholders

The AGM is the body in which the shareholders exercise their rights to control Alliander. Alliander's shareholders are four Dutch provincial authorities and 70 Dutch municipalities. Alliander calls an AGM within six months of the end of each financial year at which all decisions are taken on the basis of the 'one share, one vote' principle. During the annual AGM, the shareholders discuss the annual report, adopt the financial statements and dividend, and grant discharge from liability to the members of the Management Board and Supervisory Board. The AGM also appoints the members of the Supervisory Board. Important company-related topics and key strategic decisions are also discussed and must be submitted to the AGM in accordance with the law and articles of association. Additional meetings can be held if deemed necessary by the Supervisory Board or the Management Board. The Management Board and Supervisory Board set the AGM's agenda. Shareholders can also convene meetings and/or put items on the agenda, The options for this are stated in the law and the articles of association. Alliander has formulated a general policy regarding (bilateral) contact with shareholders, describing the various forms of consultation with the shareholders outside of the context of formal shareholder meetings. Certain powers of the AGM are assigned to the Committee of Shareholders. These include powers regarding recommendation, appointment and dismissal of Supervisory Board members and regarding appointment and dismissal of Management Board members. Furthermore, periodic informal consultations are held between the Management Board and the major shareholders through the Sounding Board Group (official forum) and the Meeting of Major Shareholders (administrative forum).

Internal audit function

The Internal Audit department is responsible for the internal audit function within Alliander. Internal Audit has an independent, objective role in supporting Alliander in achieving its corporate objectives. The department provides detailed information, advice and additional assurance on the degree of effectiveness of the risk management, control and governance processes.
Every year, Internal Audit draws up an Internal Annual Audit Plan (work plan) based on risk analyses and the audit findings after consultations with the Management Board, the Audit Committee and the external auditor. This plan describes the proposed audit engagements for the coming year. The Internal Annual Audit Plan is submitted to the Management Board for approval and then to the Supervisory Board. Internal Audit reports periodically to senior management, the Management Board and the Audit Committee on audit-related matters, such as the implementation of the Internal Annual Audit Plan, significant findings and failures to implement recommendations. Internal Audit also informs the external auditor about this. Internal Audit is the responsibility of the chair of the Management Board and the Internal Audit manager has direct contact with the Audit Committee and the external auditor, and attends Audit Committee meetings. Each year, the Management Board assesses the way in which the internal audit function carries out its task, after consultation with the Audit Committee. The performance of the internal audit function is reviewed at least once every five years by an independent third party.

External auditor

The AGM appoints the external auditor, as nominated by the Supervisory Board. Among other tasks, the external auditor prepares the audit report and management letter and issues the audit opinion regarding the financial statements. The external auditor reports to the Supervisory Board and the Management Board on the investigations that have been carried out.
The Audit Committee reports annually to the Supervisory Board on the performance of, and relationship with, the external auditor. The Management Board gives the Audit Committee, and by extension the Supervisory Board, an opportunity to examine the most important points of discussion arising between the external auditor and the Management Board based on the draft management letter or the draft auditor's report.
The external auditor attends the meetings of the Audit Committee, unless the Audit Committee decides otherwise. The external auditor attends at least that part of the meeting of the Supervisory Board in which the external auditor's report on the audit of the financial statements is discussed. The auditor also attends the part of the meeting of the Supervisory Board in which the six-monthly figures are

discussed. Furthermore, the external auditor attends the annual AGM to answer any questions the shareholders may have regarding the auditor's opinion on the truth and fairness of the financial statements.
Deloitte Accountants B.V. has been Alliander's external auditor since the 2016 financial year. The audit of the 2023 financial year will be the last before the contract with Deloitte ends. A European tender procedure for a new auditor was concluded in July 2023. On the advice of the Audit Committee, the Supervisory Board decided to appoint PricewaterhouseCoopers Accountants N.V. as Alliander's new external auditor as of the 2024 financial year. The Supervisory Board decided this based on the mandate granted during the AGM of 19 April 2023.

Employee participation

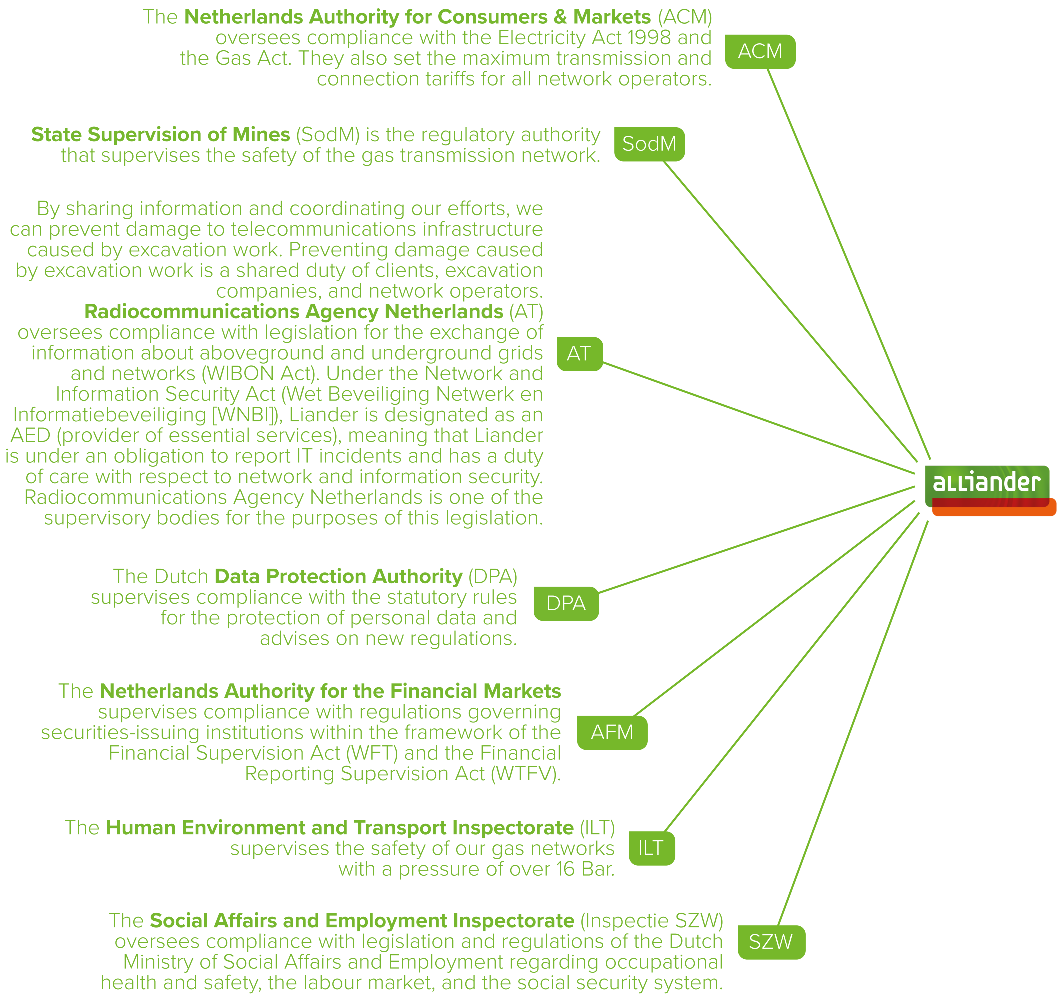
The employee participation system within Alliander represents our employees. Alliander has a single Works Council at the level of Alliander N.V. The Works Council is elected directly by the employees and is involved in the policy regarding the company and its employees. The chair of Alliander's Management Board acts as the Works Council's discussion partner. The Works Council receives input from the business unit committees. The business unit committees are the discussion partners of the business unit managers. There are permanent committees as well, each of which covers a focus area, such as finance, HR, communication and safety and the environment. In principle, the Works Council has monthly consultation meetings with the chair of the Management Board. The HRM Director is also present during these. Members of the Supervisory Board attend consultation meetings twice a year.

Stakeholders

We not only maintain a close relationship with our customers and employees, but also with a large network of other key stakeholders, like suppliers, contractors, shareholders and investors, public authorities, politicians, regulators and industry associations. We are in permanent contact with almost all of these stakeholders regarding various topics and at various levels of the organisation. They are a key link in the chain that helps to achieve our sustainable long-term value strategy. We greatly value a stable balance between the interests of all of our stakeholders.

Other regulators

External organisations supervise Liander in its capacity as a network operator active in a regulated environment. They supervise such aspects as compliance with specific legislation and regulations.

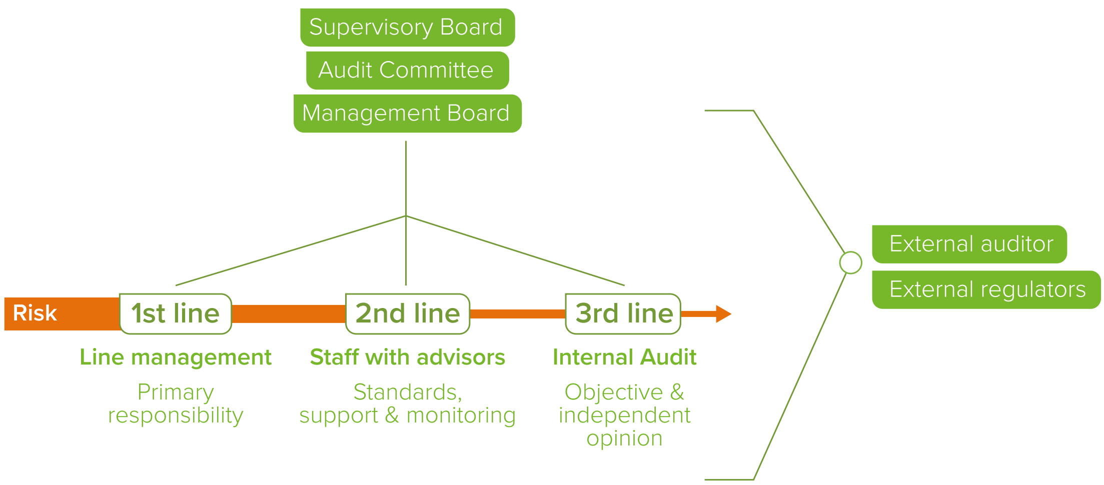


Other focus areas

Corporate governance covers a wide range of topics. The following provides more information about a few of the other focus areas.

Risk management and control

Risk management is the deliberate handling of uncertainties that can have a negative impact on the achievement of the strategy as adopted by the Management Board. An effective risk management and internal control system is therefore important. The risk management and internal control system is updated in line with internal and external developments. We apply the 'three lines' model for risk management purposes. Each line of defence has its own responsibility in the management and control process:



- The first line is responsible for identifying, managing and monitoring the risks within its processes and for an effective risk management and control system.

- The second line supports, advises, coordinates and sets frameworks to ensure that the management genuinely takes responsibility. This line therefore provides additional assurance within Alliander.
- The third line provides additional assurance about the question whether the first and second lines can jointly manage the risks, so that the organisational objectives are achieved. The third line gives an objective and independent opinion on this matter, including suggestions for possible improvements. The third line operates objectively and independently from all other parts of the organisation.

In addition, various other measures are in place to manage our risks, such as the Planning & Control Cycle, the Risk Management Framework, the Business Control Framework, the Quarterly In Control Update and the Alliander Accounting Manual. These controls are discussed in other parts of this report. Management responsibility for supervising the quality of the management of our top risks also consists of three layers.

- The Alliander Resilience Committee has the CFO as chair, issues recommendations to the Management Board on privacy and security, compliance, risk acceptance, risk profile, external risk reporting requirements, exceptions of a temporary nature or events that diverge from the applicable risk policy and risk acceptance guidelines. The Committee also discusses risk reports and monitors and advises on the follow-up actions arising from the internal and external audits. Finally, it also promotes the embedding of risk management and internal control processes within the organisational units and supply chains of Alliander.
- The Management Board plays a proactive role in managing attitudes and behaviours regarding risk management and internal control. Every six months, the portfolio of top risks is discussed by the Management Board and the discussion of specific risks is frequently on the agenda. If necessary, the Management Board initiates the implementation of additional measures. Moreover, the Management Board monitors the risk management and control system, which it regularly tests against the expectations of, and developments at, our key stakeholders. The principal risks are set out in this annual report under Risks.
- The Supervisory Board supervises the design and effectiveness of the risk management and control system. The portfolio of principal risks is discussed in the Audit Committee every six months. The full Supervisory Board receives a summary thereof. The Management Board provides an explanation of the risk report, which the Audit Committee takes on board in its supervision. Proposed adjustments to the risk management policy are put to the Audit Committee before being introduced.

Integrity

It is important to us that all our stakeholders have confidence in our organisation and that there is a safe working atmosphere for everyone at Alliander. We attach great importance to integrity and having an open, honest culture. This reduces the chance of abuses and irregularities. Alliander has various integrity-related regulations in place internally.

Codes of conduct

Alliander's aim is to be a (socially) safe organisation with a (socially) safe working environment. An organisation where all employees act in the interests of the organisation and society, and where they can feel at ease and be themselves. This means doing the right things (in line with our strategy) in the right way (according to our values), using our code of conduct as the basis for this. Among other things, the code of conduct sets out how we deal with each other, company and personal interests, business assets, health and safety, and the environment. In this way, we protect customers, associates and the reputation of Alliander, and jointly safeguard a pleasant and safe working environment. If the code of conduct is violated, this will be dealt with fairly, but may lead to disciplinary measures, varying from an (official) warning to termination of employment, depending on the seriousness of the case. Our employees are often the first ones to identify possible misconduct. In order to identify and address possible misconduct at an early stage, we have a 'Spreek je uit' (Speak up) policy in place, describing where and how employees can report inappropriate behaviour. There are various schemes for this, such as the regulation on reporting suspected misconduct, the complaints procedure for inappropriate behaviour and the general regulation on complaints.

The Management Board monitors the effectiveness of, and compliance with, the Alliander Code of Conduct. Every six months, the Management Board informs the Supervisory Board via the Audit Committee of its findings and observations in relation to the effectiveness and compliance. These reports are based on investigations into suspected violations of the Alliander Code of Conduct. The Internal Audit department acts as a fraud disclosure desk. Specialists are available here to investigate any reported situations. One officer of the Fraud Disclosure Desk is a member of the association of certified fraud examiners (ACFE) with a continuing professional education obligation. The Fraud Disclosure Desk completed 32 investigations into fraud and incident reports in the year under review. This prompted the management involved to impose measures or sanctions in 15 cases, including terminating the employment contract by means of a settlement agreement. Apart from reports of fraud and incidents, there were 28 cases in which managers decided to impose sanctions varying from an official warning to a settlement agreement. These cases ranged from attitude issues and behaviour (including transgressive behaviour) to issues around an employee's performance. Every new employee is given the Code of Conduct upon joining the company; this includes directors and agency employees. In addition, employees take a mandatory e-learning course dealing with subjects relating to the Code of Conduct. The e-learning course helps employees to become even more conscious of integrity requirements and challenges. Integrity issues and ways of dealing with dilemmas in this field are also discussed in team meetings. Aspects covered include a safe working environment, anti-corruption measures, prevention of conflicts of interest, dealing with gifts, and handling confidential information. Articles and/or blogs from managers and directors focusing on integrity risks are also regularly published on the intranet.

In carrying out our business activities, we want to ensure that we comply with all applicable laws, rules and regulations, and we constantly strive to improve our social and environmental performance throughout the value chain. Ethical and honest business practices are our guiding principle when purchasing products and services. We have a dedicated code of conduct specifying what we require from suppliers and other parties, the Alliander Supplier Code of Conduct. This Code of Conduct covers matters like the ban on child labour and the use of forced labour, non-discrimination, and requirements regarding safety, environmental protection, and working conditions. Alliander expects suppliers to comply with this Code of Conduct in their own business operations and in their dealings with their own suppliers upstream. Non-compliance with the Code of Conduct can lead to the imposition of sanctions such as termination of the contract or temporary suspension of work with or without notice of default.

Handling complaints

The Complaints Procedure for Inappropriate Behaviour, the Regulation on Reporting Suspected Misconduct, and a Whistleblower Policy are in place so that employees can report suspected misconduct safely and in a structured way. In addition, the regulation on complaints related to employment conditions – previously applicable only to reorganisations – is available as a procedure for objecting to all decisions relating to employment conditions. Employees can also raise concerns in confidence with nominated officers within Alliander. Two confidential advisers ended their roles in 2023 due to employee turnover and for other reasons. By the end of 2023, the number of people employees can contact if they are a victim of inappropriate behaviour, such as discrimination, sexual harassment, bullying, aggression and violence, had therefore been reduced to four. We are currently looking to fill the vacancies for confidential advisers to get the number of confidential advisers back to six. In 2023, the confidential advisers received 83 reports from employees.

The Whistleblower Policy encourages employees to report every complaint or inappropriate situation within the organisation. They can do so internally to their manager, the Fraud Disclosure Desk or the nominated officer for the Whistleblower Policy. Incidents can also be reported (anonymously) to an external party under the protection of the Whistleblower Policy. Once every six months, the nominated officer for Whistleblower Policy provides the Management Board and the Audit Committee of the Supervisory Board with a list of whistleblowing reports received and the actions taken in response to these reports. All actual and suspected abuses and irregularities are immediately reported to the chair of the Supervisory Board.

Guideline for the Prevention of Market Abuse

Although Alliander’s shares are not listed on the stock exchanges, the company has issued listed bond loans. These bonds are listed on the Amsterdam stock exchange. Consequently, Alliander adheres to the Guideline for the Prevention of Market Abuse. This guideline draws on the Alliander Code of Conduct and the European Market Abuse Regulation. The aim of the Guideline is to make it clear that employees are not permitted to share inside knowledge or use inside knowledge to conduct personal trading transactions in Alliander’s financial instruments. The Guideline describes the rules of conduct. This Guideline is also applicable to the members of the Management Board and the Supervisory Board. Alliander was not involved in any legal disputes or court rulings on market abuse in 2023.
The by-laws of the Management Board and the Supervisory Board stipulate that members of the Management Board and the Supervisory Board must adhere to disclosure and insider trading requirements that apply pursuant to the law or stock-exchange regulations with regard to the ownership of or transactions in securities in listed companies.

Privacy and security

We are responsible for protecting our systems against hackers and information security incidents (security) and for dealing appropriately with the personal data of our customers and our employees (privacy). The Corporate Privacy Officer (CPO) is the central point of contact in our organisation for privacy matters. In line with the General Data Protection Regulation (GDPR), a Data Protection Officer has been appointed to monitor compliance with the GDPR in matters relating to personal data. Each organisational unit has its own Privacy Officers, who report to the CPO on privacy matters. The Chief Information Security Officer (CISO) is the central point of contact for security matters. The security experts work in the CISO Office, which is headed by the CISO. The CISO Office performs first-line and second-line security work; first-line activities focus on the security of the organisational units and the second-line activities focus on the digital resilience of the entire Alliander organisation.

Risks

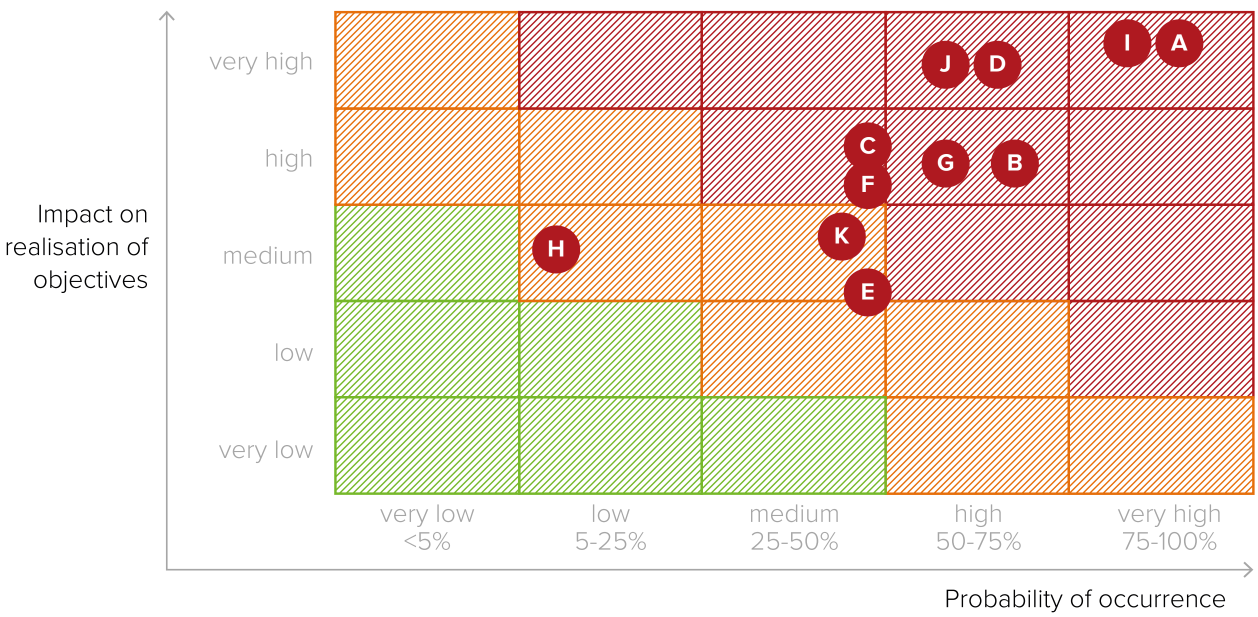
Alliander works hard to keep energy reliable, affordable and accessible for everyone. Risk management helps bring focus to Alliander's management so that we achieve our objectives. Our work involves risks, including safety and financial risks. These risks cannot be entirely eliminated. However, risk management does provide insight into these risks, so that we can take informed decisions about (measures to control) these risks. We use a single risk management method within Alliander. This ensures that the risk management process takes place in accordance with the same steps everywhere in the organisation.

Risk levels

Risks can be subdivided into five categories, ranging from very low to very high. The risk category depends on two factors: the probability of occurrence and the impact on the achievement of our strategic objectives. The potential impact on our objectives is assessed based on various aspects. Based on their probability and impact, each risk is assigned a place in the risk matrix. We assign a weighting to the risks based on dialogue at various levels in the organisation. As a result, our choice of approach for dealing with our uncertainties is both well-considered and deliberate.

Our main current risks

A Completion of work package →
B Capacity for change →
C Safety →
D Long-term regulatory focus →
E Privacy →
F Future-proof IT landscape →
G Cybersecurity →
H Financing ↓
I Meeting customers' expectations ↑
J Future-proof investments →
K Grip on organisational growth (new risk)



Risk awareness

The management of risks forms part of our governance and decision-making. The Management Board and Supervisory Board of Alliander regularly discuss the principal risks. They assess what effects the risks can have on the strategic objectives, the operations and our reputation.

Alliander is committed to complying with the guidelines in the (revised) Corporate Governance Code. In the 'Corporate governance', 'Statement by the Management Board' and 'Other information' sections, we provide more information on how risk management has explicitly been embedded in the organisation's governance and decision-making procedures.

Risk appetite

To achieve the corporate objectives, we sometimes need to accept risks to a certain extent. The extent to which we are prepared to run risk in attaining our goals (i.e. our 'risk appetite') ranges from risk to risk.

- When it comes to the safety of our employees, our customers and our networks, we take no risk whatsoever. All risks are excluded, where possible and realistic.
- Our risk appetite is low when it comes to compliance. We are expected to comply with laws and regulations and are committed to acting in accordance with internal procedures and the Alliander Code of Conduct.
- Where strategic risks are concerned, we seek the right balance between the risks and our longer-term ambitions.
- We have a low appetite for financial risks. This ensures that we have a healthy financial basis and meet our key financial ratios.

Explanation of risks

The following provides details of each risk and how Alliander manages each of the risks listed, while also showing the development of the risk over the past year in the light of measures taken.

decreasing: ↓
neutral: →
increasing: ↑

Financial risks, including our credit risk, are explained in note 34 to the financial statements.

Completion of work package →

Probability
Very high.

Impact
Very high.

What is the risk?
The volume of work, especially in the electricity domain, is increasing faster than anticipated due to the energy transition and economic growth. The shortage of technical staff in the labour market, lengthy training and volatility in the forecasts concerning the type and volume of work make timely scaling up of capacity challenging. In addition, we are seeing a scarcity of certain materials in the market and a shortage of space, and as a result, we are increasingly not able to complete the work and completion targets are being pushed back. As yet, there is insufficient insight into the effect that the expected greening of the gas supply will have. Certainly in the medium term – up to 2032 – it looks as though we still have a major task ahead of us to get all the work done.

How is the risk managed?
Alliander is addressing the challenge surrounding the completion of its work package by seeing that more work gets done and by using the grid more efficiently. To be able to offer our customers the needed solutions by 2030 we have massively scaled up implementation of the work.
Fundamental strengthening of the current manufacturing processes is increasing productivity. The approach to the manufacturing process has been modernised by outsourcing elements of the work through new production methods. Major barriers in terms of materials, people and space/ licences are being resolved.
The network is also being used more effectively thanks to smart solutions and measures that encourage customer flexibility. This reduces peak loads and allows us to connect more customers to the grid.
Finally, we are developing infrastructure for district heating and sustainable gases that complements the work to maintain and expand the capacity for electricity.

What is the risk trend?
Neutral. The 2023–2032 Multi-Year Plan shows that the work package is expected to increase further and thus remain at a challenging, high level. That, in combination with the scarcity of technical personnel, space and materials, significantly complicates realisation of the plan.

Meeting customers' expectations ↑

Probability
Very high.

Impact
Very high.

What is the risk?
Due to the enormous demand, it is becoming increasingly difficult to meet customers' expectations. The shortage of transmission capacity is worsening and waiting periods for connections are getting longer. Interaction with customers is increasing too. All this has an impact on our customers and requires good, timely personal communication. At the same time, our customers have ever higher expectations concerning transparency and service provision. National and regional media are focusing more attention on network operators. The growing network capacity issues are impacting our customer rating.

How is the risk managed?
The focus is on improving customer service through digitalisation so that the customer knows exactly what they can expect from us and when. Our communication strategy is proactive, timely and transparent and shows what action the customer can take. Using various channels, we apply a region-specific and customer-specific approach. We are increasingly working with the other network operators in matters of communication.

What is the risk trend?
Rising. Despite the control measures that have been put in place, this risk shows an upward trend: customer service (for both large and small consumers) is increasingly under pressure due to increasing connection times and transmission capacity shortages in the high-voltage, medium-voltage and low-voltage networks. We increased our capacity for first-line customer requests in 2023, and that is now stable. We are easy to reach and in a position to answer the customer. We have informed the public that they should expect a new phase of network congestion. Our intention in doing so is to manage general expectations and send a message indicating that the availability of network capacity can no longer be taken for granted and that this scarcity may have an impact on consumers. The improvements we are making to our processes and practices will allow us to better serve our customers and better manage customer expectations.

Long-term regulatory focus →

Probability
High.

Impact
Very high.

What is the risk?
Policy and regulations within the energy domain have an impact on our activities and profitability. Policy and regulations are not always in step with the current context (i.e. the state and stage) of the energy transition and the changing energy system, and this can affect the ability to achieve the targets and objectives.

How is the risk managed?
This risk is addressed in general by managing the long-term constructive relationships with the legislator and the regulator. We discuss the developments that are important in the new context of the energy transition. We work to ensure a reasonable return and maintain sufficient financial scope to be able to perform our statutory duties. Furthermore, we actively make proposals regarding changes to national and European laws and regulations. We increasingly do this together with all the other network operators in the Association of Energy Network Operators in the Netherlands (Netbeheer Nederland). For example, over the past year, Alliander provided a large amount of concrete feedback on the Dutch Energy Act, which was presented to the Dutch parliament in June 2023. Network operator Liander participates in the National Network Congestion Action Programme. Drawn up jointly by grid operators, ACM, municipal and provincial authorities, the national government and market parties, this programme takes a broad look at national and regional solutions for network congestion. With this action plan the parties intend to limit and prevent network congestion and the associated problems to the greatest possible extent.

What is the risk trend?
Neutral. In respect of this risk, current laws and regulations stand in the way of achieving the climate objectives and Alliander's target. Following the 2023 ruling of the CBb on the 2022-2026 method decisions, the first part of the compensation was incorporated into the 2024 tariffs. The effect of the fall of the Dutch Cabinet has remained limited as the policies on climate and energy have not been contested. However, the results of the elections and the ongoing formation process are leading to increasing uncertainty regarding the progress and direction of political issues and legislation under preparation in the Netherlands. This includes the new Energy Act, which is currently still scheduled to come into effect in July 2025.

Future-proof investments →

Probability
High.

Impact
Very high.

What is the risk?
We are building an energy infrastructure to last some 40 years. At the same time, we are dealing with an environment in which choices are being made which encourage developments that, from a societal viewpoint, do not always align with an optimal energy vision. This may lead to suboptimal investments, which will not be fully utilised up to the end of their useful lives, as well as the risk of higher costs for the infrastructure and for society.

How is the risk managed?
We connect customers to the power grid when they put in a request to that effect. If necessary, we talk to customers to discuss the reason for the request and to offer them alternatives. We are working on prioritisation and programming in collaboration with all provincial authorities. In that context, a Long-term Energy and Climate Infrastructure Programme has been drawn up, both at national and at provincial level. We also encourage the drafting of an 'energy vision', a document that sets out the expected future energy supply and demand and the ideal energy system to optimally facilitate this supply and demand.

What is the risk trend?
Neutral. Despite the control measures put in place, this risk shows a neutral trend. In accordance with our task as a network operator, we connect customers to the electricity network where a request is made and we upgrade the networks in places where we expect many customer requests.

Capacity for change →

Probability
High.

Impact
High.

What is the risk?
Changes are needed if we are to continue to fulfil our social role and meet the expectations of society and customers. At the same time, we see that high demands are being placed on the employees in the organisation Increasing the organisation's capacity for change is necessary in order to meet the high expectations.

How is the risk managed?
To increase the capacity for change, we work as a single team pursuing a shared goal, which is to become an agile, effective and cost-efficient organisation. Applying a clear and focused strategy we progress along a well-defined course, working with clear frameworks and choices. Based on the defined course and frameworks we develop clear objectives, critical success factors and performance indicators at all levels – company, organisational unit, team and supply chain. We monitor these aspects and evaluate performance accordingly. We are committed to working towards becoming a learning and performance organisation with a result-oriented culture and the right leadership. This will enable us to keep in step with the expectations society and customers have of Alliander.

What is the risk trend?
Neutral. Greater clarity has been created regarding the 2030 strategy and goals. The past year was spent working on the 2024 change approach with a focus on managing by result, team effectiveness and accountability and ownership.

Cybersecurity →

Probability
High.

Impact
High.

What is the risk?
Our energy network and above-ground installations are increasingly being digitalised. Cyberattacks with a political or terrorist motive are increasingly targeting vital infrastructure. Topical events which attract world-wide attention affect this threat assessment. Ransomware – maliciously encrypting files and systems before demanding a ransom to make them accessible again – has developed to such a degree that it poses a risk to the Netherlands' national security. Disruptions to or outages of the digital infrastructure can lead to disruptions in daily life or even to a breakdown of society. The supply of electricity is inextricably bound up with this.

How is the risk managed?
We manage this risk by taking action to increase our digital resilience and by applying the Information Security Management System. This includes implementing HR-related measures such as screening, awareness and management training in order to control 'insider risks' in the context of rapid organisational growth. We seek to identify threats and vulnerabilities by making use of Alliander Security Governance, the Security Policy, risk identification and external sources. In all digitalisation initiatives, whether they involve self-build or purchased products and services, security by design is applied for optimal assurance of security. We facilitate business continuity management to minimise the impact of an emergency on business processes: i.e. we prepare for an emergency to the greatest possible extent and know what to do during and after an emergency.

What is the risk trend?
Neutral. The risk trend therefore remains the same. We are seeing an increase in the threat level due to external developments (for example, the war in Ukraine and the increased number of cyberattacks on the organisation) and the expected growth of the organisation, but have put additional controls in place so the risk remains neutral.

Safety →

Probability
Medium/high.

Impact
High.

What is the risk?
Our activities involve health and safety risks for our employees, contractors, customers and local communities. There are two types of safety risk: the one is the risk of employees being injured on the job and the other is the potential for explosions, fire, suffocation, short circuit or other accidents that can occur as a result of an asset failure. Despite all the measures taken the risk of an accident always remains. The potential impact is huge.

How is the risk managed?
We lay the foundation for safety by working to ensure the safety of our networks and assets, working safely on the networks, and reinforcing our safety culture. We guarantee the safety of our grids by always making safety an integral part of the design and selection criteria when choosing new asset standards and in our calls for tenders. We evaluate incidents so that we can learn from them. We approach working safely on the grids by obtaining an understanding of the safety risks and translating the necessary measures into work instructions. We ensure that only qualified employees carry out the work. Managers supervise compliance with work instructions and the use of PPE by carrying out workplace inspections and safety observation rounds, among other measures. If an incident does occur, we analyse it so we can learn from it. Lastly, we continue to build our learning and performance safety culture, a culture in which we recognise and discuss risks and take action where necessary. Advancement up the safety culture ladder has been included as a strategic milestone for Alliander

What is the risk trend?
Neutral. Safety remains a constant focus of our attention. However, safety incidents are inherent to working with live cables and continue to occur.

Future-proof IT landscape→

Probability
Medium/high.

Impact
High.

What is the risk?
In support of our strategy, we are undergoing a digital transformation that will see us emerge as a data-driven network operator. Scaling up the digitalisation ecosystem is a challenge due to ever-increasing demand. Given the immense challenge Alliander faces in fulfilling its production task, the demand for quick virtual solutions is increasing. There is a risk that we will be unable to scale up the IT landscape sufficiently to achieve the objectives.

How is the risk managed?
We are working to create a future-proof digitalisation landscape where we outline and prioritise the long-term development of our 'core' systems. We are defining a long-term vision on our IT landscape and along the way creating an overview of our applications and technical building blocks. We are selecting partners to provide support and increase capacity.

What is the risk trend?
Neutral. Ever-increasing demand and the unavoidable need to scale up the IT landscape mean that this risk remains at the same high level.

Grip on organisational growth (new risk)

Probability
Medium.

Impact
Medium.

What is the risk?
The major scale-up in the number of employees and contractors poses the risk that the organisation will not be able to keep up with this rapid growth due to constraints on absorptive capacity. There is a risk that the organisation will grow disproportionately, resulting in an inability to meet the task, failure to deploy new employees effectively enough, and inadequate cohesion and commitment.

How is the risk managed?
We are committed to controlled growth through a focus on recruitment processes, analysis of the rate of growth and reliable information on the productivity growth required. Significant attention continues to be given to onboarding new employees. We do this through effective induction to introduce new employees to our organisation and by focusing expressly at team level on supporting and supervising new employees.

What is the risk trend?
N/A: this is a new risk that appeared for the first time in 2023.

Privacy →

Probability
Medium/high.

Impact
Low/medium.

What is the risk?
As part of our energy network management activities we have access to personal data. This includes, for example, data on connections, energy contracts, usage and costs. This personal data must be processed in compliance with the requirements of the General Data Protection Regulation (GDPR). Unlawful or incorrect use of personal data harms the data subjects and may lead to fines.

How is the risk managed?
We work on raising privacy awareness by training employees. We have policies setting out how we deal with privacy within Alliander. Implementation of this policy focuses on governance, demonstrability and continuous improvement in accordance with the requirements under the General Data Protection Regulation (GDPR). We keep track of which personal data is processed and for what purpose in data processing registers. We provide access control for application users and administer and manage users of our IT systems. Additionally, we safeguard privacy in our data processing agreements with suppliers. If a data breach or incident does occur despite our best efforts, we have a procedure for dealing with this and we report this to the data protection authority.

What is the risk trend?
Neutral. Last year, action was taken to manage this risk, resulting in higher awareness of the risk. Nevertheless, lawful processing of personal data (customer data, metering data, HR data) remains an ongoing area of attention in view of the legal requirements (legal basis/purpose). This also applies to the technical and organisational measures implemented to ensure appropriate protection of personal data. In the light of the expected growth of the organisation, the probability of data breaches can be expected to increase, so the risk trend remains the same regardless of the action taken.

Financing →

Probability
Low.

Impact
Medium.

What is the risk?
The energy transition brings with it huge investments for Alliander, and these will continue to increase drastically over the next few years. Current regulatory methods provide for compensation during the service life of the asset in which an investment has been made, but not at the time of making the investment. We are largely financing investments that we will only be able to recoup in the long term - 40 years on average. The rising level of investment creates a structural negative cash flow and therefore a significant increase in our financing requirements. This will eventually put pressure on our financial ratios and our rating.

How is the risk managed?
Alliander is committed to maintaining a healthy financial standing by strengthening its shareholders' equity. However, additional capital is needed to fulfil our future investment tasks. After negotiation, the State and the network companies Alliander, Enexis and Stedin came to an agreement about the conditions under which the State will be able to contribute capital and thus become a shareholder in the network companies. Should the State decide in the future – at the request of the network companies and with the cooperation of their shareholders – to become a shareholder, this will be subject to certain conditions. The Agreed Framework describes these conditions, such as the time required for an accession request and agreements about governance. The Agreed Framework was approved by the supervisory boards and employee participation bodies, and subsequently signed by the current shareholders.
Alliander sold the Kenter organisational unit in 2024. This opens up opportunities for the company to grow in new markets, with new products and services. It also strengthens Alliander's equity. We will continue to work on having a conscious and efficient organisation in view of our investment task.

What is the risk trend?
Decreasing. In the past year, good progress has been made towards structural control of this risk through the Agreed Framework for future capital contributions by the State. In addition, the sale of Kenter led to a short-term improvement of the financial position.

Report of the Supervisory Board

The Supervisory Board supervises the policy of the Management Board and the general course of business within Alliander. The Supervisory Board assists the Management Board with advice and acts as the Management Board's employer. In this report, the Supervisory Board comments on how it fulfilled its role as supervisor, adviser and employer in respect of the Management Board in 2023.

The year 2023 was dominated by the challenges presented by the energy transition and the need to refocus Alliander's strategy in line with the changing role in the energy transition. The Supervisory Board's core tasks include developing strategy and monitoring strategy implementation to achieve sustainable long-term value creation. Time and attention were also devoted to the sale of the Kenter business unit and selecting a new Supervisory Board member.

Supervisory and advisory role

Strategy

The task faced by Alliander and Alliander's extensive responsibilities require regular action to refocus the strategy. In line with the developments at international, national and regional level and the associated increasing demand for and the challenges hindering realisation of infrastructure *and* fulfilment of Alliander's market-facilitating task, the strategy was refocused in 2023. The Supervisory Board was closely involved in this. A fundamental component was how the developments described above directly and indirectly affect Alliander's activities and the change in role needed to accomplish the task in the run-up to 2030 and beyond. In order to provide a solution on-time to every customer in 2030, the strategy has been refocused. For a detailed description of the strategy, please refer to the report of the Management Board. The Supervisory Board supports the refocused strategy and realises that this represents a major transformation: Alliander will move away from its role as a reactive network operator that facilitates in the background to become a proactive network operator with a leading and visible role in the energy transition.

Through quarterly reports and other instruments, the Supervisory Board monitored the ongoing realisation of Alliander's strategic objectives throughout the year. Furthermore, in nearly every meeting consideration was given to specific strategic topics, which led to a greater shared understanding of the underlying results in both substantive and transformational terms. The topics that were discussed at length included the problem of increasing network congestion, the 'feasibility gap' (the difference between what is needed and what can actually be produced), increasing production output, cost control, digitalisation and customer service.

The Supervisory Board and Management Board's annual strategy day is a time for reflection and delving into issues. This day focused on realisation of the strategy. During this brief pause, we talked with stakeholders about the practical implementation of several key building blocks of the acceleration task. Discussions were held with representatives of the Province of North Holland about energy-related spatial planning and with representatives of the Municipality of Zaanstad and a contractor about what scaling up and plan reliability in the implementation phase require of the entire (supply) chain, both with regard to the standardisation needed in the district approach and with regard to quicker access to land. The strategy day gave the Supervisory Board a better understanding of the effect of the current acceleration task on day-to-day operations and the related interests that are part of the supply chain in which Alliander operates.

Safety

Safety is an important recurring theme for the Supervisory Board. Both the Supervisory Board and the Management Board feel intrinsically motivated to take safety to an even higher level, both in respect of Alliander's employees and agency/contract workers and the environment in which Alliander works. The Supervisory Board was pleased to learn that Alliander achieved level 4 on the safety ladder last year. Based on the quarterly reports, the Supervisory Board monitors accidents that lead to sickness absence (lost-time incidents), among other issues. The Supervisory Board has observed a slight increase in the number of lost-time incidents. Fortunately, no serious safety incidents occurred in 2023. For further relevant information, refer to 'Ensuring a safe energy network, a safe working environment and a secure data environment'. The Supervisory Board emphasises that appropriate attention in the area of safety and embedding in the organisation's culture is and will continue to be needed. A safe working environment includes personal safety. Alliander aims to create a safe working environment in which everyone feels supported and comfortable. Employees indicated in the 2023 Central Employee Barometer that they perceive Alliander as socially safe. However, the Supervisory Board sees the increasing aggression that employees experience in their interaction with customers and the 100% increase in the number of reported instances of aggression in 2023 as a worrying trend. The Supervisory Board continues to closely monitor developments in this regard.

Sale of Kenter

In December 2022, Alliander announced the start of the process to sell Kenter. The Supervisory Board was heavily involved in the sale process in 2023. After completion of a diligent process, the Supervisory Board approved the sale of Kenter to the consortium of APG and OMERS Infrastructure. In this sale process, the Supervisory Board considered not only the sale price, but also, in particular, the interests of Kenter's employees and customers, the consortium's sustainability agenda and its intentions regarding long-term collaboration. The Supervisory Board believes that the consortium is a stable party with significant financial strength and that the sale will give Kenter the opportunity of realising its growth ambitions. The sale also strengthens Alliander's equity. Given the enormous investment task ahead, the intention is to use most of the one-time book profit generated through the sale to strengthen Alliander's financial position.

Funding the energy transition

The energy transition presents enormous challenges, and Alliander needs a substantial amount of capital to fund it. Long-term financing was a frequent topic of discussion in 2023. The Supervisory Board notes a number of positive developments in respect of financing. At the end of 2022, the State and Alliander, Enexis and Stedin reached an agreement on the Agreed Capital Requirement Framework for Regional Network Companies (Agreed Framework). Based on the Agreed Framework, credit rating agency S&P has raised the credit rating of the network companies. After being signed by all the parties, the Agreed Framework formally entered into force in 2023. The Agreed Framework has now been used for the first time, by Stedin on this occasion. In addition, the sale of Kenter has further improved Alliander's financial base. Moreover, the Supervisory Board notes that as a result of the ruling of the Dutch Trade and Industry Appeals Tribunal (CBb), the 2022-2026 method decision has been adjusted by the ACM, resulting in additional income for the network operators for the years 2024 up to and including 2026. Based on the developments outlined above, Alliander has a relatively solid financial position, so accession of the State as a new shareholder is not expected to be needed in the coming years and Alliander can continue to invest in the energy transition at socially acceptable costs.

Financial reporting

In 2023, the Supervisory Board discussed Alliander's financial and operational results in detail on a quarterly, half-yearly and annual basis. The Supervisory Board feels that the quarterly reports contain sufficient information to monitor progress on achieving the operating results. In addition, the 2022 annual report - including the accompanying audit report - was discussed and approved. The external auditor was also present during the discussions of the annual and interim reports. The Supervisory Board also approved the 2024-2028 business plan and the 2024 budget, which set out the frameworks under the strategic principles of the overall policy. The Supervisory Board's Audit Committee carried out intensive preparatory work on all these matters.

Internal risk management and control systems

The Supervisory Board (and the Audit Committee in particular) discussed the Internal Audit department's findings and recommendations from the internal audits as well as the status of actions taken in response to findings from previous audits. Furthermore, the management letter from external auditor Deloitte was examined by us in the presence of Deloitte with the Audit Committee and the Supervisory Board respectively. Based on the work performed, Deloitte concluded that Alliander's internal controls are of sufficient quality and that Deloitte can rely on the internal controls for its audit of the financial statements. A limited number of new deficiencies were identified and no significant deficiencies were found. Deloitte's key findings concern the inclusion of ESG data in the business control framework and deficiencies in the allocation of access rights to various IT applications and systems. The Management Board acknowledges the auditor's findings and will initiate action to address them. In addition, the Supervisory Board discussed the company's main risks (including control measures), as well as the comprehensive IT, Privacy and Security risk report. The Supervisory Board concludes that Alliander has a robust control framework, which operates effectively and is continuously improved.

Selection of the new auditor

Deloitte has acted as Alliander's auditor since 2016, and 2023 was the last year of Deloitte's term as the company auditor. In view of the statutory requirement regarding mandatory auditor rotation, a process to select a new auditor was launched during 2023 under the supervision of the Audit Committee. A European call for tender was issued for this purpose and PricewaterhouseCoopers was selected after a diligent process. PricewaterhouseCoopers will audit Alliander's financial statements from 2024. Both the Management Board and the Supervisory Board thank Deloitte for all the work performed for Alliander and the pleasant nature of the collaboration.

Cybersecurity

The threat level associated with information security and cybersecurity continues to rise worldwide. So security/cybersecurity is and will continue to be a major focus point. We again made significant progress in this regard in 2023. The CISO Office has developed four strategies to structurally anchor security in Alliander's organisation<link>. The Supervisory Board was briefed by the CISO on the actions taken by the CISO Office under these strategies to further enhance security resilience. In addition, the Supervisory Board was briefed on work to raise Alliander's security maturity level. Cybersecurity is essential for Alliander's continuity, and to deal with the threat of the growing risk of cyberattacks, the Supervisory Board considers it crucial for Alliander to implement proactive measures to ensure the highest possible level of cybersecurity.

Sustainability

Social, economic and financial sustainability, the SDGs and impact measurement are an integral part of Alliander's strategy and day-to-day operations. Stakeholders increasingly value the sustainable character of Alliander. More information on sustainability plans and initiatives can be found in the report of the Management Board. The Supervisory Board supports these initiatives which, in our opinion, contribute to long-term value creation in the area of sustainability. A further important achievement worthy of mention is that Alliander won the Sijthoff and Kristal prizes with its 2022 annual report. The Supervisory Board compliments Alliander on this outstanding performance. Both prizes are awarded in recognition of transparent and socially responsible reporting. In addition, CFO Walter Bien was voted one of five 'Chief Value Officers of the Year' and the sustainable Westpoort regional office in Amsterdam won the Architectenweb 2023 'Office Building of the Year' award.

The Supervisory Board further approved the issue of a €500 million green bond in 2023, which was successfully placed in 2023. This fits into the strategy for sustainable business operations.

Alliander started preparations for the implementation of the Corporate Sustainability Reporting Directive (CSRD) in 2023. The CSRD is a European directive that requires companies to report on their sustainability performance (Environmental, Social and Governance, or ESG) in their annual reports, starting in the 2024 financial year. The Audit Committee was briefed on developments relating to the CSRD legislation and the impact on Alliander's reporting and accountability. The Supervisory Board will continue to monitor this closely in 2024.

Other topics

In addition to the topics highlighted above, the Supervisory Board addressed the following issues:

- Important court rulings in cases in which Alliander was involved, and new legislation and regulations that are relevant to Alliander;
- The amended version of the Dutch Corporate Governance Code: in this context, the updated by-laws of the Management Board, Supervisory Board and Supervisory Board committees were approved or adopted;
- The results of the 2023 Central Employee Barometer;
- Approval of the renewal of the Management Board's authority to issue ordinary shares and to limit or exclude the statutory pre-emptive right of existing shareholders in the issue of shares in connection with a possible conversion of the €600 million reverse convertible hybrid shareholder loan arranged in 2021;
- Approval of the 2023 Internal Audit annual plan.

Role as an employer

In 2023, the Selection, Appointment and Remuneration Committee of the Supervisory Board was once again charged with annually assessing the performance of the individual members of the Management Board and reporting on it to the Supervisory Board. Additionally, the Supervisory Board is responsible for selecting and appointing members of the Management Board. There were no appointments or reappointments to the Management Board in 2023. The Supervisory Board is also responsible for formulating the remuneration policy for the Management Board. In 2023, three changes were made to the Management Board's remuneration policy. The Supervisory Board renders account for its implementation of the remuneration policy in the Remuneration Report. The Supervisory Board's role as an employer also includes succession planning for the Management Board members. It discusses the succession plan for the Management Board and for the first management layer below the Management Board on an annual basis. This discussion took place again in 2023 in a plenary meeting of the Supervisory Board. This practice gives the Supervisory Board a good understanding of the potential and capabilities of top management within Alliander.

The Selection, Appointment and Remuneration Committee prepares material on numerous issues for the Supervisory Board's decision-making, thus supporting the Supervisory Board in its role as an employer. Further details of the work (preparatory or otherwise) done by this committee are provided in the 'Selection, Appointment and Remuneration Committee' paragraph of this section.

About the Supervisory Board

Composition

There was one change to the Supervisory Board during the past year. At the General Meeting of Shareholders on 19 April 2023, Bert Roetert (also chair of the Selection, Appointment and Remuneration Committee) stepped down, having completed his second term of office. The Supervisory Board is deeply grateful to Bert Roetert for his contribution as a Supervisory Board member and his outstanding chairmanship of the Selection, Appointment and Remuneration Committee over the past eight years. At the same meeting, Marinka Nooteboom was appointed to the Supervisory Board for a four-year term effective from 19 April 2023, and Frits Eulderink and Thessa Menssen were reappointed as Supervisory Board members for a four-year term. Marinka Nooteboom completed an extensive induction programme after her appointment.

The following retirement schedule applies to the Supervisory Board. The appointment period is assumed to be two four-year terms. This may be extended by two additional two-year terms, as long as sufficient reasons are given for this in the report of the Supervisory Board. At year-end 2023, the composition of the Board was as follows:

Name	First appointed	End of first term	End of second term
A. (Annemarie) Jorritsma-Lebbink (chair)	2016	2020	2024
F. (Frits) Eulderink	2019	2023	2027
T. (Thessa) Menssen	2019	2023	2027
M. (Marinka) Nooteboom	2023	2027	
G. R. Gerard Penning	2021	2025	

The personal details, principal and additional positions of the members of the Supervisory Board are included in the 'Supervisory Board' paragraph in the 'Corporate Governance' section.

Independence of the Supervisory Board

The articles of association and the Supervisory Board's by-laws contain provisions on independence and conflicts of interest. The composition of the Supervisory Board is such that the members are able to operate independently and critically vis-à-vis one another, the Management Board and any particular interests involved. All members of the Supervisory Board are independent within the meaning of best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code. They also all operate independently within the meaning of the Electricity Act 1998 and the Gas Act,

Members of the Supervisory Board must report any additional positions they hold to the Supervisory Board beforehand and those positions are specified in the annual report. No Supervisory Board members hold an additional position that is in conflict with their Supervisory Board membership at Alliander. Moreover, none of the Supervisory Board members holds more than the maximum admissible number of supervisory positions with large Dutch companies or major foundations. The number and nature of the other positions of each Supervisory Board member are such that a proper fulfilment of the tasks is assured.
No material transactions involving potentially conflicting interests of Supervisory Board members took place in 2023.

Diversity

Both the Management Board and Supervisory Board recognise the added value of diversity in a broad sense and gender diversity in particular. The current diversity policy applicable to the Management Board and Supervisory Board was written with this in mind. Alliander is subject to the provisions on the balanced allocation between men and women of seats on the Management Board and Supervisory Board pursuant to the Dutch Act on the appointment quota and target ratios ('Diversity Act'). The Supervisory Board observes a diversity policy for the composition of both the Management Board and the Supervisory Board, which gives consideration to the following elements:

- a balanced gender ratio with a target percentage of at least 33% women and at least 33% men;
- a complementary composition in terms of experience and professional background (the areas of knowledge and experience are included in the Supervisory Board's Profile);
- a balanced age structure.

The composition of the Management Board remains unchanged compared to 2022. The Management Board consists of four directors and there is a good balance in terms of diversity of knowledge, background and experience and age. The gender ratio in the Management Board is 25% female to 75% male, meaning that the target ratio has not been met.

The composition of the Supervisory Board remains unchanged compared to 2022. The Supervisory Board currently consists of two men and three women, which equates to a gender ratio of 40% male to 60% female. Bert Roetert's departure and the arrival of Marinka Nooteboom has led to a reduction in the average age of the Supervisory Board. The current composition of the Supervisory Board is balanced, knowledgeable and diverse: each Supervisory Board member has specific experience and the background necessary to fulfil his/her role within the Supervisory Board. Consequently, the composition of the Supervisory Board complies with the diversity policy.

When future vacancies in the Management Board and the Supervisory Board are filled, the basic principle is that the diversity policy should be implemented further where possible. The Supervisory Board determines in advance which aspects of diversity should be considered in order to maintain or improve the desired mix in the composition of the Management Board or Supervisory Board. The quality of the candidates is the main deciding factor, but diversity (in a broad sense) is an important point for consideration when coming to a decision. When recruiting and selecting members of the Management Board and Supervisory Board, Alliander uses the services of specialised consultancies in addition to its own network.

Evaluation

In accordance with the Dutch Corporate Governance Code, at least once a year and without the Management Board being present, the Supervisory Board evaluates its own performance, the performance of the individual committees of the Supervisory Board and that of the individual Board members. This evaluation takes place once every three years under external guidance. The evaluation was coordinated by an outside consultant in 2021 and this will occur again in 2024. In 2023 the Supervisory Board conducted the evaluation itself without external coordination. The collaboration between the Supervisory Board and the Management Board was also evaluated. The Management Board provided prior input for the evaluation of its collaboration with the Supervisory Board.
Some points from the self-evaluation merit further explanation. The Supervisory Board is pleased with the close collaboration between the Management Board and Supervisory Board during the process aimed at refocusing Alliander's strategy. Both Alliander's context and the scenarios for the future were researched further and discussed in great detail, resulting in a clear picture of Alliander's task in the coming years. This helps the Supervisory Board in its efforts to closely supervise completion of this complex task and also the management of the intended growth of the organisation. The Supervisory Board is also pleased that the balance between advice and supervision, as agreed upon in 2022, could be perpetuated this year. The Supervisory Board notes that this balance strengthens the relationship between the Supervisory Board and the Management Board and retains the element of constructive criticism in that relationship. The Management Board also values this, because in addition to supervision of the Management Board's performance of its duties and fulfilment of its responsibilities, the specific expertise of the Supervisory Board members can be freely accessed when discussing solution directions and/or developing a vision. In respect of 2024, this requires the Supervisory Board to continue to closely compare current results with the refocused strategy toward 2030 and beyond. The Supervisory Board further believes that, thanks to the changes to the committees in

2023 and the arrival of a new Supervisory Board member, there is a good balance in terms of the diversity in background, knowledge and experience of the individual members, which is conducive to more effective supervision and more relevant advice. This, too, is important in the light of the task ahead for Alliander and its Management Board. As in 2022, both the Management Board and the Supervisory Board experience the supervision as intensive but enjoyable. In view of the large number of internal and external developments, more consultation than usual took place between the Supervisory Board and Management Board in 2023.

Meetings, procedure and attendance

Seven Supervisory Board meetings were held in 2023, five scheduled meetings and two additional meetings that were convened to review the sale of Kenter and the issuance of a green bond. The Supervisory Board meetings are preceded by a 'private session' in which only Supervisory Board members participate. The other participants in the Supervisory Board meetings are Management Board members and, by invitation, the external auditor and members of management. Outside the meetings, the Management Board informed us on relevant topics and there was also regular contact in the interim, both between the Supervisory Board members themselves as well as between the Supervisory Board and the Management Board.
Bram Sieben and Miranda de Bliek acted as the Supervisory Board's Corporate Secretary and secretary respectively in 2023. The secretary prepared the Supervisory Board meeting agendas, liaising with the chairpersons of the Management Board and the Supervisory Board.

The Audit Committee met six times in 2023, and the Selection, Appointment and Remuneration Committee held three meetings. The table below shows each Supervisory Board member's attendance record at the scheduled Supervisory Board meetings and committee meetings.

Name	Supervisory Board (5)	Audit Committee (6)	Selection, Appointment and Remuneration Committee (3)
Annemarie Jorritsma-Lebbink	100% (5/5)	N/A	100% (3/3)
Frits Eulderink	80% (4/5)	67% (4/6)	N/A
Thessa Menssen	80% (4/5)	100% (6/6)	N/A
Marinka Nooteboom (from 19 April 2023)	50% (2/4)	67% (2/3)	n/a
Gerard Penning	80% (4/5)	100% (2/2)	100% (2/2)
Bert Roetert (until 19 April 2023)	100% (1/1)	N/A	100% (1/1)

* Following the resignation of Bert Roetert (also Chair of the Selection, Appointment and Remuneration Committee), the Supervisory Board appointed Gerard Penning to chair the Selection, Appointment and Remuneration Committee with effect from 1 May. Effective the same date, Marinka Nooteboom was appointed to the Audit Committee.

Audit Committee

Topics discussed by the committee in 2023 included the 2022 financial statements, the 2023 half-year report, the regular quarterly reports, risk management, the 2024-2028 business plan (including the 2024 budget), the Internal Annual Audit Plan and reports submitted by the Internal Audit Department and the audit plan and reports submitted by the external auditor. The discussions relating to the audit plan included consideration of the scope of the audit, the materiality to be used and the audit fee. In addition, topics such as taxation, cost savings, the issuance of a green bond, longer-term financial projections and the structurally higher level of investment (and the required funding) for the implementation of the energy transition, implementation of the Corporate Sustainability Reporting Directive (CSRD) and 'managing for broad prosperity', the developments of the cross-border leases, integrity and fraud, risks in the areas of IT, security and privacy, and the update of the Internal Audit Charter were discussed. The Audit Committee also devoted considerable time to the procurement and selection process for a new external auditor.

Selection, Appointment and Remuneration Committee

The Audit Committee met six times in 2023 in the presence of the CFO, the Director of Corporate Control, the Internal Audit manager and the external auditor. Depending on the agenda, internal specialists also attended some meetings and reported on relevant topics in their capacity as experts. In addition, the chair of the Audit Committee talked regularly with the CFO, the external auditor and the Internal Audit manager outside the meetings.

The topics discussed included strategic staff planning, the diversity, inclusion and equality policy and the Alliander leadership competencies. The HR dashboard was also discussed. This dashboard presents topics such as FTE development, sickness absence, age and the gender ratio. The committee additionally carried out preparatory tasks for the Remuneration Report. Furthermore, on behalf of the Supervisory Board, the committee advised on adjustments to the remuneration policy for the Management Board. The Supervisory Board held discussions (through the committee) with the Committee of Shareholders on this matter in early 2023. The AGM subsequently adopted these changes to the remuneration policy at the recommendation of the Supervisory Board. Moreover, acting for the Supervisory Board, the committee conducted the annual individual performance reviews with members of the Management Board. This was done in line with the organisation-wide Personal Result and Development system, using feedback from fellow Management Board members and direct reports regarding the perceived quality of leadership and job performance, and the Management Board's own reflections on performance and the reflections of the Supervisory Board as input for discussion. The progress made relative to collective and individual goals and personal development was discussed. In addition, the committee worked intensively on the process culminating in the appointment of Marinka Nooteboom. The committee met on three occasions in 2023. In addition to the committee members, the CEO, the HRM director and the Corporate Secretary also attend the meetings.

Contact with the Works Council

The Supervisory Board feels it important to maintain strong contacts with the Works Council; this contact gives us a feeling for what is really going on in the organisation. It is customary for the Supervisory Board to meet twice with the Works Council and the Management Board in what is known as an Article 24 'Works Councils Act' meeting. The members of the Supervisory Board who were appointed on the basis of the Works Council's enhanced right of recommendation have regular contact with the Executive Team of the Works Council. In September, the Supervisory Board once again held its annual meeting with the Works Council. The themes this year were the challenges and dilemmas associated with Alliander's immense infrastructure construction task. The topics discussed included workload, culture and how attitudes in society are hardening. The Supervisory Board is pleased with the quality of the discussions and the open relationship with the Works Council.

Contact with shareholders

The Annual General Meeting of shareholders (AGM) is one of the opportunities for contact with the shareholders. During the AGM, the Supervisory Board renders account regarding performance of its supervisory duties. Nearly all the members of the Supervisory Board attended the AGM on 19 April 2023, which was chaired by the chair of the Supervisory Board. In addition to rendering account regarding the supervisory activities, this is also an excellent opportunity for an informal exchange of thoughts and ideas. The AGM approved all the resolutions on the agenda, including the matter of Alliander's entering into/signing the Agreed Framework with the State. Additionally, the shareholders were updated on the status of the Kenter sale process. The Management Board consults informally with the major shareholders on a regular basis. The topics discussed included the future energy system, the refocused strategy, the sale of Kenter, the outcome of the tender procedure for appointing a new external auditor and developments in legislation and regulations. The Supervisory Board was consistently kept informed in respect of these topics. The Supervisory Board feels positive about the good relationship and constructive collaboration with the shareholders during the past year.

Advice to shareholders regarding the financial statements

The 2023 financial statements were prepared by the Management Board and signed by the Management Board and Supervisory Board. Deloitte Accountants B.V. audited the financial statements, attended the Supervisory Board meeting during which the audit of the financial statements was discussed, and issued an unqualified audit opinion. The independent auditor's report is included in this annual report under 'Other Information'. The Supervisory Board will present the 2023 financial statements and the dividend proposal for the 2023 financial year to the AGM on 17 April 2024 and request their adoption. A proposal will furthermore be made by the Supervisory Board to the AGM to discharge the members of the Management Board from liability for the management policy pursued in the 2023 financial year, and to discharge the members of the Supervisory Board from liability for their supervision of that management policy.

Word of gratitude

During the past year, the organisation worked hard on the energy transition change management task and to meet operational challenges. It was a challenging year that required everyone to give their best. The importance of Alliander's work became even more apparent in 2023, and the work output was higher than in the previous year. The Supervisory Board is proud of the results achieved by all units in the organisation and expresses its thanks to all the employees, management, the Works Council and the Management Board for their flexibility, effort and engagement. We wish to thank the shareholders and other stakeholders for their support and confidence in Alliander.

Supervisory Board, 28 February 2024

Annemarie Jorritsma-Lebbink (chair)
Frits Eulderink
Marinka Nooteboom
Thessa Menssen
Gerard Penning

Composition of the Management Board

M. J. (Maarten) Otto MMC (1983, Dutch nationality)

Chair and CEO

Maarten Otto has been chair of the Management Board and Chief Executive Officer (CEO) since 20 May 2020. He is also responsible for the business and operations management of network operator Liander. He joined Alliander in 2017 and has held various positions in the company. Prior to that, he worked for the organisational consultancies TEN HAVE Change Management and Twynstra Gudde.

Maarten Otto studied Management, Economics and Law at The Hague University of Applied Sciences and Public Administration at Erasmus University Rotterdam. He has also completed postgraduate courses at VU Amsterdam and the London Business School.

Supervisory Board memberships/relevant other positions

- Chair of the Netbeheer Nederland Members Council
- Chair of the Management Board of WENb Werkgeversvereniging voor de Energie-, Kabel & Telecom- en Afval & Milieubedrijven (Employers' Association for the Energy, Cable & Telecom and Waste & Environment Sectors)
- Member of the Executive Management Board of VNO-CW

W. T. (Walter) Bien RC (1972, Dutch nationality)

Member of the Board and CFO

Walter Bien joined the Management Board on 7 October 2019, on which date he was also appointed to the position of Chief Financial Officer (CFO). He is also responsible for the business and operations management of network operator Liander. Before joining Alliander, he was CFO at Boskalis Dredging & Inland Infra and prior to that he held various board and management positions at Boskalis. Prior to his time at Boskalis, Walter Bien worked for Ballast Nedam.

Walter Bien earned a degree in Business Economics at the University Amsterdam. He also completed the Senior Executive Programme at the London Business School and a postgraduate controllers programme at the University of Amsterdam.

Supervisory Board memberships/relevant other positions

- Member of the Board of Trustees of Stichting AAP (wild animal rescue foundation), chair of the Audit Committee

M. I. (Marlies) Visser (1968, Dutch nationality)

Member of the Board and COO

Marlies Visser has been a member of the Management Board and Chief Operating Officer (COO) since 1 May 2020. She is also responsible for the business and operations management of network operator Liander. Prior to joining the Board, she held the position of Director of Operations at Liander (from 2014). Before that, she worked at the Netherlands' primary railway operator, Nederlandse Spoorwegen, for nearly ten years, including as the company's Service & Operations Manager.

Marlies Visser studied Communication Science at the University of Amsterdam and completed the INSEAD Advanced Management Programme (AMP) in Fontainebleau, France.

Supervisory Board memberships/relevant other positions

- Member of the Supervisory Board of Attero

F. D. (Daan) Schut (1974, Dutch nationality)

Member of the Board and CTO

Daan Schut joined the Management Board on 1 April 2019, on which date he was also appointed to the position of Chief Transition Officer (CTO). He is also responsible for the business and operations management of network operator Liander. Prior to joining the Board, he held the position of Director of Asset Management (from 2014) as well as various management positions between 2009 and 2014. Before Alliander, Daan Schut worked as an advisor at KPMG.

Daan Schut studied IT Auditing at Erasmus University Rotterdam, and Business Economics at HAN University of Applied Sciences. He also completed the INSEAD Advanced Management Programme (AMP).

Supervisory Board memberships/relevant other positions

- Member of the Management Board of Next Generation Infrastructures
- Member of the Board of Trustees of Stichting ElaadNL (knowledge and innovation centre on EV infrastructure and smart charging)
- Member of the Supervisory Board of GOPACS

Composition of the Supervisory Board

A. (Annemarie) Jorritsma-Lebbink (1950, Dutch nationality), Chair

- First appointed: 1 July 2016
- End of current term: 2024
- Alliander committee: member of the Selection, Appointment and Remuneration Committee

Background information

Annemarie Jorritsma was a Dutch Senate member for VVD (People's Party for Freedom and Democracy) between 9 June 2015 and 13 June 2023, serving as VVD Senate leader from 24 November 2015 onwards. After starting her national political career as a member of the Dutch House of Representatives in 1982, she served in two successive governments (Kok I and Kok II) as Minister of Transport, Public Works and Water Management, and Minister of Economic Affairs and Deputy Prime Minister respectively. Annemarie Jorritsma was Mayor of Almere from 2003 to 2015. She also chaired the Association of Dutch Municipalities (VNG) for seven years.

Relevant other positions

- Member of the Supervisory Board of Sandy HoldCo (Roompot), Member of the Supervisory Board of Wilgenhaege Capital Markets, member of the Econowind Advisory Council (from September 2023), chair of the Nederlandse Vereniging van Participatiemaatschappijen (NVP, Netherlands Venture Capital Association), member of the Supervisory Board of the Platform Talent voor Techniek (Talent for Technology Platform), chair of the Management Board of Nederland Distributieland (Holland International Distribution Council, from 26 April 2023)

F. (Frits) Eulderink (1961, Dutch nationality)

- First appointed: 26 September 2019
- End of current term: 2027
- Alliander committee: member of the Audit Committee

Background information

Frits Eulderink is COO and member of the Management Board of Royal Vopak. He previously held various technical and management positions at Shell, including Vice President, Unconventional Oil in Houston (US).

Relevant other positions

Chair of the Supervisory Board of Energie Beheer Nederland (from 1 January 2024), member of the Advisory Council of Leiden Observatory research institute, member of the International Review Board of the Netherlands Research School for Astronomy.

T. (Thessa) Menssen (1967, Dutch nationality)

- First appointed: 26 September 2019
- End of current term: 2027
- Alliander committee: chair of the Audit Committee

Background information

- Thessa Menssen was CFO and member of the Management Board of BAM Group. Previously she was CFO and COO of the Port of Rotterdam Authority

Relevant other positions

Member of the Supervisory Board of Aalberts* (from 9 March 2023), member of the Supervisory Board of Ecorys, member of the Supervisory Board of the National Maritime Museum, member of the Supervisory Board of Kröller Müller Museum

M. (Marinka) Nooteboom (1971, Dutch nationality)

- First appointed: 19 April 2023
- End of current term: 2027
- Alliander committee: member of the Audit Committee (as of 1 May 2023)

Background information
Marinka Nooteboom is CEO of Koninklijke Nooteboom Group. She started out her career in the financial sector successively at F. van Lanschot Bankiers and ING, before moving to the Nooteboom Group in 2010.

Relevant other positions
Member of Ace Centre of Expertise Advisory Council

G. R. (Gerard) Penning (1963, Dutch nationality)

- First appointed: 1 February 2021
- End of current term: 2025
- Alliander committee: member of the Audit Committee (until 1 May 2023), chair of the Selection, Appointment and Remuneration Committee (as of 1 May 2023)

Background information
Gerard Penning was Chief Human Resources Officer (CHRO) and a member of the Executive Committee of ABN AMRO until 1 December 2022. He previously held various management and executive positions at Shell, including that of Executive Vice President of HR Downstream.

Relevant other positions
Member of the Administrative Board of the international organisation Sustainable Energy for All (SEforALL), non-executive director for Inuka, B Corp specialised in coaching (from 26 July 2023)

Retired in 2023

Mr B. (Bert) Roetert (1956, Dutch nationality)

- First appointed: 2015
- Alliander committee: chair of the Selection, Appointment and Remuneration Committee

Background information
- Bert Roetert is Director/Owner of Advies, Bestuur en Toezicht (AB&T). Previously he served as CEO of Schuitema/C1000 and chair of the Board of Friesland Foods West Europe.

Relevant other positions
Chair of the Management Board of Centraal Bureau Levensmiddelen (CBL, the Dutch Food Retail Association), chair of the Supervisory Board of Zeeman Group*, member of the Supervisory Board of Jan Linders Supermarkten*, member of the Supervisory Board of Royal Smilde*

* Supervisory position at a large legal entity within the meaning of Article 142a, Book 2 of the Dutch Civil Code.

Remuneration report

Remuneration policy for the Management Board

General

The current remuneration policy was adopted by the General Meeting of Shareholders in April 2006 and was last amended in June 2023 (following a previous amendment in April 2023). In view of the major investment task, Alliander's size and growth, and the ever-increasing (regional) complexity of the task, the remuneration policy has been modified in three respects. This is in line with the implementation policy already adopted by the Supervisory Board and appropriate to Alliander's public character. First, the possibility of variable compensation was dropped. Second, the members of the Management Board are appointed for an indefinite period and third, the remuneration limit is now set at a maximum of 130% of the WNT limit. The aim of the remuneration policy is to create conditions that allow the company to attract, motivate and retain capable directors in order to achieve its task in the context of the energy transition. Each year, the remuneration policy is updated by the Supervisory Board in the implementation policy. The implementation policy is reviewed in the process and, if necessary, adapted to fit amended regulations, social trends and labour market developments.

The Supervisory Board is responsible for the implementation of the adopted remuneration policy for the Management Board. The Selection, Appointment and Remuneration Committee discusses the implementation of the remuneration policy with the Committee of Shareholders every year. The Public and Semi-Public Sector Executives Pay (Standards) Act (WNT), which sets limits for the remuneration of senior executives within the public and semi-public sector, is not applicable to Alliander. However, the Supervisory Board is acutely aware of the evolving perceptions within society regarding remuneration in the public and semi-public sector. Against this background, the Supervisory Board finds the amount of the amended remuneration policy acceptable. It is expected that this level of remuneration will be sufficient to maintain the quality of the company's management, which is of vital importance in the light of the radical changes that Alliander faces in the future.

The WNT is applicable to network operator Liander N.V. The members of Alliander's Management Board are also responsible for the business and operational management of Liander. In this latter capacity, the members of the Management Board qualify as senior executives of Liander under the WNT. In view of this, the remuneration package for Liander is subject to a statutory pay cap.

Procedure

The Supervisory Board draws up the remuneration policy for the members of the Management Board, based on advice from the Selection, Appointment and Remuneration Committee. The General Meeting of Shareholders of Alliander adopts the remuneration policy. Within the set remuneration policy, the Supervisory Board, again acting on the advice of the Selection, Appointment and Remuneration Committee, sets the actual remuneration package for each individual Management Board member.

Remuneration components

The total remuneration package for the Management Board members for 2023 consists of the following components:

- Annual gross base salary
- Pension benefits
- Social security contributions and other benefits

Re 1. Annual gross base salary

Management Board members receive an annual gross base salary, including holiday allowance. The fixed gross annual salary of the members of the Management Board does not exceed 130% of the WNT limit. The fixed gross annual salary is adjusted annually to the current WNT remuneration limit.

Re 2. Pension benefits

Management Board members participate in the pension scheme of Stichting Pensioenfonds ABP as referred to in the collective labour agreement for network companies and applicable to all employees of Alliander. Since 1 January 2004, this has consisted entirely of an average-pay scheme. Management Board members pay an individual contribution to participate in the pension scheme. Effective from 1 January 2015, the maximum pensionable salary has been equal to the permitted maximum under tax rules (€128,810 for 2023). This implies that no further pension is accrued over the part of the salary that exceeds €128,810.

Re 3. Social security contributions and other benefits

In addition to the social security contributions that are normally paid by the company, Management Board members are entitled to an employer's contribution towards the premium for the group health insurance plan, contributions to the 'personal budget' scheme and the use of a car provided by the company. In addition, the company has arranged accident and liability insurance for the benefit of the Management Board members. The company does not provide loans, advances or guarantees to members of the Management Board.

A restrictive policy is in place for positions outside the company: the Supervisory Board must approve any supervisory board membership or other paid position, including positions of an advisory or supervisory nature, while other positions outside the company must be reported in advance to the Supervisory Board. A Management Board member cannot hold more than two supervisory positions in large Dutch companies or large foundations. In addition, a Management Board member cannot be the chair of a supervisory body of a large Dutch company or large foundation. Any remuneration received for other positions held pursuant to membership of Alliander's Management Board accrues wholly to the company. Remuneration for other positions not held pursuant to membership of Alliander's Management Board accrues to the Management Board member concerned, who is also liable for any tax consequences.

Other principles

Term of service

All members of the Management Board are employed by Alliander N.V. on the basis of an indefinite contract of employment.

Notice period and severance policy

Notice periods of three months for the Management Board members and six months for the company have been agreed with the Management Board members. If the company terminates a Management Board member's employment contract, other than for a compelling reason, it is company policy to award a severance payment of no more than one gross annual salary.

Implementation of the Management Board remuneration policy in 2023

General

With the change in the composition of the Management Board in 2019, it has been decided to set the remuneration of the various members of the Management Board at the same level, This emphasises the non-hierarchical nature of the management model. Although the total remuneration package of the members of the Management Board is set at a maximum of 130% of the WNT standard[1], there may be differences in salary levels. These differences arise through individual options with regard to fringe benefits, such as the use of a car provided by the company.[2]

1 The WNT standard for 2023 is €223,000.

2 The remuneration data under Re 1., Re 2. and Re 3. were prepared on the basis of the IFRS accounting principles for the financial statements and not according to the definition of the WNT. As a result, although the maximum remuneration of 130% of the WTN standard is met, the total remuneration per individual based on the IFRS principles may deviate from this.

Re 1. Annual gross base salary

In the 2023 calendar year, Mr Otto's base salary amounted to €260,000, including 8% holiday allowance. Mr Bien's base salary amounted to €240,000, including 8% holiday allowance. The base salary paid to Ms Visser amounted to €250,000, including 8% holiday allowance, while Mr Schut's base salary amounted to €246,000, also including 8% holiday allowance.

Re 2. Pension benefits

Pension costs relate to standard pension contributions, which are based on the annual gross base pensionable salary, up to the permitted maximum of €128,810 under tax rules. In the year under review, €23,000 was paid in pension contributions per member of the Management Board.

Re 3. Social security contributions and other benefits

In 2023, the total amount of social security contributions, the employer's contribution towards the premium for the health insurance plan, and contributions to the personal employee benefits budget amounted to €16,000 for Mr Bien and €17,000 for Mr Otto, Mr Schut and Ms Visser.

Remuneration ratios

The median of the remuneration of all employees of Alliander set against the remuneration of the chair of the Management Board results in the following remuneration ratios:

	2023	2022	2021	2020	2019
Ratio	3.7	3.7	3.7	3.6	3.6

Principles:

- The calculation for both the chair of the Management Board and the employees was based on the following elements: base remuneration, employer's contribution towards pension, social security contributions and other applicable remuneration elements.
- Both full-time and part-time employees were included in the calculation.

Remuneration policy for the Supervisory Board

The remuneration of the Supervisory Board members is fixed and not dependent on the company's results. The remuneration was adopted by the General Meeting of Shareholders in 2011 and consists of a fixed annual gross amount for the chair and a fixed annual gross amount for the other members. The remunerations are adjusted yearly in line with the wage developments under the collective labour agreement for network companies. The members of the Supervisory Board are also entitled to an expense allowance. Alliander does not provide any personal loans, guarantees and so forth to the members of its Supervisory Board. Directors' liability insurance has been taken out for the members of the Supervisory Board.

Pursuant to the WNT, the members of Alliander's Supervisory Board also qualify as senior executives of Liander. The remuneration of the Supervisory Board for its supervisory activities in respect of Alliander is equal to the maximum remuneration for supervisory work for Liander, although this is not required by law. Under the WNT, the maximum remuneration of the Supervisory Board chair and the Supervisory Board members is 15% and 10% respectively of the maximum WNT limit applicable to Liander. The Supervisory Board continues to discuss with the shareholders an appropriate remuneration for the supervisory activities in line with the size of investments, risks and social relevance of the company, and the corresponding requirements in respect of quality and time investment by the Supervisory Board members in exercising adequate, good and focused supervision. For an overview of the total remuneration awarded to the members of the Supervisory Board for 2023, see the notes to the consolidated financial statements.

WNT

Alliander is not governed by the Public and Semi-Public Sector Executives Pay (Standards) Act (WNT), but network operator Liander is. The WNT requires companies to report on the remuneration of current and former senior executives. The annual report of the network operator, which is to be published in the second quarter of 2024, will contain disclosures on the WNT requirements.

Financial statements

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Consolidated financial statements

Consolidated balance sheet

€ million	Note	2023		2022	
Assets					
Non-current assets					
Property, plant and equipment	3	9,972		9,091	
Right-of-use assets	3	130		122	
Intangible assets	4	316		317	
Investments in associates and joint ventures	5	11		16	
Other financial assets	7	38		39	
Deferred tax assets	17	42		141	
Total non-current assets			**10,509**		**9,726**
Current assets					
Inventories	9	193		141	
Trade and other receivables	10	473		330	
Other financial assets	7	47		128	
Cash and cash equivalents	11	244		205	
Total current assets			**957**		**804**
Assets held for sale	33		180		162
Total assets			**11,646**		**10,692**
Equity and liabilities					
Equity	12				
Share capital		684		684	
Share premium		671		671	
Subordinated perpetual bond loan		495		495	
Hedge reserve		5		5	
Other reserves		2,627		2,517	
Result for the year		267		198	
Total equity			**4,749**		**4,570**
Liabilities					
Long-term liabilities					
Interest-bearing debt	13	3,137		3,000	
Lease liabilities	19	107		102	
Deferred income	14	2,021		1,965	
Provisions for employee benefits	15	20		18	
Deferred tax liabilities	17	-		-	
Other provisions	16	11		13	
Total long-term liabilities			**5,296**		**5,098**
Short-term liabilities					
Trade and other payables	18	171		155	
Tax liabilities	18	117		49	
Interest-bearing debt	13	901		426	
Lease liabilities	19	23		21	
Provisions for employee benefits	15	46		35	
Accruals	8, 18	323		322	
Total short-term liabilities			**1,581**		**1,008**
Total liabilities			**6,877**		**6,106**
Liabilities held for sale			20		16
Total equity and liabilities			**11,646**		**10,692**

Consolidated income statement

€ million	Note	2023		2022	
Income					
Revenue	21	2,725		2,150	
Other Income	22	54		63	
Total income			**2,779**		**2,213**
Operating expenses					
Purchase costs and costs of subcontracted work	23	-1,027		-762	
Employee benefit expenses	24	-857		-710	
Other operating expenses	25	-249		-186	
Total purchase costs, costs of subcontracted work and operating expenses		**-2,133**		**-1,658**	
Depreciation and impairments of non-current assets	26	-532		-539	
Less: Own work capitalised		318		294	
Total operating expenses			**-2,347**		**-1,903**
Operating profit			**432**		**310**
Finance income	27		9		1
Finance expense	28		-78		-54
Result from associates and joint ventures	5		-3		3
Profit before tax			**360**		**260**
Tax	29		-93		-62
Profit after tax from continuing operations			**267**		**198**
Profit attributable to non-controlling interests			-		-
Profit after tax			**267**		**198**

The profit after tax is almost entirely attributable to the shareholders of Alliander N.V.

Consolidated statement of comprehensive income

The comprehensive income was as follows:

€ million	2023	2022
Profit after tax	**267**	**198**
Other elements of comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Movement in hedge reserve	-	7
Comprehensive income after tax	**267**	**205**

The profit after tax is almost entirely attributable to the shareholders of Alliander N.V.

Consolidated cash flow statement

€ million	Note	2023		2022	
Cash flow from operating activities	30				
Profit after tax			267		198
Adjustments for:					
- Finance income and expense	27, 28		69		53
- Tax	29		93		62
- Result after tax from associates, joint ventures and third-party non-controlling interests	5		3		-3
- Depreciation, amortisation and impairment	22, 26		449		456
- Book profit on sale of Stam			-5		-13
Changes in working capital:					
- Inventories		-63		-96	
- Trade and other receivables		-134		4	
- Trade and other payables, accruals and deferred income		93		35	
Total changes in working capital			**-104**		**-57**
Changes in deferred tax, provisions, derivatives and other			18		-20
Cash flow from operations			**790**		**676**
Interest paid			-67		-50
Interest received			-		-
Dividend received			3		6
Corporate income tax paid (received)			-2		-60
Cash flow from operating activities			**724**		**572**
Cash flow from investing activities	30				
Investments in intangible assets	4	-		-1	
Investments in property, plant and equipment	3	-1,411		-1,228	
Construction contributions received from third parties	14	140		142	
Cash flow from the sale of associates	22	13		12	
GE notes redeemed	6	-5		-8	
Repayments of short-term debt	13	33		8	
Paid deposits	7	51		-100	
Cash flow from investing activities			**-1,179**		**-1,175**
Cash flow from financing activities	30				
Issue of green bonds	13	497		498	
Redemption EMTN		-		-400	
ECP financing issued	13	200		300	
Long-term debt issued	13	41		-	
Long-term debt redeemed	14	-126		-8	
Received deposits	13	-		-72	
Redemption lease liabilities	19	-28		-25	
Reimbursement on subordinated perpetual bond loan	12	-8		-8	
Dividend paid		-82		-101	
Cash flow from financing activities			**494**		**184**
Net cash flow			**39**		**-419**
Cash and cash equivalents as at 1 January			205		624
Net cash flow			39		-419
Cash and cash equivalents as at 31 December			**244**		**205**

Consolidated statement of changes in equity

€ million	Note	Share capital	Share premium	Subordinated perpetual bond loan	Hedge reserve	Other reserves	Profit for the year	Total
		Equity attributable to shareholders and other providers of equity						
As at 1 January 2022		**684**	**671**	**495**	**-2**	**2,380**	**242**	**4,470**
Profit after tax for 2022		-	-	-	-	-	198	198
Result interest rate swap		-	-	-	7	-	-	7
Comprehensive income for 2022		**-**	**-**	**-**	**7**	**-**	**198**	**205**
Reimbursement subordinated perpetual bond loan after tax		-	-	-	-	-6	-	-6
Dividend for 2021		-	-	-	-	-	-101	-101
Profit appropriation for 2021		-	-	-	-	141	-141	-
Other movements[1]		-	-	-	-	2	-	2
Total movements		**-**	**-**	**-**	**7**	**137**	**-44**	**100**
As at 31 December 2022		**684**	**671**	**495**	**5**	**2,517**	**198**	**4,570**
Profit after tax for 2023		-	-	-	-	-	267	267
Comprehensive income for 2023		**-**	**-**	**-**	**-**	**-**	**267**	**267**
Reimbursement subordinated perpetual bond loan after tax	12	-	-	-	-	-6	-	-6
Dividend for 2022		-	-	-	-	-	-82	-82
Profit appropriation for 2022		-	-	-	-	116	-116	-
Total movements		**-**	**-**	**-**	**-**	**110**	**69**	**179**
As at 31 December 2023		**684**	**671**	**495**	**5**	**2,627**	**267**	**4,749**

1 This concerns rounding differences.

Notes to the consolidated financial statements

Accounting policies

Alliander N.V. is a public limited liability company, with registered offices in Arnhem (Utrechtseweg 68, 6812 AH Arnhem) in the Netherlands.

The 2023 financial statements were signed by the members of the Management Board and the members of the Supervisory Board on 28 February 2024. The Supervisory Board will submit the financial statements for adoption by the General Meeting of Shareholders on 17 April 2024. The accounting policies are based on the assumption of a going concern.

The Alliander group

Alliander N.V. is a public limited liability company, with registered offices in Arnhem, the Netherlands. The principal activities of Alliander and its wholly-owned subsidiaries (also referred to here as 'Alliander', 'the Alliander group', 'the group' or similar expressions) are the operation of electricity and gas networks covering roughly one-third of the Netherlands, and the provision of related services.

The subsidiary Liander owns and manages the regional gas and electricity networks in the provinces of Gelderland, Friesland, Noord-Holland and parts of Zuid-Holland, Flevoland and Noordoostpolder. Under the Electricity Act 1998 and the Gas Act the management of the networks and regional distribution of electricity and gas are the exclusive responsibility of the network operator. Qirion provides services relating to the construction and maintenance of complex energy infrastructures. Among other things, Alliander AG performs activities relating to network management. Kenter B.V. focuses on innovative solutions for energy metering and energy management. The activities of Alliander Telecom N.V., TReNT B.V., TReNT Infra B.V. and the joint operation Utility Connect B.V. centre around data communications for the group and for third parties. Through its subsidiaries set up in recent years, including Firan and ENTRNCE, Alliander has taken the initiative in and is facilitating developments and activities aimed at creating a sustainable energy supply for the Netherlands.

Non-controlling interests

There are third-party non-controlling interests in Alliander's activities. As at year-end 2023, this concerned a 5% interest on the part of the municipality of Nijmegen in Indigo B.V., a 5% interest on the part of the municipality of Hengelo in Warmtenetwerk Hengelo B.V., a 5% interest on the part of the municipality of Didam in Warmtenetwerk Didam B.V. and a 25% interest in Warmte-Infrastructuur Limburg Geothermie B.V., all of which are subsidiaries of Firan. See note 12.

IFRS

Alliander's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as at 31 December 2023, as adopted by the European Union (EU), and the provisions of Title 9, Book 2 of the Dutch Civil Code. IFRS consists of the IFRS standards as well as the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards issued by the IFRS Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), respectively.

The significant accounting policies used in the preparation of the consolidated financial statements are set out below. The historical cost convention applies. However, certain assets and liabilities, including derivatives, are measured at fair value. Unless stated otherwise, these accounting policies have been applied consistently to the years covered in these financial statements.

The preparation of financial statements requires the use of estimates and assumptions based on experience and considered appropriate by management given the specific circumstances. These estimates and assumptions have an impact on the carrying amounts and presentation of the reported assets and liabilities, the off-balance sheet rights and obligations and the reported income and expenditure during the year. The actual outcomes may differ from the estimates and assumptions used. Note 35 to the financial statements gives further information on the areas and items in the financial statements where estimates and assumptions are used. Unless stated otherwise, all amounts reported in these financial statements are in millions of euros.

Unrealised profits on transactions between the Alliander group and its associates or joint ventures are eliminated pro rata according to the group's interest in the entity concerned. Unrealised losses are also eliminated, unless the transaction gives rise to the recognition of impairment losses. If appropriate, the accounting policies of associates and joint ventures are adjusted to ensure the consistent application of accounting policies throughout the Alliander group.

New and/or amended IFRS standards applicable in 2023

The IASB has issued new and amended standards that are applicable to Alliander with effect from the 2023 financial year. The new standards and amendments to standards listed below have been endorsed by the European Union.

Amendment to IAS 12 Income taxes: 'International Tax Reform – Pillar Two Model Rules'

On 31 December 2023, the 2024 Minimum Tax Rate Act (Wet minimumbelasting 2024) came into force, pursuant to Directive (EU) 2022/2523 and based on the OECD/G20 Pillar 2 rules. Under the legislation, multinational groups, which have a revenue of €750 million or more according to the consolidated financial statements of the ultimate parent, must be subjected to a minimum effective tax rate of 15% per jurisdiction. If this tax burden is lower, an additional amount of tax (top-up tax) may be charged.

The 2024 Minimum Tax Rate Act is applicable to Alliander N.V. since the revenue according to the consolidated financial statements of the group's ultimate parent, Alliander N.V., is €750 million or more in at least two of the four reporting years prior to the 2024 financial year.

Analysis shows that for all group companies in the Netherlands, Germany, Belgium and Sweden, based on the available financial data, the temporary safe harbour rules (rules to ease compliance obligations) can be used in the 2024 financial year, which would result in zero top-up tax.

Under an amendment to IAS 12, a temporary, mandatory exemption applies to accounting for deferred taxes resulting from the introduction of the global minimum tax rate. This is intended to prevent different interpretations of how Pillar 2 should be applied and to avoid possible effects on the deferred taxes in the financial statements. How long this exemption will remain in force is not yet known. Alliander will continue to assess the impact of the Pillar 2 legislation under the 2024 Minimum Tax Rate Act on its future financial performance.

Other new or amended standards in 2023

- New: IFRS 17 'Insurance Contracts'
- Amendment to IFRS 17 Insurance Contracts: 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information'
- Amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: 'Disclosure of Accounting policies'
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: 'Definition of Accounting Estimates'
- Amendment to IAS 12 Income taxes: 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

This new standard and these amendments to standards do not have any material impact on Alliander and/or their relevance is either zero or very limited so they will not be discussed further in these financial statements.

Expected changes in accounting policies

In addition to the aforementioned new and amended standards, the IASB has issued amended standards, which will be applicable to Alliander in subsequent financial years. These standards can only be applied if adopted by the European Union.

The future amended standards are the following:

- Amendment to IAS 1 Presentation of Financial Statements: 'Classification of Liabilities as Current or Non-current' and 'Non-current liabilities with Covenants'
- Amendment to IFRS 16 Leases: 'Lease Liability in a Sale and Leaseback'
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments - Disclosures: 'Supplier Finance Arrangements'
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: 'Lack of Exchangeability'.

These published future amendments to standards are not relevant or have very limited relevance to Alliander and/or do not have any material impact on Alliander so they will not be discussed further in these financial statements.

Basis of the consolidation

Subsidiaries

The consolidated financial statements comprise the financial data of Alliander and its subsidiaries. Subsidiaries are companies over which Alliander, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities. In determining whether Alliander has control, actual and potential voting rights that are currently exercisable or convertible are taken into account, along with the existence of other agreements enabling Alliander to control financial and operating policies.

The assets, liabilities and results of subsidiaries are fully consolidated. The results of consolidated subsidiaries that have been acquired during the year are consolidated from the date Alliander obtains control over those subsidiaries. Consolidation of subsidiaries ceases from the date Alliander no longer controls the subsidiary.

The acquisition method is used to account for acquisitions of subsidiaries by Alliander. The purchase price of an acquisition is determined by measuring the fair value of the acquired assets, the issued equity instruments and the assumed or acquired liabilities. The consideration paid includes the fair value of all assets or liabilities arising out of contingent consideration arrangements. The identifiable assets and liabilities and contingent liabilities that are acquired are initially measured at fair value at the date of acquisition, irrespective of the amount that is attributable to non-controlling interests (see also the accounting policies for goodwill). For each business combination, it is determined whether any non-controlling interest in the acquiree is measured at fair value or at the proportionate share of the non-controlling interest in the acquiree's identifiable net assets. The interests of third parties in group equity and the group's profit after tax are presented separately as non-controlling interests and profit after tax attributable to non-controlling interests.

Intercompany transactions, intercompany receivables and payables and unrealised gains on transactions between subsidiaries are eliminated. Unrealised losses are also eliminated, unless the transaction gives rise to the recognition of impairment losses. If appropriate, the accounting policies of subsidiaries are adjusted to ensure the consistent application of accounting policies throughout the Alliander group.

Associates and joint arrangements

Associates are entities where Alliander, directly or indirectly, exercises significant influence, but not control, over the financial and operational policies. Significant influence is assumed when Alliander can exercise between 20% and 50% of the voting rights.

Joint ventures are joint arrangements where the parties having joint control over the arrangement have rights to the net assets of the arrangement. These parties are referred to as investors in joint ventures.

A joint operation is a joint arrangement where the parties having joint control over the arrangement (including Alliander) have rights to the assets and obligations for the liabilities relating to the arrangement. These parties are referred to as participants in joint operations. In a joint operation, Alliander recognises its assets and liabilities and its revenue and expenses arising from the joint operation. A list of the subsidiaries and other associates is included in the Subsidiaries and other associates section.

Investments in associates and interests in joint ventures are measured using the equity method. Initial measurement is at historical cost. The carrying amount of the associate or the joint venture includes the goodwill paid at the date of acquisition of the associate or entering into the joint venture and Alliander's share in the changes in the equity of the associate or joint venture after the date of the transaction. The share in the realised results of the entities concerned since the date on which they were acquired is recognised in the income statement and the share in the change in unrealised results of the entities concerned since acquisition date is included in the comprehensive income. If the accumulated losses exceed the carrying amount, they are not recognised unless Alliander has an obligation or has made payments to defray them, in which case, a provision is recognised and charged to income.

Unrealised profits on transactions between the Alliander group and its associates or joint ventures are eliminated pro rata according to the group's interest in the entity concerned. Unrealised losses are also eliminated, unless the transaction gives rise to the recognition of impairment losses. If appropriate, the accounting policies of associates and joint ventures are adjusted to ensure the consistent application of accounting policies throughout the Alliander group.

Scope of the consolidation

2023

Other than the 100% group company Kenter Employment BV which was set up in 2023, no group companies were set up or purchased or sold.

2022

Alliander AG set up the company InfraSignal GmbH in 2022. Activities related to the construction and maintenance of traffic management systems in Berlin were transferred to this company by means of a legal demerger from Alliander Stadtlicht GmbH. As of 31 December 2022, the shares in InfraSignal GmbH were transferred to the municipality of Berlin. Alliander N.V. furthermore set up two companies in 2022, and then transferred the heating networks in Almere and Duiven/Westervoort from Liander N.V. to these companies. These new companies were offset by the sale of Stam Heerhugowaard Holding B.V. This sale took place on 10 January 2022.

Segment reporting

The reporting of segment information reflects the basis on which management information is reported to the Chief Operating Decision-Maker (CODM). The Management Board is identified as the most senior officer (CODM) responsible for the allocation of resources and for evaluating segment performance. Internal reporting is based on the same accounting policies as are used for the consolidated financial statements. The internally reported results are on a comparable basis, i.e. excluding incidental items and fair value movements. The reconciliation with the reported figures is given in note 2.

Alliander distinguishes the following segments:

- Network operator Liander;
- Other.

Foreign currency translation

Functional and presentation currency

The items in the financial statements of the entities forming part of the Alliander group are recorded in the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are prepared in euros, Alliander's functional and presentation currency.

Translation of transactions and balance sheet items in foreign currencies

Amounts of transactions in foreign currencies are converted into the functional currency at the applicable exchange rate at the time. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates at the balance sheet date. Currency translation differences resulting from the settlement of transactions denominated in foreign currency or the translation at the balance sheet date are recognised in the result, unless these exchange gains or losses are recognised directly in comprehensive income as cash flow hedges or net investment hedges in a foreign entity.

Currency translation differences on monetary investments in bonds are recognised in income when they relate to the translation of the amortised cost in foreign currency.

Impairments

To measure impairments, assets are allocated to the lowest possible level at which they generate separately identifiable cash flows (cash-generating units). Goodwill is allocated to a level that is consistent with the manner in which goodwill is internally reviewed by management. Impairment of cash-generating units is initially allocated to the goodwill of the cash-generating unit (or group of cash-generating units) and is subsequently allocated proportionately to the carrying amount of the other assets of the cash-generating unit.

Under IFRS, goodwill is tested annually for impairment by comparing the recoverable amount and the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. Impairment losses – the difference between carrying amount and recoverable amount – are recognised in the income statement.

A similar calculation is only performed in the case of all other non-current assets if warranted by events or changes in circumstances (triggering event analysis). The results of this calculation determine whether the value of property, plant and equipment, intangible assets or financial assets has been impaired. Each year and when interim results are published, a test is carried out to establish whether such events or changes have occurred.

There were no changes to the cash-flow generating units (CGUs) in 2023. Alliander Digital Solutions B.V. was added to the existing cash-flow generating units (CGUs) as a separate CGU in 2022.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In measuring the value in use, the estimated future cash flows are discounted at a pre-tax discount rate. The discount rate reflects the time value of money and the specific risks that are associated with the assets involved. If certain assets do not generate cash flows independently, the value in use is measured for the cash-generating unit to which the asset involved belongs.

If a previously recognised impairment loss ceases to apply, it is reversed to the original carrying amount less regular depreciation and amortisation up to the date of reversal. Impairments of goodwill are not reversed.

Assets held for sale and discontinued operations

Fixed assets held for sale and assets held for sale relating to key operations, as well as the liabilities that can be attributed to these assets, are recognised separately on the balance sheet. Assets are designated as being held for sale if Alliander has committed itself to the sale of the asset involved, if the sales process has started and if the sale is expected to occur within one year of the asset being classified as held for sale. These assets are no longer depreciated, but are recognised at fair value less costs to sell if this amount is lower than the carrying amount. If the sale has not taken place within one year, the asset and associated liabilities are no longer presented separately in the balance sheet unless the failure to meet the one-year time limit is due to events or circumstances beyond Alliander's control and Alliander still intends to sell the asset in question.

Assets held for sale and the associated liabilities are presented as such in the balance sheet from the time that they are designated as held for sale. The comparative figures in the balance sheet are not restated. A discontinued operation is an activity of material significance which has been either discontinued or classified as held for sale. The results from discontinued operations comprise the results for the entire financial year up to the up to the close of the year. The comparative figures are restated in this case.

Property, plant and equipment

The property, plant and equipment item is subdivided into the following categories:

- Land and buildings;
- Networks;
- Other plant and equipment;
- Assets under construction/prepaid assets.

The property, plant and equipment is measured at historical cost, less accumulated depreciation and impairment. At the time of the transition to IFRS on 1 January 2004, Alliander decided to use the option in IFRS 1 'First-Time Adoption of International Financial Reporting Standards' to recognise networks at their deemed cost on that date.

Historical cost includes all expenditure directly attributable to the purchase of an item of property, plant and equipment or the production of an item of property, plant and equipment for own use. The cost of production for the company's own use includes the direct costs of materials used, labour and other direct production costs attributable to the production of the item of property, plant and equipment and the costs required to bring it into its operational condition.

With effect from 1 January 2009, the costs of loans associated with the purchase of an item of property, plant and equipment or assets under construction are capitalised insofar as they can be directly attributed to the acquisition, production or construction of a qualifying asset. For Alliander, this entails the obligatory capitalisation of interest costs from all qualifying assets whose initial capitalisation date falls on or after 1 January 2009.

Costs incurred after the date on which an item of property, plant and equipment has been taken into use are only capitalised if it can be assumed that these costs will generate future economic benefits and if they can be measured reliably. Depending on the circumstances, these costs form part of the carrying amount of the asset involved or are capitalised separately. The carrying amount of the original asset is derecognised on replacement. Maintenance expenditure is charged directly to the income statement in the year these costs are incurred.

Historical cost also includes the net present value of the estimated dismantling and removal costs and, if applicable, the costs of restoring the site to its original condition insofar as there is a legal or constructive obligation to do so. These costs are capitalised at the time of acquisition or at a later date when the obligation arises. In both cases, the capitalised costs are depreciated over the expected remaining useful life of the asset concerned.

With the exception of gas assets, property, plant and equipment are depreciated using the straight-line method over the expected useful life of the various components comprising the asset in question, taking into account the expected residual value. Since 1 January 2022, the variable declining balance method has been used for depreciation of the gas assets. For more information, please refer to changes in estimations for 2022.

The useful lives of the asset categories are as follows:

- Land: not depreciated;
- Buildings: 20-50 years;
- Networks; 5-55 years;
- Other plant and equipment; 3-60 years;
- Assets under construction: not depreciated.

Assets with a short useful life (5 years) forming part of the networks mainly concern electronic equipment. The networks themselves (pipes and cables) generally have a useful life of 40 to 55 years. The expected useful lives, residual values, and depreciation methods are reviewed annually and adjusted as necessary. Gains or losses on disposal are determined from the sales proceeds and the carrying amount on the date of disposal. Gains are recognised in other income.

Changes in estimations

2023

In 2023, the estimation methods remained unchanged.

2022

Since 1 January 2022, the variable declining balance method has been used for depreciation of the gas assets. An acceleration factor of 1.2 is applied. The change in depreciation methodology is largely in response to an expected decrease in the utilisation of our gas assets as alternative energy sources become more predominant. The declining balance method has been chosen as this method is better suited to the expected future decrease in the number of users of the gas network. The acceleration factor of 1.2 is based on the expected rate at which the number of users of the gas network will decrease.

Alliander also estimates that the decrease in the number of users of the gas network will not lead to large-scale decommissioning of the gas assets. Despite a decrease in the number of users of the gas network, the main gas network infrastructure will remain largely operational. In addition, it is expected that natural gas will continue to be of relevance, along with sustainable alternatives such as green gas and hydrogen. Therefore, this does not imply a reduction in the useful life of the gas assets.

From 1 January 2022, the amortisation pattern of the contributions received in advance for the gas assets will also be adjusted according to the variable declining balance method, with the effect that the net depreciation charges (gross depreciation less the amortised contributions) for the gas assets will follow a declining pattern.

As a result of the change in the estimation method, gross depreciation charges relating to gas assets were €23 million higher in 2022 and amortised contributions were €4 million higher. The net depreciation expense is therefore €19 million higher than it would have been if the straight-line depreciation method had been retained.

Intangible assets

Goodwill

Goodwill is the amount by which the consideration paid on transfer of ownership exceeds the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries or associates acquired. Goodwill recognised on the acquisition of subsidiaries or associates is classified under intangible assets. Goodwill recognised on the acquisition of associates is included in the cost of the investment concerned. If the amount paid on transfer is lower than the fair value of the identifiable assets, liabilities and contingent liabilities (negative goodwill), this difference is recognised directly through the income statement.

The carrying amount of goodwill consists of historical cost less accumulated impairment. Impairment tests are performed annually in order to determine whether the carrying amount of the goodwill has been impaired. On the disposal of entities or cash-generating units, the goodwill attributable to the entity or unit is taken into account in determining the result on disposal.

Other

Purchased lease contracts are recognised in the balance sheet as other intangible assets, measured at the net present value of the future cash flows. Amortisation is calculated over the average period of the purchased contracts.

Financial assets

Classification and recognition

Financial assets – mostly investments in loans and shares – are classified into the categories described hereafter. Financial assets are classified as current if the remaining term to maturity is less than 12 months at the balance sheet date. They are classified as non-current if the remaining term to maturity is longer than 12 months. The category in which a financial asset is placed and measured depends on:

- the entity's business model for managing the financial assets
- and the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if both of the following conditions are satisfied:

- The financial asset is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is recognised at fair value through other comprehensive income if both of the following conditions are satisfied:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be recognised at fair value through profit or loss unless, in accordance with the above paragraphs, it is recognised at amortised cost or at fair value through other comprehensive income.

On initial recognition, a financial asset is measured at fair value plus, in the case of a financial asset that is not recognised at fair value through profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset.

Alliander does not employ any business models where the aim is achieved both by receiving contractual cash flows and by selling financial assets. Alliander's financial assets are therefore measured after initial recognition either at amortised cost or at fair value through profit or loss.

If the fair value of financial assets measured at amortised cost has been hedged, the amortised cost is adjusted for the gain or loss attributable to the hedged risk. These adjustments are recognised in the income statement.

Impairments

A provision for losses is recognised for expected credit losses on financial assets that are measured at amortised cost or recognised at fair value through other comprehensive income. Calculation of the impairment is based on the expected loss. This is assessed periodically. The general approach is that of the expected credit loss (ECL) model, which involves determining the 12-month expected credit loss. In the event of a significant increase in the credit risk on a financial asset, the lifetime expected credit loss is recognised.

The amount of the expected credit loss (or reversals) that is required to adjust the compensation for losses as at the reporting date is recognised as an impairment gain or loss in the income statement.

Derivatives and hedge accounting

Derivatives are measured at fair value. The fair values are either derived from quoted prices in active markets or obtained from recent market transactions of a similar nature, or calculated using valuation methods such as discounted cash flow models and option valuation models when there is no active market for the instruments.

Derivatives are classified as current or non-current assets if the fair value is positive and as current or non-current liabilities if the fair value is negative. Derivative receivables and payables with the same counterparty are netted if there is a right to do so and Alliander has the intention to settle the transaction on a net basis.

Accounting for movements in fair value of derivatives

The accounting treatment for the movements in the fair value of derivatives depends on whether the derivative is designated as held for trading or as a hedge (and recognised as such for accounting purposes in an effective hedge), and if the latter is the case, the risk that is being hedged.

Commodity contracts intended for own-use by the company

Alliander may use energy commodity contracts for physical purchases of electricity, gas and green certificates (renewable energy certificates – RECs) for network losses occurring in the distribution of electricity and gas. For these contracts, transactions are recognised on the delivery date at the then applicable prices. Contracts are designated as own-use contracts, as contracts for trading or as hedges on the date on which they are entered into.

Hedge accounting

Alliander uses derivatives to hedge foreign exchange risks on assets and liabilities, interest rate risks on long-term loans and price risks arising from energy commodity contracts. These hedge transactions can be divided into two categories:

- Cash flow hedging: these are instruments hedging the risk of movements in future cash flows that may affect profit or loss. The hedges are attributable to a specific risk that is related to a balance sheet item or a future transaction that is highly probable. The effective part of the changes in the fair value of the hedge reserve is recognised in shareholders' equity under the hedge reserves. The non-effective part is taken to the income statement. The accumulated amounts recognised in equity are transferred to the income statement in the period in which the hedged transaction is recognised in the income statement. However, if a forecast transaction that is hedged leads to the

recognition of a non-financial asset or liability, the accumulated gains and losses on the hedges are included in the initial measurement of the asset or liability involved. If a hedge ceases to exist or is sold, or when the criteria for hedge accounting are no longer being met, the accumulated fair value movements are held in equity until the forecast transaction is recognised in the income statement. If a forecast transaction is no longer expected to occur, the accumulated fair value movements that were recognised in equity are recognised through the income statement.
- Fair value hedges: these are instruments hedging the risk of movements in the fair value of assets and/or liabilities, or a part thereof, carried on the face of the balance sheet, or firm commitments, or a part thereof, that may affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Fair value movements of derivatives that are designated as fair value hedges are recognised in the income statement, together with the movements in the fair value of the assets or liabilities or groups thereof, that are attributable to the hedged risk.

At the start of a hedging relationship, and subsequently on an ongoing basis, an assessment is made to establish whether the hedging relationship satisfies the hedge effectiveness requirements. If a hedging relationship ceases to satisfy the hedge effectiveness requirements but the risk management objective of the hedging relationship is unchanged, rebalancing takes place by changing the terms of the hedging relationship in such a way that it again satisfies the criteria. This rebalancing is processed administratively as a continuation of the hedging relationship. Upon rebalancing, the hedge ineffectiveness of the hedging relationship is calculated and recognised.

Other derivatives

Fair value gains and losses on other derivatives are recognised in the income statement.

Leases where Alliander acts as lessor

Operating leases

Alliander has entered into operating leases for district heating networks and energy-related installations. Operating leases are leases that are not designated as finance leases. Risks and rewards incidental to ownership of the assets concerned are not, or not substantially, transferred to the lessee.

The assets that are leased to third parties under operating leases are classified as property, plant and equipment. The proceeds from operating leases are recognised through the income statement as operating income over the lease period. To calculate the credit losses to be recognised in respect of outstanding receivables for operating leases, the simplified approach for trade receivables and contract assets is used. See also the policies for trade and other receivables.

Finance leases

Alliander has entered into a finance lease for a heat transport pipeline. Risks and rewards incidental to ownership of the assets concerned are entirely or almost entirely, transferred to the lessee.

Finance lease receivables are recognised in other financial assets. The finance benefits over the lease period from finance leases are recognised through the income statement as finance income. For the determination of the credit losses to be recognised in respect of outstanding receivables for finance leases, the accounting policy for impairments on financial assets applies.

Inventories

Inventories are measured at the lower of cost and net realisable value. These inventories consist of raw materials and consumables, inventories in process of production and finished goods. The cost of inventories is determined using the FIFO (first-in, first-out) method. Net realisable value is measured using the estimated sales price in normal operating circumstances, less the estimated costs to sell.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently at amortised cost less impairment for the default risk. To calculate the amount, the simplified approach for trade receivables and contract assets is used, with the expected credit losses estimated on the basis of experience.

Cash and cash equivalents

Cash and cash equivalents comprise all liquid financial instruments with a maturity date at inception of less than three months. Cash and cash equivalents include cash in hand, bank balances, money market loans and short-term deposits. Overdrafts are only classified as cash and cash equivalents if Alliander has the right to net debit and credit balances, the debit and credit balances are held with the same bank and Alliander has the intention to exercise this right and also actually does so.

Cash and cash equivalents are measured at fair value on initial recognition and subsequently at amortised cost, which in general equals the face value. Cash and cash equivalents also include cash and cash equivalents to which Alliander does not have free access. Amounts owed to credit institutions are recognised as interest-bearing debt.

Interest-bearing debt

Interest-bearing debt consists primarily of loans and is initially measured in the balance sheet at the fair value of the consideration receivable, less transaction costs. With the exception of derivatives, it is subsequently measured at amortised cost. Where the interest-bearing debt is hedged by means of a fair value hedging instrument, the amortised cost of the interest-bearing debt is adjusted for the movement in fair value attributable to the hedged risk. These adjustments are recognised in the income statement.

Leases where Alliander acts as lessee

When entering into a contract, an assessment is made as to whether it is or contains a lease. A contract is or contains a lease if it grants a right to control the use of an identified asset for a period of time in exchange for consideration. In case of a contract that is or contains a lease, each lease component of the contract is recognised as a lease in the records separately from the contract's non-lease components.

On the effective date, the right-of-use asset is measured at cost. Cost is made up of the amount of the first measurement of the lease liability, the initial direct costs incurred, lease payments made on or before the effective date, less all lease incentives received.

On the effective date, the lease liability is measured at the present value of the lease payments not made on that date. The lease payments are discounted based on the lease's imputed rate of interest, provided it can be estimated reliably. If not, the incremental borrowing rate of interest is used. The incremental borrowing rate is determined on the basis of the risk-free market interest rate plus a risk markup specific to Alliander over a similar period and with the same type of security as the terms on which Alliander would be able to obtain finance to acquire a comparable asset.

Rights of use are measured at historical cost, less accumulated depreciation and impairment.

After initial recognition, the lease liabilities are measured by increasing the carrying amount to show the interest on the lease liability and lowering it to show the lease payments made.

Alliander uses the exemptions for short-term and low-value leases offered by IFRS.

Construction contributions, government and investment grants

Construction contributions

Construction contributions from customers in connection with investments in the electricity and gas infrastructure for the provision of connection and distribution services are recognised in the balance sheet as contract liabilities (deferred income). Deferred income is amortised over the expected useful lives of the assets involved. The amortisation is recognised through the income statement as revenue.

Government subsidies and investment grants

Government subsidies and investment grants are recognised if there is reasonable certainty that the criteria for receiving the grant are or will be met, and that the grant will be received. Grants received for investments in property, plant and equipment are recognised as deferred income in the balance sheet and are amortised over the expected useful lives of the assets involved. The amortisation is recognised through the income statement as other income.

Government grants and operating subsidies that do not relate to investments in property, plant and equipment or other non-current assets are taken to income when the associated costs are incurred.

Tax

Deferred tax assets and liabilities that arise from taxable temporary differences between the carrying amount in the financial statements and the carrying amount for tax purposes are determined using the corporate income tax rates that are currently applicable or will be applicable, under current legislation, at the time of settlement of the deferred tax asset or liability. Deferred tax assets, arising, for example, from operating losses, are only recognised if it is probable that sufficient future taxable profits will be available – accounting for them at tax group level. Deferred tax assets and liabilities are only set off if Alliander has a legal right to offset and the receivables and liabilities relate to taxes that are levied by the same authority. Deferred tax assets and liabilities are measured at face value.

The corporate income tax charge is determined using the applicable rates for corporate income tax and are recognised at face value. Permanent differences between the results for tax purposes and financial reporting purposes and the ability to utilise tax losses carried forward are taken into account if deferred tax assets have not been recognised for these tax losses.

Provisions for employee benefits

Multi-employer plans

Alliander has a number of defined benefit plans and defined contribution plans for which contributions are generally paid to pension funds or insurance companies. The main pension schemes, which are administered by ABP, take the form of multi-employer plans. Although these pension plans are essentially defined benefit plans, these plans are treated as defined contribution plans as Alliander does not have access to the required information *and* because its participation in the multi-employer plans exposes it to actuarial risks that relate to the present and former employees of other entities. The pension contributions due for the financial year are accounted for as pension costs in the financial statements. Where there is an agreement for a multi-employer plan that specifies how a surplus is distributed to the participants or a deficit is to be financed and where the plan is accounted for as a defined contribution plan, a receivable or payable arising from the agreement is recognised in the balance sheet. The resulting gains or losses are recognised in the income statement. The pensions of by far the majority of Alliander's workforce are managed by the ABP pension fund and do not have such contractual agreements.

As a result, no receivable or liability has been recognised in the balance sheet. The contributions paid during the year are recognised in the income statement. The same applies to the pensions administered by BPF Bouw and Pensioenfonds voor Metaal en Techniek.

In addition to the above multi-employer pension plans in the Netherlands, Alliander has two defined benefit plans relating to subsidiaries in Germany, although these are not of material importance. These plans are accounted for in accordance with the amended IAS 19.

Pensions and other post-employment benefits

Pensions and other post-employment benefits include, among other things, the medical benefit scheme for retired employees. This scheme has not been transferred to an external insurance company or pension fund. The amount of the liability carried on the face of the balance sheet in respect of the medical and other post-employment benefits is made up of the net present value of the gross liability in respect of the defined medical benefit obligation plus or less actuarial gains and losses and less past-service costs not yet recognised as at balance sheet date. These components are computed actuarially.

The present value of the medical benefit obligation is determined using the projected unit credit method, which takes into account the accrued entitlements at the balance sheet date and changes in the entitlements. The costs for the medical benefit scheme attributable to the year of service and the accretion of interest to the provision are recognised in employee benefits in the income statement.

Other long-term employee benefits

Other long-term employee benefits include plans, other than pension plans, in which payment does not occur within 12 months after the end of the period in which the employees render the related service. These plans consist of long-term sickness benefits, long-service benefits, payments on reaching retirement age and incapacity benefits for former employees, and additional annual leave for older employees. These obligations have not been transferred to pension funds or insurance companies. The obligation for other long-term employee benefits in the balance sheet consists of the net present value of the vested benefits. If appropriate, estimates are made of future salary rises, employee turnover and similar factors. These factors form part of the calculation of the provision. Changes in the provision resulting from changes in actuarial assumptions and benefits are taken directly to the income statement. The service costs attributable to the year of service and the accretion of interest to the provision are recognised in employee benefits in the income statement.

Termination benefits/restructuring

Termination benefits are benefits resulting from a decision by Alliander to terminate the employment contract before the normal retirement date or the voluntary decision of an employee to agree to the termination of the employment contract. The nature and the amount of the termination benefits are laid down in the Social Plan. The Social Plan is renegotiated periodically. A provision is only recognised if Alliander has drawn up a detailed restructuring plan which has been approved and communicated and it is not probable that the plan will be withdrawn at a later date. The amount of the provision is measured at the best estimate of the amount needed to settle the obligation. If the payment is expected to occur more than 12 months after the balance sheet date, the provision is stated at net present value.

Other provisions

Provisions are recognised when:

- There is a legal and/or constructive liability at the balance sheet date arising from events that occurred before the balance sheet date;
- It can be reasonably assumed that an outflow of economic resources will be required to settle the liability and a reliable estimate of the liability can be made.

Provisions are measured at the face value of the amounts deemed necessary to settle the obligation, unless the time value of money is significant. In that case, the provision is stated at net present value. The interest accrual is recognised as finance expense in the income statement.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost. Due to the usually short term of these liabilities, the fair value and amortised cost are generally equal to the face value.

Income recognition

A distinction is made between revenue and other income. All income from contracts with customers is recognised as revenue and all remaining income as other income. Income is measured on the basis of the performance obligations in the contract with the customer. This excludes amounts received on behalf of third parties. The income is recognised at the moment control of the product or service is transferred.

In assessing the customer contracts, separate portfolio-based approaches are used for matters such as the connection, transport and metering services of the distribution system operating activities. Customer contracts for these services are entered into indefinitely, with the customer paying an investment contribution at the inception of the contract, followed by periodical payments for the service provided. The provision of these services concerns performance obligations satisfied over time. The related revenue is recognised over the period in which the customer receives the service. The upfront investment contribution concerns a payment for a performance obligation to be satisfied over the duration of the contract by providing the connection and distribution service. The contribution received is recognised in the balance sheet as a performance obligation to be satisfied – deferred income – which is amortised over the useful life of the assets concerned.

Net revenue

Net revenue is made up of:

- Regulated revenue. This is revenue from the distribution of electricity and gas to customers and from connecting customers, including, on the one hand, fixed components, referred to as the capacity tariff and, on the other hand, the amortisation of the deferred income from customers. Also included is the revenue from providing electricity and gas metering services for small-scale users. For the provision of these various services in the retail market in the period from the final statement for the year up to the balance sheet date, estimates are made of revenue to be billed;
- Free domain revenue such as from large-user metering services, the service component of leased installations and maintenance of complex energy infrastructures.

Other income

Other operating income consists of the following and items, among others:

- Rental income (the lease component of rented assets);
- Amortisation of government and investment grants recognised as liabilities; for details, reference is made to the relevant accounting policies;
- Results on the disposal of property, plant and equipment, i.e. the balance of the net proceeds from the sale and the carrying amounts of the assets disposed of. Gains and losses on the disposal of assets are presented net.

Purchase costs and costs of subcontracted work

This includes the costs of network losses, including the expected effects of reconciliation, the costs of distribution capacity and distribution restrictions and the costs of compensation payments. It also includes the costs of raw materials, consumables and supplies used for the supply of goods and services and the cost of subcontracted work such as billing and payment collection and engagement of subcontractors.

Own work capitalised

This item includes the costs of Alliander staff incurred on investment projects.

Finance income

This item consists of the interest income on financial interest-bearing assets, i.e. loans, receivables, money market loans and deposits, measured using the effective interest method, and income from foreign currency results and movements in the fair value of interest rate derivatives.

Finance expense

This item consists of the following:

- Interest expenses: this includes the interest expenses on interest-bearing liabilities, measured using the effective interest method. Interest-bearing liabilities consist of loans, liabilities under the Euro Medium Term Notes programme, subordinated and green loans and commercial paper, with the exception of the subordinated perpetual bond loan. Also included with interest expenses are other finance-related costs, such as commitment fees and premium paid in connection with the early redemption of corporate bonds issued by the company etc.;
- Foreign exchange differences arising from the translation of transactions denominated in foreign currencies, financial assets and liabilities and derivatives in foreign currencies, except for the results of cash-flow hedges, which are initially recognised in equity;
- Fair value movements in interest-rate derivatives that are used to hedge future cash flows and the corresponding adjustment of the amortised cost of hedged financial assets and liabilities for the movement in the value of the hedged risk; and
- Results on terminating CBLs or other financing contracts.

Policies for the consolidated cash flow statement

The cash flow statement is prepared using the indirect method. The movement in cash and cash equivalents is derived from profit after tax according to the income statement. Exchange differences and all other movements not resulting in cash flows are eliminated. The same applies to the finance income and expense and the corporate income tax recognised in the income statement. These items are replaced in the cash flow from operating activities by the interest paid/received and the tax paid/received, respectively. The financial consequences of the acquisition or sale of associates and subsidiaries are shown separately in the cash flow from investing activities. As a result, the cash flows presented are not reconcilable with the changes in the consolidated balance sheets.

The definition of cash and cash equivalents in the cash flow statement is the same as that used in the balance sheet.

Note 1 Business combinations

There were no investments in business combinations in 2023 and 2022.

Note 2 Segment information

Alliander distinguishes the following reporting segments in 2023:

- Network operator Liander;
- Other.

This segmentation reflects the internal reporting structure, specifically the internal consolidated and segmented monthly reports, the annual plan and the business plan.

Network operator Liander forms the largest company within the Alliander group and is responsible for providing gas and electricity connections and for distributing gas and electricity in Gelderland and parts of Noord-Holland, Flevoland, Friesland and Zuid-Holland. It is Alliander's largest business unit, accounting for almost 90% of the revenue.

The 'Other' segment covers the entirety of the other operating segments in the Alliander group, such as the activities of Qirion, Alliander AG, new activities, the corporate staff departments and the service units. Qirion provides services relating to the construction and maintenance of complex energy infrastructures, on behalf of Liander as well as third parties. Alliander AG carries on network operation and public lighting activities in Germany. Established as well as new activities include targeted investments in the infrastructure for electric vehicles, sustainable area development and sustainable housing. The corporate staff departments and service units include Shared Services and IT, which perform activities on behalf of Liander among others. All these activities can be combined into a single segment inasmuch as they do not satisfy the quantitative criteria in order to qualify separately as reporting segments.

Except for the corporate staff and service units, the business of the other operating segments exhibits similar characteristics, depending on the nature of the products and services and the nature of the production processes, viz.: supply, construction, management and maintenance of energy-related products and services. Given the scale of these other operating segments, other characteristics in the sense of customers and distribution channels are not relevant segment reporting distinctions. Furthermore, these operating segments have been aggregated in the Other segment since none of them satisfies the quantitative criteria that would qualify them as separate reporting segments.

Reporting

Alliander produces regular management reports for the Management Board, with quarterly reports for the Supervisory Board as well. As regards both balance sheet and income statement, these reports use the same accounting policies and classification as the financial information contained in the financial statements. The Management Board assesses the performance of the business on the basis of these reports. The financial reports focus on the consolidated and segment information concerning operating expenses. The operating result is also included on a comparable basis, i.e. excluding incidental items and fair value movements. The operating result is total income less total expenses.

A statement showing the primary segmentation analysis is presented below, including reconciliation with the reported figures.

Notes

The external revenue of Liander mainly comprises income from energy transport, connection and metering services. In the 'Other' segment, external revenue mainly derives from the services provided by Qirion, Telecom activities and new activities and the income from network management activities in Germany. The eliminations result from the internal services provided by corporate staff departments and service units (such as IT and Shared Services). These internal supplies are made at cost.

Primary segmentation

€ million Income statement	Network operator Liander 2023	 2022	Other 2023	 2022	Eliminations 2023	 2022	Total 2023	 2022	Reclassification to reported and incidental items 2023	 2022	Reported 2023	 2022
Operating income												
External income	2,519	1,949	255	251	-	-	2,774	2,200	5	13	2,779	2,213
Internal income	4	3	427	351	-431	-354	-	-	-	-	-	-
Total income	**2,523**	**1,952**	**682**	**602**	**-431**	**-354**	**2,774**	**2,200**	**5**	**13**	**2,779**	**2,213**
Operating expenses												
Purchase costs and costs of subcontracted work	1,065	783	79	79	-117	-100	1,027	762	-	-	1,027	762
Operating expenses	795	659	625	501	-314	-254	1,106	906	-	-10	1,106	896
Depreciation and impairments	444	432	88	107	-	-	532	539	-	-	532	539
Own work capitalised	-216	-199	-102	-95	-	-	-318	-294	-	-	-318	-294
Total operating expenses	**2,088**	**1,675**	**690**	**592**	**-431**	**-354**	**2,347**	**1,913**	**-**	**-10**	**2,347**	**1,903**
Operating profit	**435**	**277**	**-8**	**10**	**-**	**-**	**427**	**287**	**5**	**23**	**432**	**310**
Finance income	4	1	102	58	-97	-58	9	1	-	-	9	1
Finance expense	-97	-58	-78	-54	97	58	-78	-54	-	-	-78	-54
Share in results of associates and joint ventures after tax	3	4	-7	-5	-	-	-3	-1	-	4	-3	3
Tax	-88	-57	-2	-4	-	-	-91	-61	-1	-1	-93	-62
Profit after tax from continuing operations	**257**	**167**	**7**	**5**	**-**	**-**	**264**	**172**	**4**	**26**	**267**	**198**
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Profit after tax	**257**	**167**	**7**	**5**	**-**	**-**	**264**	**172**	**4**	**26**	**267**	**198**
Segment assets and liabilities												
Total assets	10,301	9,412	4,108	3,701	-2,763	-2,420	11,646	10,692	-	-	11,646	10,692
Non-consolidated investments in associates	4	4	7	13	-	-	11	16	-	-	11	16
Liabilities (non-current and current)	7,277	6,824	4,547	3,800	-4,947	-4,517	6,877	6,106	-	-	6,877	6,106
Other segment items												
Investments in property, plant and equipment	1,305	1,114	83	114	-	-	1,388	1,228	-	-	1,388	1,228
Number of permanent staff at year-end	3,465	3,241	3,328	2,999	-	-	6,793	6,240	-	-	6,793	6,240

The profit after tax for 2023, like that for 2022, is almost entirely attributable to the shareholders of Alliander N.V.

Reclassification to reported and incidental items

The sale of business premises at the Spaklerweg location in Amsterdam had a positive effect of €5 million on operating income. The 'tax' item is a direct consequence of the revenue from the sale of these business premises.

Segment assets

The amounts in the eliminations column against total assets mainly concern the eliminations of the investments in the subsidiaries of Alliander. The eliminations against the liabilities relate to the current-account positions between the subsidiaries and Alliander. Within the Alliander group, there are group financing arrangements, involving central administration of external accounts. All the subsidiaries maintain a current account with Alliander. There are no assets or equity and liabilities that are not allocated.

Product segmentation

In compliance with IFRS 15, the following table discloses net revenue according to distinct products (product segmentation).

		Segmentation of consolidated revenue by product					
€ million	Total	Transport and connection service Electricity	Transport service Gas	Connection service Gas	Metering Service small consumers Electricity	Metering Service small consumers Gas	Other activities
Revenue 2023	**2,725**	1,839	384	133	56	65	248
Revenue 2022	**2,150**	1,300	324	117	104	60	245

Net revenue in 2023 was €2,725 million (2022: €2,150 million), with other income of €54 million (2022: €63 million).

In total, external revenue came in at €2,779 million (2022: €2,213 million).

Seasonal influences

Alliander's results are not materially affected by seasonal influences.

Geographical segmentation

	External income		Property, plant and equipment		Intangible assets		Non-consolidated associates and joint ventures	
€ million	2023	2022	2023	2022	2023	2022	2023	2022
The Netherlands	2,747	2,163	9,913	9,033	316	317	10	9
Rest of the world	32	50	59	58	-	-	1	7
Total	**2,779**	**2,213**	**9,972**	**9,091**	**316**	**317**	**11**	**16**

'Rest of the world' relates entirely to the activities in Germany.

Note 3 Property, plant, equipment and right-of-use assets

Property, plant and equipment

€ million	Land and buildings	Networks	Other plant and equipment	Assets under construction	Total
As at 1 January 2022					
Historical cost	207	12,430	2,149	466	15,252
Accumulated depreciation and impairments	-77	-5,521	-1,153	-	-6,752
Carrying amount as at 1 January 2022	**130**	**6,909**	**996**	**466**	**8,501**
Movements 2022					
Investments	1	802	78	347	1,228
Divestments	-	-22	-22	-	-44
Depreciation	-5	-315	-152	-	-472
Reclassifications and other movements	-2	64	63	-129	-4
Reclassification to assets held for sale	-6	-	-112	-	-118
Total	**-12**	**529**	**-145**	**218**	**590**
As at 31 December 2022					
Historical cost	177	13,227	2,080	684	16,168
Accumulated depreciation and impairments	-59	-5,789	-1,229	-	-7,077
Carrying amount as at 31 December 2022	**118**	**7,438**	**851**	**684**	**9,091**
Movements 2023					
Investments	-	939	71	378	1,388
Divestments	-	-17	-17	-	-34
Depreciation	-6	-322	-142	-	-470
Reclassifications and other movements	78	49	69	-198	-3
Total	**72**	**649**	**-19**	**180**	**881**
As at 31 December 2023					
Historical cost	256	14,153	1,946	864	17,219
Accumulated depreciation and impairments	-66	-6,067	-1,114	-	-7,247
Carrying amount as at 31 December 2023	**190**	**8,086**	**832**	**864**	**9,972**

Investments

Investments in property, plant and equipment during the financial year totalled €1,388 million (2022: €1,228 million). The investments relating to Kenter in 2023 (€23 million) have been recognised under assets held for sale.

Divestments

Divestments in 2022 and 2023 related to the decommissioning of buildings, network assets and other plant and equipment.

New consolidations

No new entities were added to the consolidated companies in 2023 and 2022.

Impairments

There were no impairments in 2023 or in 2022.

Reclassification to assets held for sale

There was no reclassification to assets held for sale in 2023. In 2022, this item related to the property, plant and equipment of Kenter and the Spaklerweg office.

In 2022, the reclassification related to the assets of Kenter and the Spaklerweg site in Amsterdam. For further disclosures with respect to assets held for sale, please refer to note 33.

CBL transactions

In the period from 1998 to 2000, subsidiaries of Alliander N.V. entered into cross-border lease (CBL) transactions for networks with US investors. The networks have been leased for a long period to US parties (head lease), which have in turn subleased the assets to the various Alliander subsidiaries (sublease). At the end of the sublease, there is the option of purchasing the rights of the US counterparty under the head lease, thus ending the transaction. The fees earned on the CBLs were recognised in the year in which the transaction in question was concluded. Two of the three still current CBLs were terminated prematurely in December 2021. Consequently, there are longer any gas or district heating networks with an American lease. The electricity network in the Randmeren region is the only one still held under a CBL. We exercised the option to purchase the rights for this, with the effect that the term ends at the start of 2025. The total net carrying amount at year-end 2023 was approximately €400 million (year-end 2022: €340 million).

There are conditional and unconditional contractual rights and obligations relating to the remaining CBL transaction. At the end of 2023, a total of $664 million was held on deposit with several financial institutions or invested in securities in connection with the transaction (2022: $655 million).

Since no powers of disposal exist over the investments and associated liabilities, they are not regarded as assets and liabilities of Alliander and the respective amounts are not recognised in Alliander's consolidated financial statements.

At year-end 2023, the net strip risk (the portion of the termination value – the possible compensation payable to the American counterparty in the event of premature termination of the transaction – that cannot be settled from the deposits and investments held for this purpose) for the current transaction was $25 million (2022: $32 million). The strip risk is affected to a great extent by market developments.

The sub-subleases to Vattenfall Warmte for the district heating networks in Duiven-Westervoort and Almere Stad belonging to Alliander N.V. were also terminated by operation of law in December 2021. It has been agreed with Vattenfall that the district heating networks will continue to be leased as far as possible on the basis of the agreements in the terminated sub-subleases to Vattenfall Warmte up to 1 December 2024. The total carrying amount of the subleased district heating networks and associated meters as at year-end 2023 was €107 million (2022: €98 million).

Right-of-use assets

€ million	Land and buildings	Other plant and equipment	Total
As at 1 January 2022			
Historical cost	78	96	174
Accumulated depreciation and impairments	-11	-43	-54
Carrying amount as at 1 January 2022	**67**	**53**	**120**
Movements 2022			
Investments	2	9	11
Depreciation	-7	-16	-23
Lease adjustments	16	-	16
Reclassification to assets held for sale	-	-2	-2
Total	**11**	**-9**	**2**
As at 31 December 2022			
Historical cost	91	95	186
Accumulated depreciation and impairments	-13	-51	-64
Carrying amount as at 31 December 2022	**78**	**44**	**122**
Movements 2023			
Investments	2	26	28
Divestments	-	-1	-1
Depreciation	-8	-16	-24
Lease adjustments	6	-1	5
Total	**-**	**8**	**8**
As at 31 December 2023			
Historical cost	98	118	216
Accumulated depreciation and impairments	-20	-66	-86
Carrying amount as at 31 December 2023	**78**	**52**	**130**

The greatest part of these assets relates to business premises and lease vehicles. Ground rents and the rental of telecommunication masts and connections are also accounted for in this amount. The lease adjustments relate, for example, to expansions and indexations. The reclassification to 'assets held for sale' at year-end 2022 relates to Kenter.

Note 4 Intangible assets

€ million	Goodwill	Other intangible assets	Total
As at 1 January 2022			
Historical cost	495	28	523
Accumulated depreciation and impairments	-191	-12	-203
Carrying amount as at 1 January 2022	**304**	**16**	**320**
Movements 2022			
Investments	-	1	1
Reclassification to assets held for sale	-	-3	-3
Depreciation	-	-1	-1
Total	**-**	**-3**	**-3**
As at 31 December 2022			
Historical cost	495	19	514
Accumulated depreciation and impairments	-191	-6	-197
Carrying amount as at 31 December 2022	**304**	**13**	**317**
Movements 2023			
Depreciation	-	-1	-1
Total	**-**	**-1**	**-1**
As at 31 December 2023			
Historical cost	495	19	514
Accumulated depreciation and impairments	-191	-7	-198
Carrying amount as at 31 December 2023	**304**	**12**	**316**

The reclassification to 'assets held for sale' relates to Kenter.

Goodwill allocation by segment

€ million	2023	2022
Liander	286	286
Other	18	18
Total	**304**	**304**

Of the goodwill allocated to Liander as at year-end 2023, €209 million (2022: €209 million) relates to electricity and gas networks and dates from the contribution of the networks when N.V. Nuon was created in 1999. Of the remainder, amounting to €77 million (2022: €77 million), €61 million relates to the purchase of Endinet in 2010, €7 million to Stam and €9 million to the purchase of AEF B.V. in 2016. The goodwill item in the 'other' line concerns the investment relating to TReNT.

At year-end 2023, impairment tests were performed on the carrying amounts of the networks of Liander and the TReNT telecommunications networks, including the associated goodwill recognised. In addition, impairment tests were performed at a group company facilitating current and future decentralised energy markets and in relation to a specific sustainability project.

The value in use was taken as the basis for these tests and was measured on the basis of the most recent business plans.

In the 2023 financial year, Liander applied a pre-tax fair discount rate of 5.7% (2022: 3.7%). This figure will increase to 7.0% in 2028. The main assumptions on which the business plans are based are the number of connections, the most recent tariff estimates and estimates of operating expenses and other costs. To a large extent, these assumptions are based on past experience, coupled with the latest information on tariff regulation. The business plans cover a period of five years and the terminal value is calculated using the projected cash flows at the end of that period. A zero growth rate has been applied. The terminal value for the regulated activities is based on achieving the 'reasonable return' that a network operator can expect to achieve on its standardised asset value. Where appropriate, account is also taken of temporary or structural synergistic effects or other departures from the reasonable return. There is such a margin between the value in use and the carrying amount of the Liander networks that the sensitivity to changes in the estimates and assumptions used is limited.

A pre-tax discount rate of 9.4% was applied for the telecom networks (2022: 8.0%). From the impairment test it emerged that the margin between the value in use and the carrying amount, including goodwill, is such that the sensitivity to changes in the estimates and assumptions used is limited.

A pre-tax discount rate of 9.6% was applied for the impairment test performed on the assets of the group company facilitating decentralised energy markets. The outcome did not result in an impairment.

An impairment test was also performed in relation to a sustainability project, using a pre-tax discount rate of 9.4%. This led to an impairment charge of €2 million in respect of property, plant and equipment.

Note 5 Investments in associates and joint ventures

	Associates		Joint ventures		Total	
€ million	2023	2022	2023	2022	2023	2022
Carrying amount as at 1 January	**2**	**2**	**14**	**15**	**16**	**17**
Movements						
Investments	-	-	-	2	-	2
Share in results	-	4	-2	-	-2	4
Dividend and other movements	-	-4	-2	-3	-2	-7
Total	**-**	**-**	**-4**	**-1**	**-4**	**-1**
Carrying amount as at 31 December	**2**	**2**	**10**	**14**	**12**	**16**

The investments in 2022 relate to payments of share premium.

Share in results of associates and joint ventures

	Associates		Joint ventures		Total result	
€ million	2023	2022	2023	2022	2023	2022
Share in						
Profit or loss from continuing activities	-	4	-3	-	-3	4
Profit or loss from discontinued activities	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**4**	**-3**	**-**	**-3**	**4**

Alliander has concluded arrangements with associates and joint ventures for granting financing and credit facilities totalling €26 million as at year-end 2023 (2022: €26 million). Under these facilities, an amount of €27 million was drawn down as at 31 December 2023 (2022: €17 million). Additionally, as at year-end 2023, there was a receivable under this heading amounting to €14 million in relation to overdraft facilities (2022: a liability of €24 million).

Note 6 Investments in bonds

There were no investments in bonds in 2023 and 2022.

Note 7 Other financial assets (including current portion)

€ million	Loans, receivables and other
Carrying amount as at 1 January 2022	**66**
Effective interest rate 2022	1%
Movements 2022	
Loans and interest repaid	-9
Paid security deposits	100
Other movements	2
Loans granted	8
Total	**101**
Carrying amount as at 31 December 2022	**167**
Effective interest rate 2023	3%
Movements 2023	
Loans and interest repaid	-35
Paid security deposits	-53
Other movements	1
Loans granted	5
Total	**-82**
Carrying amount as at 31 December 2023	**85**
Non-current portion of other financial assets	**38**
Current portion of other financial assets	**47**

The carrying amount of the other financial assets item as at year-end 2023 includes a current receivable in respect of security deposits paid (€47 million), a receivable from the Municipality of Amsterdam relating to the Spaklerweg site (€7 million), a loan issued by Alliander AG to 450connect (€14 million) and a non-current receivable from EDSN (€12 million).

Note 8 Derivatives

Derivatives are measured at fair value.

A bond was issued in 2023 on the basis of the Euro Medium Term Notes Programme. An interest-rate swap was used to fix the fixed-rate bond loan at the time of announcement of the loan. At the same time as the bond loan was issued, the interest-rate swap was settled with a positive result. This is recognised in the cash-flow hedge reserve in equity.

As at year-end 2023, the carrying amount of the derivatives was zero (2022: zero).

Note 9 Inventories

€ million	2023	2022
Raw materials and consumables	169	127
Finished goods	24	14
Carrying amount as at 31 December	**193**	**141**

The reversal relating to impairment of inventories in 2023 was €0.3 million. In 2022, the impairment was €0.2 million.

Note 10 Trade and other receivables

€ million	2023	2022
Trade receivables	121	60
Impairment of trade receivables	-11	-10
Trade receivables net	110	50
Corporate income tax	29	20
Other receivables	27	59
Accrued income and prepayments	306	201
Carrying amount as at 31 December	**472**	**330**

At the end of the financial year, impairment of receivables totalled €11 million (2022: €10 million). The impairment of receivables recognised in the income statement in 2023 as an expense amounted to €3 million (2022: €3 million). For further information, see the credit risk section of note 34.

The increase in income tax receivable compared to 2022 is explained by the application of the tax scheme for discretionary depreciation for tax purposes in 2023. For further disclosures, reference is made to note 17.

The other receivables include an amount of €16 million (2022: €30 million) due from non-controlling interests. This refers in particular to Reddyn.

Note 11 Cash and cash equivalents

€ million	2023	2022
Cash held at banks	87	55
Deposits	157	150
Carrying amount as at 31 December	**244**	**205**

The effective interest rate on cash and cash equivalents ranged from 0.0% to 4.3% (2022: -3.4% to 2.5%). Cash and cash equivalents are held almost entirely in euros. In 2023, the cash and cash equivalents included amounts that were not at the unrestricted disposal of Alliander. This concerns a blocked bank account with a balance of €0.4 million (2022: €1 million).

Note 12 Equity

Authorised capital

The company's authorised capital is divided into 350 million shares of €5 nominal value. As at year-end 2023, 136,794,964 shares were in issue (2022: 136,794,964).

Subordinated perpetual bond loan

On 30 January 2018, Alliander issued a subordinated perpetual bond loan of €500 million at a coupon rate of 1.625% and an issue price of 99.144%. This subordinated perpetual bond loan is treated as equity. Alliander does not have any contractual obligation to repay the loan. Any periodical payments on the loan are conditional and depend on payments to shareholders. As and when resolutions are passed making distributions to shareholders, the Management Board will also pay any arrears of the contractual coupon rate to the holders of the subordinated perpetual bond loan out of other reserves. The annual amount of the interest payable is €8 million.

Hedge reserve

In line with its risk management policy, Alliander implemented measures in 2019, 2022 and 2023 to mitigate the interest-rate risk associated with the new EMTN financing of €300 million (2019) and €500 million (2022 and 2023). As a result, the interest-rate risk was mitigated to a large degree in the run-up to the bond issue.

In 2019, two forward starting interest-rate swaps were entered into for this purpose in the run-up to the bond issue. When the bond loan was issued, both the interest rate swaps were settled. The loss on the settlement totalling €3 million has, after deducting deferred tax, been recognised in the hedge reserve in equity. The resulting hedge reserve will be released in the income statement over the term of the EMTN (up to 24 June 2032). The carrying amount at year-end 2023 after deduction of the deferred tax was a negative amount of €2 million (2022: €2 million).

In 2022, five forward starting interest-rate swaps were entered into. The swaps were redeemed when the loan was contracted. After deduction of the deferred tax, a positive result of €7 million was achieved, which is recognised in the hedge reserve in equity. The hedge reserve will be released in the income statement over the term of the loan (up to 8 September 2027). The carrying amount at year-end 2023 after deduction of the deferred tax was a positive amount of €6 million.

In 2023, three forward starting interest-rate swaps were also entered into. The swaps were redeemed when the loan was contracted. After deduction of the deferred tax, a positive result of €1 million was achieved, which is recognised in the hedge reserve in equity. The hedge reserve will be released in the income statement over the term of the loan (up to 13 June 2028).

The total hedge reserve at the end of the financial year was therefore a positive amount of €5 million.

Other

The other reserve includes an amount of €1 million after tax relating to a defined-benefit pension plan for employees of our activities in Germany. The hedge reserve and the subordinated perpetual bond loan are not freely distributable.

Non-controlling interest

On 10 July 2012, Alliander acquired a 95% interest in Indigo B.V. This company is a partnership between Alliander and the municipality of Nijmegen (which has an interest of 5%) to construct a heat transport pipeline from the regional waste-to-energy plant Afvalverwerking Regio Nijmegen (ARN) to the district heating network of Vattenfall Warmte N.V. As at the end of the reporting period, the shareholders' equity of Indigo BV amounted to €2.8 million. In 2016, Alliander acquired a 95% interest in Warmtenet Hengelo B.V., a company which is developing a district heating network, the first phase of which started operating in 2017. The equity of this company as at year-end 2023 amounted to €1.6 million negative. In 2017, Alliander acquired a 75% interest in Warmte-Infrastructuur Limburg Geothermie B.V. As at year-end 2023, the equity of this company was a negative amount of €2.3 million. Warmtenetwerk Didam B.V. was set up in 2021, with Alliander having a 95% share. As at year-end 2023, the equity of this company amounted to €1.0 million positive. In accordance with the basis of Alliander's consolidation, these companies were consolidated in full, with separate disclosure of a non-controlling interest in the consolidated equity. Given the small size of these non-controlling interests (a negative amount of €0.5 million), they are not recognised separately in the balance sheet as at year-end 2023 and 2022.

Note 13 Interest-bearing debt

The movements in new loans, repayments and security deposit repayments during the year resulted in cash flows; the other movements did not result in cash flows during the year.

Loans from the Province of Friesland and three municipalities

In consultation with the provincial authorities for the Province of Friesland, the loan of €32 million with an indefinite term and at a fixed annual rate of interest of 8% has been converted into a loan with a term up to 31 December 2028, with effect from 1 April 2023, under the same conditions. The loans from three municipalities (total of €9 million and a fixed interest rate of 10%) were also converted in the same way, with a term from 29 December 2023 to 30 November 2029.

Under IFRS, these conversions must be regarded as new loans and must be recognised at market value (fair value). Given that there is no active market with a quoted price, the difference between the market value and the redemption value has been deducted from this market value. The annual interest expense is based on the agreed interest rate on the redemption value. The fair value of the loan from the Province of Friesland, at the market rate of 3.14%, was €40 million on 1 April 2023. The fair value of the loans from the three municipalities at the end of 2023 was €11 million at a market rate of 5.16%.

The carrying amount of the non-current and current interest-bearing debt is as follows:

€ million	2023	2022
Carrying amount as at 1 January	**3,426**	**3,111**
Movements		
New loans	738	797
Loans repaid	-126	-410
Received deposits	-	-72
Total	**612**	**315**
Carrying amount as at 31 December	**4,038**	**3,426**

Short and long-term interest-bearing debt

€ million	Effective interest rate 2023	2022	Short-term portion 2023	2022	Long-term portion 2023	2022
Subordinated loans	2.5%	2.1%	-	-	640	599
Private and green loans	1.4%	1.1%	-	126	310	310
Euro Medium Term Notes	1.8%	1.5%	400	-	2,187	2,090
Euro Commercial Paper	4.0%	1.7%	500	300	-	-
Other	0.0%	0.0%	1	-	-	1
Carrying amount as at 31 December			**901**	**426**	**3,137**	**3,000**

The short-term interest-bearing debt, amounting to €901 million as at year-end 2023 (2022: €426 million), is made up of the current portion of the bond loans (€400 million), commercial paper issued (€500 million) and the current portion of a green loan (€1 million).

On 13 June 2023, Alliander issued green bonds with a total value of €500 million and a term of 5 years. Bonds were issued at a price of 99.289% and a coupon rate of 3.25%. The revenue will be used to enable more investments in the power grid for the energy transition. Prior to issuing green bonds, Alliander renewed its Green Finance Framework in August 2022.

As at year-end 2023, a carrying amount of €2,587 million (face value €2,600 million) had been issued under the EMTN programme. The bonds issued under the EMTN programme are listed on Euronext Amsterdam.

At the end of 2023, €500 million of current debt securities were outstanding under the ECP programme. (2022: €200 million).

Maturities of interest-bearing debt

€ million	2023	2022
Less than 1 year	901	426
Between 1 and 2 years	9	400
Between 2 and 3 years	299	9
Between 3 and 4 years	498	299
Between 4 and 5 years	527	497
Over 5 years	1,804	1,795
Carrying amount as at 31 December	**4,038**	**3,426**

Note 14 Deferred income

Deferred income relates to construction contributions, investment grants and subsidies received. The amortisation periods of the construction contributions, investment grants and subsidies are equal to the depreciation periods of the underlying assets (ranging from 10 to 50 years).

€ million	2023 Contributions	Subsidies	Total	2022 Contributions	Subsidies	Total
Carrying amount as at 1 January	**1,953**	**12**	**1,965**	**1,894**	**12**	**1,906**
Contributions received	140	-	140	142	-	142
Amortisation recognised as income	-84	-	-84	-83	-	-83
Carrying amount as at 31 December	**2,009**	**12**	**2,021**	**1,953**	**12**	**1,965**

Note 15 Provisions for employee benefits

€ million	Short-term portion 2023	2022	Long-term portion 2023	2022	Total 2023	2022
Long-term employee benefits						
Post-employment benefits	-	-	1	1	1	1
Other long-term employee benefits	11	7	18	16	29	23
Termination/reorganisation benefits	1	3	1	1	2	4
Total	**12**	**10**	**20**	**18**	**32**	**28**
Short-term employee benefits						
Short-term employee benefits	34	25	-	-	34	25
Carrying amount as at 31 December	**46**	**35**	**20**	**18**	**66**	**53**

Post-employment benefits

Prompted by the deterioration of the funding ratio in 2008, ABP introduced a recovery plan in 2009. At the start of each year ABP evaluates the progress of the recovery on the basis of the actual funding ratio at the end of the preceding year. The policy funding ratio was 114% at the end of 2023; the current funding ratio is 112%, while the contribution rate for the retirement and dependants' pension was 27.9% of pensionable pay in 2023. The contribution rate for the retirement and dependants' pension will be 27.0% in 2024. The contribution rate for the ABP incapacity pension (AOP) was 0.8% in 2023.

Alliander's relative share in the ABP pension scheme based on numbers of participants is approximately 0.4%. The pension contributions payable for the multi-employer plans in 2024 are expected to total €107 million (of which an expected €75 million will be borne by Alliander).

In addition to the multi-employer pension plans in the Netherlands, Alliander has two defined benefit plans relating to subsidiaries in Germany, although these are not of material importance. These plans are accounted for in accordance with the amended IAS 19. This means that, with effect from 2013, actuarial gains and losses and remeasurements are recognised directly. Because of the small amounts involved, however, this is not visible in the consolidated financial statements. The post-employment benefits provision totalled €1 million at the end of 2023 (2022: €1 million), made up as follows:

€ million	Short-term portion 2023	2022	Long-term portion 2023	2022	Total 2023	2022
Liability for pensions and post-employment healtcare insurance for retired employees	-	-	1	1	1	1
Actuarial value of obligations as at 31 December	**-**	**-**	**1**	**1**	**1**	**1**

Other long-term employee benefits

€ million	Short-term portion 2023	2022	Long-term portion 2023	2022	Total 2023	2022
Long-service benefits	1	1	12	10	13	11
Long-term sickness leave and disability benefits	7	5	6	5	13	10
Unemployment benefits	1	1	-	1	1	2
Other	2	1	-	1	2	2
Carrying amount as at 31 December	**11**	**7**	**18**	**16**	**29**	**23**

Alliander offers a number of other long-term employee benefits. The provision covers the following types of benefit:

- Long-term sickness benefits: this benefit covers the obligation to continue paying all or part of an employee's salary during the first two years of sick leave;
- Incapacity benefits: Alliander bears the risk for benefits payable under the Work and Income (Ability to Work) Act (WIA); the relevant provision covers the obligations towards Alliander employees who become wholly or partially unfit for work;
- Unemployment benefits: Alliander is the risk-bearer within the meaning of the Unemployment Act (WW); if an Alliander employee becomes unemployed, the unemployment benefit is borne by Alliander for a period of between three months and 38 months, depending on the employee's employment history; and

- Long-service benefits: the long-service benefits scheme covers long-service benefits payable on attaining 25 and 40 years of service. Employees born before 1 January 1963 retain the entitlement to the benefit after retiring. Also, the 50-year long-service benefit will continue for five years as from 1 January 2020.

Termination/reorganisation benefits

This provision covers payments and/or supplements to benefits paid to employees whose employment contract has been or probably will be terminated. These benefits and supplements are based on the Social Plan operated by Alliander and individual arrangements. The Social Plan is periodically renegotiated and agreed. In 2023, an amount of €2 million was drawn down from the reorganisation provision (2022: €3 million). The provision for employment termination payments and reorganisations totalled €2 million at year-end 2023 (2022: €4 million).

Movements in provisions for long-term employee benefits

The following table shows the movements in the provisions for post-employment benefits, other long-term employee benefits and the termination benefits/restructuring provision.

Movements in provisions for employee benefits

€ million	Post-employment benefits	Other long-term employee benefits	Termination/ reorganisation benefits	Total
Carrying amount as at 1 January 2022	**2**	**32**	**7**	**41**
Movements 2022				
Released	-	-23	-	-23
Added	-	19	3	22
Benefits paid	-	-6	-6	-12
Total	**-**	**-10**	**-3**	**-13**
Carrying amount as at 31 December 2022	**2**	**22**	**4**	**28**
Movements 2023				
Released	-1	-16	-2	-19
Added	-	28	3	31
Benefits paid	-	-5	-3	-8
Total	**-1**	**7**	**-2**	**4**
Carrying amount as at 31 December 2023	**1**	**29**	**2**	**32**

Assumptions

The main assumptions used in determining the provisions are given below:

	2023	2022
Mortality tables	AG2020 Mortality Table / Start year = 2023	AG2020 Mortality Table / Start year = 2022
Discount rates	3.31% - 4.39%	2.85% - 4.81%
Expected future salary increases	7.0%	4.0%
Expected increase in incapacity benefits	2.0%	2.0%

Short-term employee benefits

Short-term employee benefits relate to all liabilities in respect of employees - other than the current portion of long-term employee benefits - that are expected to be settled within 12 months after the balance sheet date. Short-term employee benefits include salaries still to be paid, accrued holiday entitlement, bonuses and other employee benefit expenses still to be paid. This item amounted to €34 million at year-end 2023 (2022: €25 million). The increase of €9 million mainly relates to the increase in the provision set aside for accrued holiday entitlement and holiday allowances (€9 million).

Note 16 Other provisions

€ million	Other provisions
Carrying amount as at 1 January 2022	**28**
Movements 2022	
Utilised	-1
Released	-10
Discontinued consolidations	-4
Total	**-15**
Carrying amount as at 31 December 2022	**13**
Movements 2023	
Added	6
Utilised	-7
Released	-1
Total	**-2**
Carrying amount as at 31 December 2023	**11**

The other provisions as at year-end 2023 amounted to €11 million (2022: €13 million) and relate, among other things, to potential liabilities resulting from the sale of a subsidiary in the past.

Note 17 Deferred tax

The deferred tax item is made up as follows:

Deferred tax assets

€ million	2023	2022
Differences in valuation of property, plant and equipment	41	140
Other differences	1	1
Carrying amount as at 31 December	**42**	**141**

This item amounting to €42 million comprises the temporary differences between the reported carrying amounts of the items of property, plant and equipment and other balance sheet items, including investments and provisions, and the corresponding valuation for tax purposes.

The deferred tax assets of €41 million in respect of property, plant and equipment are the result of differences between the carrying amounts in the financial statements and the valuation for tax purposes. Alliander became liable to pay corporate income tax on 1 January 1998. The carrying amounts of the property, plant and equipment agreed with the Dutch Tax & Customs Administration as at 1 January 1998 have depreciation periods extending ahead as far as 2030. Realisation of the temporary difference relating to these assets is therefore spread out over this period. In addition, the deferred tax under the item Property, plant and equipment refers to the general overhead surcharge that has been capitalised for tax purposes, the effects of implementing IFRS accounting policies in 2005, and use of the discretionary depreciation scheme for tax purposes.

The remaining portion of the deferred tax asset of €1 million consists of the differences in the valuation of provisions and other securities and investments for commercial purposes and for tax purposes.

As at year-end 2023, there was a total unrecognised deferred tax asset of €19 million (year-end 2022: €20 million), made up of:

- tax loss carryforwards from our activities in Germany: €16 million, which have not been recognised due to the projected results for the German entities in the medium term;
- An amount of €3 million relates to a Dutch subsidiary acquired in 2018.

Gross movement in deferred tax assets

€ million	Property, plant and equipment	Other	Total
Carrying amount as at 1 January 2022	**148**	**1**	**149**
Movements 2022			
Changed temporary differences	-7	-	-7
Reclassification to assets held for sale	-1	-	-1
Total	**-8**	**-**	**-8**
Carrying amount as at 31 December 2022	**140**	**1**	**141**
Movements 2023			
Changed temporary differences	-102	1	-101
Reclassification to assets held for sale	3	-	3
Total	**-99**	**1**	**-98**
Carrying amount as at 31 December 2023	**41**	**2**	**43**

The decrease in deferred tax assets by €98 million in 2023 consists of a realisation of temporary differences and the outcome of the application of the scheme for discretionary depreciation for tax purposes in 2023. Under this scheme, subject to certain conditions, a taxpayer can depreciate for tax purposes up to a maximum of 50% of the acquisition value or production costs of a business asset of its choice in one go in 2023. Application of this arrangement leads to temporary differences between the commercial carrying amount for property, plant and equipment and the valuation for tax purposes.

The movement of the temporary differences included in the income statement results in an income of €101 million. The movement in balance sheet items that are recognised directly in equity is €3 million, and this amount relates to reclassification to 'assets held for sale'.

Note 18 Trade and other payables

€ million	2023	2022
Trade payables	94	107
Invoiced instalments on work in progress	6	1
Other payables	71	47
Carrying amount as at 31 December	**171**	**155**

'Other payables' includes €32 million owed to a company in which Alliander has a non-controlling interest (2022: €19 million).

Accruals and deferred income

At year-end 2023, accruals and deferred income came to €323 million (2022: €322 million). This item includes anticipated amounts in respect of the procurement of network losses and energy transmission (2023: €114 million; 2022: €152 million) and invoices still to be received for subcontracted work among other things (2023: €209 million; 2022: €170 million).

Tax liabilities

Tax liabilities amounted to €117 million (2022: €49 million) and include payable wage tax and VAT.

Note 19 Leases

Finance lease receivables

The receivables in respect of finance leases as at year-end 2023 were as follows:

€ million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023				
Future minimum lease receivables	1	1	1	3
Unearned finance income	-1	-	-	-1
Present value of finance lease receivables	**-**	**1**	**1**	**2**
As at 31 December 2022				
Future minimum lease receivables	-	2	1	3
Unearned finance income	-	-1	-	-1
Present value of finance lease receivables	**-**	**1**	**1**	**2**

Receivables in respect of finance leases concern the rental of transformers and batteries.

Off-balance sheet operating lease receivables

The total future minimum lease receivables from non-cancellable operating leases not shown on the face of the balance sheet are as follows:

€ million	2023	2022
Less than 1 year	29	24
Between 1 and 2 years	19	14
Between 2 and 3 years	18	14
Between 3 and 4 years	18	14
Between 4 and 5 years	18	13
Over 5 years	141	93
Total as at 31 December	**243**	**172**

Operating leases at year-end 2023 relate to the rental of transformers, batteries and buildings, and the lease of two district heating networks to Vattenfall Warmte N.V., part of Vattenfall N.V.

Lease liabilities

€ million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023				
Future lease payments of the on-balance lease liabilities	25	58	53	136
Future finance expenses on the on-balance lease liabilities	-2	-3	-1	-6
Present value of the on-balance lease liabilities	**23**	**55**	**52**	**130**
As at 31 December 2022				
Future lease payments of the on-balance lease liabilities	22	49	58	129
Future finance expenses on the on-balance lease liabilities	-1	-3	-2	-6
Present value of the on-balance lease liabilities	**21**	**46**	**56**	**123**

Alliander has lease liabilities in respect of buildings, spaces, telecommunication interconnections and vehicles.

Besides the above lease liabilities, there was an undiscounted amount of €12 million in lease liabilities to which Alliander had committed but that had not yet started at year-end 2023, relating mainly to vehicles. At year-end 2022 this was €9 million.

Note 20 Contingent assets and liabilities

Rights and obligations arising from leases

Please refer to note 19 for details of rights and obligations arising from leases.

Investments and other purchasing commitments

The outstanding investment commitments and other purchasing commitments at the end of the year were as follows:

€ million	2023	2022
Capital expenditure commitments regarding property, plant and equipment	1,314	851
Other purchasing commitments	810	895
Total as at 31 December	**2,124**	**1,746**

Contracts with purchase or revenue guarantees have also been recognised in both 2023 and 2022. The other purchasing commitments include hiring obligations for personnel, procurement for grid losses and IT facilities including SAP contracts.

Contingent liabilities

On and immediately after the balance sheet date, a number of claims were made against Alliander. Alliander was also involved in a number of lawsuits at the balance sheet date, connected with normal business operations. These claims/lawsuits could have a material impact on Alliander's results, should the outcome not go in Alliander's favour. Provisions have been recognised where necessary.

As at year-end 2023, Alliander had issued parent company guarantees amounting to €18 million (2022: €18 million), including parent company guarantees of €8 million (2022: €5 million) due from non-controlling interests. Bank guarantees amounting to €54.6 million had been issued on Alliander's behalf at the end of the year (2022: €0.3 million). The increase relative to 2022 is explained by the partial use of bank guarantees to cover procurement obligations for network losses instead of paying security deposits.

Alliander has taken out liability insurance in the form of a Directors and Officers policy covering the members of the Supervisory Board, the members of the Management Board, the operating company managers and other directors within the Alliander group. In addition to the cover provided by this liability insurance, the members of the Supervisory Board are also legally indemnified. As far as possible, the members of the Supervisory Board are also indemnified by Alliander subject to specific conditions and with strict limitations in respect of costs connected with legal proceedings brought under civil, penal or administrative law in which they may become involved by virtue of their membership of the Supervisory Board.

Alliander, together with its Dutch subsidiaries, forms a tax group for both corporate income tax and value added tax (VAT). Consequently, every legal entity forming part of the tax group bears joint and several liability for the tax liabilities of the legal entities included in the tax group. Alliander has also given a declaration of indemnity to network operator Liander under which its liability in this respect is restricted to the amount for which it itself would be liable if a tax group did not exist.

Convertible subordinated loans were contracted with the shareholders of Alliander in the past and relate to guarantees given on the sale of non-strategic interests. On expiry of these guarantees, the loans were released to income and shares in Alliander were issued in 2006. A number of guarantees are, however, for an indefinite period; in the event that there are any subsequent claims on guarantees in the future, the shareholders concerned have a duty to surrender all or part of their shares.

In 2006, following the declaration of the nullity of a claim, a guarantee provision for the sale of associates was released to income and additional shares in Alliander were issued in 2007. The guarantees which have been given are for an indefinite period. It is therefore still possible for claims to be made on these guarantees in the future. Alliander can again also require the shareholders to surrender some or all of their shares.

Note 21 Revenue

€ million	2023	2022
Electricity transport and connection services	1,839	1,300
Gas transport and connection services	517	442
Metering services	154	196
Other revenue	215	212
Total	**2,725**	**2,150**

Net revenue in 2023 was €2,725 million, up by €575 million compared with 2022, mainly due to the increase of €539 million in the regulated revenue from electricity. The tariffs for low and high-volume connections increased compared to 2022 due to partial offsetting of the increased costs for procuring transmission capacity and for network losses in the tariffs. There was also an increase in the number of low-volume connections (+ €10 million in revenue) and in the transmission volumes for high-volume connections, leading to a €10 million increase in revenue.

Due to the higher tariffs that were set, the regulated revenue from gas was €75 million higher despite the lower number of connections. In contrast, revenue from metering services dropped by €42 million as these tariffs were set at a lower level. Revenue from other products came to €216 million, which is in line with the previous year.

Note 22 Other income

€ million	2023	2022
Operating contributions and other income	25	36
Lease income from operational leases	29	27
Total	**54**	**63**

'Other income' in the 2023 financial year amounted to €54 million (2022: €63 million). The other income in 2023 includes one-off revenue of €5 million resulting from the sale of our Spaklerweg site. Exceptional income resulting from the sale of a subsidiary, Stam, was recognised in 2022. We sold this entity in January 2022, generating a positive income of €13 million.

Note 23 Purchase costs and costs of subcontracted work

€ million	2023	2022
Grid losses	330	252
Transport capacity and restrictions	453	291
Billing and payment collection	39	31
Contractors, materials and other	205	188
Total	**1,027**	**762**

Compared with 2022, the purchasing costs and subcontracted work rose by €265 million to €1,027 million. The costs of transmission capacity rose by €162 million as a result of the higher tariffs charged to us by TenneT. The costs of network losses were €78 million higher due to the high energy prices paid for procuring electricity and gas. The costs of hiring contractors and consumption of materials were €17 million higher due to price increases and a larger amount of work that we carried out.

Note 24 Employee benefit expenses

€ million	2023	2022
Salaries	476	420
Social security premiums	60	51
Pension costs:		
- Contributions paid to multi-employer plans that are accounted for as defined-contribution plans	68	62
Termination benefit expenses	-	3
Other long-term employee benefit expenses	12	-4
Other staff costs	28	21
External personnel	213	157
Total	**857**	**710**

The staff costs relating to pensions, reorganisations and other long-term employee benefits were as follows:

Employee benefit expenses for pensions, reorganisation and other long-term employee benefits

€ million	Multi-employer plans	Termination/ reorganisation benefits	Other long-term employee benefits	Total
2022				
Contributions paid to multi-employer plans	62	-	-	62
Added to provision	-	3	19	22
Released from provision	-	-	-23	-23
Total 2022	**62**	**3**	**-4**	**61**
2023				
Contributions paid to multi-employer plans	68	-	-	68
Added to provision	-	-	28	28
Released from provision	-	-	-16	-16
Total 2023	**68**	**-**	**12**	**80**

Clarification of the reorganisation costs is included in note 15 on provisions for employee benefits. For further details of the other long-term employee benefits, please refer to the disclosures in note 15. External staff costs amounted to €213 million (2022: €157 million) and related to contract staff for specific projects and to fill vacancies. The number of staff employed by Alliander, based on a 38-hour working week (FTEs) was 6,686.

Number of permanent staff (FTEs)

	2023	2022
Employed in continuing operations		
-Average during the year	6,504	6,102
-As at 31 December	6,793	6,214
-Number of permanent staff outside the Netherlands	81	150

WNT

On 1 January 2013 the Act on the Standardisation of Remuneration of Senior Executives in the Public and Semi-Public Sector (WNT) came into operation. The act lays down rules governing the maximum remuneration of senior executives in the public and semi-public sector. The amount is set annually by a ministerial ruling.

WNT reporting

Alliander is not governed by the Public and Semi-Public Sector Executives Pay (Standards) Act (WNT), but Liander N.V. is. The WNT requires companies to report on the remuneration of current and former senior executives. The annual report of the network operator, which is to be published in the second quarter of 2024, will contain disclosures on the WNT requirements.

Remuneration of the Management Board and the Supervisory Board

The Remuneration Report covers the remuneration policy, its implementation and the remuneration of the members of the Management Board and the Supervisory Board (key management). The Remuneration Report can be found in the Corporate Governance chapter of our 2023 annual report. The following tables disclose the remuneration of the members of the Management Board. The remuneration of the Management Board amounted to €1.16 million in 2023 (2022: €1.15 million). The remuneration of the Supervisory Board amounted to €0.12 million in 2023 (2022: €0.12 million).

Total gross annual remuneration chargeable to the financial year

	Fixed salary	
€ thousand	2023	2022
M.J. Otto	260	248
W.Th. Bien	240	245
M.I. Visser	250	245
F.D. Schut	246	243
Total	**996**	**981**

The fixed salary concerns the actual amount paid each year; it does not include amounts set aside for other forms of remuneration.

Pension contributions

€ thousand	2023	2022
M.J. Otto	23	26
W.Th. Bien	23	26
M.I. Visser	23	26
F.D. Schut	23	26
Total	**92**	**104**

Social security contributions and other benefits

€ thousand	2023	2022
M.J. Otto	17	15
W.Th. Bien	16	15
M.I. Visser	17	16
F.D. Schut	17	15
Total	**67**	**61**

In addition to the social security contributions that are normally paid by the company, Management Board members are entitled to an employer's contribution towards the premium for the group health insurance plan, contributions to the 'personal budget' scheme and the use of a car provided by the company.

Remuneration of the Supervisory Board

€ thousand	2023	2022
A. Jorritsma-Lebbink, Chairman	33.5	32.4
F. Eulderink	22.3	21.6
T. Menssen	22.3	21.6
G.R. Penning[1]	22.3	21.6
A.P.M. van der Veer-Vergeer[2]	15.7	-
B. Roetert	6.7	21.6
Total	**122.8**	**118.8**

1 Appointed as of 19 April 2023.

2 Stepped down as of 19 April 2023.

Note 25 Other operating expenses

€ million	2023	2022
Added to/released from provisions	3	-5
Premises and transport	23	22
Rent and leases	25	21
Corporate staff and IT	96	79
Sufferance tax and other tax	7	5
Other	95	64
Total	**249**	**186**

Other operating expenses amounted to €249 million in 2023 and were therefore €63 million more than in 2022 (€186 million). The Other category includes fees paid to accountants, notaries and consultants, amounting to €53 million (2022: €30 million). The increase is due in part to additional costs incurred as part of the sales process and carve-out of Kenter, which took place on 31 January 2024. Consultants were also used during the negotiations for the Framework Agreement with the State, as well as for the (multi-year) project to future-proof our information systems. The costs were also incidentally lower in 2022 due to the one-off release of a provision of €7 million for a loss-making contract at one of the entities in Germany.

The amount recognised for rent and leases in 2023 includes €4 million in short-term leases (2022: €2 million) and €0.2 million in low-value leases (2022: €0.2 million). The remainder of the costs concerns the service costs under the lease contracts.

Auditors' fees

The auditors' fees were as follows:

€ million	2023	2022
Description of services:		
Audit of the financial statement	0.9	0.8
Other assurance services	0.2	0.2
Total	**1.1**	**1.0**

The above fees relate to the activities carried out by the accountancy firms and external auditors in connection with the parent company and the companies included in the consolidation, as referred to in Section 1, subsection 1, of the Audit Firms Supervision Act (WTA), and the fees charged by the entire network of which the accountancy firm is part.

These fees relate to the audit of the financial statements for 2022 and 2023.

Note 26 Depreciation/amortisation and impairment of non-current assets

The divestments include the accelerated depreciation of decommissioned assets.

€ million	Land and buildings	Networks	Right-of-use assets	Other	Total
2023					
Depreciation	6	322	24	142	494
Divestments	-	17	-	17	34
Total 2023	**6**	**339**	**24**	**159**	**528**
2022					
Depreciation	5	315	23	152	495
Divestments	-	22	-	22	44
Total 2022	**5**	**337**	**23**	**174**	**539**

Note 27 Finance income

€ million	2023	2022
Other finance income	9	1
Total	**9**	**1**

The increase in financial income in 2023 is mainly due to the increased market interest rate for investments in liquidity funds and interest received on deposits paid against margin calls.

Note 28 Finance expense

€ million	2023	2022
Loans from third parties	-75	-51
Other finance expense	-3	-3
Total	**-78**	**-54**

The increase in finance expenses in 2023 is mainly due to the interest expense relating to the issue of a long-term bond loan in 2023.

Note 29 Tax

€ million	2023	2022
Current tax expense	9	-59
Movement in deferred taxes	-102	-3
Total	**-93**	**-62**

The tax credit in the 2023 financial year amounted to €9 million. This income results from application of the scheme for discretionary depreciation for tax purposes in 2023, which creates a tax loss that can be partially offset against the taxable profit in 2022. The movement in deferred taxation is €102 million.

The corporate income tax charge for the Alliander N.V. tax group, as recognised in the financial statements, amounts to €12 million. This is the balance of the corporate income tax calculated over the profit for 2023 (€6 million), the corporate income tax for previous years of €4 million and the corporate income tax on movements in balance sheet items recognised directly in equity of minus €2 million.

The table below provides a reconciliation between the corporate income tax rate in the Netherlands and the effective tax rate:

Reconciliation of effective corporate income tax rate

%	2023	2022
Enacted corporate income tax rate in the Netherlands	**25.8**	**25.8**
Impact of:		
Substantial holding privilege	-0.1	-1.5
Losses not accounted for	0.4	-0.5
Other permanent differences	-0.5	0.5
Effective corporate income tax rate	**25.6**	**24.3**

The effective tax rate is the tax burden expressed as a percentage of the profit before tax excluding the profits after tax from associates and joint ventures. The effective tax rate in 2023 amounted to 25.6% (2022: 24.3%).

Note 30 Notes to the consolidated cash flow statement

Cash flow from operating activities

The cash flow from operating activities in 2023 amounted to €724 million (2022: €572 million). The €152 million increase compared to 2022 is mainly due to the higher net profit in 2023, plus the application of the discretionary depreciation scheme, resulting in a corporate income tax payment of €2 million in 2023 (2022: €60 million).

Cash flow from investing activities

The cash outflow from investing activities in 2023 was €1,179 million, compared with an outflow of €1,175 million in 2022. The €183 million increase in gross investments in 2023 is almost fully neutralised by the receipt of security deposits. Regarding procurement to compensate for network losses, €51 million of the security deposits paid in 2022 (€100 million) was repaid in 2023 due to dropping energy prices in 2023. In addition, Alliander received the remainder (€28 million) of the purchase price for the Allego group company, which was sold in 2018. The above resulted in an investment cash flow in 2023 that was €4 million lower than in 2022.

Cash flow from financing activities

The cash flow from financing activities for 2023 amounted to €494 million (2022: €184 million). The green bond issued both in 2023 and in 2022 led to an incoming cash flow of almost €500 million in both years. ECP financing was also acquired in both years, totalling €200 million in 2023 and €300 million in 2022. Furthermore, we reinstated €41 million in loans to shareholders in 2023. This is offset by the contractual repayment of bonds under the EMTN programme in 2022 (€400 million) and also explains most of the difference in the financing cash flow between 2023 and 2022.

Note 31 Licences

Liander N.V. owns networks for the transmission of electricity and gas in the Netherlands. In accordance with the Dutch Electricity Act 1998 and the Dutch Gas Act, Liander N.V. has appointed itself network operator for the gas and electricity networks for a ten-year period (expiry date: 10 December 2030). Liander executes the tasks incumbent on it under the Electricity Act and the Gas Act.

Note 32 Related parties

As holder of 45% of the shares in Alliander, the Province of Gelderland has significant influence over the company, qualifying the province as a related party. At year-end 2023, the remaining shares were held by 73 shareholders, none of whom are related parties. For a complete list of our shareholders, please see https://www.alliander.com/nl/over-alliander/corporate-governance/aandeelhouders/.

The Alliander group has interests in various associates and joint ventures over which it has significant influence but not control or has joint control of operations and financial policy. Transactions with these parties, some of which are significant, are executed on market terms and at market prices that are not more favourable than those that would be negotiated with independent third parties. These associates and joint ventures are consequently designated as related parties.

The following transactions were entered into with related parties for the purchase and sale of goods and services:

Related party transactions

€ million	2023	2022
Sales of goods and services		
Associates	-	-
Joint ventures	141	118
Total	**141**	**118**
Purchase of goods and services		
Associates	38	34
Joint ventures	244	199
Total	**282**	**233**

The transactions involving the Province of Gelderland are not included in these disclosures, owing to the exemption applicable in the case of related parties that are public authorities (IAS24, paragraph 25). As part of the issue of the convertible shareholders loan, a transaction took place with the Province of Gelderland. There were no material transactions with individuals who qualify as related parties. For disclosures relating to the remuneration of the members of the Management Board, who do qualify as related parties, please refer to note 24.

The following transactions were entered into with related parties for the purchase and sale of goods and services: sale of goods and services to associates at a value of €0 million (2022: €0 million) and to joint ventures at a value of €141 million (2022: €118 million); purchase of goods and services from associates at a value of €38 million (2022: €34 million) and from joint ventures at a value of €244 million (2022: €199 million). As at year-end 2023, Alliander had a receivable of €26 million (2022: €27 million) for loans granted to related parties, a liability of €16 million (2022: receivable of €24 million) in respect of agreed borrowings on current accounts with related parties and a non-current interest-bearing liability of €270 million (2022: €270 million) in connection with the issue of the convertible shareholder loan in 2021.

Note 33 Assets and liabilities held for sale and discontinued operations

2023

Assets held for sale and liabilities held for sale at year-end 2023 all relate to the assets and liabilities of Kenter B.V. Kenter was sold on 31 January 2024, see note [36].

2022

Assets held for sale and liabilities in respect of assets held for sale at year-end 2022 all relate to the assets and liabilities of Kenter B.V. and the Spaklerweg site in Amsterdam.

Note 34 Information on risks and financial instruments

General

The following financial risks can be identified: market risk, credit risk and liquidity risk. Market risk is defined as the risk of loss due to an adverse change in market prices. Alliander's main exposure is to commodity price risk, currency risk and interest rate risk. The credit risk is the risk arising in connection with the default of counterparties to trading and sales transactions. The liquidity risk is the risk of the company being unable to meet its payment obligations as they fall due.

This note provides information on these financial risks to which Alliander is exposed, the objectives and policy for managing risks arising from financial instruments as well as the management of capital. Further quantitative information is provided in the various notes in the consolidated financial statements.

Market risk

Alliander is exposed to the following potential market risks:

- Commodity price risk: the risk that the value of a financial instrument will fluctuate because of changes in commodity prices; this mainly affects the cost associated with purchasing network losses;
- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in exchange rates;
- Interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Alliander hedges market risks through the purchase and sale of derivatives and attempts to minimise income statement volatility as far as possible through the application of hedge accounting. All transactions are carried out within the guidelines approved by the Management Board.

Commodity price risk

As regards the cost of network losses, Alliander is sensitive to the effect of market fluctuations in the price of various energy commodities, including but not limited to electricity, gas and green certificates (renewable energy certificates – RECs).

Currency risk

General

Alliander is exposed to currency risk on purchases, cash and cash equivalents, borrowings and other balance sheet positions denominated in a currency other than the euro. The currency risks concern transaction risks, i.e. risks relating to future cash flows in foreign currencies and balance sheet positions in foreign currencies. At year-end 2023, there were no balance sheet positions in foreign currency which would lead to currency risks.

Subsidiaries report currency positions and risks to Alliander's Treasury department. These positions and risks are principally hedged back-to-back with external counterparties through spot and forward exchange contracts.

Exposure to currency risk and sensitivity analysis

Alliander operates mainly in the Netherlands and to a small extent in Germany and so has no currency risk on its normal operations.

Exchange rates

The following important exchange rates were applicable as at the balance sheet date:

	2023	2022
USD	1.106	1.071

Interest rate risk

General

Alliander had no interest rate swaps outstanding as at year-end 2023 or 2022.

Maturity date or earlier contractual interest repricing date

€ million	Effective interest rate	Variable/ fixed	Carrying amounts			
			Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023						
Assets						
Loans, receivables and other financial assets	0.0%		49	19	19	87
Cash and cash equivalents	0.0% - 4.3%	Variable	244	-	-	244
Total assets			**293**	**19**	**19**	**331**
Loans received						
Subordinated loans	2.5%	Fixed	-	-32	-1,108	-1,140
Private and green loans	1.4%	Fixed	-	-9	-300	-309
Euro Medium Term Notes	1.8%	Fixed	-400	-1,293	-895	-2,588
Euro Commercial Paper	4.0%	Fixed	-500	-	-	-500
Other		Variable	-	-	-	-
Lease liabilities	0.0% - 4.4%	Fixed	-23	-55	-52	-130
Total liabilities			**-923**	**-1,389**	**-2,355**	**-4,667**
As at 31 December 2022						
Assets						
Loans, receivables and other financial assets	0.9%		145	1	22	168
Cash and cash equivalents	-3.44% - 2.46%	Variable	205	-	-	205
Total assets			**350**	**1**	**22**	**373**
Loans received						
Subordinated loans	2.1%	Fixed	-	-	-599	-599
Private and green loans	1.1%	Fixed	-126	-11	-300	-437
Euro Medium Term Notes	1.5%	Fixed	-	-1,196	-894	-2,090
Euro Commercial Paper	1.7%	Fixed	-300	-	-	-300
Other		Variable	-	-	-4	-4
Lease liabilities	0.0% - 3.1%	Fixed	-21	-46	-56	-123
Total liabilities			**-447**	**-1,253**	**-1,853**	**-3,553**

Sensitivity analysis in relation to fixed-rate assets and liabilities

Alliander does not have any fixed-rate financial assets or liabilities carried at fair value through profit or loss.

Sensitivity analysis in relation to cash flows for variable-rate assets and liabilities

Alliander does not have any variable-rate financial assets or liabilities carried at fair value through profit or loss.

Hedging transactions

Fair value hedging

Alliander made use of derivative financial instruments in 2023 and in preceding years as a complete or partial hedge against the risks of fluctuations in the fair value of financial assets and/or liabilities and in its commitments.

Credit risk

General

Credit risk is the risk of a loss being incurred because a counterparty is unable or unwilling to meet its obligations. Credit analysis and management are applied throughout the organisation, with the degree of review undertaken varying depending on the magnitude of the credit risk in a transaction.

Surpluses of cash and cash equivalents are placed in the money and capital markets on market terms and conditions with institutions satisfying a list of criteria drawn up by the Management Board, making them approved counterparties, up to the maximum limit set for the party in question. In addition, minimum requirements have been set for the credit ratings of such investments set by credit rating agencies. Changes in investments made by Alliander relating to the CBL contracts require the individual approval of the Management Board. These investments were made for long terms, with the intention of generating sufficient returns to meet future lease obligations. The portfolio of investments on which Alliander is exposed to credit risks consists mainly of deposits and securities. Credit risk is managed through an established credit policy, regular monitoring of credit exposures and application of risk mitigation tools.

Credit quality

Treasury

The creditworthiness of financial institutions with respect to which Alliander has receivables is monitored using specific credit analyses, CDS data and credit ratings. The greater part of the cash and cash equivalents is placed or invested with parties with a credit rating of A or higher. Of this, 64% (2022: 73%) is placed with parties with an AA rating or higher.

Sales

Alliander is exposed to credit risk; this is the risk of non-payment by customers for services provided. The company has procedures to limit credit exposure to counterparties and to ensure that outstanding positions are covered by collateral, for example, in the form of bank guarantees.

Maximum credit risk

The maximum credit risk is the carrying amount of each financial asset, including derivative financial instruments. The maximum credit risk that Alliander is exposed to in respect of the CBL transactions is $670 million (2022: $655 million).

Overdue instalments

Receivables which are past due, but for which no provision has been recognised, are without exception trade receivables from normal sales. The provision for bad debts also exclusively concerns trade receivables from normal sales. The ageing analysis of trade receivables was as follows on the balance sheet date (gross amounts):

Ageing analysis of trade receivables

€ million	2023	2022
Not overdue	65	28
0-30 days	25	16
31-90 days	10	6
91-360 days	13	5
> 360 days	8	7
Carrying amount as at 31 December	**121**	**62**

The major part of the provision for bad debts is calculated using a graduated scale based on historical figures. The remainder is based on an assessment of individual accounts. The fair value of collateral obtained relating to overdue accounts and bad debts written off was zero at year-end 2023 and at year-end 2022.

The other receivables and the prepayments and accrued income do not contain any accounts older than one year.

Movements in the provision for bad debt

The movements in the provision for bad debts relating to trade receivables were as follows:

€ million	2023	2022
Carrying amount as at 1 January	10	8
Utilised (trade receivables written off)	-2	-2
Released from/added to allowance account charged to income	3	4
Carrying amount as at 31 December	**11**	**10**

Liquidity risk

Liquidity risk is the risk that Alliander is unable to obtain the financial resources required to meet its financial obligations on time. In this connection, Alliander regularly assesses the expected cash flows over a period of several years. These cash flows include operating cash flows, dividends, interest payments and debt repayments and investments. The aim is to have sufficient funds available at all times to provide the required liquidity. Liquidity and capital requirement planning is performed with a four-year horizon as a minimum. As at year-end 2023, Alliander had a committed credit facility of €900 million (up to 10 November 2027). This facility can be used for general operating purposes, working capital financing or debt refinancing. Alliander also secured €400 million in bilateral credit lines in 2023 (2022: zero). These credit facilities are to be used to cover liquidity requirements.

In addition to this credit facility, which was not drawn on as at year-end 2023, Alliander has an ECP programme totalling €1.5 billion under which €500 million was outstanding at the end of the financial year (2022: €300 million) and an EMTN programme of €5 billion (previously €3 billion, increased on 15 July 2022) under which an amount of €2.6 billion was outstanding as at 31 December 2023 (2022: €2.1 billion). To provide information on liquidity risk, the following table shows the contractual terms of the financial obligations (translated at the balance sheet rate), including interest payments.

The liquidity risk arising in connection with possible margin calls related to foreign currency and interest rate management transactions and commodity contracts intended for own use is closely monitored and limited by ensuring diversity in the number of counterparties with which transactions are entered into as well as ensuring that appropriate thresholds and other terms and conditions are included in ISDAs (International Swaps and Derivatives Association) and CSAs (Credit Support Annexes).

Margin calls were triggered for Alliander in 2023 and Alliander also made margin calls. On account of this, Alliander held no security deposits in this respect as at year-end 2023 (2022: zero), but this gave rise to a receivable of €49 million (2022: €100 million).

Liquidity risk in 2023 and 2022

€ million	Carrying amount	Contractual cash flows			
		Less than 1 year	1 - 5 years	Over 5 years	Total
As at 31 December 2023					
Loans received					
Principal amounts	-4,537	-900	-1,341	-1,809	-4,050
Interest	-	-71	-214	-705	-990
Lease obligations	-130	-25	-58	-53	-136
Accounts payable	-171	-171	-	-	-171
Other payables	-484	-484	-	-	-484
Off balance sheet commitments					
Lease liabilities	-	-3	-8	-1	-12
Total	**-5,322**	**-1,654**	**-1,621**	**-2,568**	**-5,843**
As at 31 December 2022					
Loans received					
Principal amounts	-3,426	-425	-1,211	-1,800	-3,436
Interest	-	-52	-162	-727	-941
Lease obligations	-123	-22	-49	-58	-129
Accounts payable	-155	-155	-	-	-155
Other payables	-409	-405	-	-4	-409
Off balance sheet commitments					
Lease liabilities	-	-2	-7	-	-9
Total	**-4,113**	**-1,061**	**-1,429**	**-2,589**	**-5,079**

Measurement of fair value

The following table lists the financial instruments measured at fair value in descending order of the fair value hierarchy. According to the fair value hierarchy, the input data levels for measuring fair value are defined as follows:

- Level 1: quoted prices (unadjusted) on active markets for comparable assets or liabilities
- Level 2: inputs, other than level 1 quoted prices, observable for a particular asset or liability, either directly (i.e. in the form of actual prices) or indirectly (i.e. derived from prices);
- Level 3: inputs not based on observable market data.

Fair value hierarchy

The hierarchical analysis of the instruments is arrived at as far as possible on the basis of the availability of quoted prices on active markets or other observable inputs. Changes are made only as necessary owing to changes in the availability of the relevant inputs. No such changes were made during the year and there were therefore no transfers from one level of the fair value hierarchy to another.

Methods used for level 2 fair value measurement

Alliander had no derivatives outstanding as at year-end 2023 or 2022.

Fair value of other financial instruments

Alliander had no financial instruments recognised at fair value at year-end 2023 or 2022.

Fair value of financial assets and liabilities measured at amortised costs

€ million	Note	31 December 2023 Fair value	Level	31 December 2022 Fair value	Level
Non-current assets					
Investments in bonds and other financial assets	6.7	19	2	51	2
Liabilities					
Non-current liabilities					
Lease liabilities	19	-	2	-	2
Interest-bearing debt:					
Euro Medium Term Notes	13	-2,058	1	-1,831	1
Other interest-bearing debt	13	-545	2	-492	2
Total non-current liabilities		**-2,603**		**-2,323**	
Short-term liabilities					
Interest-bearing debt:					
Euro Medium Term Notes	13	-398	1	-	1
Euro Commercial Paper	13	-500	2	-300	2
Lease liabilities		-21	2	-143	2
Total short-term liabilities		**-919**		**-443**	
Total liabilities		**-3,522**		**-2,766**	

Measurement of fair value

Investments in bonds and other financial assets: the fair value of loans granted by Alliander is measured on the basis of the incoming cash flows discounted using risk-free interest rates plus credit spreads for these or similar investments. As regards the current portion of these receivables, it is assumed that the fair value is more or less the same as the carrying amount.

Interest-bearing debt: The fair value of the Euro Medium Term Notes is measured on the basis of market prices quoted by Bloomberg. The fair value of the other loans received is measured on the basis of the outgoing cash flows discounted using risk-free interest rates plus credit spreads applicable to Alliander. As regards the current portion of these liabilities, it is assumed that the fair value is more or less the same as the carrying amount.

The fair value of the following financial assets and liabilities is more or less the same as the carrying amount:

- trade and other receivables;
- current tax assets;
- current other financial assets;
- cash and cash equivalents;
- trade and other payables;
- current tax liabilities.

Financial policy

Alliander's financial policy, which is part of its general policy and strategy, is to obtain an adequate return for shareholders and to protect the interests of bondholders and other providers of capital, while maintaining the flexibility to grow and invest in the business. As part of Alliander's financial framework, the subordinated perpetual bond loan issued in 2018 is treated as 50% equity and 50% borrowed capital. This is contrary to IFRS, under which the subordinated perpetual bond loan is considered to be 100% equity. In the context of Alliander's financial framework, the convertible shareholder loan issued in December 2021 is treated as 50% equity and 50% borrowed capital. In the context of IFRS, this loan is treated as 100% borrowed capital.

Finance income and expenses

The table below shows the income and expenses in respect of financial instruments recognised in the income statement:

Effect of financial instruments on income statement

€ million	2023	2022
Net result on derivatives held for trading:		
Fair value changes in currency instruments	-	-
Net result on financial liabilities at amortised cost:		
Interest charges on financial liabilities at amortised cost	-75	-52
Interest gains on cash equivalents, loans granted, trade receivables, other receivables and deposits	5	1
Fees paid and received other than for the calculation of the effective interest rate	1	-2
Net finance income and expense	**-69**	**-53**
Impairments of trade receivables	-3	-4
Other operating expenses	**-3**	**-4**

Note 35 Assumptions and estimates used in the financial statements (critical accounting policies)

Alliander prepares its financial statements in accordance with International Financial Reporting Standards that have been endorsed for use in the European Union by the European Commission. The preparation of financial statements and the measurement of items in the financial statements require the use of estimates and assumptions. These are mainly based on past experience and Alliander's management's best estimate of the specific circumstances that are, in the opinion of management, applicable in the given situation.

The assumptions and estimates used in the financial statements often relate to future developments. As a result, the actual outcome may differ significantly from the current measurement of a number of items in the financial statements. Consequently, the estimates and assumptions used may have a significant impact on equity and the results. The judgements, estimates and assumptions used are tested regularly and adjusted if necessary. Alliander is developing a number of new activities within the framework of its strategy. Due to the start-up nature of these activities, inherent uncertainties are attached to their valuation. This section sets out an analysis of the main areas where the measurement of assets, liabilities and the results is affected by the estimates and assumptions used.

Determination of the provision for employee benefits

The provision for post-employment benefits and other long-term employee benefits is determined on an actuarial basis, using assumptions on future salary levels, disability benefits (WAO/WIA), health insurance premiums, statistical assumptions on mortality rates, employee turnover and probability of disability. These assumptions, together with the discount rate used, influence the carrying amount of the provision for employee benefits and, consequently, the results. An increase in the discount rate of 1 percentage point, for example, has the effect of reducing the necessary carrying amount of the provision by €3 million.

Useful lives, residual values, and impairment of property, plant and equipment

The measurement of the carrying amount of property, plant and equipment uses estimates regarding depreciation periods, derived from the expected technical and economic lives of the assets concerned, depreciation methods and estimates of their residual value. Technological developments, altered market circumstances and changes in the actual usage of the items of property, plant and equipment involved may lead to changes in the expected technical and economic lives and the estimated residual value of the assets. With regard to the gas networks, there is no reason to shorten the current useful life for these on the basis of existing laws and regulations. From 2022, the declining balance method with an acceleration factor of 1.2 is the depreciation method used for all gas assets (connections, pipelines and low-volume meters).

These factors may also trigger recognition of impairment. In measuring the extent of the impairment, estimates are made of the fair value less costs to sell and the value in use. The fair value less costs to sell is derived from assumptions on the possible selling price of a particular item of property, plant and equipment. The actual sales proceeds in the case of a disposal may differ from the estimates used. The value in use is based on the present value of the expected future cash flows, which are derived from the business plans for the coming years relating to the assets concerned. Adverse developments affecting customers that could potentially lead to the recognition of an impairment, such as suspension of payments or bankruptcy/ insolvency, are also taken into account. It is possible that Alliander may be forced to recognise additional impairments in the future as a result of changes in market or other circumstances.

Impairment of goodwill and other assets

Goodwill is not amortised but impairment tests must be performed annually in order to ascertain whether the value of the goodwill has been impaired. Previously recognised impairments of goodwill are not reversed in future years if it is found that the impairment ceases to apply. Other assets are tested if events or changes have occurred that trigger an impairment test. The impairment tests use estimates and assumptions of the fair value less cost to sell and the value in use. The estimate of the fair value less costs to sell is derived from information on quoted prices on regulated markets and other market prices, recent transactions in comparable companies and bids and offers received. Actual proceeds and estimated costs to sell may differ from the estimates. Value in use is estimated using the present value of the expected future cash flows of the subsidiaries and associates involved. Actual cash flows may deviate from the cash flows in the business plans. The discount rates used also affect the ultimate value in use. It is possible that Alliander may be forced to recognise additional impairments in the future as a result of changes in market or other circumstances.

Measurement of trade and other receivables

Alliander regularly assesses the credit risk on its receivables, based on experience as well as developments affecting specific accounts. Impairment losses are recognised on account balances where indicated by this assessment. The actual situation may turn out to be different from the assumptions used in identifying impairment.

Provisions

A characteristic of provisions is that the obligations are spread over several years and management has to make estimates and assumptions at the balance sheet date on the probability that an obligation will arise and the magnitude of the amount that will have to be paid. Future developments, such as changes in market circumstances, changes in legislation and court rulings, may cause the actual obligation to differ from the provision. In addition, Alliander is involved in a number of legal proceedings. Management assesses each individual case and decides whether a provision is necessary, based on the facts. This assessment includes the probability that a claim will be successful and the amount that is likely to be paid.

Network losses; allocation and reconciliation

The allocation process serves to determine estimates of the quantities of electricity and gas supplied and the associated network losses on a daily basis, particularly where standard annual consumption patterns are used for the consumer and SME market. These estimates are reviewed regularly, and quantities allocated to customers are adjusted for actual quantities ascertained through meter readings as part of this process (reconciliation). The legal requirements on reconciliation prescribe settlement within 21 months after the end of the month of supply. This means that the final reconciliation result for the delivery month of December 2023 will not be known until October 2025. The reconciliation result consists of a price and quantity component, the former being determined by the national network operator on the basis of weighted day-ahead prices on a monthly basis (roughly the average spot price of that month). For the q-component relating to losses in the gas network, the degree days are a further important factor, as customers who do not have a supplier contract or who commit fraud also consume a lot of gas during cold periods. Alliander uses a system where long-term averages are considered, taking into account the effects of degree days per year.

The expected results of reconciliation have been estimated and recognised in the financial statements as accurately as possible, but the final settlement will be determined by the timing and quality of the delivery. All this can lead to the situation where the pre-estimated results differ from the actual results determined after 21 months.

Tax

When preparing the financial statements, Alliander devotes considerable attention to assessing all significant tax risks and the current tax position is reflected in the financial statements to the best of its knowledge. Changing insights, for example as a result of final tax assessments for previous years, may lead to additional tax expense or income. New tax risks may also arise. When measuring deferred tax assets, particularly those relating to the differences between the carrying amount in the financial statements and the valuation for tax purposes of property, plant and equipment, assumptions are made on the extent to which such tax assets can be realised, and at what point in time. This is based in part on business plans. In addition, assumptions on the temporary and permanent differences between measurement for financial reporting purposes and for tax purposes are used in preparing the financial statements. The actual situation may differ from the assumptions used in determining deferred tax positions, due to differences of opinion, changes in tax rules and so on.

Other

The assumptions with respect to risks and financial instruments are stated in note 34.

Note 36 Events after balance sheet date

Sale of Kenter

On 31 January 2024, Alliander sold the shares of its subsidiary and provider of integrated energy solutions Kenter BV (hereinafter Kenter) to a consortium consisting of ABP and OMERS Infrastructure. The consortium also obtained full control of Kenter and its subsidiaries with effect from this date. In recent years, Kenter has grown from a traditional metering company with 95 employees to an integrated energy solution provider with a staff of over 400. Partly because the market in which Kenter operates is growing strongly, it is expected that in the future Kenter will play an even greater role in the energy transition and in offering its customers total solutions.

The work that Kenter is doing – and will continue to do in the future – is highly relevant to the energy transition. This relevance should really come into full bloom outside Alliander, given that, as a network company, Alliander has to deal with laws and regulations that place restrictions on the company. These restrictions are expected to increase further in the coming years and become an increasing obstacle to the work of Kenter and its staff. In addition, the sale of Kenter allows Alliander to focus even more on the major task of getting more work done, responding faster to developments and designing the energy network of the future together with partners.

Kenter's net revenue in 2023 amounted to €107 million. Part of the transaction also involves a limited number of free domain activities. These activities are currently still part of a Cross Border Lease (CBL) agreement and are therefore still held by Liander NV. These activities will be transferred by Alliander to Kenter after the termination of the CBL on 2 January 2025.

Alliander received a total of €990 million on 31 January 2024. Of that amount, €875 million relates to the sale of the shares of Kenter BV, €65 million to the aforementioned free domain activities and the remaining €50 million to the repayment of the current account debt and interest. The preliminary book profit on the sale of Kenter BV amounts to €758 million. The final purchase price and book profit relating to the sale of the shares of Kenter will be determined in March 2024, and the final purchase price and book profit relating to the free domain activities in the spring of 2025. As at 31 December 2023, Kenter's assets and liabilities were classified as held for sale in Alliander's consolidated balance sheet. The assets of the free domain activities will be classified as such in 2024. All 400 employees of Kenter transferred to the new owner.

Company financial statements

Company balance sheet (as at 31 December, before appropriation of profit)

€ million	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	37	248	235
Right-of-use assets	37	111	104
Intangible assets	38	68	68
Investments in subsidiaries and associates	39	3,244	2,788
Other financial assets	40	2,592	2,607
Total non-current assets		**6,263**	**5,802**
Current assets			
Other receivables	41	56	62
Current financial assets	41	-	27
Receivables from subsidiaries	41	2,621	2,179
Cash and cash equivalents	42	240	202
Total current assets		**2,917**	**2,470**
Assets held for sale		2	2
Total assets		**9,182**	**8,274**
Equity and liabilities			
Equity	43		
Share capital		684	684
Share premium		671	671
Subordinated perpetual bond loan[1]		495	495
Hedge reserve[1]		5	5
Other reserves		2,627	2,517
Result for the year		267	198
Total equity		**4,749**	**4,570**
Liabilities			
Long-term liabilities			
Interest-bearing debt	44	3,137	2,999
Lease liabilities	45	94	89
Revenue recieved in advance	46	2	-
Provisions	47	20	23
Total long-term liabilities		**3,253**	**3,111**
Short-term liabilities			
Current and accrued liabilities	48	1,157	573
Lease liabilities	45	20	18
Total short-term liabilities		**1,177**	**591**
Total liabilities		**4,430**	**3,702**
Liabilities held for sale		3	2
Total equity and liabilities		**9,182**	**8,274**

1 The subordinated perpetual bond loan and the hedge reserve are not freely distributable.

Company income statement

€ million	Note	2023	2022
Income			
Revenue		-	-
Own work capitalised		46	43
Other income		390	321
Total income	50	**436**	**364**
Operating expenses			
Costs of subcontracted work and other external expenses	51	-118	-86
Employee benefit expenses	52	-148	-110
Social security premiums	52	-15	-11
Depreciation and impairments of non-current assets	53	-56	-67
Other operating expenses	54	-127	-95
Total operating expenses		**-464**	**-369**
Operating profit		**-28**	**-5**
Proceeds from receivables included in non-current assets and securities	55	108	61
Interest and similar expenses	56	-78	-53
Profit before tax		**2**	**3**
Tax	57	1	-2
Share of profit/loss from investments in affiliated companies	58	264	197
Profit after tax		**267**	**198**

Company statement of comprehensive income

€ million	2023	2022
Net profit	267	198
Movement in hedge reserve	-	7
Comprehensive income	**267**	**205**

Notes to the company financial statements

Accounting policies

The company financial statements of Alliander N.V. (Chamber of Commerce company reg. no. 34108286) have been prepared according to the provisions of Part 9, Book 2, of the Dutch Civil Code. The accounting policies used are the same as those used for the consolidated financial statements, in accordance with the provisions of Section 362, subsection 8 of Part 9, Book 2, of the Dutch Civil Code, with investments in group companies accounted for on the basis of net asset value.

The company financial statements of Alliander N.V. comprise the company balance sheet, the company income statement, and the company statement of comprehensive income. The notes to the company financial statements constitute an integral part of the company financial statements of Alliander N.V.

The measurement of the entities included in the consolidation is performed at net asset value, whereby the company's economic interest is measured at fair value on initial recognition, with the carrying amount subsequently increased or reduced by the company's share in the results. Dividends received are deducted from the carrying amount.

The functional currency of Alliander N.V. is the euro. Unless otherwise stated, all amounts are in millions of euros. For the detailed policies, reference is made to the accounting policies for the consolidated financial statements.

Note 37 Property, plant, equipment and right-of-use assets

Property, plant and equipment

€ million	Land and buildings	Other plant and equipment	Assets under construction	Total
As at 1 January 2022				
Historical cost	168	519	22	709
Accumulated depreciation and impairments	-52	-437	-	-489
Carrying amount as at 1 January 2022	**116**	**82**	**22**	**220**
Movements 2022				
Investments	-	4	61	65
Divestments	-2	-	-1	-3
Depreciation	-5	-41	-	-46
Reclassifications and other movements	2	10	-13	-1
Total	**-5**	**-27**	**47**	**15**
As at 31 December 2022				
Historical cost	166	524	69	759
Accumulated depreciation and impairments	-55	-469	-	-524
Carrying amount as at 31 December 2022	**111**	**55**	**69**	**235**
Movements 2023				
Investments	-	7	42	49
Depreciation	-6	-29	-	-35
Reclassifications and other movements	78	17	-96	-1
Total	**72**	**-5**	**-54**	**13**
As at 31 December 2023				
Historical cost	244	316	15	575
Accumulated depreciation and impairments	-61	-266	-	-327
Carrying amount as at 31 December 2023	**183**	**50**	**15**	**248**

Investments

Investments in property, plant and equipment during the financial year totalled €49 million (2022: €65 million). They related to investments in hardware, software and accommodation.

Right-of-use assets

€ million	Land and buildings	Other plant and equipment	Total
As at 1 January 2022			
Historical cost	73	77	150
Accumulated depreciation and impairments	-8	-40	-48
Carrying amount as at 1 January 2022	**65**	**37**	**102**
Movements 2022			
Investments	1	7	8
Depreciation	-6	-13	-19
Reclassifications and other movements	15	-	15
Reclassification to assets held for sale	-	-2	-2
Total	**10**	**-8**	**2**
As at 31 December 2022			
Historical cost	85	71	156
Accumulated depreciation and impairments	-10	-42	-52
Carrying amount as at 31 December 2022	**75**	**29**	**104**
Movements 2023			
Investments	2	23	25
Depreciation	-7	-14	-21
Reclassifications and other movements	5	-2	3
Total	**-**	**7**	**7**
As at 31 December 2023			
Historical cost	92	90	182
Accumulated depreciation and impairments	-17	-54	-71
Carrying amount as at 31 December 2023	**75**	**36**	**111**

These assets relate to business premises and lease vehicles. The lease adjustments relate among others to expansions and indexations.

Note 38 Intangible assets

Intangible assets as at year-end 2023, and also as at year-end 2022, are made up of goodwill relating to the acquisition of Endinet (€61 million), which is allocated to Liander, and goodwill relating to Stam (€7 million), see also note 4.

Note 39 Investments in subsidiaries and associates

€ million	Investments in subsidiaries	Investments in associates	Total
Carrying amount as at 1 January 2022	**2,670**	**1**	**2,671**
Movements 2022			
Dividends received	-82	-	-82
Result for the year	197	-	197
Issue of share capital	1	-	1
Other changes	1	-	1
Total	**117**	**-**	**117**
Carrying amount as at 31 December 2022	**2,787**	**1**	**2,788**
Movements 2023			
Dividends received	-19	-	-19
Result for the year	264	-	264
Issue of share capital	211	-	211
Other changes	-	-	-
Total	**456**	**-**	**456**
Carrying amount as at 31 December 2023	**3,243**	**1**	**3,244**

In 2023, Alliander received €19 million (2022: €82 million) in dividend from a subsidiary. The addition to share capital of €211 million in 2023 relates to payments of capital invested in the subsidiaries of Alliander N.V. (2022: €1 million)

The dividends received from subsidiaries and capital contributions invested in them resulted from the capital restructuring of these companies in line with Alliander's policy.

The various share capital investments are listed separately under the heading 'Subsidiaries, associates and joint arrangements' in the 'Other information' part of the report.

Note 40 Other financial assets

€ million	Deferred tax assets	Loans granted to subsidiaries	Other receivables	Total
Carrying amount as at 1 January 2022	**15**	**2,587**	**47**	**2,649**
Movements 2022				
Reclassification to current receivables	-	-	-28	-28
Loans paid	-	-12	-1	-13
Changed temporary differences	-1	-	-	-1
Total	**-1**	**-12**	**-29**	**-42**
Carrying amount as at 31 December 2022	**14**	**2,575**	**18**	**2,607**
Movements 2023				
Loans paid	-	-	-5	-5
Changed temporary differences	-10	-	-	-10
Total	**-10**	**-**	**-5**	**-15**
Carrying amount as at 31 December 2023	**4**	**2,575**	**13**	**2,592**

The movement in deferred tax assets is explained by the application of the tax scheme for discretionary depreciation for tax purposes. For further disclosures, reference is made to note 17.

In June 2015, Alliander granted a long-term loan of €2,566 million to Liander, along with other lending. This amount was deducted from the current account in 2015. This means that there are two separate financing arrangements between Alliander and Liander, namely a long-term loan agreement, essentially for the purpose of financing network replacement and expansion investments, as well as the existing, separate current account agreement to finance working capital. This provides a closer match between the time horizons of the financing arrangements and the useful lives of the corresponding assets.

The long-term loan agreement with Liander runs for 10 years with automatic annual renewal thereafter for a period of one year on each occasion. The interest rate in 2023 was 1.9% (2022: 1.3%). The interest rate is based on the average cost of borrowing on Alliander's lending portfolio, with a risk markup. The interest rate will be reviewed annually. The principal will be repayable at the latest on the conclusion of the arrangement. At year-end 2023, the fair value was €2,518 million (2022: €2,421 million).

Note 41 Other receivables and receivables from subsidiaries

There is group-wide financing for receivables from group companies within the Alliander group, meaning that the activities of the subsidiaries are part-financed through a current account facility with the holding company. External financing is arranged by the holding company itself. Each year, there is a capital restructuring of these companies in line with Alliander's policy, resulting in the distribution of dividends to the parent company or payments of share premium.

The current account facility is mainly for financing the working capital of Alliander's associates. All income and expenditure is accounted for through the current accounts with the associates. Differentiated interest rates were applied, namely 1.9% (2022: 1.3%) for associates operating in the regulated market, 2.9% (2022: 2.3%) for 'Stable Business' associates and 3.9% (2022: 3.3%) for 'New Business' associates. The interest rates are based on the average cost of borrowing on Alliander N.V.'s lending portfolio as at year-end 2023, with a risk mark-up where relevant. Current-account lending is treated as a demand deposit and counts as cash-equivalent.

Note 42 Cash and cash equivalents

In 2023, the cash and cash equivalents included amounts that were not at the unrestricted disposal of Alliander. This concerns a blocked bank account with a balance of €0.4 million (2022: €1 million).

Note 43 Equity

The statement of changes in equity is included in the consolidated financial statements.

Note 44 Long-term liabilities

Interest-bearing debt

€ million	2023	2022
Carrying amount as at 1 January	**3,425**	**3,035**
Movements		
New loans	739	797
Loans repaid	-126	-409
Currency translation differences	-	2
Total	**613**	**390**
Carrying amount as at 31 December	**4,038**	**3,425**

Long-term loans including the current portion

	Effective interest rate		**Short-term portion**		**Long-term portion**	
€ million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Subordinated loans	2.5%	2.2%	-	-	640	599
Private and green loans	1.4%	0.0%	1	126	310	310
Euro Medium Term Notes	1.8%	0.0%	400	-	2,187	2,090
Euro Commercial Paper	0.0%	0.5%	500	300	-	-
Carrying amount as at 31 December			**901**	**426**	**3,137**	**2,999**

Subordinated loans

These loans have been made available by shareholders. They are subordinated to all other liabilities.

Maturities of interest-bearing debt

€ million	2023	2022
Less than 1 year	901	426
Between 1 and 2 years	9	400
Between 2 and 3 years	299	10
Between 3 and 4 years	498	299
Between 4 and 5 years	528	497
Over 5 years	1,803	1,793
Carrying amount as at 31 December	**4,038**	**3,425**

Note 45 Lease liabilities

Lease liabilities as at year-end 2023 were as follows:

€ million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023				
Future lease payments of the on-balance lease liabilities	21	51	47	119
Future finance expenses of the on-balance lease liabilities	-1	-3	-1	-5
Present value of the on-balance lease liabilities	**20**	**48**	**46**	**114**
As at 31 December 2022				
Future lease payments of the on-balance lease liabilities	19	43	50	112
Future finance expenses of the on-balance lease liabilities	-1	-3	-1	-5
Present value of the on-balance lease liabilities	**18**	**40**	**49**	**107**

This relates to payables on account of leases for business premises and lease vehicles.

Besides the above lease liabilities, there was an undiscounted amount of €9 million in lease liabilities to which Alliander had committed but that had not yet started at year-end 2023, which concerned lease vehicles. At year-end 2022 this was €8 million.

Note 46 Deferred income

Deferred income relates to investment grants. The associated amortisation periods are the same as the depreciation periods of the assets in question.

Note 47 Provisions

€ million	Long-service benefits	Termination benefits	Other provisions	Total
Carrying amount as at 1 January 2022	**13**	**1**	**20**	**34**
Movements 2022				
Released	-5	-1	-20	-27
Added	3	3	16	22
Utilised	-1	-2	-5	-8
Reclassification to short-term liabilities	-	-	1	1
Total	**-3**	**-**	**-8**	**-11**
Carrying amount as at 31 December 2022	**10**	**1**	**12**	**23**
Movements 2023				
Released	1	-1	-18	-18
Added	3	1	25	29
Utilised	-1	-2	-10	-13
Reclassification to short-term liabilities	-	3	-2	1
Reclassification liabilities held for sale	-1	-	-	-1
Major curtailments and settlements	-	-1	-	-1
Total	**2**	**-**	**-5**	**-3**
Carrying amount as at 31 December 2023	**12**	**1**	**7**	**20**

The long-service benefits scheme covers long-service benefits payable on attaining 25 and 40 years of service. Employees born before 1 January 1963 retain the entitlement to a benefit after retiring. Also, the 50-year long-service benefit will continue for five years as from 1 January 2020. The provision totalled €12 million at year-end 2023 (2022: €10 million).

This provision covers payments and/or supplements to benefits paid to employees whose employment contract has been or probably will be terminated. These benefits and supplements are based on the Social Plan operated by Alliander and individual arrangements. The Social Plan is periodically renegotiated and agreed. In 2023, an amount of €2 million was drawn down from the reorganisation provision (2022: €3 million). The provision for employment termination payments and reorganisations totalled €1 million at year-end 2023 (2022: €1 million).

The other provisions include provisions for long-term sickness absence.

The reclassification to liabilities held for sale relates to provisions made for employees working at Kenter B.V.

Note 48 Current and accrued liabilities

€ million	2023	2022
Amounts owed to suppliers and trade credits	25	19
Tax and social security contributions	117	48
Liabilities in respect of pensions	6	7
Interest-bearing debts	901	426
Other liabilities and accruals	108	73
Total short-term liabilities	**1,157**	**573**

The short-term liabilities, accruals and deferred income relate to trade payables, taxes payable and the other short-term liabilities. Amounts owed to suppliers and trade credits include a debt of €14 million for non-controlling interests (2022: €4 million). As at year-end 2023, interest-bearing debts chiefly concerned the short-term loan under the ECP programme for an amount of €500 million and a repayment obligation for 2024 of €400 million.

Note 49 Contingent assets and liabilities

Lease liabilities

Please refer to note 45 in the notes to the company financial statements for details of lease liabilities.

Contingent liabilities

Pursuant to Section 403 Book 2 of the Dutch Civil Code, Alliander has assumed liability for the obligations arising from the legal acts of several of the subsidiaries listed in the other information. Alliander, together with its Dutch subsidiaries, forms a tax group for both corporate income tax and value added tax (VAT). Consequently, every legal entity forming part of the tax group bears joint and several liability for the tax liabilities of the legal entities included in the tax group. Alliander has also given a declaration of indemnity to network operator Liander under which its liability in this respect is restricted to the amount for which Liander itself would be liable if a tax group did not exist.

As at year-end 2023, Alliander had issued parent company guarantees amounting to €18 million (2022: €18 million), including a parent company guarantee of €8 million (2022: €5 million) due from non-controlling interests. Bank guarantees amounting to €54.6 million had been issued on Alliander's behalf at the end of the year (2022: €0.3 million). The increase relative to 2022 is explained by the partial use of bank guarantees to cover procurement obligations for network losses instead of paying security deposits.

Investments and other purchasing commitments

The following table presents the existing investment commitments and other purchase commitments as at year-end.

€ million	2023	2022
Capital expenditure commitments	5	14
Other purchasing commitments	198	139
Total	**203**	**154**

Note 50 Operating income

€ million	2023	2022
Own work capitalised	46	43
Other income	390	321
Total	**436**	**364**

The other income chiefly relates to group-wide activities at holding company level.

Note 51 Costs of subcontracted work and other external expense

€ million	2023	2022
Contractors, materials, external personnel and other	118	86
Total	**118**	**86**

Note 52 Employee benefit expense

€ million	2023	2022
Salaries	123	102
Social security premiums	15	11
Pension costs:		
- contributions paid to multi-employer plans that are accounted for as defined-contribution plans	19	17
Termination benefit expenses	-	1
Long-term employee benefit expenses	3	-12
Other staff costs	14	11
Subtotal	**174**	**130**
Charged to other organisational units	-11	-9
Total	**163**	**121**

The employee benefit expense item mainly concerns the costs of group-wide activities at holding company level.

Nearly all the personnel are on the Alliander N.V. payroll. Employee benefit expenses are charged to the organisational units where these employees work. Employee benefit expenses in the income statement totalled €129 million in 2023 (2022: €121 million), and relate to employees working in the Alliander N.V. corporate staff departments and service units.

The number of employees, based on a 38-hour week (FTEs), at year-end 2023 was 1,563 (2022: 1,365). The proportion of costs attributable to the direct deployment of Alliander staff on projects at other organisational units has been deducted from Alliander's employee benefit expenses.

Remuneration of the Management Board and the Supervisory Board

Please see note 24 for further information.

Note 53 Depreciation and amortisation

€ million	Land and buildings	Other	Total
2023			
Depreciation	6	50	56
Total 2023	**6**	**50**	**56**
2022			
Depreciation	5	60	65
Divestments	2	-	2
Total 2022	**7**	**60**	**67**

Depreciation of IT assets and right-of-use assets are recognised in the Other column.

Note 54 Other operating expenses

€ million	2023	2022
Items charged by subsidiaries	1	2
Premises and transport	5	5
Rent and leases	7	6
Corporate staff and ICT	68	58
Accountancy, notary and consulting expenses	38	16
Other tax	1	1
Other	7	7
Total	**127**	**95**

Costs passed on by group companies mainly concerns internal development projects at holding company level.

Note 55 Finance income

€ million	2023	2022
Interest income on money market loans and deposits	5	-
Finance income on loans from group companies	103	61
Total	**108**	**61**

The finance income from loans to group companies was up by €52 million compared with 2022 as a result of the higher interest rates charged.

Note 56 Finance expense

€ million	2023	2022
Loans from third parties	77	51
Other finance expense	1	2
Total	**78**	**53**

Finance expenses were €25 million higher than in 2022 due to the new finance raised, which was arranged at higher interest rates.

Note 57 Tax

€ million	2023	2022
Current tax expense	10	-3
Movement in deferred tax	-9	1
Total	**1**	**-2**

The effective tax burden was 62% negative. The difference with respect to the nominal rate (25.8%) is explained by permanent differences between the results for tax purposes and the commercial results reported by the entire group to the holding company. The tax credit of €1 million is made up of a credit of €7 million for the 2023 financial year, a credit of €3 million due to permanent differences and the movement in deferred tax of €9 million.

Note 58 Share in profit/loss from investments in affiliated companies

€ million	2023	2022
Result from interests in subsidiaries and associates after tax	264	197
Share of profit/loss from investments in affiliated companies	**264**	**197**

Coming in at €264 million after tax, the share in the profits of affiliated companies was up by €67 million compared to 2022, primarily as a result of higher profits at network operator Liander.

Proposed profit appropriation for 2023

The Management Board has decided, with the approval of the Supervisory Board, to add €147.0 million of the profit to the 'Other reserves'. The remaining profit of €120.3 million is at the disposal of the General Meeting of Shareholders. This equates to a maximum of 45% of the profit after tax, specifically excluding exceptional items and costs associated with projects for shareholders.

The dividend for 2023 is up by €38.4 million compared to 2022, due to the higher net profit for 2023.

Events after the balance sheet date

For details of the events after the balance sheet date, see note 36.

Subsidiaries and other associates

As at 31 December 2023	Based in	%
Consolidated subsidiaries		
Liander N.V.*	Arnhem	100%
Qirion B.V.*	Duiven	100%
Alliander Digital Solutions B.V.*	Arnhem	100%
Nuon Elektriciteitsnetwerken I B.V.	Amsterdam	100%
Nuon Elektriciteitsnetwerken II B.V.	Amsterdam	100%
Alliander Corporate Ventures B.V.*	Arnhem	100%
Alliander Telecom N.V.*	Amsterdam	100%
Kenter B.V.*	Arnhem	100%
123meetbedrijf B.V.*	Helmond	100%
Kenter GmbH	Brandenburg	100%
Kenter Belgium B.V.	Zaventum	100%
Kenter Employment B.V.	Arnhem	100%
QTERRA B.V.*	Arnhem	100%
Locamation B.V.*	Enschede	100%
TReNT Infrastructuur B.V.*	Enschede	100%
Twinning Research Netwerk Twente (TReNT) B.V.*	Enschede	100%
Entrnce International Holding B.V.*	Arnhem	100%
Entrnce Nederland B.V.	Arnhem	100%
Entrnce Deutschland GmbH	Heinsberg	100%
Entrnce AB	Malmö	100%
Firan B.V.*	Amsterdam	100%
Indigo B.V.	Arnhem	95%
Warmtenetwerk Hengelo B.V.	Hengelo	95%
Warmtenetwerk Didam B.V.	Didam	95%
Warmte-Infrastructuur Limburg Geothermie B.V.	Venlo	75%
Warmtenetwerk Duiven/Westervoort B.V.	Arnhem	100%
Warmtenetwerk Almere B.V.	Arnhem	100%
Alliander AG	Berlin	100%
Alliander Stadtlicht GmbH	Berlin	100%
2. Alliander Vorratsgesellschaft mbH	Osthavelland	100%
Alliander Netz Heinsberg GmbH	Heinsberg	100%
Alliander Stadtlicht Rhein-Ruhr	Hagen	100%
Joint operations		
Utility Connect B.V.	Arnhem	59%
Other associates and joint ventures		
Reddyn B.V.	Arnhem	50%
EDSN B.V.	Baarn	26%
Etriplus B.V.	Venlo	25%
Gelders Warmte Infra Bedrijf B.V.	Arnhem	50%
Duurzame Energie Netwerken Gelderland B.V.	Arnhem	50%
Biogas Gelderland1 B.V.	Arnhem	50%
Warmtenetwerk Lingewaard B.V.	Bemmel	25%
Warmtenetwerk Harderwijk B.V.	Harderwijk	25%
Duurzame Energie Netwerken Noord-Holland B.V.	Zaanstad	50%
Warmtenetwerk Zaanstad B.V.	Zaandam	31%
450connect GmbH	Köln	25%
BAS B.V.	Amersfoort	17%

* Alliander N.V. has issued a Section 403 statement of liability for these subsidiaries.

** Direct subsidiaries of Alliander N.V.

Other information

Profit appropriation

The profit appropriation is governed by Article 40 of the Articles of Association. The text of this article is as follows: Article 40: Profit. Payment chargeable to the reserves.

- Subject to approval of the Supervisory Board, the Management Board determines every year which part of the profit available for distribution - the positive balance of the income statement - is added to the reserves.
- The profit remaining after the addition to the reserves under the previous paragraph is at the disposal of the General Meeting of Shareholders.
- Profit distributions are capped at the distributable part of the shareholders’ equity, and made after adoption of the financial statements that authorise these distributions.
- The Management Board may decide to distribute an interim dividend, subject to approval of the Supervisory Board and with due observance of clause 3 above and any other provision laid down by law.
- The General Meeting of Shareholders may, following a proposal from the Management Board that has been approved by the Supervisory Board, decide to make dividends to shareholders chargeable to the distributable part of the shareholders’ equity.

Independent auditor's report and assurance report

Independent auditor's report

To: the shareholders and the supervisory board of Alliander N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Alliander N.V., based in Arnhem. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Alliander N.V. as at 31 December 2023, and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Alliander N.V. as at 31 December 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2023.
2. The following statements for 2023: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2023.
2. The company profit and loss account for 2023.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Alliander N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 28,000,000. The materiality is based on 4% of cash flow from operating activities. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 1,400,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Alliander N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Alliander N.V.

Our group audit mainly focused on significant group entities Alliander N.V. and Liander N.V.

We haveperformed audit procedures ourselves at group entities Alliander N.V. and Liander N.V. For other group entities we performed review procedures or specific audit procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Based on the auditing standards, we considered the assumed fraud risk related to management's breach of internal controls, including whether there are indications of tendency in the group's management that may pose a risk of a material misstatement resulting from fraud.

We have performed substantive procedures, including testing journal entries, assessing estimates for bias (including retrospective assessment of significant estimates from the previous financial year), and testing the substantiation of the adjustments made during the preparation of the annual accounts.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of members of the Management Board , management (including legal department and Internal Audit) and the supervisory board.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

This did not reveal any indications of fraud that could lead to a material misstatement due to fraud.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the entity through discussion with legal department, reading minutes and reports of internal audit.

Where material to the related financial statements, based on our risk assessment procedures and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: (corporate) tax law, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code as being laws and regulations with a direct effect on the financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the entity is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the entity's business and the complexity of European public procurement regulations, the Act on Independent Network Management, the Electricity Act 1998 and the Gas Act and other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board, the Executive Board and others within the entity as to whether the entity is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

We are responsible for obtaining a reasonable level of assurance that the group is capable of maintaining its continuity. It is the responsibility of the management to assess whether the group is capable of maintaining its continuity and to disclose in the annual accounts any events or circumstances that might give rise to significant doubt about the group's ability to maintain its continuity.

As disclosed on page 140, the accounting policies used in the financial statements are based on the assumption of the company's continuity.

We reviewed management's assessment of the assumption of continuity of Alliander N.V., including the relevant disclosures in the financial statements of Alliander N.V. 2023.

This includes evaluating:

- The liquidity and financing elements in Alliander's business plan for 2024-2028 and the underlying developments and assumptions for both short and long term.
- Treasury reports 2023.
- The most recent credit ratings from Moody's and S&P.

Based on our work, we have no findings to report.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Property, plant and equipment

Description

In determining the carrying amount of property, plant and equipment amounting to € 9,972 million as at 31 December 2023, significant assumptions and judgments are applied, both in determining the amounts that should be capitalized and in assessing the useful lives and depreciation methodology of the assets. Furthermore property, plant and equipment require significant time and resource to audit due to their magnitude.

The disclosures regarding the accounting policies are included on pages 144-145 of the financial statements. Specific disclosures regarding property, plant and equipment are included in notes 3, 26, 37 and 53 of the financial statements.

Our audit procedures on the key audit matter

Our audit approach

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. These accounting policies are in line with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our audit procedures included obtaining an understanding of internal and external developments that are applicable to Alliander specifically or to the sector at large. Based on our risk assessment, where we used data analytics, we determined the audit approach. We performed procedures to test key controls, particularly in relation to cost estimation and subsequent costing, the capitalization of projects, the processing of depreciation, the accounting for project-related hours and IT related controls for the relevant systems. We also performed substantive procedures regarding capitalized costs, divestments and depreciation.

Furthermore we specifically paid attention to the evaluation of the useful live of the gas network. In 2019 the Climate Act was passed and public authorities, businesses and civil society organizations presented the Climate Agreement, which is part of the implementation of the Act. The Climate Agreement states that the Netherlands must abandon natural gas in 2050.

Observation

Based on the materiality described above and the procedures performed by us as described above, we concur with management's assessment regarding capitalized amounts and the economic useful lives of the assets.

Revenue recognition

Description

The net revenue of Alliander N.V. in 2023 amountsto € 2,725 million and largely relates to the regulated activities of the network operator Liander N.V. The revenue recognition process involves only limited management judgment. Nevertheless the revenue recognition and relevant internal controls and IT systems require significant time and resource to audit due to the magnitude. Therefore revenue recognition was identified as a key audit matter.

The disclosures regarding the accounting policies are included on page 151 of the financial statements. Specific disclosures regarding revenues are included in note 21 of the financial statements.

Our audit approach

Our audit procedures included obtaining an understanding of the significant revenue streams and of relevant internal and external developments. Based on our risk assessment we determined the audit approach. For the material revenue streams, we determined that the accounting policies, which are in line with International Financial Reporting Standards (IFRS) as adopted by the EU, have been applied consistently.

We tested the relevant key controls, particularly for the significant component Liander N.V. These key controls are mainly related to the processing of changes in contracts and rates, and reconciliations, but also to interfaces with external parties (including EDSN) that are used for the exchange of information regarding connections and measurement data relevant to the revenue recognition by Alliander. We also tested the operating effectiveness of IT related controls, to the extent necessary within the scope of the audit of the financial statements, and obtained and reviewed the ISAE 3402 report regarding the internal controls of the service organization EDSN, in conjunction with the mitigating procedures of Alliander.

Finally we performed substantive procedures to test the complete recognition of revenue transactions at the appropriate rates.

Observation

Based on the materiality described above and the procedures performed by us as described above, we noted no findings.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Management Board's Report (page 3-132).
- Other information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Alliander N.V. on July 29, 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. In December 2019 we were reappointed for the audit of the financial years 2020 and 2021 and in December 2021 we were reappointed for the audit of the financial years 2022 and 2023. The Supervisory Board is mandated to this end by the shareholders.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, February 28, 2024

Deloitte Accountants B.V.

B. C. J. Dielissen

Assurance report with partially reasonable and partially limited assurance of the independent auditor on the non-financial information in the annual report of Alliander N.V.

To the shareholders and the supervisory board of Alliander N.V.

The management board of Alliander N.V. ('the Company') engaged us to provide assurance on a selection of non-financial information in the Annual Report 2023 ('the Report'). Our engagement consisted of a combination of limited assurance (leading to a 'conclusion') and reasonable assurance (leading to an 'opinion').

Our conclusion

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the non-financial information in the accompanying annual report does not present fairly, in all material respects:

- The policy and business operations with regard to non-financial information.
- Business operations, the applicable related events and achievements for the year 2023 in accordance with the applicable criteria as included in the 'Criteria' section of our report.

We were engaged to provide limited assurance on the following chapters ('the reviewed information'):

- Our story in 2023 (pages 3-6)
- About this report (pages 7-9).
- Profile of Alliander (pages 10-23)
- The value we create, presented in the chapters:
  - Our network: high supply reliability at a low cost (pages 25-36)
  - Making the energy supply and our organisation sustainable (pages 37-50)
  - Ensuring a safe energy network, a safe working environment and a safe data environment (pages 51-56)
  - Being an attractive, inclusive employer with equal opportunities for all (pages 57-66)
  - A creditworthy company with solid returns (pages 67-90)
  - Our impact on society (pages 91-102), including impact cases
  - Dilemmas and lessons learned (pages 103-104)

We did not perform review procedures on the information about the EU Taxonomy as disclosed in the chapter 'EU Taxonomy' on page 84-89.

Our opinion

In our opinion, the non-financial information in the accompanying annual report presents fairly, in all material respects:

- The policy with regard to non-financial information.
- Business operations, the applicable related events and achievements for the year 2023 in accordance with the applicable criteria as included in the 'Criteria' section of our report.

We were engaged to provide reasonable assurance on the following information ('the audited information'):

- The summarized materiality assessment presented in the chapter 'About this report' (page 7-9) and the extensive materiality assessment presented in the chapter 'Other Information, Materiality test' (page 215-218).
- The table "Objectives and results" in the chapter "Profile of Alliander" (page 22-23).

Basis for our conclusion and our opinion

We have performed our assurance engagement on the non-financial information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake duurzaamheidsverslaggeving' (Assurance engagements relating to sustainability reports). This engagement is focused on obtaining partially reasonable assurance and partially limited assuranceOur responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement on the non-financial information'.

We are independent of Alliander in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Criteria

The criteria applied for the preparation of the non-financial information are the GRI Sustainability Reporting Standards (GRI Standards) and the criteria supplementally applied as disclosed in the chapter 'Other information' of the annual report.

The non-financial information is prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content Index as published on the company's website.

The comparability of non-financial information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the non-financial information needs to be read and understood together with the criteria applied.

Materiality

Based on our professional judgement we determined materiality levels for each relevant matter in the non-financial information. When evaluating our materiality levels, we considered quantitative and qualitative aspects as well as the relevance of information for both stakeholders and the company.

We agreed with the supervisory board that misstatements which are identified during the assurance engagement and which in our view must be reported on quantitative or qualitative grounds, would be reported to them.

Limitations to the scope of our assurance engagement

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations, and estimates and risk assessments. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide any assurance on the assumptions and achievability of this prospective information.

The references to external sources or websites in the non-financial information are not part of the non-financial information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information.

Our opinion is not modified in respect to these matters.

Responsibilities of the management board and the supervisory board for the non-financial information

The management board is responsible for the preparation and fair presentation of the non-financial information in accordance with the criteria as included in the 'Criteria' section, including the identification of stakeholders and the definition of material matters. The management board is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by the management board regarding the scope of the non-financial information and the reporting policy are summarised in the chapter 'Other non-financial information' of the annual report.

Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the reporting process for the non-financial information of Alliander.

Our responsibilities for the assurance engagement on the non-financial information

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion and our opinion.

The procedures performed to obtain limited assurance are aimed at determining the plausibility of the non-financial information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

Our assurance engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen)' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Limited assurance procedures

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company.
- Evaluating the appropriateness of the criteria applied, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the company's materiality assessment and the reasonableness of estimates made by the management board.
- Obtaining an understanding of the systems and processes for collecting, reporting, and consolidating the non-financial information, including obtaining an understanding of internal control environment relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the procedures performed by the internal audit department of Alliander.
- Identifying and assessing the risks whether the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. These procedures consisted among others of:
  - obtaining inquiries from management and relevant staff responsible for the sustainability strategy, policy and results;
  - obtaining inquiries from relevant staff responsible for providing the information for, carrying out internal procedures on, and consolidating the data in the non-financial information;
  - obtaining assurance evidence that the non-financial information reconciles with underlying records of the company;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - evaluating the data and trends and perform variance analysis to compare with prior year.

- Reconciling the relevant financial information with the financial statements.
- Evaluating the overall presentation and balanced content of the non-financial information.
- Considering whether the non-financial information as a whole, including the matters covered and disclosures, is clearly and adequately disclosed in accordance with the applicable criteria.

Reasonable assurance procedures

Complementary to the aforementioned procedures, our audit included the following:

- Obtaining an understanding of the systems and processes for collecting, reporting, and consolidating the non-financial information, including obtaining an understanding of internal control environment relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Identifying and assessing the risks whether the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. These procedures consisted among others of:
  - Evaluating the design and implementation and testing the operating effectiveness of the reporting systems and processes related to the information in the report.
  - Evaluating the data and trends.

- Evaluating internal and external documentation, on a test basis, to determine the reliability of the information in the report.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the assurance engagement and significant findings, including any significant findings in internal control that we identify during our assurance engagement.

Amsterdam, February 28, 2024

Deloitte Accountants B.V.

Ben Dielissen

Opinion of the Alliander stakeholder panel

Dear reader,

As in previous years, Alliander again organised a stakeholder panel to evaluate the annual report. As members of this panel and representatives of the outside world, we provide feedback on the draft annual report. We are delighted that Alliander considers it important to have stakeholders preview the report content at an early stage, thereby giving them the opportunity of making valuable contributions to the final version of the report based on their expertise and backgrounds. In our view, this allows the organisation to gear the report even more closely to the wishes and needs of the stakeholders and society at large.

Review of Alliander's role in the energy transition

During our discussion, we were comprehensively informed about the complex challenges associated with making the Netherlands more sustainable. The current energy network is a major limiting factor, along with a disrupted supply chain, economic recession, a lack of space, the scarcity of professional specialists and a new political landscape. The weather-dependent energy system is becoming more decentralised, with each house as a potential energy-generating power station. We are seeing a mass shift toward electrification, driven in part by the inflated gas prices that have prevailed since the start of the war in Ukraine. That one third of the streets in the Netherlands will have to be dug up is a daunting prospect and, as a stakeholder panel, we appreciate the magnitude of the operational tasks facing Alliander. We understand that not everything can be done at once and that this requires difficult choices. We reflected on this together at some length. As a panel, we unfortunately have no ready-made solutions at hand. But we do advise the organisation to keep looking at what energy is used for. This does not mean that we question the validity of the usage of energy. But we do see that network operators are being pressured - perhaps incorrectly - to shape and implement the energy transition in a way that matches the world as it is today. As a society, we need to think more about what kind of world we want to live in and what is the role energy plays in that world. Are the changes we desire also the changes that are truly necessary? Efforts to increase energy awareness and re-evaluation of ingrained ideas about our needs may lead to opportunities for smart innovation and scenarios that are indeed possible within the given context and constraints. However, there is a caveat: creativity must not be allowed to slow the process down. In our view, network operators, governments, partners and customers have a shared responsibility here. We have to do it together and we must be honest in our approach. It would be nice if this aspect could be discussed in the report as well.

Energy affordability and accessibility

Energy affordability and the energy transition were further aspects which we talked about in the context of the draft annual report. Part of the cost of the energy transition will appear on people's energy bills. But what are the societal costs if we fail to implement the transition? How do we factor in environmental costs, such as carbon emissions? We must pay an economically realistic price for energy, which is more than the amount we paid in the past. But what does that mean for households struggling to make ends meet? Last year, the Dutch government subsidised a price cap to avoid the worst scenarios. Nevertheless, a growing middle-income group is at risk of energy poverty, sometimes because they are not as well-informed about how to obtain support and are harder to reach. As well as being a network operator, Alliander is a major employer. We urge Alliander to grow appropriately in the transition by focusing more on its social role as an employer, and to report on this aspect. Employees sometimes find themselves in the same situation as customers. The world inside the company reflects the world outside.

Labour market

Millions of workers and professional specialists would be needed in various sectors in the coming years. This also applies to engineering. Alliander has been working intensively for many years to maintain its own employee base and increase labour productivity. This requires innovation, which in turn requires technical skills. A greater emphasis on mandatory technical schooling helps all sectors, but how does that relate to the personal freedom of choice regarding the area in which one you want to develop and grow? And here again, how does this relate to the way we want to live as a society? People often choose their profession based on the values they stand for and what matters to them. Engineering is not an end in itself, but rather a means to create something else that is valuable. What are the benefits of a new energy network? If you don't like engineering, you are less likely to make this choice. However, a change of perspective could potentially motivate more people. The fact that actors in the energy sector operate in a fragmented manner in the same market is not helpful. Furthermore, we see benefits in the idea of circular labour migration, where people work in the Netherlands for a number of years and then return to their country of origin, having a positive effect both here and in their home country. Similarly, we see benefits in schooling and training abroad and more intensive interdisciplinary collaboration to spark creativity. But is that really a task for Alliander? Looking for new approaches must also not be allowed to delay continous infrastructure development. The theme of the annual report is 'Work in progress' for good reason.

Alliander's dilemmas

Like last year, the stakeholder panel took time to reflect on the dilemmas in Alliander's annual report. We recognise and endorse the topics discussed, which make it sufficiently clear the difficult role Alliander has to play and how limited its influence is in the regulated sector. Having said that, it could however in some casesbe more concise or concrete . Take the 'values' dilemma, for example; exactly where the problem lies is not clear here. And isn't this more about collective versus individual interests, which is a core problem of all sustainability transitions. The dilemma regarding the planet's limits is important but this is a concern rather than a dilemma. It also lies outside Alliander's direct sphere of influence. In connection with the dilemma regarding affordability, we feel that greater emphasis should be given to Alliander's policy of acting in a socially responsible manner in the event of payment problems. The dilemma regarding area-based or demand-based is not a dilemma in our view. Both can and must co-exist. Is that really a dilemma? A dilemma regarding labour market issues - mandatory schooling, labour migration in the light of current public sentiment - would also fit nicely in the list. We advise Alliander to let the details of the dilemmas speak increasingly for themselves.

Other recommendations from the panel

The annual report as a communication tool

Although the report could be shorter, in general, the text is fluently written and pleasant to read. However, the target audience for whom this annual report is written is not clear to the panel. We recommend making the report more appealing by trying to significantly reduce its scope. In addition, we would recommend bringing the report more in line with other communication tools issued by Alliander: highly visual, snappy, attractive.

Energy system versus energy infrastructure

According to the text, Alliander's ambitions focus in many cases on the energy system as a whole. This is a case of the organisation expressing ambitions that it cannot completely achieve. It acts as a 'trusted adviser' rather than a decider or decision maker.

Attention for its social impact as an employer

In the draft report, there is a clear focus on Alliander's external social impact as an employer, but less attention is given to its social impact as an employer in the context of the organisation internally. If there are any impact analyses in this respect, we would certainly highlight the outcomes more clearly.

Significance of materiality and impact

The discussion on materiality and the impact analyses are interesting and a valuable addition to the report. However, the significance of these topics in the report and the effect that materiality and impact have on the strategic process are unclear.

A final word

Alliander's reporting is of a high quality, which is confirmed by the fact that the 2022 report was awarded Financieel Dagblad's Sijthoff prize and the Dutch government's Kristal prize in 2023. We hope that our contribution will help to maintain this high level of transparency. We would like to thank Alliander for its positive attitude towards its stakeholders, for giving us the opportunity to give meaningful feedback on the draft version of the annual report and for the substantive dialogue with the Management Board.

On behalf of the stakeholder panel,

Stephanie Bauchant – policy adviser on debt counselling and assistance | City of Amsterdam
Samira Ibrahim – researcher into climate risks and climate change adaptation | PBL Netherlands Environmental Assessment Agency and freelancer for Platform Energiebewustzijn
Harold Lever – chair of research group Underground Networks | Bouwend Nederland
Dick Ligthart – director green, social & sustainability bonds | ABN AMRO
Erik Jansen – lecturer in social sustainability practices | HAN University of Applied Sciences

The stakeholder panel

The stakeholder panel that assists us with the annual report is a part of our ongoing stakeholder dialogue. We shared a draft version of the 2023 annual report with the panel members in December. It was discussed during an online meeting held on 21 December 2023, which was attended by the CFO Walter Bien and the COO Marlies Visser. The feedback was used to improve this report, and will also serve to further enhance the quality of our reporting. The stakeholder panel is independent. Perhaps you, too, would like to talk to us about the annual report or the issues confronting Alliander. We are open to dialogue and regularly organise roundtable sessions with our stakeholders. Please contact us on communicatie@alliander.com.

Response from the Management Board

The Management Board thanks the Stakeholder Panel for their analysis and all the reflections on our challenges. We have looked closely at the panel members' opinions on the draft annual report. Following that assessment, we included as much of the advice as possible in the final version of our annual report.

Demand for energy

The panel advocates that we should attend more on 'what the energy is used for' and think more deeply about what kind of world we live in and what is desirable. We have acted on this recommendation. Attention has been given to this in the section entitled 'Our impact on society'. Congestion in the energy network also makes this debate increasingly relevant. In the 'Our network' section, we have written about new connection standards, energy-related spatial planning and the increasing importance of societal priorities. In other words, if we are no longer able to do everything, what takes precedence? This question is unavoidable and our role here is limited to charting out the consequences of the choices. The democratically elected government bodies are responsible for determining the social roadmap. You also highlight the importance of 'energy awareness' in this context. Through our 'reduce demand' pillar, presented in the 'Our strategy' section, we emphasise our readiness to work more often with all parties in the supply chain to investigate how to reduce demand for transmission capacity. We have added a paragraph on the actions we took in this respect in 2023.

Social entrepreneurship

Your call to Alliander to intensify social entrepreneurship makes excellent sense against the backdrop of rising energy tariffs on the one hand and, on the other hand, the threat of energy poverty and the emergence of more and more 'working poor'. In the 'Creditworthy company' section, we address the conflict between the need for increasing investment due to the energy transition and the outdated regulatory framework for tariff setting; we will no longer be able to recover our costs fully in the long run. This is indeed an area where concerns about the social impact of energy poverty should be mentioned and we have changed the text accordingly. In this context, we will consider the effect of national government policy aimed at preventing disconnections, which we wholeheartedly support. We have also included a mention of our pilot projects that use energy data to help at-risk groups in a timely manner. One is currently ongoing in the municipality of Amsterdam and another will soon start in Arnhem. Finally, you rightly point out that Alliander also has a responsibility to its own employees. We have noted this concrete suggestion and will include it in our next report.

Workers

We do not see the scarcity of workers as a real dilemma and therefore we have not included this recommendation in this issue. We will need all possible approaches to increase the availability of technical personnel, however the actual avenues open to us depend strongly on political choices.

Impact and strategy

You also indicate that we could be clearer about how impact and materiality affect our strategy. In the 'Our impact on society' section, we indicate that we are developing 'management by impact'. We are working with other network operators in the sector to put this in place. We will report on this in more detail in the 2024 report.

The annual report as a communication tool

Finally, thank you for your recommendation urging us to use the annual report more as a communication tool. The fact that you see this potential in our annual report and feel that we could act to unlock it is a great compliment. At the same time, we are also bound by official reporting guidelines and the associated codes. We are prepared to commit to investigating how we can further improve accessibility in the text and graphics, specially via our online version.

Materiality test

Each year, Alliander takes a structured approach to deciding what topics should be covered as a minimum by the annual report. To do this we use a materiality test. The assessment of the material topics and the impacts of these topics on the economy, the environment and stakeholders, including supply chain impacts and human rights, forms the basis for the integrated annual report and takes place at an early stage of the reporting process. In 2023, Alliander carried out a broad topic-oriented assessment based on the EU Corporate Sustainability Reporting Directive. This has resulted in a double materiality approach, in extension of the previous inward-looking materiality focus. We have taken this step in anticipation of the reporting requirements that will apply to Alliander from the 2024 annual report. We also involve stakeholder representatives when determining the relevance and impact of various topics.

2023 topics from a double materiality perspective

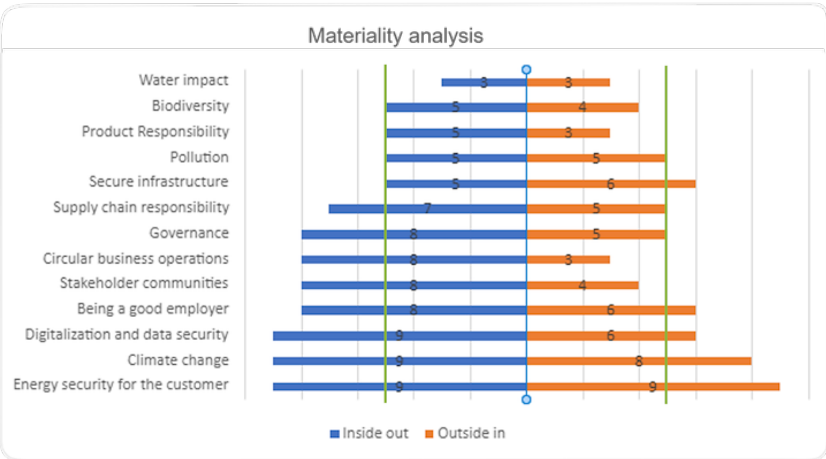
To arrive at a materiality analysis for 2023 in accordance with the CSRD requirements, we juxtaposed the topics from the 2022 materiality assessment with the topics under the CSRD and also considered the topics examined by peers in our industry in their 2022 annual reports. All topics were then discussed and assessed for materiality. As part of this process, we also evaluated and redetermined the impact of topics with topic owners and specialists at Alliander. In addition to the impact on the environment and stakeholders, the risks and opportunities associated with the topics were identified for the organisation (double materiality). Due to this realignment in anticipation of the CSRD, we see a number of changes compared to the 2022 annual report. To tie in meaningfully with the CSRD themes and facilitate comparison with our sector peers, we have grouped the topics by key topic. The key topics consist of multiple sub-topics that correspond to policies, objectives and indicators. The fifteen most relevant key topics were used as a guide in defining the content of the annual report, and they are covered at length in the stakeholder sections.

We see considerable overlap with the topics that were material in 2022. Grouping the topics in clusters has led to a name change in some cases, but the material topics are similar.

Value creation model	9 key topics in 2023 (19 sub-topics)	15 topics in 2022
Ensuring a high reliability of supply for a low cost	**Energy security for the customer**	
	· Uninterrupted delivery	A. Facilitating the energy transition
	· On-time supply of capacity	B. Reliability of supply
	· Access to energy	C. Completion of work package
	· Customer-oriented service	D. Working together on innovative solutions
	· Congestion management	G. Access to affordable energy
		J. Satisfied customers
	Dialogue with stakeholders and communities	
	· Dialogue with stakeholders and communities	L. Collaboration and dialogue with stakeholders
Making the energy supply and our organisation sustainable	**Climate change**	
	· Climate change mitigation	F. Climate change, energy usage and CO_2
	· Climate change adaptation	
	· Energy transition	
	Circular operations	
	· Circular operations	O. Other environmental topics: circular operations
	Supply chain responsibility	
	· Labour and human rights in the supply chain	N. Corporate social responsibility in the supply chain
	· Responsible procurement	
Ensuring a safe energy network, a safe working environment and a secure data environment	**Digitalisation and data security**	
	· Digitalisation	H. Data-driven network management
	· Data security, privacy and cybersecurity	I. Data security, privacy and cybersecurity
	Safe infrastructure	
	· Safe infrastructure	E. Safe working practices and safe infrastructure
Being an attractive, inclusive employer with equal opportunities for all	**Being a good employer**	
	· Attracting and retaining talent	E. Safe working practices and safe infrastructure
	· Safe working practices, employee well-being and employee rights	K. Attracting and developing talent
	· Diversity at board level and in the workforce	M. Organisational capacity for change
Being a creditworthy company with solid returns	None	None
Governance Code	**Governance**	
	· Governance	None

When describing the topics, it is important to consider the impact that occurs elsewhere in the value chain(s). This applies in relation to energy as our core task and to environmental, social/safety and human rights aspects that may arise in the supply chain for materials and services.

Compared to last year's top fifteen, the sub-topics of Reliability of supply and Completion of work package have been grouped together under On-time supply of capacity and Congestion management. Working together on innovative solutions is no longer a stand-alone topic. The Safe infrastructure and Safe working practices topics have been split and Safe working practices is now a sub-topic under the Being a good employer key topic. Diversity at board level and in the workforce is a new sub-topic under Being a good employer. The topic of Supply chain responsibility has been split into the sub-topics of Labour and human rights in the supply chain and Responsible procurement.



The process in 6 steps

Under the CSRD, we are required to look at the impact Alliander has on its environment and stakeholders as well as the impact the environment has on Alliander (double materiality). In other words, an additional dimension has been added to materiality compared to current guidelines. The approach is a combination of "inside-out" and "outside-in". The "inside-out" perspective looks at the impact Alliander has on its environment, i.e. the stakeholders. The "outside-in" perspective looks at the (financial) impact the outside world has on Alliander. If a topic is classed as material in at least one of the two perspectives (either inside-out or outside-in), that topic is then considered material to Alliander.

The process involved the following steps:

- Step 1: Identification, review and validation of the list of topics
- Step 2: Interviews with subject matter experts
- Step 3: Assign scores to the topics
- Step 4: Validation of preliminary outcomes by management and discussion with stakeholders
- Step 5: Materiality matrix
- Step 6: Implementation

Step 1: Identification, review and validation of relevant aspects and topics

All possible aspects must be considered in order to determine material topics. Consequently, a list of possible relevant topics was compiled and compared with the 2022 list. The following sources were also considered when compiling this list:

- The material topics presented in Alliander's 2022 annual report
- A comparison with the topics noted in the sustainability reporting standards (ESRS) and the CSRD, version of November 2022
- A peer review that compared topics mentioned in the 2022 annual reports of Enexis and Stedin
- The 2023 trend report, prepared by Alliander Corporate Strategy
- Alliander's strategy, in line with the 7 strategic pillars
- Internal documents and analysis of social and other media by Alliander, 2022 media analysis, prepared by Marketing & Communications
- A risk analysis prepared by Alliander (examining both strategic and tactical risks), Alliander risk report dated Q2 2023

This analysis resulted in a global list of about 40 possible topics. All the topics that appeared in the above lists were included therein with a reference to the sustainability reporting standards (ESRS). We then split the global list into 13 clusters.

Step 2: Discussion and review of topics with subject matter experts

Discussions for each cluster were held with subject matter experts. The experts were selected based on experience within Alliander. These subject matter experts are or have been involved in CSR and/or have expertise in relation to ESG topics. In the interviews with subject matter experts we assessed the relevance of the listed topics, the choices and actions Alliander has developed for the specific topics and how Alliander is organised in respect of the specific topics.

The process for determining materiality must meet a number of requirements. This involves determining the impact and the associated opportunities and risks. In doing so, consideration was given to the current and potential impacts that Alliander could have on the economy, the environment and people (including human rights) through the material topics. The factors that need to be established for this purpose are:

- Scale: how serious is the (potential) impact, both negative and positive
- Scope: how widely does the impact manifest itself
- Recoverability: is recovery possible after the negative impact

Next, where possible, the impact is expressed in financial terms, both the impact on the environment caused by Alliander and the financial impact due to the outside-in effect and the probability of the opportunity or risk actually occurring. Once the materiality and the actual and potential impact have been determined, the material topic needs to be assigned a weighting. These topics were covered during the discussions with the subject matter experts in order to give the working group a broad overview of the various topics.

Step 3: Scores

Based on the discussions with the internal subject matter experts, the CSRD working group assigned a score to the topics. For each sub-topic, the impact, risks and opportunities were discussed, after which a score was assigned. The scores were assigned according to the matrix below, resulting in between 3 and 9 points for each sub-topic.

Score per sub-topic		A score of 1-3 points for each topic		
Inside out	Impact	Scale	Scope	Recoverability
Outside in	Risks and opportunities	Probability	Financial impact	Recoverability from financial impact

Inside-out impact:
Scale: ‘seriousness’ of the impact → low, medium, high
Scope: ‘size’ of the impact → small, medium, large
Recoverability: how difficult is recovery from the impact → easy, medium difficulty, very difficult

Outside-in impact:
Risk: what risk does Alliander face due to this development
Opportunity: what possibility/business opportunity does the topic open up
We assessed risks and opportunities for the outside-in dimension based on the following aspects:
Probability: what is the probability of the impact → low, medium, high
Financial impact: how large are the (potential) financial losses/costs → small, medium, large
Recoverability regarding the financial impact: effect of the recovery costs and practical difficulty of the recovery process in the case of a negative impact for Alliander → low, medium, high.

In the first instance, we only assigned scores for the inside-out dimension. The outside-in scores were assigned subsequently in a separate meeting.

Following this, the topics were compared with the sustainability reporting standards (ESRS) in order to conduct a gap analysis. For reasons of practical implementation and feasibility, we are still using the comparison with the GRI Universal Standards for the 2023 annual report, as previously prepared in 2022. The summary guides the composition of the information contained in this annual report. Alliander also has company-related indicators in place, which are likewise linked to the GRI information.

To arrive at a lower limit, the list was discussed in the working group. Based on professional judgement, we decided on a lower limit of 5 of the maximum of 9 points to be awarded. A topic is always given a minimum score of 3 points per dimension. The result was then validated by the steering committee and the Management Board and in consultations with stakeholders.

Step 4: Validation

Relevance to stakeholders

The relevance of topics from a stakeholder perspective was addressed separately in a number of interviews with external representatives and presented to the stakeholder panel members charged with giving feedback on the 2023 annual report. While those interviews/that feedback largely confirm the relevance of the material topics, specific reference was sometimes made to additional topics, or specific questions were asked. Regarding the labour market and training, for example.

The impact analysis provides insight into opportunities and threats for the organisation, as well as into the level of priority that should be assigned to tackling each specific subject. The information was collated to produce a draft materiality matrix.

The outcomes of the impact analysis and the materiality matrix were discussed internally and made available to the Management Board. The list of key topics and sub-topics was discussed and approved by the director with relevant responsibility, the CFO, on behalf of the Management Board. One of the conclusions was that the topics where Alliander has or could have the most impact largely match the most important challenges Alliander is addressing.

Step 5: Link between the topics and the materiality matrix and implementation

The combination of Alliander's impact on its environment on the Y-axis and the impact that topics can have on Alliander on the X-axis shows the impact of a particular topic on the organisation's social performance and therefore the priority given to it within the annual report. The materiality matrix thus frames the most material topics for Alliander's annual report. Alliander groups the results of the materiality analysis into three categories:

Key topics

These are the nine topics in the materiality matrix that stand out in the eyes of stakeholders and which are doubly material because they have an impact on both society and on Alliander. They are covered at length in the annual report.

Sub-topics

These are the topics grouped under a key topic. For example, climate change mitigation and energy are both sub-topics of the Climate key topic.

Other, potential, topics

These are topics that currently receive a lower priority rating in terms of impact, opportunities and risk determination and from the majority of stakeholders and therefore have a lesser impact for Alliander. It is, however, quite possible that topics can be assigned a greater weighting in the future so we monitor developments and keep tabs on them as necessary. In the case of a number of them, they are nevertheless included in the annual report for legal reasons, or because they need to be included in the annual report due to stakeholder interests, or because they are referred to in the disclosures in the GRI Content Index.

Step 6: Implementation

The materiality of topics as decided by the Management Board provides the basis for the organisation of the contents and for the overall management of the annual report process. Decisions are taken as to how the topics should be elaborated and what needs to be included in the information that is collected. Organisational units prepare the reporting process in conjunction with the responsible departments and agreements are reached on the validation and verification of data. For further disclosures regarding the reporting process, see 'About this report' and the GRI Content Index. In 2024, the material topics will be fleshed out based on the provisions of the EU CSRD. The goal for the 2024 annual report is to be CSRD-proof and we will produce the report according to these requirements.

Energy security for the customer

Sub-topic 1: Uninterrupted delivery

Description of the topic
Uninterrupted availability of energy through grids and installations that are keenly attuned to the needs of our customers and society as a whole.

Impact on people and the planet
The prosperity value of energy transmission for society is high and it makes a strong contribution to the well-being of customers. Interruptions in the availability of energy lead to a major impairment of customer well-being. The scope and duration of an interruption potentially have an impact on social functions such as health care, public transport, production processes, companies and households, and therefore also on the economy and the well-being of all those involved.

Risks
Sufficient labour capacity is not continuously available. The occurrence of delays when resolving outages.

Opportunities
Prompt, focused and proactive communication with affected persons, good contactability.

Impact on Alliander's value
Uninterrupted supply by ensuring the reliability of our networks is a core topic for the organisation. In the event of interruptions, we act immediately and can activate resources and scale up quickly. The use of IT tools in the network, for example, allows us to deal with some of the faults at an early stage. Prolonged interruptions have a financial impact due to the compensation we pay and additional repair and recovery costs for the organisation.

Relationship with Alliander's impact model
Indicators for manufactured capital.

Stakeholder expectation
Continuous supply of energy is of great social importance. Interruptions have a direct impact on the interests of our stakeholders. Customers demand immediate information about interruptions, as well as an indication of the estimated outage time. We send them specific information by text message indicating the expected duration of the problem.

Strategic pillars
Excellent network management.

Our long-term objective
Our objective is a high reliability of supply. The target outage duration for electricity is 21.0 minutes.

Alliander's assessment and contribution
We work daily to secure a continuous energy supply, both now and in preparation for the future. We invested over €1.4 billion in total, with the greatest proportion being spent on increasing the reliability of the networks. Our outage duration was 23.2 minutes in 2023.

Stakeholder information
- Our network: high supply reliability at a low cost - Excellent network management

Sub-topic 2: On-time supply of capacity

Description of the topic
We are currently not fully able to meet the huge demand for expansion and replacement of networks in good time. This is partly due to the severe shortage of labour with technical skills and the lengthy spatial planning procedures for building and construction. The feasibility of the energy transition is an even greater challenge.

Impact on people and the planet
Any delay in executing the work package leads to delays in the planned investments of our customers and contracting authorities. The social impact of access to energy is considerable, and any restriction on access reduces its contribution to social value creation.

Risks
Late and/or insufficient availability of components, materials and labour capacity lead to delays.

Opportunities
Active management of schedules. Prompt, focused and proactive communication when delays arise.

Impact on Alliander's value
The increase in the size of the work package has an impact on our organisation and is reflected in increasing investment costs, a growing need for financing and pressure on financial ratios. We are taking steps to organise the workload more smartly to reduce the impact on the organisation.

Relationship with Alliander's impact model
Indicators for financial capital and manufactured capital.

Stakeholder expectation
Stakeholders expect requests for connections to be honoured within the applicable periods, to have lighting and warm homes, and to be able to keep businesses and other organisations up and running.

Strategic pillars
Excellent network management, Making better use of the network, Reducing demand for capacity.

Our long-term objective
We stand for an energy supply system where everyone has access to reliable, affordable and renewable energy on equal terms.

Alliander's assessment and contribution
In November, the Dutch network operators published the proposal for a National Implementation Agenda for Regional Infrastructure, in which the regional network operators put forward a proposed approach for accelerating capacity expansion in line with the requirements. The network operators want to discuss this Implementation Agenda with stakeholders, to jointly look at how the acceleration can be realised.

Stakeholder information
- Our network: high supply reliability at a low cost - how we are working on the changing energy system

Sub-topic 3: Access to energy

Description of the topic
Energy is a basic need for our everyday lives. Being able to offer connection to the energy network and acting with social empathy to prevent disconnection are therefore high priorities. Amidst the ongoing transformation of the energy system, it is vital to ensure that everyone retains access to affordable energy on equal terms.

Impact on people and the planet
Gas, district heating and electricity transmission make a significant contribution to the well-being of consumers by letting them heat their homes, use lighting and household appliances, and travel by electric vehicle. Not having access to energy, or only having limited access to energy, has a major impact on people's well-being and personal development. We are aware that there are significant differences in the level of well-being experienced by different groups in society.

Risks
Increase in connected customers without an energy contract resulting in an increase in administrative network losses. Insufficient identification of problems and payment arrears. Inadequate knowledge of the network operator.

Opportunities
Collaboration with municipalities to identify payment problems at an early stage.

Impact on Alliander's value
The topic has an impact on the most fundamental aspect of our mission and social role: providing access to sustainable, affordable and reliable energy. Rapid changes in the energy system and the high demand for connections are putting great pressure on our capacity. Supervisory authorities are monitoring the realisation of social values in the energy chain.

Relationship with Alliander's impact model
Indicators for manufactured capital.

Stakeholder expectation
Energy is a basic need for our everyday lives. That is why being connected to an energy supply is a major priority. This applies primarily to all households, businesses and organisations that are or wish to be connected to the networks in our service area. Independent regulatory bodies such as the ACM assess our service provision.

Strategic pillars
Excellent network management.

Our long-term objective
Ensuring that the transition to renewable energy is realised in a controlled manner so that the energy system of the future remains affordable, reliable and accessible to everyone on equal terms. Continuously achieving connection within the statutory time periods.

Alliander's assessment and contribution
We adhere to national arrangements not to disconnect households during wintry conditions. We work together with municipalities and partners on regional energy arrangements. We make agreements on the social prioritisation of connections. Where natural gas-free solutions are chosen for heating, alternatives are provided.

Stakeholder information
- Our strategy
- High supply reliability at a low cost - Excellent network management - Access to energy

Sub-topic 4: Customer-oriented service

Description of the topic
Customers count on excellence in our service, communications, and handling of interruptions and complaints. We respond adequately to customer needs and actively promote customer satisfaction.

Impact on people and the planet
Customer satisfaction is an indicator for the sense of well-being and comfort derived from the availability of energy. A decline in customer satisfaction ultimately has a negative effect on the added value experienced by customers.

Risks
Alliander does not respond adequately to changes in customer needs and forms of communication.

Opportunities
Deployment of new communication options, schedule communication by appointment.

Impact on Alliander's value
The impact on Alliander is reflected in benchmark comparisons and ratings by external assessors, among other things. In extreme cases, supervisory authorities may even decide to impose a correction (possibly in the form of a financial penalty).

Relationship with Alliander's impact model
Indicators for manufactured capital.

Stakeholder expectation
Customers count on excellent service, communication and handling of interruptions, questions and complaints. Municipalities and business customers expect a clear point of contact and that we deliver on our commitments. Actively focusing on customer satisfaction is a priority. Via Liander.nl and our telephone customer service, stakeholders can report complaints or malpractices relating to our company and activities carried out in our name.

Strategic pillars
Excellent network management.

Our long-term objective
Customer convenience will rise further in the coming years and will remain higher than the national benchmark of Dutch network operators. Customer satisfaction as measured by the Net Effort Score (NES): consumers at least 48%, business at least 42%.

Alliander's assessment and contribution
We work daily on our customer satisfaction, both now and in preparation for the future. The quality of our services and communications vis-à-vis business customers and municipalities was improved. Our digital services were improved for all our customers thanks to our continuous online accessibility and short response times. The website experience for consumers and business customers was also further enhanced. Our performance was above the benchmark for business customers, and just below the benchmark for consumers. Our goal for customer convenience for 2023, measured by the NES score, was to exceed 48% among consumers and 42% in the business market. The actual result for consumers was 43% (49% in 2022) and 36% for business customers (34% in 2022).

Stakeholder information
- High reliability of supply at low costs - Customer convenience

Sub-topic 5: Congestion management

Description of the topic
The rapid pace of electrification and the additional transmission capacity demanded by companies exceeds the rate at which network operators can expand the electricity network. The current increased demand for capacity for new construction or for making existing buildings sustainable, for example, cannot easily be accommodated on the electricity network and households are also facing delays. We address regional and local network congestion through a range of measures. By developing new products and services, we can achieve better utilisation of the network and customers can still realise all or part of their plans.

Impact on people and the planet
Network congestion has a major impact on the development and reshaping of business activities and the completion rate in residential housing. Programmes get delayed and sometimes planned investments are withdrawn. This has a negative impact on our role in facilitating the value-adding activities of businesses and, due to restricted access to energy, on the well-being of our existing and future customers. The slower rate of growth due to network congestion has the potential side effect of reducing the use of materials, thereby somewhat reducing environmental costs.

Risks
The existing approach to network congestion is inadequate for the scale of demand.

Opportunities
Collaboration, new technologies, better utilisation.

Impact on Alliander's value
Effectively addressing network congestion through a range of measures has a positive effect in terms of customer satisfaction and our reputation (social impact). Conversely, the current problems lead to complaints and lawsuits and disappointment among groups impacted by the effects of congestion.

Stakeholder expectation
Energy is a primary need and a factor influencing the choice of location. Stakeholders expect immediate access to energy at their sites. That is why being connected to an energy supply is a major priority. The consequence of network congestion may be that we are, temporarily, unable to fulfil our mission, or unable to do so in a timely manner.

Strategic pillars
Completing more work, Making better use of the network, Excellent network management.

Our long-term objective
Our goal is to have a timely solution available for every customer in 2030. Together with the other Dutch network operators, we are investing close to €60 billion in our networks.

Alliander's assessment and contribution
In 2023, Alliander invested a record amount of €1,411 million in the energy networks. This represents 15% growth compared to 2022 and 69% compared to 2019 when the national Climate Agreement was signed.

Stakeholder information
- High supply reliability at a low cost - how we work on the changing energy system

Dialogue with stakeholders and communities

Description of the topic
We consider any individual or any group that is affected by our activities or that has an influence on our organisation or services to be a stakeholder. We keep a constant check on who our stakeholders are. Whether on projects or concerning certain topics, they may have a relevant contribution to make, or a relevant interest, and we involve them. The energy system is changing at a great pace, which comes with different requirements for the energy network. Collaboration and dialogue with stakeholders are essential to align changes and their impacts with developments in society.

Impact on people and the planet
Stakeholders have an interest in the social impact that we have on the forms of capital relevant to them. Interconnection and participation improve communication and foster solutions; this strengthens the social capital. For Alliander, the impact of the energy transition and social developments means there is a need for contact and dialogue with stakeholders in all phases of the work.

Risks
Delay in the realisation of work and disputes over Alliander's plans due to conflicting interests.

Opportunities
Accelerate through agreement in the early phases of the planning process, mediation instead of conflict.

Impact on Alliander's value
Changes in laws and regulations may have an impact on Alliander's operations. Continuous evaluation of stakeholder relations in respect of our tasks and alignment regarding the social aspects of the future energy supply are important activities that affect our ability to continuously deliver social value.

Relationship with Alliander's impact model
Indicators for financial capital and social capital.

Stakeholder expectation
Stakeholders expect to be able to continue to rely on and have access to a well-functioning energy system in the future. To ensure this, Alliander must be receptive to stakeholders' concerns and listens to them.

Strategic pillars
Future-proof foundation.

Our long-term objective
We are permanently in contact with our stakeholders and involve them in developments and the social impact we have as an organisation.

Alliander's assessment and contribution
We organise our stakeholder relations appropriately. Contact takes place structurally, on an ad hoc basis and, where necessary, according to legal requirements, and through a variety of channels, depending on the issue, its intensity and the relationship with the choices we make as an organisation on a daily basis.

Stakeholder information
- Corporate Governance - Interaction with stakeholders

Climate change

Sub-topic 1: Climate change mitigation

Description of the topic
As a link in the energy supply chain, Alliander is responsible for the energy consumption and related carbon emissions of its networks, buildings and fleet, as well as for promoting sustainable, efficient energy generation and consumption.

Impact on people and the planet
Our activities produce climate-related emissions, within our operations and those of supply chain parties, and when the energy we distribute is used. Our overall CO_2 footprint has a negative impact. Core processes account for 97% of our operations-related emissions. The climate impact of emissions attributable to customers and supply chain partners is many times greater. We have established goals and programmes to reduce our impact. We are implementing technical improvements in our networks, insulating our buildings and switching to electric vehicles wherever possible, and we turn network losses green through participation in Dutch wind farms.

Risks
Insufficient implementation of measures, insufficient pace in achieving goals in relation to all scopes of climate policy. Legislation leads to reputational and financial risks.

Opportunities
Pioneering role in the supply chain approach of infrastructure network operators, deployment of new instruments and cost advantage.

Impact on Alliander's value
The impact of the climate and energy topic on Alliander is reflected in the costs we incur for mitigation measures, and the appreciation shown for our approach by providers of capital.

Relationship with Alliander's impact model
Indicators for natural capital.

Stakeholder expectation
As a result of the changing climate, the sea level is rising and extreme weather events such as storms and longer periods of drought or precipitation are more common. Climate change is a global problem. Stakeholders expect an active climate policy aimed at achieving lower emissions throughout the energy supply chain. In addition to our own and energy network-related emissions, our role in the energy transition contributes to lower emissions through energy consumption.

Strategic pillars
Reducing demand for transmission capacity, Developing infrastructure for heating and sustainable gases, Future-proof foundation.

Our long-term objective
We contribute to the international emissions reduction targets that are designed to limit global warming to 1.5 degrees. We also contribute to SDG 7. We do not yet measure the impact of climate adaptation measures (SDG 13). We strive to reduce our carbon emissions: on balance, we want to be climate-neutral in terms of our operational emissions by 2023.

Alliander's assessment and contribution
Alliander is undertaking various activities to reduce carbon emissions, and we are increasingly greening energy consumption and network and leakage losses through the purchase of Guarantee of Origin certificates for sustainable energy produced in the Netherlands. Together with the Dutch network operators, we are working on standardising the way we calculate our footprint. As a result, our CO_2 related emissions have continued to drop in recent years. Our net footprint for scope 1 and 2 emissions after greening in 2023 is 0 kton of CO_{2eq} (2022 has been recalculated: 29 ktons of $CO_{2\text{-}eq}$).

Stakeholder information
- Making the energy supply and our own organisation sustainable - Climate-neutral operations in 2023
- Appendix, Other non-financial information

Sub-topic 2: Climate change adaptation

Description of the topic
The frequency and severity of intense weather events have a noticeable effect on vital infrastructure. Drought, heat, storms and excessive rainfall lead to greater risks in relation to social continuity. The effects of climate change may undermine the robustness of the energy infrastructure. This can lead to disruptions affecting customers and society.

Impact on people and the planet
We examine the impact and consequences of changing conditions on energy networks, our buildings and the related effects in the energy chain. A disruption elsewhere can lead to problems in our networks. We use scenarios to analyse this.

Risks
Increase in high-impact situations due to extreme conditions that compromise stability and continuity and generate costs.

Opportunities
Accelerated adoption of innovative methods and technologies aimed at making the network more robust.

Impact on Alliander's value
Climate scenarios reveal the degree and severity of the stresses that arise in our networks as a result of weather extremes. Besides the direct impact of weather extremes and the changing climate, we face indirect effects from the supply chains we are connected to (materials, energy and the like) and from social developments. Aligning approaches and plans with social and business partners can help reduce this impact.

Relationship with Alliander's impact model
Indicators for financial capital and manufactured capital.

Stakeholder expectation
Stakeholders expect a proactive attitude to identify the impacts of climate change and take action. We report on this in accordance with the guidelines of the EU Taxonomy, TCFD and CSRD. This allows them to form a picture and come to a judgement.

Strategic pillars
Future-proof foundation.

Our long-term objective
Achievement of SBTi objectives for 2030 and 2040.

Alliander's assessment and contribution
We keep track of and evaluate the risks in respect of the energy networks and stakeholders. We work together on climate adaptation measures with sector companies and local and national representatives, and participate in consultations on crisis management, some of which are compelled by law.

Stakeholder information
- Making the energy supply and our organisation sustainable - Climate risks and adaptation

Sub-topic 3: Energy transition

Description of the topic
Private individuals and businesses are electrifying to meet their energy needs and increasingly generate their own energy. Large-scale renewable energy generation is part of national and regional agreements. This development necessitates continuous feed-in, input and transfer of energy in the network. Network operators like Alliander are tasked with constantly adapting their network capacity to meet society's needs and keeping the network future-proof. The energy transition requires major investments in and optimal usage of our energy networks.

Impact on people and the planet
Feed-in and input of renewable energy has a positive effect on customer well-being. An increasing share of renewable energy leads to a reduction of carbon emissions in the supply chain. Investments in the energy networks create jobs at Alliander and its supply chain partners. Expansion of the networks potentially leads to an increased requirement for materials and increasing demand in product supply chains, which then increases pressure on scarce raw materials and on working conditions at our partners and companies in the supply chain, both in the Netherlands and internationally.

Risks
Not sufficiently responding in a timely manner to changing demand resulting in insufficient realisation in respect of customer needs and climate goals.

Opportunities
Innovating and modernising work practices and technologies, enhancing circular operations.

Impact on Alliander's value
The energy transition is having a significant impact on Alliander's organisation. The rapidly increasing demand for connections, expansion of the network capacity and diversity in the types of connection present major challenges in terms of labour capacity, financing, planning and execution.

Relationship with Alliander's impact model
Indicators for manufactured capital and natural capital. See also the topic: Corporate social responsibility in the supply chain.

Stakeholder expectation
Alliander is in continuous contact with stakeholders regarding the energy transition. Customers rightly expect to be helped within the specified periods. Collaboration is crucial in managing the major challenges we face in the Netherlands. Alliander aspires to contribute to the design of the energy system by advising on socially desirable outcomes that are beneficial for the energy system in terms of feasibility, the social costs and the spatial impact. For example, we advise the parties involved in the Regional Energy Strategies (RES) on the optimal wind-solar ratio or on clustering initiatives to cope with excessively large-scale supply of and demand for energy. We also contribute our expertise when considering the most suitable heating system alternatives per area in the Transition Vision Statements for Heating. Through umbrella organisations and industry associations, we are in close contact with various groups in society.

Strategic pillars
Reducing demand for transmission capacity; Making better use of the network; Sharing data and developing new market services; Developing infrastructure for heating and sustainable gases.

Our long-term objective
Municipalities have drawn up plans setting out how they intend to wean each district off natural gas. Alliander contributes its knowledge and experience at the design stage so that suboptimal choices and unnecessary costs for society can be avoided. For locally generated power in our regions, Alliander wants to be able to respond positively to all new applications for a feed-in to the grid.

Alliander's assessment and contribution
Alliander is responding actively to the changing energy landscape. We have innovations available, including cable pooling, curtailment and congestion management, and are scaling them up. We have been looking at smart energy solutions together with customers and partners and gaining experience. Our business activities related to heating, for example, help customers make responsible energy choices. Legal agreements and conditions need to be updated in certain respects to allow an effective response to the demands of the changing energy system. We are currently engaged in intensive discussions on this issue with our stakeholders and legislative bodies.

Stakeholder information
- Making the energy supply and our organisation sustainable - Building a sustainable energy system

Circular operations

Description

As a network operator, we use large quantities of materials and, indirectly, of raw materials. We are responsible for managing our requirement for materials as effectively as possible and for participating in circular schemes designed to ensure continued availability of raw materials and products. For a few years now, we have acted to integrate circularity into our business operations. Reuse of components and materials that are returned to us after their service life in the energy network is a focus here.

Impact on people and the planet

The global demand for materials and products seriously impacts stocks of raw materials, requires a great deal of energy and leads to increased scarcity of critical materials. Alliander procures large quantities of materials such as assets containing metal, electronic equipment, meters and clothing. The energy transition and growing demand mean that our requirement for resources is increasing dramatically, which has a corresponding effect on the associated impact. The associated procurement, usage, waste and emissions of CO_2 and other substances cause ecological harm. Production conditions in supply chains can have negative effects on working conditions. As a result, we have an impact on natural and human capital all over the world.

Risks

Prolonged shortages of materials and components due to supply problems. Pressure on feasibility goals, higher costs and pressure on relationships with suppliers.

Opportunities

Increased availability of components and spare parts by building inventory and providing information on the internal availability of critical materials.

Impact on Alliander's value

Developments in product chains and social and environmental conditions can have an impact on deliveries to Alliander. Shortages, logistical problems and conflicts affect the completion of the work package and inventories (manufactured capital) and can lead to price disadvantages or losses in terms of financial capital.

Relationship with Alliander's impact model

Indicators for financial capital, manufactured capital, natural capital and human capital.

Stakeholder expectation

With an annual procurement volume of about €1.5 billion, we are a major purchaser of products and services. Stakeholders expect us, together with our suppliers, to ensure that our procurement is as sustainable as possible. If we and our suppliers can move in unison towards greater circularity, we can generate a significant positive impact through our supply chains. We know from experience that this requires different arrangements and practices.

Strategic pillars

Future-proof foundation.

Our long-term objective

In 2023, we purchased 31% (+3% compared to 2022) of our procurement volume in a circular manner. We are actively seeking to improve our performance in terms of circularity. For example, we are planning circular solutions with our suppliers, working to extend the useful life of assets and redeploying materials for a second life in our operations. Our waste policy focuses on prevention and proper separation. Each year we improve our circular procurement and redeployment performance.

Alliander's assessment and contribution

Pooling redeployment initiatives across business units generates significant financial savings and reductions in carbon emissions. We refurbish compact stations, transformers, switching installations and gas line couplings in collaboration with suppliers and boost manufacturing feasibility through short lead times. We cooperate with supply chain partners and other network companies and explore further opportunities for applying circular principles. The proportion of procurement that is circular is gradually increasing. Ultimately, we will limit damage to natural capital by reducing the use of new products and raw materials.

Stakeholder information

- Making the energy supply and our organisation sustainable - Circular operations

Supply chain responsibility

Sub-topic 1: Labour and human rights in the supply chain

Description of the topic
Our procurement expenditure increases sharply each year due to rapid growth of the work package. The expansion and maintenance of our networks and the assets for supporting those activities result in a substantial demand for materials. Outsourcing, investments and production in other countries sometimes lead to an increased risk regarding the recognition and observance of norms in such areas as fundamental human rights, safety and the environment. Specifying procurement criteria and vetting suppliers in the product chain is instrumental in taking our corporate social responsibility.

Impact on people and the planet
We have a large impact on direct and indirect supply chain partners through the growing value of the goods and services we procure from them. This generates jobs and economic capital. The extraction of raw materials and production of specific materials and components takes place at numerous production sites worldwide. This has an impact on the environment and working conditions in the Netherlands and worldwide. The procurement of materials, generation of waste and emissions of CO_2 and other substances cause ecological harm. Safety and working conditions have an impact on human capital. Lengthy global supply chains are associated with risks in terms of human rights compliance. It is possible that we indirectly contribute to the impact on circumstances elsewhere.

Risks
Insufficient visibility of deficiencies in the chain and/or among chain partners; unwitting involvement in abuses elsewhere; insufficient expertise and capabilities to identify risks in a timely manner.

Opportunities
Joint investigative supply chain projects and availability of information.

Impact on Alliander's value
The developments in supply chains and elsewhere have an impact on deliveries to Alliander. Shortages, logistical problems and conflicts affect the completion of the work package and inventories (manufactured capital) and can lead to price disadvantages or losses in terms of financial capital.

Relationship with Alliander's impact model
Indicators for financial capital, manufactured capital and natural capital.

Stakeholder expectation
With an annual procurement volume of about €1.5 billion, we are a major purchaser of products and services in the Netherlands. Stakeholders expect us, together with our suppliers, to ensure that our procurement is as sustainable as possible. If we can persuade our suppliers to take sustainability as seriously as we do ourselves, we can generate a significant positive impact through our supply chain.

Strategic pillars
Future-proof foundation.

Our long-term objective
We actively seek to improve our supply chain performance. This includes making plans with our suppliers to reduce carbon emissions and promote responsible operations. In addition, all suppliers must comply with the Alliander Code of Conduct including minimum ILO, OECD and UN requirements.

Alliander's assessment and contribution
All suppliers are required to comply with our Supplier Code of Conduct. Each year, we review whether new suppliers of critical components recognise and comply with correct working and environmental conditions. The assessment of how suppliers recognise and comply with fundamental requirements relating to human rights, safety and the environment is part of our CSR and procurement policy.

Stakeholder information

- Making the energy supply and our organisation sustainable - Supply chain responsibility
- A creditworthy company with a solid return - EU Taxonomy

Sub-topic 2: Responsible procurement

Description of the topic
Our procurement allows us to make a difference in terms of what we buy and who we buy from. Where possible, we decide in favour of a more sustainable choice and look for initiatives that advocate broader value such as social development or bringing a relevant innovation to the market.

Impact on people and the planet
Through targeted procurement, we have an impact on direct and indirect supply chain partners in terms of the growing value of the goods and services we procure from them. This generates jobs and economic capital, and supports innovations and more sustainable products. Where possible, we limit the ecological damage associated with material procurement, waste and emissions of CO_2 and other substances. In addition to safety and working conditions, there may be an element of human capital development in the form of the experience employees can gain in, for example, training companies.

Risks
Insufficient product quality or poor delivery performance due to an underestimation of risks in the early stages; higher start-up costs.

Opportunities
Reduction of the ecological footprint, promotion of innovations and launching customership.

Impact on Alliander's value
Responsible procurement can be a reason to look at sustainable development/redevelopment of a product with supply chain partners, for example, more sustainably produced cable, circular renovation of buildings and waste-free catering. This generates new insights and experiences that can lead to new value for Alliander as a company, and for society in general.

Stakeholder expectation
With an annual procurement volume of about €1.5 billion, we are a major purchaser of products and services in the Netherlands. Stakeholders expect us, together with our suppliers, to ensure that our procurement is as sustainable as possible. If we can persuade our suppliers to take sustainability as seriously as we do ourselves, we can generate a significant positive impact through our supply chain.

Strategic pillars
Future-proof foundation.

Our long-term objective
CSR is included in every category strategy, sourcing plan and procurement documentation.

Alliander's assessment and contribution
Our procurement policy contributes directly to Alliander's CSR policy. Together with our suppliers, we aim to make a net positive contribution to SDG 12 (Responsible Production and Consumption). In doing so, we support the achievement of our socially responsible procurement objective in the Netherlands, while also promoting further sustainability among our suppliers through our Socially Responsible Procurement statements.

Stakeholder information
- Making the energy supply and our organisation sustainable - Contribution to sustainability

Digitalisation and data security

Sub-topic 1: Digitalisation

Description of the topic
Business processes are increasingly digitalised, which contributes to innovation and efficiency in our service provision. The addition of IT makes it possible to manage fluctuations in energy supply and demand and respond to evolving market relationships in a reliable, efficient and safe manner.

Impact on people and the planet
The development of more and better data contributes to social and intellectual capital as well as to more efficient and cleaner production. When used like this, knowledge and data can help resolve issues related to the energy transition, raw materials and realisation of the work. Data and the input of data do not automatically guarantee the desired result. Critical analysis of social effects and potential negative impacts is necessary to ensure reliability and safety.

Risks
Inadequate monitoring of end-of-life systems resulting in inadequate support for data exchange and flow stagnation.

Opportunities
Smart and fast coordination and adjustment of traffic across the energy system.

Impact on Alliander's value
The impact on Alliander consists of enhanced productivity and future-proofing in addition to possible exposure to cybersecurity risks.

Relationship with Alliander's impact model
Indicators for intellectual capital.

Stakeholder expectation
The use of IT makes it possible to manage fluctuations in energy supply and demand and respond to evolving market relationships in a reliable, efficient and safe manner. Smart networks and data technology help us to make targeted and effective investments in networks as well as to prevent outages and repair faults faster. Customers expect a network that enables them to feed in energy without any problem. They also expect us to make the network more reliable and transparent by means of innovative technology.

Strategic pillars
Share data and develop new market services, Future-proof foundation.

Our long-term objective
Alliander is working on an integrated IT architecture to be able to accommodate future processes and enable the energy transition. One of the objectives is to articulate a vision on our IT landscape. Liander's activities plan includes digitalisation programmes.

Alliander's assessment and contribution
We are working at various locations to make our energy networks smarter. We are making medium-voltage stations more intelligent, rolling out a switching system for public lighting, offering smart meters and implementing IT applications and sensors to flexibly manage the flow of energy. Smart networks support the efficient use of capacity and infrastructure, and are also more reliable. Expanding our smart energy networks lays the groundwork for the digital services of the future.

Stakeholder information
- High supply reliability at a low cost - Sharing data and new market services

Sub-topic 2: Data security, privacy, and cybersecurity

Description of the topic
Data exchange has become a permanent social and economic phenomenon. Data exchange and storage, and privacy-sensitive information, require maximum safeguards at all times.

Impact on people and the planet
The security and privacy risks inherent in the management of personal data by Alliander and the energy suppliers can potentially have a negative impact on social capital (reduced digital security). The assets and systems for the mitigation of cybercrime and hacking risks make a positive contribution to our manufactured capital.

Risks
Compromised IT and OT networks, for example ransomware. This endangers network continuity and control, with a high risk of data integrity violations and data breaches.

Opportunities
Data exchange and integration is an important pillar for further digitalisation of our business processes and for collaboration in the chain provided that the security of data and IT is guaranteed.

Impact on Alliander's value
Any breach of data security and safety systems could have a major impact on Alliander and lead to adverse social effects.

Relationship with Alliander's impact model
Indicators for social capital and manufactured capital.

Stakeholder expectation
Stakeholders expect us to use their data and personal details safely and carefully. Data exchange has become a permanent social and economic phenomenon. Data exchange and storage of privacy-sensitive information require maximum protection at all times.

Strategic pillars
Share data and develop new market services, Future-proof foundation.

Our long-term objective
Alliander respects the privacy of its employees and customers. This means that we exercise due care in using their personal data and treat them confidentially. We meet the requirements set out in the law implementing the General Data Protection Regulation (GDPR). Customers and employees can be confident that Alliander handles personal data with care and acts immediately if the data integrity is threatened.

Alliander's assessment and contribution
We are obliged to meet statutory and other requirements for all personal data that we process. Pursuant to the GDPR, we have appointed a Data Protection Officer for Alliander customer data, who is responsible for monitoring GDPR compliance within the organisation. In addition, we have set up a data processing register in which we document all our personal data processing activities. Finally, we use Data Protection Impact Assessments (DPIA) to perform prior risk assessments whenever we plan to process large volumes of data or highly sensitive data. Customers can go to liander.nl to exercise their associated rights, such as the right of access, right to erasure and right to restriction of processing. Factors such as the increased use of employee data, more extensive deployment of contractors and intensification in the distribution of energy data have led to a greater focus on cybersecurity in recent years. In order to gain an even better understanding of the security risks at Alliander, we have reassessed the position of Chief Information Security Officer (CISO). We have also had our security processes certified by an independent external party in accordance with ISO 27001 and the Security Verified standard.

Stakeholder information
- Ensuring a safe network, a safe working environment and a secure data environment - Privacy and security

Safe infrastructure

Description of the topic
Work on gas and electricity infrastructure involves risks. Safe working practices without incidents are vital for all stakeholders. The safety of networks for everyone involved is our highest priority. The possibility that incidents could occur in the energy network means a targeted approach is even more crucial. To achieve this, we ensure that we understand the risks and take action to mitigate them.

Impact on people and the planet
Safety incidents can also involve citizens and visitors or passers-by at locations where we are working. Occasionally, gas or electricity release situations may occur that involve danger and damage to or for the surrounding area. Accidents affecting individual lives caused by our networks always have a very high impact, however, this type of accident is extremely rare.

Risks
The increasing load and pressure on the networks, or risks associated with the high workload lead to a greater likelihood of incidents or emergencies.

Opportunities
Network expansion and renewal offer opportunities for accelerated remediation and replacement.

Impact on Alliander's value
Safety incidents can have a major impact on Alliander's value. A large-scale event can have major consequences both at a personal level and in terms of (consequential) damage to assets. Its impact is potentially damaging to human, social and financial capital.

Relationship with Alliander's impact model
Indicators for human capital.

Stakeholder expectation
Safe infrastructure is vital for all those involved. Employees expect a working environment where they can concentrate and work safely. Customers expect us to guarantee their safety during the performance of our work.

Strategic pillars
Future-proof foundation.

Our long-term objective
Everyone safely home! With zero avoidable accidents. That is Alliander's safety ambition.

Alliander's assessment and contribution
In 2023, we accelerated our asbestos remediation programme, continued the remediation of the grey cast iron portion of our gas network, further improved station access and security, and initiated a study to identify damage and failure factors in assets.

Stakeholder information
- A safe energy network and a safe work and data environment - Safe infrastructure

Being a good employer

Sub-topic 1: Attracting and retaining talent

Description of the topic
Technology and organisations are changing continuously and at a rapid pace. Working has turned into lifelong learning. To be able to attract and further develop talent, we offer working conditions that give employees sufficient scope to advance in their career and encourage them to stay fit and healthy.

Impact on people and the planet
Employee development has a positive impact on human capital as well as on the general level of education and training in the job market. By providing work that connects with social developments, we also increase our impact.

Risks
Insufficient availability of adequately skilled, technical professionals; an insufficiently distinctive profile in the labour market leading to stagnation in recruitment.

Opportunities
Provide development and training, sector collaboration and technical college.

Impact on Alliander's value
High employee job satisfaction increases our attractiveness as an employer and enhances the social value of our achievements and results. The current lack of technically schooled workers and experienced professionals in the labour market has a dampening effect on production and manufactured capital.

Relationship with Alliander's impact model
Human capital.

Stakeholder expectation
Technology and organisations are changing continuously and at a rapid pace. Working has become continuous learning: employees and labour market partners expect Alliander to enable them to stay fit at and for work through courses and training. Alliander works hard to promote training and development.

Strategic pillars
Future-proof foundation.

Our long-term objective
We aim to invest 3% of the wage bill in employee training. We offer long-term work to people with poor job prospects who meet the criteria of the Labour Participation Act. In addition, we offer work experience placements, internships and other learning experiences for a broad target group. In 2024, we aim to meet the requirements of the Dutch Labour Participation Quota Act.

Alliander's assessment and contribution
To find solutions for the energy issues of today and tomorrow, we invest a lot. In technology and, above all, in our people. We offer excellent compensation and benefits. To help our employees get the best out of themselves. That is good for them and good for the company. Employees are encouraged to develop their professional skills with a range of training and development opportunities. Special attention is devoted to safety training for specialist roles or roles involving specific risks. Last year, Alliander welcomed 165 new IT specialists and 429 technicians. For the third year in succession, refugees with a residence permit completed a development programme to attain a senior secondary vocational education (MBO) qualification in installation and maintenance work on the electricity network. In 2023, Alliander invested 3.0% of its wage bill in employee training (2022: 2.9%).

Stakeholder information
- Being an attractive, inclusive employer with equal opportunities for all - Getting the work done

Sub-topic 2: Safe working practices, employee well-being and employee rights

Description of the topic

Work on gas and electricity infrastructure involves risks. Safe working practices without incidents are vital for all stakeholders. The safety of networks for everyone involved is our highest priority. The possibility that incidents could occur in the energy network means a targeted approach is even more crucial. To achieve this, we ensure that we understand the risks and take action to mitigate them. The measures we take include procuring safer materials and better work equipment, improving working methods and training our employees and contractors to boost their competence.

Impact on people and the planet

Work-related accidents and sickness impair the well-being and happiness of those concerned. As an employer, Alliander always aims to make a positive contribution to the well-being of employees. This also applies to the role of commissioning party in which we take responsibility for external employees. Our impact extends to contractors and supply chain partners (see also the topic Corporate social responsibility in the supply chain). Safe and responsible working conditions are a basic human right, covered by national and international legislation and agreements such as OECD, ILO and UN treaties. Safety incidents can also involve other stakeholders such as citizens and visitors or passers-by at locations where we are working.

Risks

Insufficient communication, knowledge and compliance with regard to the applicable safety rules; occurrence of events that could have been prevented; unacknowledged risks due to a lack of correct information; unenforceable rules.

Opportunities

Strengthen involvement of staff and chain partners.

Impact on Alliander's value

Attention to and good policies for safety, welfare and employees' rights are constantly assessed by stakeholders. The impact of deficiencies can be significant. Collaboration with and between chain partners requires clear agreements on responsibilities and compliance with all rules.

Relationship with Alliander's impact model

Indicators for human capital.

Stakeholder expectation

Safe working practices are vital for all stakeholders. Employees expect a working environment where they can concentrate and work safely. Customers expect us to guarantee their safety during the performance of our work.

Strategic pillars

Future-proof foundation.

Our long-term objective

Everyone safely home! With zero avoidable accidents. That is Alliander's safety ambition. In addition, Alliander promotes a proactive culture where safety comes first. The goal is a permanent behavioural change that we will demonstrate by attaining level 4 on the Safety Culture Ladder in 2025. We aim for an LTIF of 1.0 or less.

Alliander's assessment and contribution

Alliander goes by the 'Life-Saving Rules'. A safe working environment and culture of safety help us raise safety awareness and ensure safer behaviour. In 2023, there were 24 lost-time accidents and 56 accidents that did not result in sickness absence. This was partly why the LTIF increased to 2.0 (2022 1.9). Contract employees were involved in 10 lost-time accidents and 12 that did not result in sickness absence.

Stakeholder information

- Ensuring a safe energy network, a safe working environment, and a secure data environment - Safe working
- Being an attractive, inclusive employer with equal opportunities for all - An attractive employer
- Being an attractive, inclusive employer with equal opportunities for all - Review of the past year by the Works Council

Sub-topic 3: Diversity at board level and in the workforce

Description of the topic
The composition of the workforce is changing rapidly, so Alliander is also changing accordingly. Alliander aspires to be an organisation where everyone feels at home. Social diversity is reflected in the composition of our board, management and staff. Only then can everyone truly be themselves and can each employee make the most of his or her personal talents. We pay attention to the needs of different employees.

Impact on people and the planet
By working towards a diverse and inclusive organisation, we can contribute to social inclusion. We recruit employees from diverse, often under-represented groups, thereby offering them the opportunity of long-term labour market participation. We are also increasing gender diversity in management and leadership positions.

Risks
Insufficient external name awareness and recognition of Alliander's initiatives, leading to weaker perception of the company as a good employer.

Opportunities
Workforce growth creates greater opportunity for increasing diversity in the organisation.

Impact on Alliander's value
The composition of the (working) population and shifts in the educational level and orientation of school leavers have an impact on Alliander. By being mindful of these shifts and of the opportunities offered by diversity in the labour market, we can match our need for employees with the requirements in society in a timely manner. This is a prerequisite for creating the energy network of the future.

Relationship with Alliander's impact model
Indicators for social capital.

Stakeholder expectation
Potential employees expect to be able to work in a diverse and inclusive organisation that values their talents and where they can develop and grow. From a social perspective, it is important for companies to be open to the diversity of the Dutch population and make an active contribution.

Strategic pillars
Future-proof foundation.

Our long-term objective
We work with focus, set priorities, and adapt our organisation to changing needs and circumstances as and when necessary.

Alliander's assessment and contribution
In 2023, the Diversity, Inclusion and Equality (DIE) policy was approved by the Management Board. The policy was incorporated in an annual plan containing spearheads in the field of inflow, women in managerial positions, management and data, advancement and retention of colleagues from minority groups. In 2023, 30.5% of our managerial positions were held by women. The proportion of women in managerial positions grew to 36% at senior management level, and 34% at director level.

Stakeholder information
- Being an attractive, inclusive employer - Composition of the organisation

Governance

Description of the topic
Alliander is committed to good governance and to making choices in the interests of all our stakeholders. We are guided in this endeavour by our mission, core values and internal code of conduct and comply with relevant and mandatory codes of conduct.

Impact on people and the planet
For us, broad value creation means managing based on the value of our activities for all stakeholders, and in doing so focusing on generating positive impacts and reducing the effects of negative impacts. Through our organisation, management and methods of operation, we work to achieve continuous improvement and commitment to our social tasks. Our Governance helps us increase our impact on people and the planet.

Risks
Integrity that may be compromised; pressure to change the investment policy; unnecessary risk aversion in respect of investing in and implementing innovations.

Opportunities
Accelerating management based on broad value creation and broad prosperity principles.

Impact on Alliander's value
The rapid pace of social developments and transitions has an impact on Alliander's operations. In addition to continuous evaluation of stakeholder relationships and laws and regulations, timely management response to social developments is necessary for future value.

Stakeholder expectation
Stakeholders must be able to trust us to take their interests into consideration in a careful manner. Good corporate governance, adequate supervision and transparent accountability are essential to ensure stakeholders' trust in the management and supervision. Accordingly, management must act with integrity and transparency and the Supervisory Board render account of its supervision. This is crucial in view of our vital role in society.

Relationship with Alliander's impact model
Indicators for social capital. By working on better institutions and regulatory adjustments, we help to optimise the energy sector's impact.

Strategic pillars
Future-proof foundation.

Our long-term objective
Our 'together, smart and sensitive' approach means that we must comply with the government's rules. In addition, we, as Alliander, have drawn up additional guidelines to make it clear what we expect from employees. The 'How we do things at Alliander' e-learning programme helps employees to improve their integrity awareness. All employees are offered this programme and, to keep employees aware of and up-to-date on new cases, they are prompted from time to time to refresh their knowledge to a level of 70%.

Contribution from Alliander
Alliander is committed to good governance and to making choices in the interests of all our stakeholders. In this endeavour, we are guided by our mission, core values and code of conduct. The Supervisory Board provides adequate and effective supervision based on clear guidelines. We comply with the Dutch Corporate Governance Code wherever possible and applicable. In doing so, we emphasise our responsibility for the social aspects of entrepreneurship.

Stakeholder information
- Corporate Governance - CSR Governance
- Corporate Governance - Governance structure

Interaction with stakeholders

Based on high-impact topics, we regularly seek to identify suitable parties for dialogues with Alliander. Engagement, size, willingness for dialogue, and expertise are crucial considerations in this respect. We aim to share issues, create support for initiatives, build trust, and devise solutions with added value, both for the short and long term. We talk to customers about their energy requirements on a daily basis. Our shareholders join us into looking at how we remain financially stable in the long term and how we can fund our investments. And together with our employees we look how we can be an employer that matters. We look at ways in which processes, laws and regulations need to be changed in cooperation with market players, regulators and policy makers. Together with all our stakeholders, we are moving forward towards the energy supply of the future.

We consider anybody or any group that is affected by our activities or that has an influence on our organisation or services to be our stakeholders. We keep a constant check on who our stakeholders are. Whether on projects or concerning certain topics, they may have a relevant contribution to make and therefore we involve them. The nature of a number of our relationships with stakeholders is governed by the statutory and regulatory environment (government ministries, politicians, and industry regulators) and by cooperation in the supply chain (energy sector) and also by the public nature of our service (customers, municipal authorities, media, and pressure groups). Responsibilities relating to stakeholder management are assigned, specifically to business units and staff who then maintain the relevant relationships. The Corporate & Social Affairs department coordinates strategic stakeholder management and decides which organisations and stakeholder representatives we actively engage with.

The Alliander stakeholder model comprises three stakeholder groups. A distinction is made between:

- Core stakeholders: customers, employees, shareholders and investors, and local and regional authorities in our service area.
- Other stakeholders: suppliers, knowledge institutions, regulators and social sector organisations, etc.

Stakeholder touchpoints

We conduct the dialogue with stakeholders on both a regular and ad hoc basis. This includes the organisation of customer panels and shareholder consultations as well as meetings with the Works Council. Supplier days, knowledge and partner meetings, and participation in network organisations are important forms of stakeholder communication. The draft version of our annual report is shared and discussed with a panel of external stakeholder and transparency experts. The impressions regarding the draft 2023 annual report were shared directly with the Management Board.

Contact with policymakers

Alliander maintains contact with policymakers to ensure a future-proof legislative framework that facilitates the Dutch energy infrastructure. Such contact consists primarily in liaising with the Ministry of Economic Affairs and Climate Policy as the body responsible for the Netherlands' energy supply policy. In addition, we promote Alliander's interests through contacts with other government ministries, Dutch parliament, political organisations, and interest groups. For a complete list, please refer to the stakeholder table.

In these contacts, Alliander is represented by its Management Board and supported by the Corporate & Social Affairs department. To garner broader support for proposals, Alliander coordinates its efforts with industry peers through the industry organisation, Netbeheer Nederland. Alliander does not engage public affairs firms to represent it, and neither does Alliander donate to political parties, politicians or government bodies.

Sponsoring

Given that Alliander is publicly funded, we pursue a very cautious sponsoring policy, sponsoring only a very limited number of activities that are directly related to Alliander's field and ambitions, and which are based in our service area. For us to consider sponsoring an activity, it must be sustainable, safe, and politically and religiously neutral.

Stakeholder table

Stakeholder	Organisation or platform	Items for discussion	Type of interaction	Material topics
Customers Consumers	Customer contact web panel Customer survey Customer ombudsman Customer panels Consumer organisations (e.g. Consumers' Association [*Consumentenbond*], Association of Homeowners [*Vereniging Eigen Huis*])	Collaboration, relationship management, dialogue, service improvements	Digital panel Quantitative research Complaints and mediation (per case) Qualitative research (various) Dialogue	Energy security for the customer, Digitalisation and data security, Climate change, Stakeholder communities
Customers Business Customers	Trade associations Energy cooperatives	Collaboration, dialogue, service improvements	Dialogue and relationship management (e.g. VEMW, Uneto VNI, Bouwend Nederland, VNO NCW)	Energy security for the customer, Digitalisation and data security, Climate change
Employees	Alliander employee participation Youth network Tension 'De Energiedragers' - collaboration between trainees at Dutch network operators Women's network Lianne LGBTIq+ network Pride Cultural network 'Wij zijn Nexus' Mission Possible - colleagues facing physical or mental challenges at work Globals - international network Staff association Alliander Foundation Unions	Participation, dialogue, employee engagement and initiatives, formal negotiations (on pay and employment conditions)	Formal consultations Dialogue, workshops, meetings Employee association Employee volunteering Periodic negotiations on pay and employment conditions	Being a good employer, Safe infrastructure
Shareholders	Stakeholder provinces and municipalities	Formal/informal consultations, knowledge and insight into activities	General Meeting of Shareholders Meeting of Major Shareholders Consultative meetings, individual contact Two-yearly reputation survey Regular newsletter	All material topics
Investors	Financiers, investors, and credit-rating agencies	Accountability and explanations	Regular consultations and reporting on financial results	All material topics
Local and regional authorities	Provinces, municipalities, umbrella organisations (VNG, IPO), Regional Energy Strategy (RES) regions, National RES Programme, District Heating, Sustainable industry (local and regional authorities + central government)	Coordination of climate and energy plans and projects, investment areas	Consultation, collaboration, projects	Energy security for the customer, Climate change
Government bodies	Central government (ministries) and European Union (European Commission, European Parliament) Council for the Environment and Infrastructure	Expression of interest and active/proactive dialogue	Consultation, having a say, views	Energy security for the customer, Climate change
Politicians	States General + House of Representatives and Senate, provinces, municipalities	Keeping them informed on generic and specific topics.	Relationship management, working visits, proactive and reactive updates Qualitative research	Energy security for the customer, Climate change
Industry regulators	Dutch Authority for Digital Infrastructure Netherlands Authority for Consumers & Markets Dutch Authority for the Financial Markets Dutch Data Protection Authority Human Environment and Transport Inspectorate State Supervision of Mines EU Industry Regulators Social Affairs and Employment Inspectorate	Informing, information sharing, and explanation	Regular meetings on recent topics and issues, Standard and ad hoc information requests	Energy security for the customer, Being a good employer, Safe infrastructure, Digitalisation and data security, Stakeholder communities

Energy sector	Cedec, Cogen EnergieNederland Energy producers/suppliers EDSN Energy Storage Nederland Eurelectric, Eurogas, ENCS, European Distribution System Operators (E.dso), GD4S Flexible power Alliance Network (FAN) Gasunie Gopacs IGU, IEA Mijnaansluiting.nl Nedu Netbeheer Nederland (association of energy network operators) Nederlandse Vereniging Duurzame Energie (NvDE) Operators for electricity (Edso) Foundation ElaadNL TenneT Utility Connect Warming Up Employer's association WENb	Knowledge sharing, partnerships, promotion of interests, collaboration	Participation in boards Working groups	Energy security for the customer, Being a good employer, Safe infrastructure, Digitalisation and data security, Supply chain responsibility, Climate change, Circular operations
Suppliers	Contractors and manufacturing industry Suppliers of goods and services	Collaboration, Relationship management, Dialogue	Contracting Day Supplier Days Theme consultations Sustainable procurement consultations	Supply chain responsibility, Climate change, Circular operations
Knowledge institutions	Educational and knowledge organisations Radboud University, Tilburg University, HAN University of Applied Sciences, Regional Training Centres. Delft University of Technology (Powerweb Institute, Green Village), Eindhoven University of Technology, University of Twente. Gas Safety Platform Wetsus	Knowledge sharing and partnerships	Collaboration, knowledge development, co-creation, knowledge sharing	Being a good employer
Media	National and regional media	Informing, positioning	Relationship management, proactive information, crisis communications, qualitative research	All material topics
Social sector organisations	Stichting de Opkikker Nederland Cares Stichting Present	Volunteering		Being a good employer, Stakeholder communities
	Housing corporations, property developers, business community	Participation, Dialogue and relationship management	Alignment, participation in associations and foundations	Energy security for the customer, Being a good employer, Safe infrastructure, Climate change, Stakeholder communities

Partner relationships	Agora Amsterdam Economic Board Amsterdam Smart City ConnectrLab Economic Board Arnhem Nijmegen Echo European Energy-Information Foundation Rural Energy Services The Future Group Global Gasnetwork Initiative Global Intelligent Utility Network coalition Global Smart City & Community Coalition HIER Opgewekt Klimaatverbond Nederland Management Community MVO Nederland Natuur & Milieu NG Infra NL AIC Nudge Open compliance and ethics group Sharing & Analysis Centre Smart Energy Collective Springtij Stichting de Energiebank Stichting topvrouw Stichting USEF Stichting New Energy Coalition Stichting Irma- Privacy by design coalition Talent naar de top The Open Global Data Urgenda World Economic Forum Women Inc	Collaboration with knowledge institutions, the business community and government bodies, promoting sustainability, new models for innovation and social development, facilitating a sustainable energy supply	Participation in boards, meetings, sponsoring, strategic collaboration, consultation and dialogue	Energy security for the customer, Supply chain responsibility, Corporate Governance, Digitalisation and data security, Climate change, Circular operations, Stakeholder communities
Corporate partnerships	Accenture Epex Enefit Fraunhöfer Groenleven IBM Shell/ Ecta Siemens	Collaboration with knowledge institutions, the business community and government bodies, promoting sustainability, new models for innovation and social development, sustainable energy supply	Meetings, collaboration, development, consultation and dialogue, commissioning projects	Energy security for the customer, Supply chain responsibility, Corporate Governance, Digitalisation and data security, Climate change

Alliander endorses	In 2023, we participated in the following Dutch social initiatives
• ILO Conventions	• National Implementation Agenda for Regional Energy Infrastructure
• OECD guidelines	• Engineering, Construction & Energy Action Plan
• EU CSRD	• Labour market platform
• GRI Universal Guidelines	• Greater Amsterdam Infrastructure Partnership
• EU taxonomy	• 2024 Collective labour agreement for network companies
	• National Network Congestion Action Programme
	• Sector Agreement on carbon pricing between 5 network operators

TCFD index

TCFD index		
Task Force on Climate-related Financial Disclosures/TCFD*		
Topic	**Section**	**Paragraph - reference**
Governance		
Supervision by the board for climate-related risks and opportunities	Corporate Governance Other information About Alliander	Risk management and control Other non-financial information CSR Governance Profile of Alliander: Our strategy
Role of management in assessing and controlling climate-related risks and opportunities	Corporate Governance About Alliander	Risk management and control Report of the Supervisory Board: Topics Profile of Alliander: Trends and developments Materiality test
Strategy		
Description of climate-related risks and opportunities in the short, medium and long term	About Alliander Corporate Governance Achieving sustainability in the energy supply	Profile of Alliander: trends and developments Risk Management, Risk section Systematically planning the energy transition Climate risks and adaptation: TCFD
Description of the impact of climate-related risks and opportunities on the company's operations, strategy, and financial planning	Materiality matrix Creditworthy company with a solid return	Materiality matrix EU taxonomy
Description of the resilience of the organisation's strategy taking into account various climate-related scenarios, including a temperature rise of 2 degrees or less	Achieving sustainability in the energy supply	Achieving sustainability in the organisation: Climate risks and adaptation: TCFD
Risk management		
Description of climate-related risks and opportunities, including how the company identifies and assesses these	Achieving sustainability in the energy supply	Achieving sustainability in the energy system
Description of processes for managing climate-related risks	Achieving sustainability in the energy supply	Achieving sustainability in the organisation: Climate risks and adaptation: TCFD
Description of how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management	Achieving sustainability in the energy supply	Achieving sustainability in the organisation: Climate risks and adaptation: TCFD
Indicators and objectives		
Description of the metrics used to assess climate-related risks	Achieving sustainability in the energy supply Our impact on society Other information	Goals and results Impact and SDGs Interaction with stakeholders

Report Scope 1, Scope 2, and, if applicable, Scope 3 greenhouse gas emissions and related risks	Achieving sustainability in the energy supply Other information	Achieving sustainability in the organisation: Targets, Science Based Target, Climate change adaptation Other non-financial information
Report on targets for managing climate-related risks, opportunities and performance compared to external goals	Achieving sustainability in the energy supply A creditworthy company with a solid return	Achieving sustainability in the organisation: Targets, Science Based Targets initiative EU taxonomy

* 2017 TCFD recommendations. The TCFD recommendations are a set of recommendations for voluntary and consistent climate-related financial risk disclosures for companies. The aim is to help identify and provide the information needed by investors, lenders and other stakeholders. The recommendations centre on physical, transition and legal risks. From 2024, Alliander will report on climate-related risks in accordance with the EU CSRD directive and the provisions of the EU taxonomy.

SWOT

The energy transition has gained huge momentum. We need to complete more work, use the network more flexibly when possible and help reduce the demand for energy. Our organisation has strengths and weaknesses in respect of this task. In addition to this, developments in our environment are opening up opportunities and exposing us to threats.

Alliander's energy networks are among the most reliable in the world. We have a central role in designing and realising the sustainable energy system of the future. In doing so, we rely on our employees and our partners. It is essential that we maintain our strong position as an attractive employer and reliable collaborative partner. Intensified collaboration and energy-related spatial planning are needed to meet the challenges. The national implementation agenda offers opportunities for acceleration. We provide knowledge to available to central government, municipalities, provincial authorities and businesses to clarify the long-term development of the energy system, the capabilities of the energy network and the social costs associated with specific choices. In addition, we offer data services and we collaborate with others to develop flexible energy markets. We work in sustainable partnerships with our suppliers and contractors.

However, despite all our efforts, we are increasingly unable to meet customer demand due to a lack of capacity in the network. In addition, attracting and then retaining sufficient technical staff continues to be challenging. This hinders our ability to meet our infrastructure construction targets, as does the limited availability of materials The limited public space available and the complex and lengthy spatial planning and licensing processes affect how quickly we can build additional structures.

Rapid and increasing digitalisation allows us to work more accurately, quickly and efficiently. But further digitalisation also leads to increased risks of cybercrime. Changing legislation and regulations and the affordability of energy are additions threats tthat we foresee. In the political domain, we face increased unpredictability and decreased stability, and this situation is clearly noticeable in political topics such as climate and energy. These threats and what we are doing to address them are described in greater detail in the Risks section.

+ Strengths

- Security of energy supply
- Central role as co-designer of the energy system
- Professional expertise and knowledge of the energy system
- Sustainability policy
- Attractive employer

– Weaknesses

- Available connection capacity
- Attraction and retention of sufficient technical staff
- Organisational agility
- Future-proof IT landscape
- Increasing investments affect our financial position
- Communication towards customers regarding enquiry handling

↗ Opportunities

- Municipalities and collaborative partners are more open to collaboration
- Increasing societal interest in energy efficiency
- Implementation of the proposals for accelerating progress through the national implementation agenda
- Collaboration with parties to implement the heating transition
- Strong growth in developments regarding the digitalisation of the energy transition
- New forms of contract offer greater flexibility to mitigate congestion

↘ Threats

- Strong growth in demand for electricity
- Tight technical labour market
- Scarcity of components and raw materials due in part to geopolitical developments
- Limited availability of public space
- Complex and lengthy spatial planning and licensing processes
- Increasing polarisation in society and increasing aggression toward employees
- Surging cybercrime
- Policy and regulations are not always in step with the current context of the energy transition and the changing energy system
- Inflation and rising energy transition costs

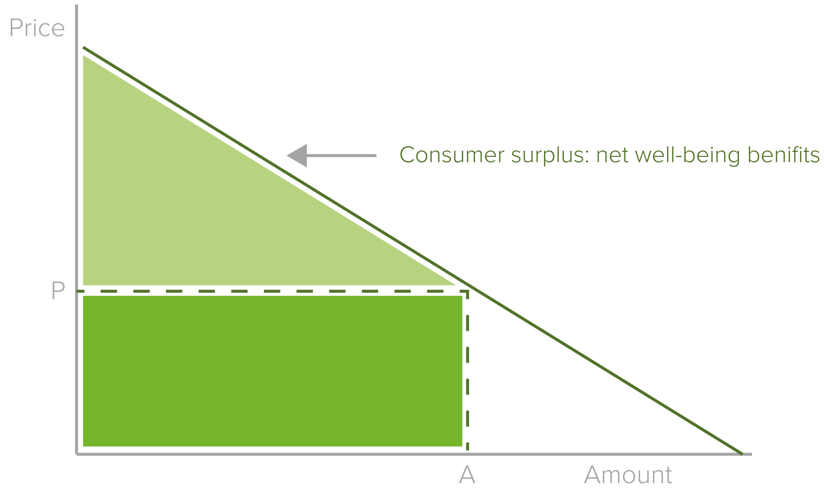
Key criteria for measuring impact

Key criteria
The impacts were classified using the value creation model of the International Integrated Reporting Council (IIRC), which subdivides impacts into six types of capital: financial, manufactured, intellectual, natural, social & human capital. For each of these capitals, we quantify one or multiple indicators. In the coming period we will continue to develop processes for quantifying the other capitals.
The relevant impacts that we have identified are reported as completely as possible.
Impacts are quantified in terms of money (euros) by estimating the sum of the individual impacts on prosperity and well-being. Prosperity is defined broadly to include all the most relevant impacts on prosperity that we have identified. This broad definition also refers to the prosperity of people today and later, both in the Netherlands and abroad.
The methods used to calculate the impacts are based on techniques that are commonly applied in scientific and social practice, including the Natural Capital Protocol of the NCC (2016), the Environmental management - Life cycle assessment - Principles and framework ISO (2010) and the General Guidance for Cost-Benefit Analysis of the Netherlands Bureau for Economic Policy Analysis (CPB). As indicated, further details are available online.
Since Alliander operates in a regulated market and forms part of a broader value chain, impacts are attributed to Alliander based on the attribution method described below.
The prosperity effects are conservatively estimated where a choice must be made between various equally reasonable assumptions. Two assumptions are equally reasonable if they are equally acceptable on the basis of the applied criteria and scientific practice and are equally plausible in the eyes of experts. This means that if several equally reasonable assumptions are possible, the assumption resulting in the lowest estimated prosperity impact is chosen.

Key principles and assumptions for measuring and reporting on impact

Key principles and assumptions
Attribution
Impacts that are caused by multiple players in the supply chain are attributed to Alliander on the basis of its gross added value in the supply chain. The gross added value is calculated as revenue minus goods and services used in production, measured at purchase price.
Impacts that Alliander achieves independently are entirely attributed to Alliander.
The attribution values were recalculated as the average of the years 2020, 2021 and 2022 and fixed for three years. This is possible because the supply chain positions are quite stable. This gives a clearer overview of the organisation’s own influence on changes in impacts, which helps manage the impacts.
Financial capital
The financial impacts are viewed from the perspective of cash flows to and from society: cash outflows from Alliander are positive impacts for society; Alliander's cash inflows are negative impacts for society.
Manufactured capital
The prosperity value of energy transmission is calculated on the basis of the consumer surplus. This is the extra amount that customers are in theory prepared to pay above the regulated price for a service or product. The consumer surplus is currently the most commonly used method to determine economic value, both free and regulated markets. The consumer surplus relates to all price elements in the energy value chain, including the taxes and prices for the supply and transmission of energy. The amounts presented as manufactured capital concern the economic part of the energy value chain that is attributable to Alliander. Alliander’s impact in making ‘feed-in’ possible consists primarily of the financial impact of using solar panels (PVs) and enhanced well-being from the use of greener energy. The generic impact of gas and electricity outages for the Netherlands is included in this estimate, as the price elasticity is based on the actual demand for energy (including outages). The specific impact of gas and electricity outages for Alliander was calculated for 2018 and extrapolated for 2017. The impact of interruptions in the energy transmission on the well-being of consumers concerns interruptions in the electricity network as well as in the gas network.
Assumptions about price elasticity were made in the adopted economic model. The gas and electricity price elasticity relationship is assumed to be linear. This assumption produces a conservative estimate of the consumer surplus, which is visualised in the figure below.

Demand for electricity



External component: the net well-being value of electricity transport on top of the price that households pay

Internal component: the part of the value for which households compensate Alliander in the form of revenue

The slope of the line, which affects the consumer surplus estimate, was determined on the basis of a study by CE Delft (2012).

In order to avoid double counting, the contribution of energy transmission to the prosperity of business customers consists exclusively of the revenue component, without adding the producer surplus of these customers.

Natural capital

Alliander is partly responsible for the CO_2 emissions from the quantities of electricity, gas and heat transported through its network. The impact comprises the measurement of the CO_2 emissions associated with the direct operations and those of the supply chain. Emissions in the supply chain are attributed to Alliander on the basis of gross added value.

Alliander's electricity mix ratio (the respective shares of oil, natural gas, coal and nuclear power) is assumed to be equal to the national electricity mix.

The social costs of a ton of CO_2 equivalent have been taken from the True Price publication 'Monetisation factors for true pricing'. This value is based on a meta-analysis of the social costs per ton of CO_2 so as to remain within the 2-degree target of the Paris Agreement. This value is updated and published regularly by True Price. Alliander uses this source.

The scope for the Eco-cost materials indicator is based on the four major network components : cables, pipelines, transformers and smart meters. The scope of materials included in the analysis is largely the same as the one included in our report on the Circular Procurement KPI. This scope is limited because the KPI's 'other' category is not included in the impact measurement.

The eco-costs indicator is determined based on where the waste ends up. In the case of recycling, the materials are used circularly. To avoid counting it double, the eco-costs of recycling should either be considered at end-of-life, or with the procurement of materials. To shift responsibility to the fore-front and stimulate a greater positive impact, the costs of recycling are included in the eco-costs of procurement. They are generally lower than those relating to the procurement of primary raw materials. In the case of recycling, the eco-costs for waste are zero.

Human capital

Only the staff members that are directly employed by Alliander are included in the calculation of this type of capital.

Well-being impacts of having work were calculated relative to not having work in the Netherlands. This is done separately for two groups of people: those who have difficulty finding work and those who do not. The indicator exclusively concerns the non-financial direct well-being impact. It is assumed here that work satisfaction has a direct positive impact on well-being.

It is also assumed that sickness absence not recorded as 'work-related' has no connection with the work at Alliander. The calculation of the impacts of work-related sickness absence and employee accidents (safety) is limited to direct effects. An accident or illness may be the underlying cause of other accidents or illnesses, but this is not measured here.

As an indicator of the impact of employee development, future wage growth due to promotions during the past year is used. This is multiplied by the productivity of the human capital to arrive at the total impact.

Social capital

The reputational value is calculated using the brand value method. This method has been established for commercial utility companies. Alliander's value is estimated with a correction factor on the basis of data for European organisations in the top 10 utilities. The number of European utilities in the top 10 varies from year to year. 2019: 7; 2020 5, 2021: 6, 2022: 6; 2023 6.

Intellectual capital

The value of data collection for market facilitation is calculated on the basis of the practical value. Here, it is assumed that downloading and opening data sources has and creates a direct net positive value.

The proportion of data that is used is less than that which is consulted. A factor is used to calculate this.

Comparative figures for impacts from 2023 and 2022

The table at the bottom shows the comparative figures for the reporting year and the previous year. In the case of the previous year, two values are listed each time. These are the values reported in the annual report and, where applicable, the recalculated figures. Any corrections to prior year figures are explained below.

In line with the sector agreement, the attribution values from 2020 have been fixed for three years for comparison purposes. The attribution values were redetermined in 2023. The figures from last year have not been adjusted to take account of the new attribution values. All the sector agreements can be found in the Impact Measurement Handbook for Infrastructure Companies.
The 2022 figures for 'Financial capital' have been corrected. Own-company capitalised production is included under the indicator "payments to employees" in line with the financial principles.
The impact of heat transmission in 2022 was erroneously calculated based on a larger number of connections. This has been corrected in the comparative figures below. In addition to this correction, the indicator under Intellectual capital has also been corrected by applying the narrower scope of data downloads.
There were two system changes in 2023, resulting in an adjustment of the 2022 calculations. Under Contribution to climate change, the source of the carbon emission coefficients has been adjusted to be in line with sector agreements. A new, conservative scope relating to district heating connections has been adopted in respect of the well-being effects of heat transmission under Manufactured capital. The district heating networks in which Alliander is a shareholder are included based on a factor proportional to the 'profit shares'.

Financial capital

€ million	2023	2022	AR2022
Purchase/sale of associates and subsidiaries	-13	-12	-12
Payments to suppliers	2,885	2,274	1,980
Dividends, repayments and interest	308	612	612
Payments to employees	539	416	710
Tax	3	53	53
Increase in cash reserves	-39	419	419
Contributions received	-140	-142	-142
Other revenue from non-core business activities	-54	-56	-56
Payments by customers (business)	-782	-591	-591
Raised capital, received repayments and interest	-926	-660	-660
Payments by customers (households)	-1,860	-1,476	-1,476

Manufactured capital

€ million	2023	2022	AR2022
Value of goods procured for electricity transmission	-1,150	-904	-949
Contribution of electricity transmission to consumer well-being	2,338	2,001	2,110
Contribution of solar energy feed-in to well-being	27	24	25
Value of goods procured for gas transmission	-780	-759	-713
Contribution of gas transmission to consumer well-being	2,373	2,503	2,354
Value of goods procured for business customers	-368	-245	-245
Value of energy transmission for business customers	715	489	489
Contribution of heating transmission to consumer well-being	2.5	4	5.8

Intellectual capital

€ million	2023	2022	AR2022
Value of data collection for market facilitation	1.2	0.9	2.0

Natural capital

€ million	2023	2022	AR2022
Environmental damage due to waste	-0.1	-0.1	-0.1
Environmental damage through procurement of materials	-36	-39	-39
Climate change due to CO2 emissions	-230	-226	-187

Social capital

€ million	2023	2022	AR2022
Value of change in reputation of Alliander	5.0	12	12

Human capital

€ million	2023	2022	AR2022
Work related sickness and accidents (safety) of employees	-0.8	-0.7	-0.7
Well-being effects of having work	80	72	72
Employee development	93		

Impact measurement disclosures

The downloadable Alliander Impact Analysis accountability document offers more in-depth insight into the information contained in the annual report plus supporting evidence.

Connectivity matrix

In the connectivity matrix, we show how elements like value, material topics, indicators, objectives and results, strategy, and the contribution to the Sustainable Development Goals are interconnected.*

Ensuring a high reliability of supply at low costs

Material topics	Indicators	Performance in 2022	Performance in 2023	Objective for 2023	Long-term goal	Contribution to SDG
Energy security for the customer	Electricity outage duration in minutes[1]	21.3	23.2	Maximum 23	High reliability of supply.	SDG 7.1
	Gas outage duration in seconds	59	116	-		
	Number of customer connections	5.9 million	5.9 million	None		
	Customer convenience based on Net Effort Score (NES)	Consumer: 49% Business: 34%	Consumer: 43% Business: 36%	Consumer: > 48% Business: > 42%		SDG 9.1
	Number of transmission restrictions	2,535	5,201	3,400		SDG 7.1
	Investments in the networks in millions of euros	1,228	1,411	1,246	Annual investments of more than €1,500 million.	SDG 9.1
Digitalisation and data security	Newly built fibre optic infrastructure in kilometres	146	287	150	Continue the roll-out of the future fibre optic network. More Alliander-owned network, resulting in assured continuity and increased reliability, while at the same time striving to achieve maximum collaboration with other vital infrastructure organisations.	

Making the energy supply and our organisation sustainable

Material topics	Indicators	Performance in 2022	Performance in 2023	Objective for 2023	Long-term goal	Contribution to SDG
Climate change (mitigation and adaptation)	Number of clients with sustainable generation	772,911	973,128	The capacity to connect all new locally generated energy in our areas.	Have the capacity to connect all new decentral generators in our areas.	SDG 7.2 and SDG 11.3
	Gross CO_2 emissions from own business operations in kt	289[2]	425	416	Comply with SBTi provisions and scope requirements for climate emissions mitigation from 2025 on.	SDG 7.2, SDG 11.3 and SDG 13.3
	Net CO_2 emissions from business operations after greening, in kton	29[2]	0	0		SDG 7.2
Circular operations Supply chain responsibility	Primary assets procured on a circular basis as percentage of total	28%	31%	At least 31%	45% circular procurement in 2027.	SDG 12.5

Ensuring a safe energy network, a safe working environment and a safe data environment

Material topics	Indicators	Performance in 2022	Performance in 2023	Objective for 2023	Long-term goal	Contribution to SDG
Safe infrastructure	Lost Time Injury Frequency (LTIF)	1.9[3]	2.0	-[4]	Safety is key to our operations. We create a proactive safety culture.	SDG 8.8
Digitalisation and data security	Number of identified data breaches reported to the Dutch Data Protection Authority	5	1	0	No substantiated complaints received regarding breaches of customers' privacy and/or data.	SDG 9.1

An attractive, inclusive employer offering equal opportunities for all

Material topics	Indicators	Performance in 2022	Performance in 2023	Objective for 2023	Long-term goal	Contribution to SDG
Being a good employer	Number of employees on sick leave due to an accident	21	24	0	Safety is key to our operations. We create a proactive safety culture.	SDG 8.8
	Training costs as percentage of total wage bill	2.9%	3.0%	3.0%	3.0%	SDG 8.5
	Number of apprenticeships offered to employees with poor employment prospects	90	125[5]	At least 154	We offer long-term work to people with poor employment prospects who meet the criteria of the Dutch Labour Participation Act. Additionally, we offer work experience placements, internships and other learning experiences for a broad target group. In 2024, we aim to meet the requirements of the Dutch Labour Participation Quota Act.	
	Employee survey: enthusiasm and engagement	82%	82%	At least 81%	Being a top-class employer: an innovative and successful company where we develop future-oriented knowledge and competencies.	

Being a creditworthy company with solid returns

Material topics	Indicators	Performance in 2022	Performance in 2023	Objective for 2023	Long-term goal	Contribution to SDG
Energy security for the customer: responsible investment policy	Credit rating	S&P: A+/A-1/ stable outlook Moody's: Aa3/P-1/ stable outlook	S&P: A+/A-1/ watch positive Moody's: Aa3/P-1/ stable outlook	Credit rating: Maintain solid A rating profile	Remain a creditworthy company. Continuously outperform the sector in terms of costs and operational excellence. Solid profits within the boundaries of what is permitted in the regulated domain.	SDG 9.1
	FFO/net debt	19.2%	21.1%	FFO/net debt: at least 15%		
	Interest cover	12.1	12.2	Interest coverage: at least 3.5		
	Net debt/(net debt + equity)	43.8%	46.9%	Net debt/(net debt + equity): maximum of 60%		
	Solvency ratio	49.0%	46.1%	Solvency ratio: at least 30%		

* The theme of collaboration and dialogue with stakeholders relates to all of our material topics. See also the stakeholder table elsewhere in this annual report.

1 The electricity outage duration differs from the figure stated in the regulatory report. This report does not include the interruptions in the high-voltage network (CBL assets) owned by Liander.

2 The results of the gross CO_2 emissions and decarbonisation for 2022 were recalculated based on the most recent emission factors and more up-to-date insights into the total network losses for electricity and gas in 2022.

3 The standard time allocation used to calculate the LTIF was changed from 1,800 to 1,600 hours to match other companies in the sector, so the LTIF for 2022 was recalculated and is now 1.9.

4 No target is set for the LTIF performance indicator, because the number of accidents leading to sickness absence should ideally be zero. Our objective with this indicator is to show a downward trend each time.

5 The number of employees with poor prospects in the labour market comprises 125 jobs created under the Dutch Participation Act, amounting to 100.4 FTEs.

Five-year summary

€ million	2023	2022	2021	2020	2019
Result					
Revenue	2,725	2,150	2,120	2,009	1,930
Total income	2,779	2,213	2,181	2,055	1,970
Total operating expenses	-2,347	-1,903	-1,827	-1,736	-1,591
Operating profit	432	310	354	319	379
Profit after tax	267	198	242	224	253
Balance sheet					
Net working capital	9	-90	-132	-117	-91
Property, plant and equipment	9,972	9,091	8,501	7,958	7,476
Total assets	11,646	10,692	10,209	9,422	8,791
Equity	4,749	4,570	4,470	4,328	4,224
Total interest-bearing debt	4,038	3,426	3,111	2,487	2,062
Total financing	8,787	7,996	7,581	6,815	6,286
Capital expenditure on non-current assets	1,411	1,228	1,014	890	837
Cash flows					
Cash flow from operating activities	724	572	664	634	638
Cash flow from investing activities	-1,179	-1,175	-639	-775	-713
Cash flow from financing activities	494	184	301	286	88
Free cash flow	-455	-603	25	-141	-75
Ratios					
Non-current interest-bearing debt as % of total interest-bearing debt	46.9%	43.8%	36.7%	38.7%	36.5%
FFO/Net debt	21.1%	19.2%	25.8%	24.1%	29.0%
Interest cover	12.2	12.1	17.2%	14.2	13.3
Equity as % of total assets less deferred income (solvency)	46.1%	49.0%	53.8%	53.1%	55.6%
Shares (as at 31 December)					
Number of shares issued (thousand)	136,795	136,795	136,795	136,795	136,795
Dividend to be paid	120	82	101	94	114
Other					
- Electricity					
Active connections as at 31 December (x 1,000)	3,379	3,343	3,276	3,236	3,207
New connections (x 1,000)	45	45	43	39	42
- Gas					
Active connections as at 31 December (x 1,000)	2,535	2,549	2,539	2,542	2,543
New connections (x 1,000)	2	4	4	9	16
- Volumes transported					
Electricity (GWh)	39,838	25,651	27,262	28,946	28,548
Gas (million m3)	4,343	4,672	6,056	5,632	5,860
Percentage grid losses1	4.85%	4.96%	4.21%	4.40%	4.52%
- Other					
Number of disconnections (consumer and business market)	5,895	5,791	3,210	3,756	4,038
Facilitated supplier switches (x 1,000)	745	526	918	1,128	851
Annual electricity outage Liander (minutes)	23.2	21.3	20.9	23.2	21.9
Average number of permanent staff (fte)	7,903	6,102	5,936	5,786	5,686

1 An estimate has been made for the last two years.

Other non-financial information

CO_2 and energy

This section provides a detailed review of Alliander's energy consumption and the CO_2-related impacts of Alliander. The methodology and the conversion factors used are also described.

Energy use in Alliander's operations

Alliander uses 2012 as a reference year for comparison of energy and CO_2 data. The reason for this is that 2012 is the year in which the targets for CO_2-related emissions were formulated. In that year, emissions totalled 761 kilotons of $CO_{2\text{-eq}}$ without a greening policy. Gross carbon emissions in 2023 amounted to 425 kilotons of $CO_{2\text{-eq}}$ (44% less than in 2012). Including greening, the net carbon emissions from our own operations were 0 kton CO_{2eq} (scope 1 + 2 and travel in scope 3). At least 10% of the electricity consumption of our buildings is fed by renewable electricity we generate ourselves on site. The remaining electricity consumption for buildings is procured. The electricity label for this gives 398g of CO_2/kWh. The entire CO_2 volume is compensated by Guarantees of Origin for wind energy produced in the Netherlands. Furthermore, the Duiven offices are practically energy-neutral (at least an A label) All of Alliander's office buildings meet A, B or C label criteria, in accordance with the Building Structures (Living Environment) Decree (Besluit bouwwerken leefomgeving, Bbl). Any remaining surplus is fed back into the grid.

	2023	2022	2021
Energy consumption of buildings			
Gas consumption in buildings (m^3)	584,582	667,698	1,069,106
Electricity consumption in buildings (kWh)	6,941,096	8,089,425	8,202,984
Heat consumption in buildings (GJ)	1,954	2,226	2,226
Fuel consumption of vehicle fleet (litres)			
Petrol	1,421,625	1,297,752	1,115,626
Diesel	2,565,151	2,608,933	2,770,679
LPG	1,612	1,774	2,154
Electricity (kWh)	4,137,530	3,299,113	2,432,381
Use of diesel generators	16,170	1,895,074	1,895,074
Use of HVO generators	1,390,724	690,696	690,696
Commuter traffic, business travel, air travel (km)	22,679,792	16,453,833	8,846,583

GJ	2023	2022	2021	Conversion factor[1]
Energy consumption of buildings				
Gas and heat consumption	22,514 GJ	25,709 GJ	37,600 GJ	35.17 official calorific value of Dutch natural gas
Electricity consumption[2]	24,988 GJ	29,122 GJ	29,531 GJ	conversion factor 3.6, SI unit conversion factor
Total energy usage in buildings	**47,502 GJ**	**54,831 GJ**	**67,131 GJ**	
Energy consumption for transport & mobility				Conversion factor
Petrol	46,061 GJ	42,047 GJ	36,146 GJ	conversion factor 32.4
Diesel	91,832 GJ	93,400 GJ	99,190 GJ	conversion factor 35.8
LPG	42 GJ	46 GJ	56 GJ	conversion factor 26
Electricity	14,895 GJ	11,877 GJ	8,757 GJ	conversion factor 3.6
Total energy usage for transport & mobility	**152,830 GJ**	**147,370 GJ**	**144,149 GJ**	
Total energy usage	**200,332 GJ**	**202,201 GJ**	**211,280 GJ**	

1 Source for calorific values and conversion factors: 'calorische waarde' (joostdevree.nl).

2 The value of the electricity feed-in to the grid is 3.2 GJ.

CO_2 emissions and carbon footprint for operations

A sector-wide uniform scope has been used for the purposes of the section entitled 'Making the energy supply and our organisation sustainable'. This differs slightly from the Greenhouse Gas (GHG) Protocol. In terms of classification and the design of the emission calculations, we follow the Greenhouse Protocol The figures and classification in CO_2 equivalents in accordance with the GHG Protocol are presented in the following table.

CO_2emissions in tons[1]	2023	2022[2]
Scope 1		
Gas consumption in buildings	1,042	1,392
Natural gas network leakage loss	108,896	100,375
Lease & company cars	11,249	13,616
SF_6 emissions	1,111	1,405
Use of generators	84	6,399
Total for scope 1, own organisation	**122,382**	**123,188**
Scope 2		
Electricity in buildings	2,638	3,135
Heat use in buildings	30	39
Network losses on electricity, technical	199,300	107,000
Network losses on electricity, administrative	97,986	53,765
Total for scope 2, own organisation	**299,954**	**163,938**
Scope 3		
Commuter traffic	2,313	2,253
Business and air travel	113	105
Total for scope 3, own organisation	**2,426**	**2,358**
Total for scopes 1, 2 and 3, own organisation	**424,761**	**289,484**
Greening/offsetting		
Greening network losses E	297,286	159,218
Greening network losses G	108,896	90,017
Greening of gas consumption in buildings	1,042	1,392
Greening of electricity consumption in buildings	2,668	3,174
Greening of vehicle fleet	11,249	6,651
Commuter traffic, business travel, air travel	2,426	0
Greening SF_6	1,111	0
Greening generators	84	0
Total for greening, own organisation	**424,761**	**260,452**
Total for own organisation including greening	**0**	**29,032**
Scope 3		
Components for network expansion/upgrades	242,202	212,408
Maintenance, construction and procured services	247,861	245,000
Other (waste, investments and energy)	25,154	53,452
Total for scope 3	**515,217**	**510,860**
Total footprint	**515,217**	**539,891**

1 CO_{2eq}: refers to CO_2, CH_4 and SF_6. The greenhouse gases from company operations have been consolidated on the basis of the consolidation policy used in this annual report.

2 Emissions in 2022 in scopes 1 and 2 were restated according to the most recent emission factors (2022).

Most of the figures included in the tables and graphs in this report are taken from the underlying source systems. Some figures, however, are derived from third-party records and/or reports.

Assumptions and estimates are used for calculating the carbon footprint and the energy usage. Since 2016, the CO_2 emissions factor for the grid losses has been calculated on the basis of the energy purchased from our suppliers to cover grid losses. The 2022 electricity labels have been used for the 2023 annual report. This gives a figure for the CO_2 coefficient of 0.20103kg CO_2/kWh. Of the gross carbon emissions, 47% is attributed to network losses in the electricity infrastructure. As of 2020, network operators are obliged to purchase the natural gas leakage losses over a larger part of the supply chain. This means that it now represents a much higher proportion of our carbon footprint. Gas leakage losses accounted for 26% of the gross carbon emissions in 2023, compared with 11% in 2019. Gas leakage losses are based on consumption by customers without an energy contract, improper use or theft of gas from the network and the number of kilometres of gas mains in Alliander's gas network. Cast-iron gas mains have higher leakage losses (322.5m^3/km) than the regular PE pipes (55.3m^3/km) and therefore higher emissions. The CO_2 equivalent is calculated using a factor of 28 (methane).

Supply chain emissions

We reported procurement-related supply chain emissions in 2023 as part of scope 3. These are emissions which occur at our suppliers when making, transporting and delivering services and products. Calculations take place on the basis of key emission figures for each sector multiplied by Alliander's expenditure in the sector. These emissions are outside the scope of our climate objectives and are not a part of the intensity indicator. To calculate emissions from materials procured, we use standardised key indicators, such as eco-costs in the Idemat app.

		2023	2022[1]	2021	2020	2019
Gross $CO_{2\text{-eq}}$ emissions	kt	425	289	492	373	453
Net revenue	€ million	2,725	2,151	2,120	2,009	1,930
$CO_{2\text{-eq}}$ emissions/net revenue	tonne/€ million	156	54	232	186	235

1 Emission figures for 2022, 2021, 2020 and 2019 have been recalculated according to the most recent emission factors.

Our carbon footprint per million euros in revenue has been greatly reduced in recent years through targeted measures.

Transport

Alliander's greatest impact relates to energy distributing to end users. The quantities are as follows:

	2023	2022	2021
Electricity transmission	39,838 GWh[1]	25,651 GWh	27,262 GWh
Gas transmission	4,343 million m^3	4,672 million m^3	6,056 million m^3

1 Following implementation of the programme allocation 2.0 tranche 2 in April 2023, the electricity feed-in from small consumers is now more accurately calculated, resulting in increased transmission and distribution volumes.

The calculated network losses are the end result of the allocation and reconciliation process, where the difference between all volumes entering the Liander network and all volumes consumed by end users is calculated. The main causes of network losses are losses that occur during transmission (through resistance or other factors), customers who consume electricity without an energy contract, and improper use or theft of electricity from the grid. The total grid losses are finalised using a 'reconciliation' process. Meter readings are often estimated and only read at a later time, meaning there is delay in settlement and allocation and it takes a few years for data to be finalised.

To arrive at the energy intensity ratio, Alliander divides its own energy usage in gigajoules (GJ), scope 1 and 2, by its net revenue. This ratio takes into account the gas and electricity consumption of buildings and the fuel consumption of the vehicle fleet. The development of the ratio over a series of years shows the decrease in Alliander's own energy usage per million euros of net revenue.

	2023	2022	2021
Energy intensity ratio	74GJ/€ million (200,332/2,725)	94 GJ/€ million (202,201/2,150)	100 GJ/€ million (211,280/2,120)

* This information is not available by energy type. As far as Alliander is concerned, a view is obtained based on energy type for Scope 1 use; the distinction according to energy type for Alliander's own use is of a far smaller magnitude and impact and is therefore immaterial.

Decarbonisation and offsetting CO_{2eq}

Alliander decarbonises its electricity network losses through the purchase of Guarantees of Origin linked to Dutch wind capacity. In doing so, we contribute directly to direct investments in wind energy. We offset gas leakage losses by purchasing Gold Standard Verified Emission Reductions Certificates, VERs, and we offset other emissions from our own operations using the available capacity under the Guarantees of Origin and VERs that we have purchased.

Green gas

The total feed-in of green gas in the area supplied by Alliander during 2023 was 75 million m^3, a 14% increase compared with 2022. This involved connections to 27 green gas production facilities. The term ‘green gas’ refers to:

- Green gas: bio-SNG, biogas and landfill gas conditioned and upgraded to natural gas quality.
- Biogas: gas satisfying the definition of gas as a fuel but differing in that it is a product of a fermentation or digestion process. The two main components of biogas are CH_4 and CO_2.
- Landfill gas: gas satisfying the definition of gas as a fuel but differing in that it is a product of a landfill site. The composition is similar to that of biogas.
- Bio-SNG: SNG – substitute/synthetic natural gas – produced exclusively from biomass.

Waste from operations

Alliander is actively working on waste prevention, reuse, separation and recycling of waste materials. Prevention takes the form of actively eliminating disposable packaging and single-use packaging, among other things. Whenever possible, materials are reused and, if necessary, reconditioned. Through reuse, we extend the useful life of valuable materials. Alliander separates its waste into the legally defined categories. Waste collectors have been set up at all large locations for this purpose. Waste materials generated at large projects outside our sites are generally collected directly by approved hauliers or waste collection companies in accordance with internal requirements. By far the largest volume by weight is metal or waste that contains metal, such as cables, transformers and other infrastructure-related waste materials. Waste materials are segregated by LoW code and delivered to approved waste processing entities. The Additional Data table on page 262 includes a waste materials summary.

	Split (%)	Hazardous waste (tonnes)
Recycling	85.3	13,825
Incineration	14.7	2,383
Total	**100**	**16,208[1]**

1 This refers to operational waste (transformer oil and other hazardous waste is not included in this) and excludes waste generated by Alliander Facilities and Kenter (office and catering waste). As a result, the total volume of waste differs from the total volume reported on page 262.

Crisis organisation

In the case of major outages and emergencies, an internal crisis organisation is mobilised. Within this organisation, staff members of various departments work on-call shifts. Depending on the nature and scale of the incident, once the crisis is over, a case and/or investigation team is set up to assist and ensure the completion of any internal and/or external investigations. All major incidents are evaluated to identify and implement possible improvements.

CSR Governance

Alliander’s management approach focuses on long-term value creation, based on an integrated control model. This management model requires, on the one hand, a good social awareness antenna and direct connection with stakeholders for consultation and constructive participation in our strategy and choices. On the other hand it requires an appropriate and more effective mirroring of social developments in our strategy, decision-making and implementation. Our CSR Governance therefore consists of several components, most of which are now operational:

Corporate Social Responsibility (CSR) is integral to all organisational units and is included in the Planning & Control cycle. All organisational units perform an analysis of the qualitative and quantitative impacts that their operations have on society. Responsibilities for internal coordination are assigned as follows:

- The Management Board has overall responsibility for the economic, ecological and social impact of Alliander. The Management Board and the Supervisory Board consult with stakeholder representatives on a regular basis. Their presence or representation at regular and ad hoc meetings ensures an active awareness of developments and views regarding strategic topics. See the section of the report covering Interaction with stakeholders for the various social issues that have been discussed.
- The Directors' Consultation on CSR ensures good strategic coordination. Its members keep track of the social goals, advise on paths to realise ambitions and ensure proper assignment of responsibilities between departments. The preparations for the Directors' Consultation on CSR were made in 2023 (Directors' Consultation on Broad Prosperity) and the consultation will start work in 2024.
- The CSR PO (Product Owners Consultation) group ensures operational coordination among all levels. The comprehensive nature of CSR is such that these coordination activities are growing in importance. New directives and guidelines originating from national authorities and international governments are so wide-ranging that they generally affect multiple departments. The CSR PO consultation group is responsible for giving strategic advice to the Management Board. The CSR PO consultation group was prepared and tested in 2023 and will also start in 2024.
- Alliander's CSR Team (4 FTEs) has Alliander's corporate social responsibility under its direction. They are the link between the developments within and outside Alliander. The team is responsible for new policy, monitoring progress relative to ambitions and representing Alliander in external coalitions and expert groups.

Various consultation platforms have been created to keep in touch with and react to social developments and all the associated moral and ethical dilemmas:

- The Stakeholder Panel, with representatives from all our stakeholder groups, reflects each year on past developments, our challenges and the structure of the annual report and communicates that feedback to the Management Board. See also: Opinion of the Alliander stakeholder panel.
- The Future Leader Board consists of young professionals from within the organisation. They advise the Management Board on strategic themes, viewed from the perspective and interests of the youngest generation. See also: Being an attractive, inclusive employer with equal opportunities for all.
- The 'ethical board' reflects on the ethical and moral choices we must make, particularly those related to IT. This competency has become even more important in view of the emergence of AI. Preparations were made for the 'ethical board' in 2023 and it will start work in 2024.

Finally, our CSR Governance is linked to two platforms where we encourage multiple forms of social actions. The idea is to respond to a social need (voluntary work) and also engage and bind our colleagues:

- The Alliander Foundation, which supports voluntary work carried out by Alliander employees, either through the freely available hours offered to everyone or otherwise. See also: Being an attractive, inclusive employer with equal opportunities for all.
- The CSR Community, an open-door walk-in facility where Alliander colleagues can discuss relevant social developments. The CSR Community will be organised for the first time in 2024.

External assurance relating to the social part of the annual report

Alliander believes it important for its stakeholders to have formal assurance regarding the social part of the annual report. Alliander has received an affirmative assurance report for its 2023 annual report, affording reasonable assurance with respect to the most relevant part of the annual report, namely the principal management variables of the company (both financial and non-financial).

Alliander has also obtained reasonable assurance in relation to the material aspects of its reporting (materiality test). Additionally, Alliander has received an affirmative assurance report affording limited assurance covering the rest of the social part of the annual report. To guarantee the quality of the social information, Alliander adopts the Three Lines model. The various organisational units are required to submit social information, collected for example for the stakeholder dialogue, the materiality test and GRI activities. The organisational units form the first line of defence and are responsible for supplying reliable information. The business controllers of each organisational unit form the second line of defence and ensure that their organisational unit submits its information reliably and on time. The business controllers check such things as the basis of the information and the analysis of it by the business itself and prepares a report for the verification carried out by the internal audit department. The internal audit department forms the third line of defence, verifying the social information before it is reviewed by the external auditors. The external auditors form the final step in the verification process and provides the final assurance, as expressed in the report.

Additional information

Description	31/12/2023	31/12/2022
Annual report publication date	4/3/2024	6/3/2023
Customer		
Frequency of power outages (SAIFI)	0.327	0.351
Power outage duration SAIDI (minutes)	23.2	21.3
CAIDI (minutes)	70.9	60.6
Efficiency of transmission and distribution: total network losses as % of total feed-in	4.85%	4.96%
Total length of leased fibre optic infrastructure (km)	2,563	4,962
Total length of Alliander's own fibre optic infrastructure (km)	4,653	4,275
Newly built fibre optic infrastructure (km)	287	146
Number of buildings disconnected	5,895	5,791
Employee		
Own employees and hired employees (number)	8,825	7,675
Male own employees (number)	5,525	5,112
Female own employees (number)	1,493	1,306
Own employees (FTEs)	6,793	6,214
Hired employees (FTEs)	1,644	1,155
Own employees aged < 25 years (number)	176	136
Own employees aged 25-35 years (number)	1,676	1,420
Own employees aged 35-45 years (number)	2,038	1,901
Own employees aged 45-55 years (number)	1,554	1,411
Own employees aged >= 55 years (number)	1,581	1,551
Inflow of male employees (number)	846	706
Inflow of female employees (number)	313	242
Outflow of male employees (number)	404	435
Outflow of female employees (number)	96	121
Own employees on a permanent employment contract (number)	6,051	5,566
Percentage of men among own employees on a permanent employment contract	80%	80%
Percentage of women among own employees on a permanent employment contract	20%	20%
Employees on a fixed-term employment contract (number)	970	853
Percentage of men among own employees on a fixed-term employment contract	74%	77%
Percentage of women among own employees on a fixed-term employment contract	26%	23%
Employees on a full-time employment contract or agency/contract staff contract (number)	6,553	5,995
Employees on a part-time employment contract or agency/contract staff contract (number)	2,266	1,680
Percentage of men on a full-time employment contract or agency/contract staff contract	81%	85%
Percentage of men on a part-time contract or agency/contract staff contract	19%	15%
Percentage of women on a full-time employment contract or agency/contract staff contract	49%	49%
Percentage of women on a part-time contract or agency/contract staff contract	51%	51%
Employees on an agency/contract staff contract (number)	1,808	1,256
Percentage of men among employees on an agency/contract staff contract	80%	81%
Percentage of women among employees on an agency/contract staff contract	19%	16%
Percentage of unidentified gender among employees on an agency/contract staff contract	1%	3%
Percentage of own employees eligible for pension plan in up to 5 years' time	23%	24%
Percentage of own employees eligible for pension plan in up to 10 years' time	33%	35%
Absenteeism among own employees	4.4%	4.8%
Absenteeism of men among own employees	4.2%	4.4%
Absenteeism of women among own employees	5.5%	6.4%
People with poor employment prospects (number)	125	90
People with poor employment prospects (FTE)	100.4	73
Employees in leadership positions (number)	502	472
Percentage of female employees in leadership positions	30.5%	28.3%

Salary of female employees as a percentage of salary of male employees	102.1%	100.6%
Percentage of own employees covered by and subject to collective provisions in employment contracts	99.94%	99.93%
Accidents resulting in fatalities (including contractors and third parties)	0	0
Number of cases of complaints regarding occupational health and safety lodged through the formal complaints mechanism	42	72
Percentage of workforce represented on formal occupational health and safety committees of employer and employee	99.9%	99.9%
Number of reported cases of undesirable behaviour (and discrimination) by employees	83	57
Number of employees who have completed safety training (and passed the associated exam) this year	1,941	2,001
Number of contract employees who have completed safety training (and passed the associated exam) this year	275	272
Environment		
Total value of financial sanctions imposed on account of non-compliance or inadequate compliance with environmental legislation and regulations	€ 0	€ 0
Number of environmental incidents reported to the relevant authorities	11	8
Number of non-financial sanctions imposed on account of non-compliance or inadequate compliance with environmental legislation and regulations	18	12
Water consumption (m^3)	14,984	11,390
Office waste: paper (tonnes)	63[1]	530.45
Office waste: secure shredding service paper (tonnes)	25.12	43.08
Office waste: miscellaneous (tonnes)	176.88	216.51
Office waste: paper (tonnes)	0.02	1.69
Industrial waste: metal (tonnes)	8,089	7,742
Industrial waste: wood (tonnes)	231.27	239.35
Industrial waste: plastic (tonnes)	751.69	711.52
Industrial waste: soil (tonnes)	2,035	1,723
Industrial waste: miscellaneous (tonnes)	4,971	4,727
Hazardous waste (tonnes)	784	583
Waste: total weight for the year (tonnes)	17,127	16,517
Governance and Society		
Significant financial support from governments (lower tax rate, subsidies, credit, investment premiums)	€ 1,435,779	€ 2,069,261
Accidents and health impacts on citizens in relation to company assets/legal proceedings relating to health and safety of customers and/or third parties	0	0
Monetary value of significant sanctions imposed on account of non-compliance with legislation and regulations regarding the delivery and use of products and services	€ 0	€ 0
Current legal proceedings against the company brought by third parties where the charge includes corruption/fraud (number)	0	0
Companies with which ties have been severed on account of corruption/fraud (number)	0	0
Employees confronted with measures in relation to corruption/fraud (number)	15	12
ISO 9001 Certificate	ISO 9001	ISO 9001
ISO 14001 Certificate	ISO 14001	ISO 14001
Requirements for a safety, quality and capacity-management system for electricity and gas network management	NTA 8120	NTA 8120
HSE Checklist	HSE Checklist	HSE Checklist
CO_2 performance ladder	CO_2 performance ladder	CO_2 performance ladder
ISO 55001 Asset Management	ISO 55001 Asset Management	ISO 55001 Asset Management

1 In 2023, only the paper waste generated in an office environment was accounted for under LoW code 20.01.01, resulting in a significantly lower tonnage than in 2022.

Terms, abbreviations and definitions

ACM
ACM is the Dutch initialism for the Netherlands Authority for Consumers & Markets, the regulator charged with the supervision of competition, industry-specific market surveillance, and consumer protection. As part of its remit, ACM oversees compliance with the Electricity Act and the Gas Act.

Attribution
Attribution of the impact relative to other entities contributing to the impact (part of the value and impact model).

Gross carbon emissions, own business operations
The gross carbon emissions from company operations are measured in accordance with the sector and consist of the direct and indirect emissions from activities under our control. This includes all processes and operations within the direct control of the company, whether performed internally or externally.

Cable pooling
The use of shared cables for wind and solar energy feed-in.

CBL (cross border lease)
A cross-border lease is a structured finance transaction by virtue of which a business sells the user rights of certain non-current assets to a foreign company, only to lease these assets back.

Circular procurement
Circular procurement consists of the percentage of recycled material incorporated into goods procured and the percentage of material that is recyclable at the end of the useful life. The percentage of recycled or recyclable materials is determined based on raw material passports provided by our suppliers, which state these percentages. We therefore rely on the support and expertise of our suppliers to identify these percentages, and we validate them with data provided by DNVL, an independent research and consultancy firm. The scope comprises the primary assets: Low-voltage & medium-voltage cables, gas pipes, distribution and power transformers, and legacy and smart electricity & gas meters.

CO_2
Carbon dioxide. This is mainly released during the burning of fossil fuels such as natural gas and coal and contributes to the greenhouse effect.

CO_2 equivalent
The effect of greenhouse gases other than CO_2 converted into CO_2 values.

Committee of Shareholders
The Committee of Shareholders as referred to in Section 158(10) Book 2 of the Dutch Civil Code, if this has been appointed by the General Meeting of Shareholders.

Congestion management
Congestion management is the system used at times when the electricity grid has insufficient capacity for customers who consume or feed in electricity. This system ensures that the available transmission capacity is spread as fairly and efficiently as possible. In an area where a shortage of capacity is imminent, parties participating in the system are asked to consume less power or to return more power to the grid for a fee. These measures can prevent the impending shortfall from occurring.

Corporate Governance
The Dutch Corporate Governance Code contains principles and best-practice provisions governing the relationship between the Management Board, the Supervisory Board and the General Meeting of Shareholders/shareholders themselves. The principles and provisions are aimed at detailing responsibilities for long-term value creation, risk management, effective management and supervision, remuneration and relationships with the shareholders/General Meeting and with other stakeholders.

CTO
Chief Transition Officer (CTO) is a management position at Alliander that is focused primarily on exploring and adopting the energy transition and digitalisation, with a view to future-proofing the network company.

Curtailment
During peak periods in electricity feed-in, the network operator reduces or restricts energy delivery from generators of green electricity to the grid, creating more space on the grid so that more generators of green electricity can be connected. This way the grid is used more efficiently.

Eco-costs
Eco-costing is a method of expressing the environmental burden of a product. It is based on the costs that will be incurred in preventing that burden.

ECP
Eurocommercial Paper: Short-term debt instruments issued on the international money market.

EMTN
Euro Medium Term Note: Long-term debt instruments issued on the international capital market.

Energy transition
The transition away from generating energy from fossil fuels to sourcing power from renewables, like the sun, wind or water, for example.

FFO/net debt ratio
The funds from operations (FFO)/net debt ratio is the 12-month profit after tax adjusted for deferred tax movements, the equity component in the payment relating to hybrid loans, incidental items and fair value movements plus depreciation of property, plant and equipment and amortisation of intangible assets and deferred income, expressed as a percentage of net debt.

Flex-market
In a flexible electricity market, supply and demand are better matched. Flexibility is created by energy users switching demand to off-peak periods. Intelligent systems also make it possible for power from renewables, for example, to be stored and for generation demand to be shifted in time without users having to alter the pattern of consumption.

FTE (full-time equivalent)
Equivalent of the number of employees with a full working week.

Guarantee of Origin
A Guarantee of Origin certificate shows that electricity has been generated by a wind, hydro, solar, or biomass installation.

Regulated domain
The activities of the network operator which arise from the tasks that are the exclusive preserve of the network operator and for which maximum tariffs are set by the ACM. This includes:

- Construction, maintenance, renewal and management of connections to the electricity network with a load value up to 10 MVA; and to the gas network;
- Construction, maintenance, renewal and operation of electricity and gas networks;
- Transmission of gas and electricity;
- Metering services for small consumers;
- Effective assurance of the safety and reliability of the networks;
- Promotion of the safe use of equipment and installations that consume electricity and gas;
- Facilitation of the free market to enable customers to switch to another energy supplier, among other things.

Degree-day
A degree-day is a unit for quantifying energy demand. The measure is obtained by multiplying the number of degrees temperature difference between indoor temperature and average outdoor temperature over a given 24-hour period. If the outdoor temperature is 1°C below the temperature below which heating is required – taken as 18°C – that counts as 1 degree-day, and so on. If the average outdoor temperature is 18°C or above, the number of degree-days (for heating purposes) is zero.

Green bond
A debt instrument used exclusively to finance new and existing environmentally sound projects.

GRI (Global Reporting Initiative)
Global organisation that issues guidelines for CSR reporting.

High-voltage network (HV)
Network intended for the transmission of electricity at a voltage greater than 35 kV and operated as such.

Impact
In the context of the value and impact model, the effects of the actual outcome compared with the effects of the predetermined 'counterfactual' or reference scenario.

Interoperability
The ability of various autonomous, heterogeneous systems to communicate and interact with each other.

Investment plan
As of 2020, network operators will publish an investment plan every two years. This plan describes all necessary expansion and replacement investments over a 10-year period and provides the reasons for these investments. The basis for the investment plan is Article 21 of the Electricity Act and Article 7a of the Gas Act.

Feed-in
The supply of electricity fed into the electricity grid from power generating sources.

Supply chain responsibility
A situation in which a company assumes responsibility for the entire supply chain involved in its activities and for the impact which these activities have in social, ecological and economic terms and renders account accordingly, including engaging in a dialogue with stakeholders. The whole process is result-driven.

Customer convenience
The degree to which customers experience convenience. Customer convenience among ordinary consumers and business market consumers is measured using the Net Effort Score (NES) based on the Consumer Effort Score (CES) question: %convenience - %effort. This score is given by deducting the percentage of customers experiencing difficulty with the service from the percentage of customers finding it easy. The KPI is a calculation of the NES score, as an annual average, in relation to the various supply chains for, respectively, the ordinary consumer market on the one hand, and the business market on the other.

Climate Agreement
The Climate Agreement (i.e. the Dutch Climate Agreement) aims to cut greenhouse gas emissions in the Netherlands by 49% compared with 1990 levels by 2030. These targets stem from the climate agreements made by the international community in 2015 in the Paris Agreement and are set out officially in the Climate Act in the Netherlands. The climate agreement is therefore not a law itself, but gives substance to the objectives of the Dutch Climate Act.

Credit rating
An assessment by independent rating agencies, such as Moody's and S&P, of Alliander's creditworthiness.

Low-voltage network (LV)
Network intended for the transmission of electricity at a voltage less than or equal to 1 kV in the case of an AC voltage network, and less than or equal to 1.5 kV in the case of a DC voltage network, and operated as such.

Security of supply
The ability of customers to rely on the uninterrupted supply of electricity, gas and heat, as well as uninterrupted feed-in to the grid.

LTIF (Lost Time Injury Frequency)
The number of work-related accidents during the financial year in which internal employees (Alliander and agency/contract worker) were involved and which led to sickness absence after the accident, expressed per million of man-hours worked. For an accident to be considered a lost-time accident, it must have led to at least 24 hours of sickness absence. This is an unweighted average of Alliander's LTIF. The LTIF figure is calculated using the average number of FTEs (based on the 31/12 budget for the financial year and the actual figure as at 31/12/2022) and a standard annual number of hours worked per employee of 1,600.

M^3 of natural gas
A cubic metre (1,000 litres) of natural gas. The average natural gas consumption per household is about 1,800m^3 per year.

People with poor employment prospects
The number of employees who qualify for the target group register under the Dutch Labour Participation Quota Act for workers with a disability and work experience positions (for employees with poor employment prospects who do not qualify for the target group register).

Employee survey
An employee survey conducted according to the Effectory methodology in which employee engagement and enthusiasm are measured. Alliander wants to know how its employees feel in relation to work. We measure this by investigating employee engagement and enthusiasm. Enthusiastic and/or engaged employees are a key success factor within an organisation. Engaged employees feel connected to the organisation they work for. Enthusiastic employees are committed to getting the best out of themselves and their work.

Methane
A gaseous hydrocarbon, chief component of natural gas.

Medium-voltage network (MV)
Network intended for the transmission of electricity at a voltage level greater between than 1 kV, but less than or equal to 35 kV, and operated as such.

Net carbon emissions from business operations
The net carbon emissions from company operations consist of the gross carbon emissions from company operations minus the instruments used to green the carbon emissions from company operations.

Net investments
Gross investments less contributions to these investments received from third parties.

Net debt
The sum of long and short-term interest-bearing liabilities less cash and cash equivalents and investments.

Net debt/(net debt + equity)
Net debt position divided by equity including the result for the period and the net debt position.

Grid losses/network losses
There are two components to grid losses or network losses: technical losses and administrative losses. Technical grid losses refers to the electrical energy that is dissipated in overcoming the inherent resistance of cables, transformers and other components in the network. Administrative grid losses refers to losses due to fraud and theft of electricity and loss of potential income due to empty properties.

NTA8120
The NTA (Netherlands Technical Agreement) 8120 comprises standards for the assurance of the safety of employees and the public, the protection of industrial and built-up areas and nature, the security of transport and distribution, and the efficient and optimal management of grids.

Output
The effects of an activity – within the context of the value and impact model – over which Alliander has some control.

Sufferance tax
A levy charged by local authorities for the assets of utilities running either overhead or below ground across public land or water as well as surface assets.

Regional Energy Strategy (RES)
The RES focuses on the energy task facing a region, including the potential for electricity generation from renewables, potential savings and the actual plans for balancing supply and demand. The first RES was delivered in 2021. This is not a finished product: every two years, the RES regions will update their plans based on new information.

Remuneration report
The Remuneration Report of the Supervisory Board concerning the remuneration policy of Alliander, as drawn up by the Selection, Appointment and Remuneration Committee of the Supervisory Board.

Interest cover
The interest cover ratio concerns the 12-month profit after tax, adjusted for movements in deferred tax assets and liabilities, the equity component in the payment for hybrid loans, exceptional items and fair value movements, plus the net depreciation and amortisation of property, plant and equipment and intangible assets and deferred income and the net amount of finance income and expense adjusted for the equity component in the payment for hybrid loans, exceptional items and fair value movements divided by the net finance income and expense adjusted for the equity component in the payment for hybrid loans, exceptional items and fair value movements.

Sustainable Development Goals (SDGs)
The latest United Nations goals for sustainable development of the world in the period 2015–2030.

SF_6
An inert gas that is 5.1 times heavier than air and has a CO_2 equivalent of 22,800. SF_6 has good electrical insulating properties and is therefore frequently applied in electrical engineering, such as in medium-voltage and high-voltage units. In the case of combustion (e.g. due to an arc), toxic waste products such as S_2F_{10} occur. Also, in the case of major gas escapes, there is the risk of SF_6 displacing oxygen which can lead to suffocation.

Smart meter
The smart meter enables remote reading of electricity and gas meters to obtain information on consumption and status. In addition, a smart meter can execute remote instructions. The communication with the meter takes place via the cable network (Power Line Communication) or via GPRS.

Solvency ratio
The solvency ratio is obtained by dividing equity including the profit for the period less the expected dividend distribution for the current financial year by total assets less deferred income.

Stakeholders
Stakeholders are individuals and groups who have any form of interest in Alliander such as employees, shareholders, customers, financiers, suppliers and public authorities.

System analysis
A system analysis provides an integrated picture of future energy development and the impact on the required energy infrastructure for all energy modalities (for electricity or gas for example) and the cross connections.

Regulation of tariffs
With respect to public utilities, the process whereby the government sets the maximum rates that network operators are permitted to charge for their services.

Transparency
The extent to which things can be clearly seen through something – specifically the provision of a clear view of a company's activities.

Transmission restrictions
Due to the rapidly growing demand for electricity and the increase in feed-in, in more and more places the electricity grid has reached its full capacity. In these areas, when generators of green electricity and large companies that consume large volumes of electricity request more capacity on the power grid, they are subject to transmission restrictions. This means they are placed on a waiting list and can only access the extra capacity once there is again sufficient capacity on the grid. This additional capacity is created when the network operator expands the grid or can deploy a smart solution.

Phasing-out of gas
The gradual discontinuation of a mains gas supply and use of gas as a fuel.

Electricity outage duration
The average number of usage minutes during which a connected party was without power due to an unplanned service interruption, measured as the number of minutes per connection per year.

- The concept of usage minutes can be defined in greater detail as the product of the number of connected parties affected and the duration of an (unplanned) service interruption in minutes.
- The total number of usage minutes can be defined as the sum of all usage minutes of all (unplanned) service interruptions in 2023.
- The total number of connected parties can be defined as all connections with an accommodation function, excluding connections at properties that are vacant.

VCA (Veiligheid Checklist Aannemers)
VCA is short for 'Safety, Health and Environment Checklist Contractors' (Veiligheids Checklist Aannemers in Dutch) or SCC in English. A certifiable checklist for contractors by which they can demonstrate that they are complying with health and safety standards.

Substation
A power system installation on the high voltage network either connecting two or more high-voltage networks or forming a connection to the high-voltage network.

Decarbonisation of emissions, own business operations
Decarbonisation or offsetting of gross carbon emissions from company operations to reduce carbon emissions. This can be done through different products. All of Alliander's electricity consumption (mainly consisting of network losses) is greened with Dutch Guarantees of Origin linked to offshore and onshore wind. Long-term contracts have been signed with several wind farms operated by various suppliers for this purpose. Alliander currently uses Gold Standard VERs (carbon credits) to offset all carbon emissions that cannot be offset with Guarantees of Origin. This mainly applies to the gas network losses. These VERs are usually linked to projects such as Turkish wind energy, which do not participate in the European guarantee of origin system.

Employee sickness absence
The moving average sickness absence over a 12-month period (short, medium and long duration) for Alliander staff, not including absence on account of pregnancy.

Free domain
The activities that are carried out in competition and/or arise from the statutory tasks and are offered at the customer’s request. This includes the construction, maintenance, renewal, and management of connections to the electricity network with a load of 10 MVA and above for specific customer groups, including public transport and public lighting.

Free cash flow
Cash flow from operating activities less net investments in non-current assets.

Women in managerial positions
Refers to the number of women holding a managerial position (all employees who manage other employees), expressed as a percentage of the total number of employees with an employment contract or agency/contract staff contract.

Working capital
Inventories plus trade receivables and other receivables, less short-term non-interest-bearing debt and other liabilities.

The photo shows a technician working in a residential area in Hilversum. The energy transition is in full swing. Together, we are tackling the biggest ever overhaul of our electricity network, and it will not always be plain sailing. Everyone will be affected. Roads will be dug up more often. Connections could take longer than you would like. And you will sometimes need to first think about things that were previously a given. We will help you with that. Together, we will power ahead.

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This report is a translation of the Dutch annual report 2023 of Alliander N.V. Although this translation has been prepared with the utmost care, misinterpretations or deviations as a result of the translation process from the Dutch annual report may nevertheless occur, such that the information in this report may be misinterpreted or different conclusions may be drawn. In such cases, the Dutch annual report 2023 will prevail.

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