

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Integrated Green Financing Framework

VERBUND

3 May 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Bonds

Relevant standards

- Green Bond Principles (GBP), as administrated by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1),
- EU Taxonomy Climate Delegated Act, Annex I (as of June 2023)
- European Green Bond Standard Regulation (European GBS or EU GBS) (adopted October 2023)

Scope of verification

- VERBUND Integrated Green Financing Framework (as of May 3, 2024)
- VERBUND Eligibility Criteria (as of May 3, 2024)

Lifecycle

- Pre-issuance verification

Validity

- The present SPO does not constitute a pre-issuance review as per the European GBS. The instruments issued under the Issuer's Framework and this SPO are not designated as 'European green bond' or 'EuGB'.

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SCOPE OF WORK

VERBUND (“the Issuer”, “the Company”) commissioned ISS-Corporate to assist with its Green Bond by assessing four core elements to determine the sustainability quality of the instrument:

1. VERBUND’s Integrated Green Financing Framework (as of May 3, 2024) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and, on a “best effort” basis¹, the EU Taxonomy-aligned “Renewable Energy” and “Energy efficiency” project categories against the European Green Bond Standard (EU GBS) (as of October 2023)².
2. The Selection criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis³ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)⁴.
4. Consistency of the Green Bond with VERBUND’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

¹ Throughout this report and in the context of the EU GBS, “best efforts” basis reflects the fact that while the European Parliament and the Council of the EU have adopted the EU GBS, the European Commission and ESMA are beginning to develop relevant guidelines and technical standards and so the current assessment is based on the EU GBS in its current state.

² The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

³ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

⁴ Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

VERBUND OVERVIEW

VERBUND AG engages in the business of generating, trading, and selling electricity to participants in energy exchange markets, traders, electric utilities, and industrial companies as well as to household and commercial customers. It operates through the following segments: Hydro, New Renewables, Sales, Grid, and All Other. The Hydro segment offers hydropower generation technology. The New Renewables segment focuses on wind and photovoltaic generation technologies. The Sales segment is involved in trading and sales activities. The Grid segment includes operations of Austrian Power Grid AG, Gas Connect Austria GmbH, and Austrian Gas Grid Management AG. The All-Other segment refers to electricity and thermal generation, infra-group business activities, and equity interests. The company was founded in 1947 and is headquartered in Vienna, Austria.



ESG risks associated with the Issuer

VERBUND is classified in the Electric Utilities industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies⁵ in this industry are: Promotion of a sustainable energy system, Environmentally safe operation of plants and infrastructure, Protection of human rights and community outreach, Accessibility and reliability of energy supply, Worker safety and accident prevention.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

⁵ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY


SPO SECTION	SUMMARY	EVALUATION ⁶
<p>Part I.A:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part I.B:</p> <p>Alignment with the proposal of the EU GBS, on a best effort basis</p>	<p>The “Renewable Energy” and “Energy efficiency” project categories are aligned with the EU GBS (as of October 2023) on a best effort basis (see footnote 1 above).⁷</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility criteria</p>	<p>The Green Bond will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Energy efficiency and Aquatic and Terrestrial and Biodiversity</p> <p>Product and/or service-related use of proceeds categories⁸ individually contribute to one or more of the following SDGs:</p> <div style="text-align: center;">   </div> <p>Process-related use of proceeds categories⁹ individually improve (i) the Issuer’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s sector on one or more of the following SDGs:</p>	<p>Positive</p>

⁶ The evaluation is based on the VERBUND’s Integrated Green Financing Framework (May 3, 2024).

⁷ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

⁸ Renewable Energy, Energy efficiency

⁹ Terrestrial and Aquatic Biodiversity

		
<p>Part III: Eligibility against the EU Taxonomy</p>	<p>The VERBUND’s project characteristics, due diligence and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023 on a best-effort basis (see footnote 2 above). The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria ▪ Aligned with the Minimum Safeguard requirements 	
<p>Part IV: Consistency of Green Bond with VERBUND’s Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. All the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with the Issuer’s sustainability strategy</p>

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES AND THE EUROPEAN GREEN BOND STANDARD

A. ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES

This section evaluates the alignment of the VERBUND's Integrated Sustainable Financing Framework (as of May 3, 2024) with the ICMA's Green Bond Principles.

ICMA'S GREEN BOND PRINCIPLES	ALIGNEMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by VERBUND's Integrated Green Financing Framework is aligned with the Green Bond Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the Green Bond Principles. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer has listed explicit exclusion of any project involving wholly or partly fossil fuels for power generation, nuclear, as well as the transportation of fossil fuels.</p> <p>The Issuer defines a look-back period of 2 years which is in line with best market practice.</p>

<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by VERBUND’s Integrated Green Financing Framework is aligned with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>VERBUND has established a Green Bond Committee (“GBC”), which will be responsible for ensuring the evaluation and selection of eligible projects under the Framework, as well as ensuring their alignment with the EU Taxonomy. The Committee will be comprised of representatives from the following functions: Group Finance, Investor Relations, Corporate Responsibility, as well as VERBUND Hydro Power GmbH, Austrian Power Grid AG and VERBUND Green Power GmbH subsidiaries.</p> <p>The Company uses a groupwide risk management system to assess and manage environmental and social risks associated with eligible projects.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by VERBUND’s Integrated Sustainable Financing Framework is aligned with the Green Bond Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>

<p>4. Reporting</p>	<p style="text-align: center;">✓</p>	<p>The allocation and impact reporting provided by VERBUND’s Integrated Sustainable Financing Framework is aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. VERBUND has disclosed the type of information that will be reported and explains that the level of expected reporting will be at project category level. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The allocation reporting will include the total amount of proceeds allocated to eligible assets, the proportion of proceeds used for financing and refinancing, proportion of unallocated proceeds, the share of financing provided by VERBUND.</p> <p>In addition, the Company will also publish annually an Impact Report on selected environmental impacts of its projects, such as the tCO₂e avoided or the renewable added capacity. VERBUND is transparent on the level of impact reporting and the information reported, in line with best market practice.</p>
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B. ALIGNMENT OF THE “RENEWABLE ENERGY” PROJECT CATEGORIES WITH THE EU GBS

The table below evaluates the alignment of “Renewable Energy” project categories aligned with the EU Taxonomy with the European Green Bond Standard (EU GBS) (as of October 2023) on “best efforts” basis. The present SPO does not constitute a pre-issuance review as per the European GBS. The instruments issued under the Issuer’s Framework and this SPO are not designated as ‘European green bond’ or ‘EuGB’.

EUROPEAN GREEN BOND STANDARD	ALIGNMENT	OPINION
<p>0. Strategy and Rationale</p>	<p>✓</p>	<p>The strategy and rationale description provided by VERBUND Integrated Green Financing Framework, under which “Renewable Energy” and “Energy efficiency” project categories aligned with the EU Taxonomy are included, is aligned with the EU GBS on best efforts basis.¹⁰</p> <p>The rationale for issuance is stated and linked to the company’s overall strategy. The Issuer explains how the issuance contributes to specific EU Taxonomy environmental objectives as required by EU GBS.</p>
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided for “Renewable Energy” and “Energy efficiency” project categories are aligned with EU GBS on best efforts basis.¹¹</p> <p>The Issuer specifies that “Eligible Renewable Energy will be located in Austria, Germany, Spain, Romania and the “Eligible Energy efficiency project categories will be located in Austria and Germany, as per EU GBS requirements. The Issuer provides a statement showing that it voluntarily adheres to the requirements of the regulation proposal for “Eligible Renewable Energy”, “Energy efficiency” project categories, as well as for the projects financed under</p>

¹⁰ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

¹¹ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the derogation from paragraph 1 of Article 4 of the Proposal for EU GBS Regulation ([link]). ISS-Corporate has assessed that although the category does not align with any Technical Screening Criteria (TSC) of the EU Taxonomy, the activity complies with all Do No Significant Harm (DNSH) requirements.

		<p>the “ Terrestrial and Aquatic Biodiversity category” as part of the 15% flexibility pocket.</p> <p>The respective amount to be allocated from bond proceeds to each project, and the percentage of proceeds to be allocated respectively to projects financed after bond issuance and projects financed before bond issuance and the nature of the allocation of proceeds is a mandatory requirement of EU GBS and is disclosed by the Issuer.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p style="text-align: center;">✓</p>	<p>The Process for Project Evaluation and Selection description provided VERBUND’s Integrated Green Financing Framework for “Renewable Energy” project categories are aligned with EU GBS on best efforts basis.¹²</p> <p>The project selection process is defined. Governance processes and mechanisms for identification and management of ESG risks associated with the project categories are set in place. The Issuer commits to having a governance process to determine that the “Eligible Renewable Energy Loans” and the “Eligible Green Building Loans” aligned with the EU Taxonomy activities 4.1 Electricity generation using solar photovoltaic technology; 4.3 Electricity generation from wind power; 4.5 Electricity generation from hydropower; 4.9 Transmission and distribution of electricity and 4.10 Storage of electricity are aligned with the EU Taxonomy and provides a description of these processes, as required by the EU GBS proposal. The Issuer commits to disclosing applicable methodology and assumptions to be used for the calculation of key impact metrics in accordance with delegated acts adopted under Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and for any additional impact metrics. As well, the Issuer commits to report on the positive and negative impacts of the projects where relevant.</p>

¹² The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the derogation from paragraph 1 of Article 4 of the Proposal for [EU GBS Regulation](#). ISS-Corporate has assessed that although the category does not align with any Technical Screening Criteria (TSC) of the EU Taxonomy, the activity complies with all Do No Significant Harm (DNSH) requirements.

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by VERBUND’s Integrated Green Financing Framework on “Renewable Energy” project categories is aligned with EU GBS on best efforts basis.¹³</p> <p>The Issuer discloses the temporary investment instruments for unallocated proceeds and commits to disclosing the portfolio balance of unallocated proceeds in its allocation report. The unallocated proceeds will be invested on a temporary basis in accordance with the relevant internal treasury policies, in cash, cash equivalents or similar instruments (including green bonds issued by other issuers) and will be subject to VERBUND’s investment policy and due diligence requirements to ensure any adverse ESG-related impacts are mitigated effectively.</p> <p>The Issuer has defined a full allocation period of two years after issuance.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting description provided by VERBUND’s Integrated Green Financing Framework for “Renewable Energy” project categories is aligned with EU GBS on best efforts basis.¹⁴</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer commits to including in the allocation reports project-by-project information on amounts</p>

¹³ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

¹⁴ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

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ISS-CORPORATE 

		<p>disbursed and the expected positive and negative environmental impacts where relevant</p> <p>The Issuer commits to provide an external review pre-issuance and post-issuance in line with the requirements of the proposed EU GBS.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ELEGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs¹⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


1. Products and services

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

The assessment of UoP categories for (re)financing / investing in specific products and services is displayed on a 3-point scale:



Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>Expenditures and costs associated to the construction, development, acquisition, maintenance and production of renewable energy:</i></p>	<p>Contribution</p>	

¹⁵ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

- *Electricity generation from wind power¹⁶*
- *Electricity generation using solar PV technology¹⁷*
- *Electricity generation from hydropower^{18,19}*

Renewable Energy

Expenditures and costs associated to the construction, development, acquisition, maintenance of the infrastructure dedicated to:

- *Transmission and distribution of electricity²⁰*

Selected according to the following criteria:

- *Grid expenditures including modernization and upgrade to facilitate increased renewable energy capacity connection subject to the grid meeting at least one of the following EU Taxonomy criteria:*
 - a) *the system is the interconnected European system²¹*
 - b) *more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g of CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period*

Contribution



¹⁶ The Issuer confirms the alignment with Substantial Contribution Criteria to Climate Change Mitigation of EU Taxonomy for the activity 4.3.

¹⁷ The Issuer confirms the alignment with Substantial Contribution Criteria to Climate Change Mitigation of E.U. Taxonomy for the activity 4.1

¹⁸ The Issuer confirms the alignment with Substantial Contribution Criteria to Climate Change Mitigation of E.U. Taxonomy for the activity 4.5.

¹⁹ The Issuer has excluded the financing of any hydropower plant > 1000 MW capacity from this category.

²⁰ The Issuer confirms the alignment with Substantial Contribution Criteria to Climate Change Mitigation of E.U. Taxonomy for the activity 4.9.

²¹ The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

c) *the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system is below the threshold value of 100g of CO₂e/kWh measured on a life cycle basis in accordance with the electricity generation criteria over a rolling five-year period*

Energy efficiency

Expenditures and costs associated to the construction, development, acquisition, maintenance of the infrastructure dedicated to:

- *Storage of electricity²²*

Selected according to the following criteria:

- *The activity is the construction and operation of electricity storage including pumped hydropower storage.*

Contribution



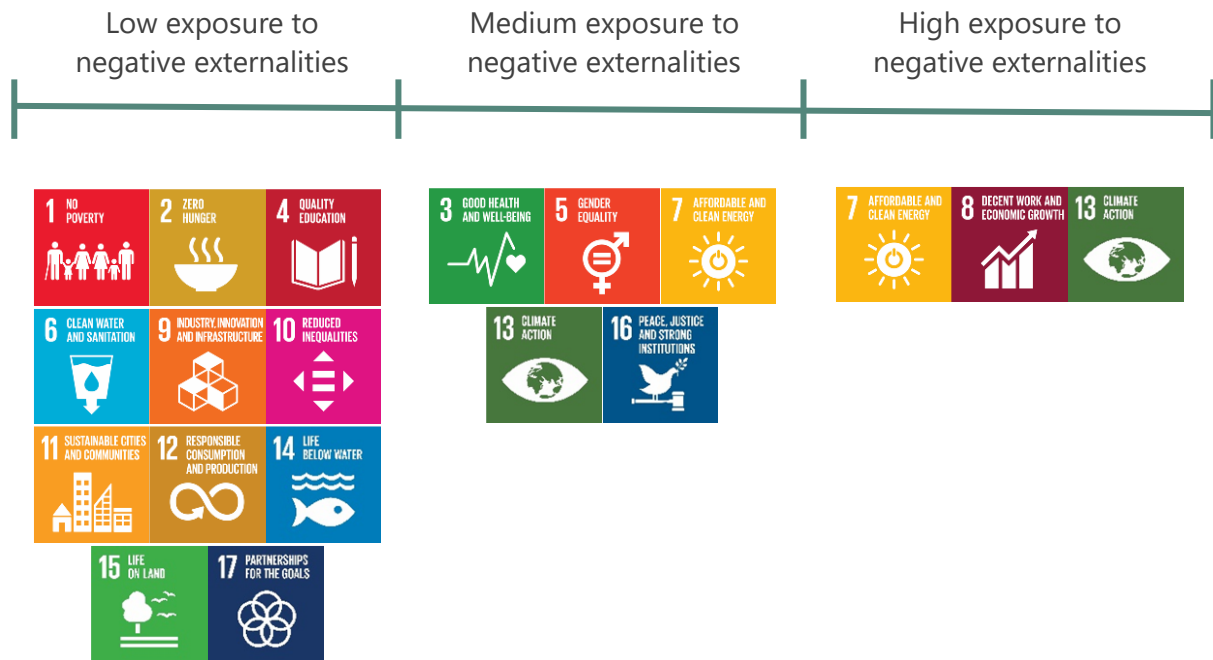
2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.



According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities²³ in the Electric Utilities eligible category (to which VERBUND belongs) are the following:

²² The Issuer confirms the alignment with Substantial Contribution Criteria to Climate Change Mitigation of EU Taxonomy for the activity 4.10.

²³ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3.B of the SPO.



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ²⁴	SUSTAINABLE DEVELOPMENT GOALS
<p>Terrestrial and Aquatic Biodiversity²⁵</p> <p><i>Conservation, including restoration, of habitats, ecosystems, and species, such as:</i></p> <p><i>River Restoration: restoring fish migration routes for improved spawning, such as Fish Passages</i></p>		

²⁴ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

²⁵ The issuer will allocate up to 15% of the proceeds to the Terrestrial and Aquatic Biodiversity category in accordance with the Article 5 of the [EU GBS](#). ISS-Corporate has assessed that although the activity does not have a Technical Screening Criteria (TSC) of the EU Taxonomy entered into force by the date of issuance of the European Green Bond. The activity complies with all Do No Significant Harm (DNSH) requirements set out in Appendices A, B, C and D to Annex I to Delegated Regulation (EU) 2021/2139.

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

The alignment of VERBUND's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation Technical Screening Criteria (TSC) as well as the Do Not Significant Harm Criteria (DNSH) and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act²⁶ (June 2023), based on information provided by VERBUND. Where VERBUND's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

VERBUND's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 4.1. Electricity Generation using Solar Photovoltaic Technology
- 4.3. Electricity Generation from Wind Power
- 4.5. Electricity Generation from Hydropower
- 4.9. Transmission and distribution of electricity
- 4.10. Storage of electricity

VERBUND confirms that all projects financed under the Integrated Green Financing Framework are and will be located within the European Union, in the countries of Austria, Spain, Germany, Italy and Romania.

Note: In order to avoid repetition, the evaluation of the alignment of VERBUND's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section F. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section H. They are applicable to all of the above activities.

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

²⁶ Commission Delegated Regulation (EU) 2020/852, [URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 4.1 – Electricity generation using solar photovoltaic technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁷	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The financed projects generate electricity using photovoltaics (PV) technology. The PV power plants are in operation or under construction in Austria and Spain.	✓
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See f)	✓
3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
N/A	
4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>VERBUND confirms that all inhouse and external Operations & Maintenance (O&M) service providers have a valid ISO 14001 certification.²⁸ It helps organizations improve their environmental performance through more efficient use of resources, reduction of waste and pollutant emissions.</p> <p>Moreover, in the financial year 2023, VERBUND has launched a waste management strategy with which the company intends to identify and analyze potentials for waste management and material efficiency in its operations.²⁹ The project aims to support the Group objective of reducing work materials in use by 10% by 2025. As part of the waste management strategy, VERBUND has developed internal guidelines to ensure that the materials used to build the solar plants, are of high durability, recyclable (steel and copper), easy to dismantle, and maintenance and repair are organized with the main objective to save resources.</p> <p>Finally, the EU Directive 2012/19/EU on waste electrical and electronic equipment,³⁰ is transposed in all the countries where the solar power plants are/will be constructed.^{31, 32} It ensures that the assets located in Spain and</p>	✓

²⁷ This column is based on input provided by the Issuer.

²⁸ VERBUND's Environmental Management Systems, available at: <https://www.VERBUND.com/en-at/about-VERBUND/responsibility/environment/environmental-management>

²⁹ VERBUND Integrated Annual Report 2023, p.219, available at: <https://www.VERBUND.com/-/media/VERBUND/ueber-VERBUND/investor-relations/finanzpublikationen/en/2024/VERBUND-integrated-annual-report-2023-englisch.ashx>

³⁰ Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012, on waste electrical and electronic equipment (WEEE), available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:197:0038:0071:en:PDF>

³¹ Real Decreto 110/2015, de 20 de febrero, sobre residuos de aparatos eléctricos y electrónicos, available at <https://www.boe.es/eli/es/rd/2015/02/20/110/con>

³² Änderung der Elektroaltgeräteverordnung (EAG-VO-Novelle 2014), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=NIM:219390>

Austria comply with regulations on responsible treatment of electric and electronic equipment waste.	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See h)	✓

b) 4.3 – Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The financed projects generate electricity from wind power. The wind power plants of VERBUND are in operation or under construction in Austria, Germany, Romania, and Spain.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See f)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: The financed projects are/will be only onshore wind.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>VERBUND confirms that all inhouse and external Operations & Maintenance (O&M) service providers have a valid ISO 14001 certification.³³ Certificates and audits reports of management systems (ISO 14001) guarantee a high standard and continuous improvement.</p> <p>In addition, as part of VERBUND's waste management strategy, the company has developed internal guidelines to ensure that the materials used to build wind power plants are of high durability recyclable (steel and copper), easy to dismantle and maintenance and repair are organized with the main objective to save resources.</p>	✓

³³ VERBUND's Environmental Management Systems, available at: <https://www.VERBUND.com/en-at/about-VERBUND/responsibility/environment/environmental-management>

In addition, the EU Directive 2012/19/EU on waste electrical and electronic equipment is transposed in all the countries where the wind power plants are/will be constructed. ^{34, 35, 36, 37} It ensures that the assets located in Spain, Austria, Germany and Romania comply with regulations on responsible treatment of electric and electronic equipment waste.	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criterion for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See h)	✓

c) 4.5 – Electricity generation from Hydropower

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The financed projects generate electricity from Hydropower. The hydropower plants from VERBUND are in operation or under construction in Austria and Germany.</p> <p>The Issuer confirms that all hydropower activities comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ Either: The electricity generation facility is a run-of-river plant and does not have an artificial reservoir. ▪ Or: The power density of the electricity generation facility is above 5W/m² 	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See f)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	

³⁴ Real Decreto 110/2015, de 20 de febrero, sobre residuos de aparatos eléctricos y electrónicos, available at: <https://www.boe.es/eli/es/rd/2015/02/20/110/con>

³⁵ Änderung der Elektroaltgeräteverordnung (EAG-VO-Novelle 2014), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=NIM:219390>

³⁶ Erstes Gesetz zur Änderung des Elektro- und Elektronikgerätegesetz, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=NIM:202104256>

³⁷ Ordonanța de urgență nr.5/2015 privind deșeurile de echipamente electrice și electronice, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=NIM:225653>

VERBUND confirms that all hydropower plants (projects as well as plants in operation) have a valid permit or authorization, guaranteeing that the plants are in line with the specific objectives and requirements of all legal prescriptions, inter alia of the European Water Framework Directive (2000/60/EC).³⁸

For operation of existing hydropower plants, including refurbishment activities to enhance renewable energy or energy storage potential, the activity complies with the following criteria:

- VERBUND confirms that all technical feasible and ecologically relevant mitigation measures - as being prescribed by means of permit and authorizations by the competent authorities - have been implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water since relevant mitigation measures are systematically.
- VERBUND confirms that the full range of possible implementation measures is considered by the competent authorities, considering the status of the ecosystem of a specific water body as well as the state of art technologies and scientific research:
 - Measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimize operation and discharges during migration or spawning);
 - Measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow;
 - Measures to protect or enhance habitats;
- VERBUND confirms that the effectiveness of those measures, once implemented, is systematically monitored in the context of the authorization or permit. Monitoring of those measures can include biological as well as a technical monitoring of the implemented measures.



For construction of new hydropower plants, VERBUND confirms that the activity complies with the following criteria:

- VERBUND confirms that an environmental impact assessment or other permitting procedures are performed, considering the potential impact on the status of water bodies and on habitats as well as on species. In addition, the assessment of the status of a water body is part of the River Basin Management Plan (RBMP), prepared by the competent national authorities and reported to the European Commission (EC).
- VERBUND confirms that based on an impact assessment, it has been established that the plant is conceived, by design and location and by mitigation measures, so it complies with the following requirements:

³⁸ Directive 2000/60/EC of the European Parliament and the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, available at: <https://eur-lex.europa.eu/eli/dir/2000/60/oj>

- VERBUND confirms that the plant does not entail any deterioration nor compromises the achievement of good status or potential of the specific water body it relates to as this requirement is part of the assessment of the national permitting or authorization procedure for each project. During comprehensive assessments in permitting, all ecological and socio-economic benefits and costs are weighed and compared. A permit is only issued in case of overriding public interest of a new hydropower asset, depending inter alia on the generation and flexibility needs in the electricity grid.
- VERBUND confirms that where the plant risks to deteriorate or compromise the achievement of good ecological status or potential of the specific water body it relates to, such deterioration is not significant, and is justified by a detailed cost-benefit assessment demonstrating both of the following:
 - (i) the reasons of overriding public interest or the fact that benefits expected from the planned hydropower plant outweigh the costs from deteriorating the status of water that are accruing to the environment and to society.
 - (ii) The fact that the overriding public interest or the benefits expected from the plant cannot, for reasons of technical feasibility or disproportionate cost, be achieved by alternative means that would lead to a better environmental outcome (such as refurbishing of existing hydropower plants or use of technologies not disrupting river continuity).
- VERBUND confirms that all technically as well as economically feasible and ecologically relevant mitigation measures are implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water. The Water Framework Directive (WFD) requires a most cost-effective combination of measures, balancing technical feasibility, ecological relevance, and socio-economic welfare parameters. Mitigation measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies:
 - Measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes).
 - Measures to stop or minimize operation and discharges during migration or spawning);
 - Measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow;
 - Measures to protect or enhance habitats;
 - The effectiveness of those measures is monitored in the context of the authorization or permit setting out the conditions aimed at achieving good ecological status or potential of the affected water body.

<ul style="list-style-type: none"> ▪ VERBUND confirms that assessments during the permitting of a new hydropower plant include respective evaluations of the relevant upstream and down-stream water bodies where the competent authorities define and limit the scope of respective analyses. ▪ In addition, VERBUND confirms that through the implementation of the Water Framework Directive (WFD), measures are implemented to ensure that the project does not increase the fragmentation of water bodies in the same river basin district, such as establishing fish migrations facilities, residual flows, and similar measures. Valid permit or authorization also guarantees that mitigation measures are set and implemented, where relevant. 	
4 & 5. CIRCULAR ECONOMY & POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
N/A	
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See h)	✓

d) 4.9 – Transmission and distribution of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The transmission and distribution infrastructure or equipment financed under this framework are/ will be located in Austria.</p> <p>The Issuer confirms that the transmission and distribution infrastructure or equipment financed under this framework comply with one of the following criteria:</p> <ul style="list-style-type: none"> ▪ The system is the interconnected European system: The Austrian Power Grid (APG), fully owned by VERBUND, is part of the interconnected European system. ▪ Around 75% of Austria's electricity comes from renewable sources, hence, the Issuer confirms the 67% of the newly enabled generation capacity in the system is below the generation threshold value of 100gCO₂e/kWh. ▪ The Issuer confirms that the average system grid emissions factor of every new grid infrastructure is below the threshold value of 100gCO₂e/kWh. ▪ The Issuer confirms that it will not finance metering infrastructure. 	✓
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See f).	✓
3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	

N/A	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>The Austrian Power Grid (APG) has a waste management system ("Abfallwirtschaftskonzept") in place in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation. The waste management concept applies to all facilities and includes internal guidelines on waste management practices. In addition, waste streams are monitored in a data bank, facilitating monitoring and specific analysis.</p> <p>Finally, VERBUND confirms that all areas and processes of APG are covered by ISO 14001.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>VERBUND confirms that the project categories financed under this framework includes overground high voltage lines. All facilities (grid and substations) in the high-voltage power grid of VERBUND's independent APG are certificated in accordance with ISO 14001, ISO 27001, and ISO 45001.</p> <p>In addition, the Issuer confirms that the transmission and distribution infrastructure or equipment financed under this framework comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ In Austria, a strict legislation concerning occupational health and safety is in place.³⁹ Moreover, APG has implemented several management systems (ISO 9001, 14001, ISO 45001) aiming at a continuous improvement of environment, health, and safety, and reflecting all principles of the IFC General Environmental, Health, and Safety guidelines. ▪ VERBUND confirms that all electromagnetic radiation is limited to range that is not hazardous to health. Indeed, the APG's electrical systems comply with the Austrian Association for Electrical Engineering (Österreichischer Verband für Elektrotechnik (OVE)) R 23-1 guideline, where electric, magnetic, and electromagnetic needs to belong in the frequency range from 0 Hz to 300 GHz.⁴⁰ Moreover, the APG activities are well below the limit values. ▪ <i>Activities do not use PCBs polychlorinated biphenyls:</i> VERBUND confirms that all APG components are PCB-free. 	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See h).	✓

e) 4.10 – Storage of electricity

³⁹ Austria's Occupational safety and health legislation, available at:

https://www.arbeitsinspektion.gv.at/Zentrale_Dokumente/Uebergreifende_Themen/aschg_engl_2013_broschuere.pdf

⁴⁰ Österreichischer Verband für Elektrotechnik, available at: <https://shop.ove.at/de/preview/ove-richtlinie-r-23-1-2017-04-01>

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity involves the construction and operation of facilities that store electricity and return it after in the form of electricity, involving stationary battery storage and pumped hydropower storage. Electricity storage plants are in operation or under construction in Austria and Germany.</p> <p>VERBUND confirms that this activity won't imply chemical storage such as hydrogen or ammonia.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>The Issuer confirms that a climate risk and vulnerability assessment is performed on a yearly basis for all characteristic activities (pumped storage as well as stationary battery storage), through an internal process, involving technical, regulatory and sustainability experts, meteorologists as well as different management levels.</p> <p>See f) for the “Generic DNSH in climate change adaptation” for the respective answers.</p>	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>As the activity involves the construction and operation of pumped hydropower storage, the activity is expected to comply with the criteria for DNSH to sustainable use and protection of water and marine resources specified under the activity 4.5 Electricity production from hydropower, see Section c) 3. Of this report.</p>	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>VERBUND confirms to adhere to all relevant EU legislation, including the Waste Framework Directive 2008/98/EC.⁴¹ VERBUND also confirms that for single hydropower plant groups (“Werkgruppe”), a waste management concept (“Abfallwirtschaftskonzept”) is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.</p> <p>Alternatively, waste management plans are integrated within ISO 14001 certificates or respective permits / approvals.</p>	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See h).	


⁴¹ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32008L0098>

f) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>VERBUND has an internal policy in place, which describes how the company conducts climate risk and vulnerability assessment for all its business activities. The policy is based on the requirements of the EU Taxonomy, in particular Appendix A to Annex I of Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021. It applies to VERBUND AG and to all fully consolidated companies of VERBUND as well as to companies in which VERBUND directly or indirectly exercises a controlling influence.</p> <p>For the activities financed under this framework, the climate risk and vulnerability assessment and processes work as follow:</p> <ol style="list-style-type: none"> 1. During the initial phase, VERBUND has processes in place to screen all physical climate risks from the list in Section II (of the Delegated Act) for characteristics sites and areas of all activities. 2. In case an activity is identified to be at risk, VERBUND confirms that it will conduct a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity. This assessment is conducted on annual basis. 3. To date, no critical hazards for VERBUND’s activities have been identified. However, VERBUND confirms that for single parts of the plants or components, adaptation measures will be carried out, if necessary (based on the assessment). In addition, the climate risk and vulnerability assessment and its results are verified and validated by an auditor. 4. The assessment is carried out on the short, to medium and long term, assessing the climate risk today, in 10 years and in 30 years from now, and takes into consideration climate projections and scenarios. The climate projections and assessment of impacts are based on best practice and available guidance and consider the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports. In addition, the assessment was done by in-house meteorologists. They included different Representative Concentration Pathway (RCP) scenarios adopted by the IPCC, using the most recent available reports and publications. 	<p style="text-align: right;">✓</p>

<p>5. VERBUND confirms that the climate risk assessment is being performed annually and systematically for all projects, regardless of if it is an existing or new activity and is conducted on all stages (planning/construction/ operation). The derivation of adaptation measures as well as their implementation is assessed on a yearly basis.</p> <p>6. Finally, VERBUND confirms that the adaptation solutions are implemented by ensuring that it does not adversely affect adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities. The Issuer also ensures that the adaptation solutions are also consistent with local, sectoral, regional, or national adaptation strategies and plans and considers the use of nature-based solutions or reliance on blue or green infrastructure to the extent possible.</p>	
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g) Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY
3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>The Issuer confirms that all existing and future assets, have/will have a valid permit or authorization, guaranteeing that they are/ will be in line with the specific objectives and requirements of all legal prescriptions, inter alia of the EU Water Framework Directive (2000/60/EC).⁴²</p> <p>In the case an Environmental Impact Assessment is not conducted, all the projects affecting water resources undergo at least a screening environmental degradation risks to preserving the water quality and avoiding water stress as per the water-law related permit required by the authorities. The Company emphasizes that the implementation of measures to safeguard water and marine resources is assured by the regulatory framework established by relevant environmental authorities through valid permit and authorization, audit, internal controls, sustainability reports.</p>	

⁴² Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, available at: <https://eur-lex.europa.eu/eli/dir/2000/60/oj>

<p>VERBUND confirms to systematically observe the relevant mitigation measures are prescribed by means of permits and authorizations,</p> <p>VERBUND is not involved in any offshore related activities.</p>	
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h) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH THE EU TAXONOMY
4. POLLUTION PREVENTION AND CONTROL – DO NOT SIGNIFICANT HARM	
<p>VERBUND confirms that all EU legal requirements regarding pollution and prevention control are respected, especially the EU Persistent Organic Pollutants Regulation (2019),⁴³ the Regulation on Mercury (2017),⁴⁴ the Regulation on substances that deplete the ozone layer (2009),⁴⁵ the Regulation on the restriction of the use of certain hazardous substances in electrical and electronic equipment (2011),⁴⁶ or the REACH Regulation (2006).⁴⁷</p> <p>In addition, VERBUND’s main product is “electricity” which cannot be packaged; therefore, the criteria of Regulation (EC) No 1272/2008 are not applicable.</p>	

i) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES	ALIGNMENT WITH EU TAXONOMY
5. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	

⁴³ Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants, available at: <https://eur-lex.europa.eu/eli/reg/2019/1021/oj>

⁴⁴ Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury, and repealing Regulation (EC) No 1102/2008, available at: <https://eur-lex.europa.eu/eli/reg/2017/852/oj>

⁴⁵ Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32009R1005>

⁴⁶ Directive 2011/65/EU – restriction of the use of certain hazardous substances in electrical and electronic equipment, available at: <https://eur-lex.europa.eu/EN/legal-content/summary/restriction-on-the-use-of-certain-hazardous-substances-in-electrical-and-electronic-equipment.html>

⁴⁷ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of the Chemicals (REACH), available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:136:0003:0280:en:PDF>

VERBUND’s commitment to biodiversity and ecosystem preservation is upheld through its adherence to national and European laws and regulation as well to the EU Directive 2011/92/EU⁴⁸, which has been transposed into law in all the countries where projects financed under the Integrated Green Financing Framework are and will be located.

VERBUND follows the procedure outlined in Annex 1, Appendix D, whereby competent authorities determine whether projects listed in Annex II to Directive 2011/92/EU necessitate an environmental impact assessment. For assets falling under the purview of EU Directive 2011/92/EU, VERBUND ensures compliance by respecting the transpositions of the EIA Directive and the authorization regimes, i.e., by providing authorities with the necessary information for the screening and scoping processes and with the required application documents in the requisite Environmental Impact Assessments.⁴⁹

Nonetheless, an EIA cannot be mandatory for infrastructure having received their permit/ authorization well before the Directive 2011/92/EU entered into force. For these assets, valid permits and authorizations are still in place, guaranteeing the implementation of relevant measures. From a legal point of view, VERBUND cannot choose to perform a voluntary EIA or a screening for assets with an existing authorization or permit.



However, in the case an EIA is not feasible/ available, VERBUND performs due diligence procedures, by verifying the compliance of the respective environmental obligations i.e., a valid permit or authorization, audits, internal controls, public documents, sustainability reports, or similar. In addition, the company emphasizes that the implementation of measures to safeguard biodiversity and the environment is assured by the regulatory framework established by relevant environmental authorities including for sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Area.

All EIA, permits and conditions are available and archived in VERBUND’s internal documentation systems.

Minimum Safeguards


The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation⁵⁰ have

⁴⁸ Directive 2011/92/EU of the European Parliament and the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment, available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:026:0001:0021:EN:PDF>

⁴⁹ Verbund’s Environmental Management Systems, available at : <https://www.verbund.com/en-at/about-verbund/responsibility/environment/environmental-management>

⁵⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵¹	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>VERBUND complies with both national and European legislation across the countries where its projects are and will be developed, spanning Austria, Germany, Spain, Italy and Romania. These nations have ratified a minimum of eight fundamental conventions as outlined in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work, as well as the International Bill of Human Rights.</p> <p>In addition, VERBUND is dedicated to upholding high human rights and social standards as articulated in its Code of Conduct for Sustainable business⁵². This code underscores the Company’s commitment to fulfilling legal, contractual, and ethical obligations, along with voluntary commitment. The Code of Conduct has been developed to embed the Universal Declaration of Human Rights and the ten principles of the UN Global Compact, and respect civil, political, economic, social, and cultural rights and commits to fair working conditions rejecting any form of child, forced or compulsory labor. It includes pledges to safeguard the environment, combat corruption as well as engage in fair competition and comply with tax regulations. This Code applies to all managers and employees and defines the responsibilities and processes for dealing with human rights.</p> <p>In order to identify both positive and negative impacts of its activities on the environment and society, VERBUND uses the materiality assessment deployed as part of its Environmental and Social Risk Management in accordance with the requirements of ONR 192500,⁵³ the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility and as aligned with the GRI reporting standards. Human rights are an integral part of the Materiality assessment, it involves identification, analysis, and periodic updating of such impacts. Stakeholder engagement is facilitated through various formats aimed at informing, gathering feedback, and encouraging participation.⁵⁴</p>	

⁵¹ This column is based on input provided by the Issuer.

⁵²Code of Conduct: <https://www.verbund.com/-/media/verbund/ueber-verbund/unternehmen/compliance/verbund-code-of-conduct.ashx?ori=1#:~:text=We%20have%20a%20zero%2Dtolerance.child%20labour%20or%20forced%20labour>

⁵³ ONR 192500 Management System, available at: <https://www.qualityaustria.com/en/product-groups/sustainability-and-esg-management/onr-192500/>

⁵⁴ Examples can be found in the DMA 2023 report, p.12, <https://www.verbund.com/-/media/verbund/ueber-verbund/investor-relations/finanzpublikationen/en/2024/dma-management-approach-2023-englisch.ashx>

VERBUND has established a comprehensive risk management system including the sustainability risks identified during the materiality assessment phase, and thus integrates the human rights topics in its Due Diligence Process and M&A Process. It includes various management systems at Group, company and organizational levels all following either partially or entirely the PDCA model (Plan-Do-Check-Act cycle) to ensure continuous improvement of business management practices. Also, sustainability risks within the supply chain undergo regular 'hotspot' analyses to identify and assess potential risks. These analyses incorporate data from external sources such as the Business and Human Rights Resource Center. Subsequently, risk mitigation measures and processes are developed based on this analysis and integrated into both the regulatory aspects of the contractual agreements with business partners to ensure that sustainability considerations are embedded throughout VERBUND's operations.

They also have developed a dedicated Human rights Due Diligence Process⁵⁵ which defines the responsibilities and processes for dealing with human rights at VERBUND within the framework of international human rights standards and the 10 principles of the UN Global Compact. It defines the tasks and responsibilities for preventing human rights violations within the organization and in cooperation with partners. Additionally, VERBUND extends its commitment to human rights through its Supplier Code of Conduct to oblige both suppliers and business partners and therefore all the projects to comply with the above principles. In its Code of Conduct, VERBUND also mentions that when becoming aware of human rights violation, they demand action.

To ensure that Health and Safety standards are well-observed, VERBUND has a dedicated Health and Safety policy, they deployed a safety and occupational health management system, engage with external stakeholders, and commit to providing safe and healthy working conditions, eliminating hazards, and minimizing risks. They employ preventive measures to avoid work-related injuries and illnesses by conducting evaluations to identify and assess work hazards and by defining, teaching, and implementing measures to prevent their occurrence. They require every year, 100% of the workforce to complete a learning program including a test on the health and safety topics.

The Company stresses that processes are defined for handling non-conformities and implementing corrective measures particularly addressing sustainability concerns (environmental, social, governance) with the involvement of affected stakeholders. In addition, corrective actions can be undertaken and include, among other things, reparation, and non-financial

⁵⁵ The Issuer has shared it with ISS-Corporate and this is not a public document.

compensation.⁵⁶ VERBUND externally communicates about risks identified as well as the remediation action and human rights risks in its Annual Integrated Report available on its website. Furthermore, to ensure compliance with due diligence obligations VERBUND also have a Group-wide whistleblower system,⁵⁷ available online where anonymous reports can be submitted by third parties. VERBUND confirms that all reports are treated confidentially and independently ensuring data protection, personal privacy for the whistleblowers and the individuals concerned.

PART IV: CONSISTENCY OF GREEN DEBT INSTRUMENTS WITH VERBUND’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	The Issuer’s sustainability strategy focuses on three strategic areas: (i) strengthening VERBUND’s position as an integrated utility in the domestic market, (ii) expanding renewables in Europe, and (iii) positioning VERBUND as a European Hydrogen player.
ESG goals/targets	<p>To achieve its strategic ESG topics, the Issuer has set the following goals:</p> <ul style="list-style-type: none"> ▪ Increase the proportion generation of electricity from hydropower, wind power and solar power that is free of direct CO₂ emissions; ▪ Increase investments in the grid infrastructure and in the construction, expansion and maintenance of power plants; ▪ Reduction target for Scope 1 emissions of 16% by 2030; ▪ Reduction target for Scope 3 emissions from sales to end customers of 5% by 2030 ▪ Investment volume of around €400 million until 2027 for the implementation of ecological measures (i.e. fish passes and land restoration) ▪ ISO 14001 certification in new locations.

⁵⁷ Group-wide whistleblower system, available at: [verbund - Startseite \(integrityline.com\)](https://www.verbund-startseite.com/integrityline)

	<p>The goals are public and are monitored on a yearly basis in VERBUND’s Integrated Annual Report.</p> <p>VERBUND does not have Science-based target(s) (i.e., SBTi).</p>
<p>Action plan</p>	<p>For the purpose of increasing energy supply from solar, wind and hydro power, VERBUND has defined Spain, Germany, Italy, and Austria, as strategic target markets.⁵⁸ The existing Spanish portfolio of operational generation plants plus a development pipeline was expanded in financial year 2023 through an acquisition involving the purchase of operational wind power plants at nine sites in Spain with aggregate capacity of 257 MW and potential for hybridization and repowering. In June 2023, the 39 MW wind project Loma de los Pinos near Seville (Spain) also came on stream. VERBUND announced at the end of October 2023 that it had signed the contract to acquire a wind portfolio in Germany with a capacity of approximately 56 MW. VERBUND additionally completed its acquisition of Solar power Holding GmbH in June 2023, strengthening its positioning in the photovoltaic market for large customers in Austria and broadening its activities throughout the photovoltaic value chain.</p>
<p>Climate Transition Strategy</p>	<p>VERBUND’s climate target are as follows: by 2030, direct Scope 1 GHG emissions are to be reduced related to 2015 (around 1.8 million tons of CO₂) by 16% to around 1.5 million tons CO₂e. In electricity trading, VERBUND contributes to emissions avoidance for its customers with its green electricity products, as VERBUND sells and delivers electricity with a guarantee of origin from renewable sources. VERBUND is aiming to reduce the upstream GHG emissions from the sale of purchased electricity to customers by 5% to around 3.5 million tons CO₂e by 2030 compared with base year 2020 (around 3.7 million tons CO₂e).⁵⁹</p>
<p>ESG Risk and Sustainability Strategy Management</p>	<p>VERBUND has a Corporate Sustainability Committee, which is responsible to ensure compliance with the</p>

⁵⁸ Verbund’s Integrated Annual Report 2023, available at: <https://www.verbund.com/-/media/verbund/ueber-verbund/investor-relations/finanzpublikationen/en/2024/verbund-integrated-annual-report-2023-englisch.ashx>

⁵⁹ Verbund’s Integrated Annual Report, 2022. P.172, available at: <https://www.verbund.com/-/media/verbund/ueber-verbund/investor-relations/finanzpublikationen/en/2023/verbund-integrated-annual-report-2022-englisch-final.ashx>

	<p>principles of sustainability in all the Group’s actions and decisions. The members of the CRC are as follows: one management representative from each of the company, the chairperson of the Group’s employee representatives, the Group Compliance Officer, the head of Corporate Responsibility, the Group Sustainability Officer, the Group Environmental Officer, and the Group Health Officer.</p> <p>In order to make sure that the environmental and social risks linked to the financial projects are mitigated and the opportunities are clearly supported, a set of Do-not-significant-harm criteria has been established for each project category.</p>
Top three areas of breaches of international norms and ESG controversies in the industry⁶⁰	Failure to prevent radioactive pollution, Failure to prevent water pollution, Anti-competitive behavior.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives on a yearly basis. The report is prepared in accordance with the Global Reporting Initiative (GRI). ⁶¹
Industry associations, Collective commitments	The Issuer is a member of in the Austria-wide working group Energy CERT (Computer Emergency Response Team), in which around 20 companies from the energy sector are involved. In addition, VERBUND is a signatory of the UN Global Compact.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	<p>VERBUND has a track record in “green financing”, including the issuances of its first “Green Bonds” (2014), its first “Green Schuldschein” (2018), entering its first “ESG-linked syndicated loan” (2021).</p> <p>In 2021, the Issuer has published its EU Taxonomy aligned Green& Sustainability-linked Bond for a value of €500 Million, which will be matured in 2041. The</p>

⁶⁰ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Electric Utilities industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

⁶¹ VERBUND’s Integrated Annual Report, 2022, available at: <https://www.VERBUND.com/-/media/VERBUND/ueber-VERBUND/investor-relations/finanzpublikationen/en/2023/VERBUND-integrated-annual-report-2022-englisch-final.ashx>

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Integrated Green Financing Framework

ISS-CORPORATE 

	Green Financing Framework received a Second Party Opinion by ISS-Corporate.
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Rationale for issuance

VERBUND has revised its 2021 Green Financing Framework to support its future issuance of sustainable financing instruments, its strategic sustainability goals, and contribute towards climate change mitigation environmental objectives.

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

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1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

EU Taxonomy

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

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

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

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

VERBUND commissioned ISS-Corporate to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Integrated Green Financing Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP), as administrated by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- EU Taxonomy Delegated Act (as of June 2023)
- European Green Bond Standard Regulation (European GBS or EU GBS) (adopted October 2023)

ISSUER'S RESPONSIBILITY

VERBUND's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

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

This independent Second Party Opinion of the Green Bonds to be issued by VERBUND has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with VERBUND took place in March and May 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

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

About this SPO

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

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

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

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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