



Verbund

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GREEN FINANCING FRAMEWORK



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Introduction

VERBUND Group is a leading Austrian utility company, and one of the largest producers of hydroelectricity in Europe. Its business comprises the generation, transportation, trading and sale of electrical energy and other energy sources as well as the provision of energy services.

Generating environmentally friendly, cost-effective electricity forms the basis of VERBUND Group's business.

Hydropower, a renewable power source, accounts for >92% of the energy produced by VERBUND Group.

With wind power plants and photovoltaic installations in Austria, Germany, Romania and Spain, VERBUND had 1,052 MW of installed capacity at its disposal as at 31 December 2023, and generated 1,758 GWh of electricity from the renewable energy sources of wind and solar power in financial year 2023, up 734 GWh on the previous year's level of 1,024 GWh.

Through its wholly-owned subsidiary Austrian Power Grid AG, VERBUND also operates the Austrian high-voltage transmission grid. In addition, VERBUND holds a 51% stake in Gas Connect Austria GmbH, Austria's gas transmission and distribution system operator. VERBUND Group is also an electricity wholesaler and trader.

In 2023, VERBUND Group had 3,804 employees (2022: 3,516 employees), achieved annual sales of EUR 10.4 billion (2022: EUR 10.3 billion) and a group result of EUR 2,266 million (2022: EUR 1,717 million).



Strategy and Rationale

VERBUND 'Mission V' Strategy

As Austria's largest energy utility and one of the leading producers of green electricity in Europe, VERBUND has a vital role to play in a successful energy transition in Austria and Europe. The challenges that lie ahead in this regard require a new company spirit in order to generate growth, develop new areas of business and tap into new markets. In short, they require Mission V.

To ensure that the strategic goals are implemented, it is important that we not only have a clear focus but also an internal framework in place that allows us to actively shape change and transformation and helps VERBUND stay in shape for the future. Mission V is therefore also an internal transformation program designed to address and rise to the challenges and demands of the new world of work, the labour market and cooperation. In financial year 2023, we therefore refined the VERBUND brand and its corporate (digital) identity, rolled out company-wide values and leadership principles and updated our office spaces.

Mission V will be put into operation in three strategic focus 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.

(i) Hydropower has been the backbone of VERBUND's activities for 75 years, which is why it is a key element in our strategy of strengthening the position of our Group as an integrated utility in the domestic market. This comprises conserving, modernising and expanding hydroelectricity generation in Austria and Germany as well as the rehabilitation measures at the power plants on the Danube and Inn rivers. Expanding pumped storage capacity in Austria and Germany is also an important target in this business field.

Being aware of its responsibility as a reliable transmission system and gas pipeline operator, VERBUND implements the network development plans to safeguard a stable electricity grid and gas pipeline infrastructure. The Network Development Plan (NDP) 2023 for the high voltage grid of VERBUND's subsidiary Austrian Power Grid includes around 400 route kilometres of new lines, 25 new substations and other grid measures, storage and flexibility options, sector coupling and innovative technological solutions. The projects currently in construction such as the 380 kV Salzburg line, the 220 kV Reschen Pass line and various substation projects are going according to plan.

VERBUND's subsidiary Gas Connect Austria is committed to safeguarding the gas supplies by analysing several sections of pipeline to diversify imports of natural gas and continue research into the upgrade of the gas network for transportation of hydrogen. For this an H2 import corridor was created in collaboration with neighbouring TSOs. In 2023, two projects were also submitted in the Important Projects of Common European Interest (IPCEI) process for hydrogen projects.

In supplying consumers with green electricity and with its ambitious commitment to customer-centric solutions, VERBUND sees itself as a decarbonisation partner in Austria and Germany. This contains supporting the energy transition all the way to the consumer (industrial, commercial and residential customers) by supplying

green electricity, fostering the further development and expansion of photovoltaic systems (open-field installations, rooftop systems and, more recently, PV carports), electric transportation, battery storage, providing customer-centric solutions and expanding e-mobility activities related to building charging infrastructure for electric cars at the sites of industrial customers and in residential areas.

(ii) By significantly expanding wind power and photovoltaic systems in Europe, VERBUND will help reduce reliance on fossil fuels in the medium term and contribute to a climate-neutral Europe. Diversifying its regional and technological risks is another aspect of VERBUND's strategy. Due to the volatility of wind and photovoltaic generation, the expansion of flexibility products will be factored into the design of this strategy in the future. The aim is to increase VERBUND's share of the renewable energy sources wind and photovoltaic up to 25% of total electricity generation by 2030. VERBUND currently has around 1.100 MW in operation, projects of approximately 100 MW in construction and a pipeline of around 6 GW of potential projects in different stages of development. Besides developing the Spanish portfolio of wind power plants and photovoltaic installations, VERBUND is deepening the involvement in Italy's energy market, which was entered at the end of 2022 by acquiring a photovoltaic project portfolio near Lecce and also strengthening the market presence in Germany by continuing partnerships with EFI/Felix Nova GmbH and JLW/Visiolar for developing wind and solar farms.

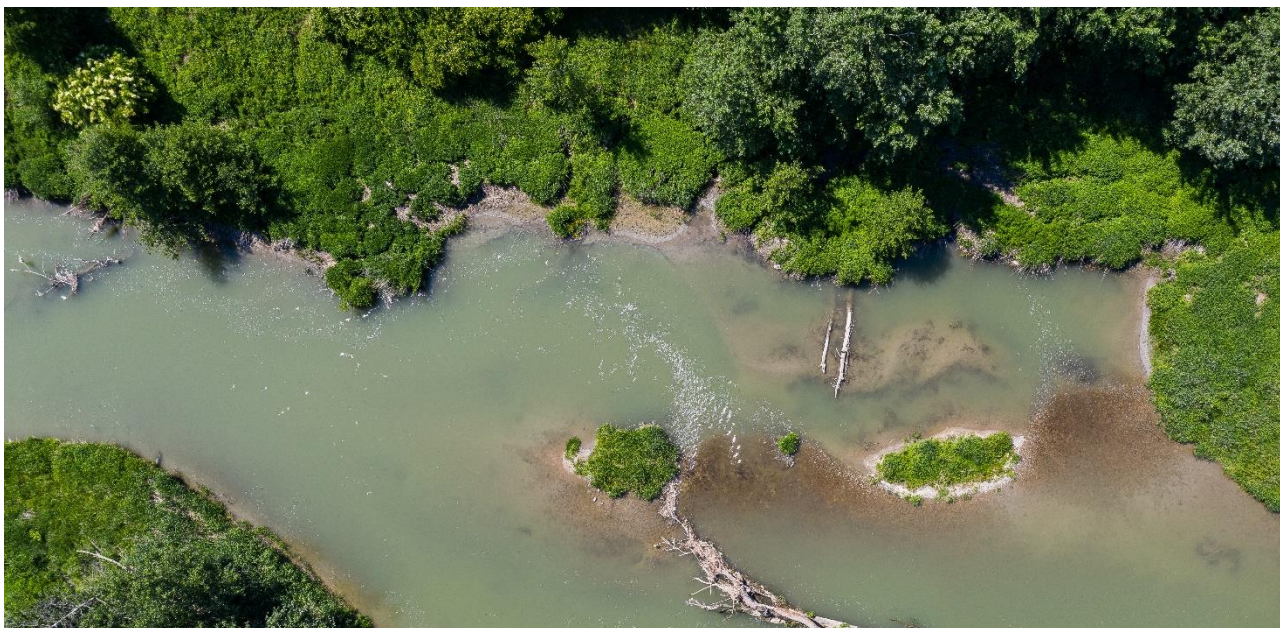
(iii) Green hydrogen is the key to the energy transition and decarbonisation and a pioneering field in which VERBUND will play a vital role in the following ways: Developing the market and forging long-term relationships with customers, building up expertise and positioning VERBUND as a reliable partner. As a key player for cross-sectoral hydrogen production in Austria, VERBUND developed several local projects in 2023 (including Green Ammonia Linz with LAT Nitrogen with an output of 60 MW and Pannonian Green Hydrogen with Burgenland Energie, with an output of 60 MW in the first expansion stage). Setting up an H2 import business by pressing ahead with an international portfolio of project opportunities in collaboration with partners. VERBUND was also one of the co-founders of Hydrogen Import Alliance Austria (HIAA) and Hydrogen Import Consortium Bavaria (HIBB), the goals of which are to push forward the development of hydrogen imports into Austria and southern Germany by 2030, thus ensuring large-scale availability of hydrogen for supplying industry in conjunction with the development of additional green generation and leveraging economies of scale.

Rationale for ESG financing

To support its Mission V and broader sustainability aims, VERBUND incorporated ESG-related considerations into the daily operations of all VERBUND's subsidiaries and the central functions of VERBUND.

VERBUND has a track record in "Green finance", including the issuances of its first "Green Bonds" (2014), its first "Green Schuldschein" (2018), entering into its first "ESG-linked syndicated loan" (2018), issuances of its first "EU Taxonomy-aligned Green & Sustainability-linked Bond" (2021), its first "ESG-linked Schuldschein" (2022) and entering its "Sustainability-linked syndicated loan" (2023).

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



Commitment to the Sustainable Development Goals

By practising responsible corporate governance, VERBUND contributes to meeting global goals for sustainable development. Our work centres on finding solutions to environmental, social and economic challenges. The Group wants its actions to contribute to meeting the United Nations' 17 Sustainable Development Goals (SDGs) and the Ten Principles of the UN Global Compact. VERBUND focuses its commitment on those SDGs that can be significantly influenced by its business activities.

VERBUND regards SDG 7 – “Affordable and clean energy” – as a core objective underlying the Group’s corporate vision of “The power to transform. Together”. Generation of electricity from hydropower, wind power and solar energy does not produce any direct greenhouse gas emissions. VERBUND acts in line with SDG 9 “Industry, innovation and infrastructure” by investing billions in network infrastructure, partnering with innovative technology providers and positioning itself as an important player in Europe’s green hydrogen industry. By purchasing electricity generated by VERBUND, customers are making an active contribution to lowering carbon emissions in support of SDG 13 “Climate action”.

VERBUND implements numerous measures to minimise the impact of its power plant construction and operating activities on plants, animals and humans. The Group takes regions of ecological importance into consideration and invests in projects that either safeguard or improve plant and animal biodiversity. This supports SDG 15 “Life on land” in particular.

VERBUND is also committed to making a positive impact on society. One way in which the company fulfils its responsibility to society is by maintaining long-standing partnerships with social institutions aimed at fighting poverty. Examples are the VERBUND Electricity Relief Fund in collaboration with Caritas and the VERBUND Empowerment Fund run by Diakonie, both of which fall under SDG 1 “No poverty”.

Apart from its social responsibility, VERBUND focuses on its commitment to its own staff. The diversity of the VERBUND workforce is a major success factor for the company. VERBUND focuses on having a good balance

of male and female employees and thus supports SDG 5 “Gender equality”. One example is the VERBUND Gender Balance project, which aims to create a corporate culture that is both diverse and intergenerational.

Another focus is on the inclusion of persons with disabilities as employees, customers and business partners. VERBUND supports disability inclusion by continuously removing structural and digital barriers as set forth in SDG 10 “Reduced inequalities”.

To ensure smooth operation of its plants, VERBUND relies on having highly qualified, healthy employees. Consequently, all Group employees not only undergo regular training, but VERBUND also trains its own apprentices in two professions: electrical engineering and metal engineering technology. In so doing, the Group contributes to SDG 4 “Quality education”.

VERBUND supports SDG 3 “Good health and well-being” with its occupational health management. The occupational health programme includes initiatives for both physical well-being and mental health (for example sports, vision training, burnout prevention and an internal hotline).

VERBUND will be investing a total of 5.5 billion euros between 2024 and 2026 in order to secure its core business for the long term. The focus always remains on safeguarding human rights and dignity in line with SDG 8 “Decent work and economic growth”.

The Group also exercises fairness in its dealings with business partners and suppliers as outlined in SDG 16 “Peace, justice and strong institutions”. VERBUND has declared its commitment to the Austrian Code of Corporate Governance (ÖCGK) and rejects any form of bribery, corruption or other unfair business practices. Its Supplier Code of Conduct (SCoC) also requires the Group’s suppliers to act responsibly and ethically in support of SDG 12 “Responsible consumption and production”.

No one single company can solve the challenges of these times. That is why VERBUND relies on multi-stakeholder partnerships as well as innovative technologies and business models to support decarbonisation – for example in cooperation with research institutes and other undertakings or start-ups in line with SDG 17 “Partnerships for the goals”.



Environmental and Social Risk Management

VERBUND has issued an executive order to ensure compliance with the principles of sustainability in all of the Group's actions and decisions. The executive order establishes the staffing and duties of the Corporate Responsibility Committee (CRC), the sustainability team and the Sustainability Officer. Ultimate responsibility for corporate responsibility (CR) lies with the Group Executive Board, which sets the strategic sustainability goals. The Executive Board member responsible for CR ensures that sustainability aspects are incorporated into business processes and reports on the implementation of the CR strategy and progress in achieving CR goals to the Supervisory Board's Sustainability Committee. Formed in 2020, the Sustainability Committee deals with topics such as decarbonisation, energy transition, climate change and environmental protection and regularly reviews sustainability strategy and goals.

VERBUND has established a Corporate Responsibility Committee ("CRC"). The CRC is chaired by a member of the Executive Board. The members of the CRC are as follows: one management representative from each of the companies included in the consolidated financial statements, all divisional heads from the holding 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. The Corporate Responsibility Committee deals with the topics of sustainability and environment as well as with the reporting on occupational health and safety strategies and accessibility.

With respect to these topics, the CRC's tasks and areas of responsibility include the following: advising Executive Board members on the strategic issues under their purview, defining strategic corporate responsibility targets and passing on suggestions from the companies and holding company divisions represented on the committee to the sustainability team. The CRC furthermore ensures that executives and employees at the respective companies and holding company divisions sufficiently adhere to sustainability principles, and it approves the basic concept proposed by the sustainability team for the non-financial content of the Integrated Annual Report.

In order to systematically anchor the concept of sustainability within the Group, VERBUND has implemented a Corporate Responsibility ("CR") management system in accordance with the requirements of ONR 192500 (Social Responsibility of Organisations).¹

On a regular basis VERBUND reviews environmental, social and governance issues to determine their relevance for the Group and conducts detailed analyses of strengths, weaknesses, opportunities and threats. As part of this analysis, VERBUND identifies possibilities to influence the individual core subjects and thus the environment and society as well as how these influence VERBUND.

A variety of approaches are used to measure the effectiveness of the CR management system. These include the numerous KPIs that are calculated and published each year in VERBUND's Integrated Annual Report.

¹ ONR 192500 is the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility.

Once a year, the CR management system is reviewed in the context of an evaluation performed by the top management level. Periodic internal audits are also conducted to ensure that the CR management system complies with the regulatory standard and the principle of appropriateness. If any issues are discovered, corrective action is taken to ensure continuous improvement of the CR management system and the underlying targets.

In addition, VERBUND has implemented environmental management systems in accordance with ISO 14001 at all power plants and grid facilities, as well as the large administrative sites. New plants are integrated into the environmental management system as quickly as possible after commissioning and included in the scope of the certificate during the subsequent audit.

Sustainability Related Reporting by VERBUND

In 1994, VERBUND pre-empted the trend towards statements on environmentally relevant factors by being one of the first companies in Austria to prepare an environmental report. This publication was followed in 2002 by the first VERBUND Sustainability Report, which was published annually up until 2015 as a supplement to the annual report. Since 2015, VERBUND publishes the results of the sustainability measures in the GRI guidelines aligned Integrated VERBUND Annual Report. This report is published concurrently with VERBUND's Communication on Progress ("COP") that describes the company's efforts to implement the Ten Principles of the UN Global Compact.

VERBUND has also published other supporting documents that outline its position on sustainability and provide an overview of the specific contribution towards achieving the Sustainable Development Goals

- Responsible Energy brochure²
- Code of Conduct for Sustainable Business³
- Supplier Code of Conduct⁴
- Occupational Health & Safety Policy⁵



² <https://www.verbund.com/-/media/verbund/ueber-verbund/verantwortung/nachhaltigkeit/energy-with-responsibility.ashx?ori=1&la=en>

³ <https://www.verbund.com/-/media/verbund/ueber-verbund/verantwortung/nachhaltigkeit/code-of-conduct.ashx?ori=1>

⁴ <https://www.verbund.com/-/media/verbund/ueber-verbund/unternehmen/einkaufbeschaefung/2020-01-20-supplier-code-of-conduct.ashx?ori=1>

⁵ <https://www.verbund.com/-/media/verbund/ueber-verbund/verantwortung/soziales/mehrwert-mitarbeiter/verbund-occupational-health-and-safety-policy.ashx?ori=1>

Alignment with Voluntary Market Standards

This Framework has been established to support the future issuance of sustainable financing instruments, including Green Bonds. This Framework has been developed in alignment with the Green Bond Principles 2021 (with June 2022 Appendix 1)⁶. This Framework also sets out the extent of alignment with the EU Taxonomy⁷, based on the Taxonomy Regulation and Delegated and Implementing Acts in force as of the date of this Framework.

Alignment with the EU Taxonomy

The European Commission has established a classification system of environmentally sustainable economic activities known as the 'EU Taxonomy'. An activity shall qualify as a Taxonomy-Aligned economic activity if it:

1. Is carried out in compliance with minimum safeguards;
2. Complies with technical screening criteria (specific environmental performance requirements) that have been established by the Commission, including that it:
 - *Contributes substantially to one or more of the above environmental objectives; and,*
 - *Does not significantly harm any of the EU Environmental Objectives (Do No Significant Harm – 'DNSH').*

The alignment between the Eligible Green Projects and the provisions of the EU Taxonomy is summarised below.

Substantial Contribution

Under the current definitions established by the EU Taxonomy, the Eligible Green Projects make a Substantial Contribution to the EU Environmental Objective of Climate Change Mitigation.

Do No Significant Harm

VERBUND has established a mature system of management arrangements to manage and mitigate the environmental risks relevant to the power generation and transmission and associated activities carried out. The primary tool by which such risks are managed is via a formalised Environmental Management System. All relevant operating business units have established an Environmental Management System certified to the ISO 14001 Standard⁸.

⁶ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

⁷ https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en#legislation

⁸ Additional details of the Group Management Systems are available in the 2023 Verbund Sustainability Report.

Minimum Safeguards

To comply with the minimum social safeguards pursuant to Article 18 of the Taxonomy Regulation, VERBUND introduced effective procedures in the relevant business areas. Here, VERBUND is guided in particular by the requirements of the OECD Due Diligence Guidance for Responsible Business Conduct.

There are six recommended steps with supporting measures for implementing effective due diligence processes:

1. embed responsible business conduct into policies and management systems;
2. identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services;
3. cease, prevent and mitigate adverse impacts;
4. track implementation and results;
5. communicate how impacts are addressed; and,
6. provide for or cooperate in remediation when appropriate.

How VERBUND implements these process steps is described below.

VERBUND's Code of Conduct for Sustainable Business forms the basis of our responsible conduct with the claim to fulfil all legal, contractual, ethical and voluntary requirements. In its Code of Conduct VERBUND undertakes to respect human rights, to comply with labour standards, to protect the climate and the environment, to fight corruption, to engage in fair competition and to comply with tax regulations. The Code applies to all managers and employees and supports them in their decisions and actions in their everyday working life when dealing with colleagues, customers, suppliers, local residents and all other stakeholders. The Code explains the topics using examples, provides in-depth definitions and makes reference to other mission statements, information and internal guidelines, such as the Group's "Human rights due diligence" guideline. Furthermore, VERBUND's Supplier Code of Conduct (SCoC) also obliges suppliers and business partners to comply with the above principles. Due to the unbundling regulations, the grid companies Austrian Power Grid and Gas Connect Austria have implemented independent, integrated management systems for sustainability, environmental and occupational health and safety management and created equivalent codes and guidelines. In the course of the materiality assessment, both positive and negative impacts of activity on the environment and society are identified, analysed and periodically updated (see the Materiality section). Sustainability risks in the supply chain are identified and assessed in regular hotspot analyses. These analyses also consider information from recognised external sources, such as the Business and Human Rights Resource Center. Risk mitigation measures and processes are developed from this and built into the regulatory system and into contracts with business partners. The Supply chain section describes further risk mitigation measures. The Group-wide whistleblower system plays a key role in ensuring compliance with due diligence obligations. Anonymous reports can also be easily and securely submitted over the VERBUND integrity line

by third parties, for example by employees of business partners. All reports are treated confidentially, independently and objectively, with a special focus on data protection and personal privacy for the whistleblowers and the individuals concerned.

Alignment with the EU Green Bond Standard

On a best efforts basis, Verbund will adhere to the requirements of the EU Green Bond Standard as established by Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable⁹.

Green Bond Principles

Use of Proceeds

An amount equal to net proceeds from the issuance of Green Bonds will be used to finance or refinance, in whole or in part, Eligible Green Projects, where an Eligible Project falls into the following categories according to the Green Bond Principles, and in the case of Eligible Green Projects, also demonstrates alignment with the relevant EU Taxonomy Technical Screening Criteria as set out in the table below.

VERBUND will make allocations to Eligible Green Projects where the investment has taken place within a maximum of 2 years prior to the year of any relevant Green Bond issuance. On a best-efforts basis, VERBUND will aim to allocate an amount equal to the proceeds raised by any bond under this Framework within 2 years from the year of issuance of each relevant Green Bond.

In context of any Green Bond issued under this Framework, Verbund commits to pre-issuance confirmation of:

- (i) The split of allocation between projects which have commenced prior to any bond issuance under this Framework, ('re-financing') and projects which commence subsequent to any bond issuance ('financing');
- (ii) the % allocation of proceeds between the Use of Proceeds categories set out in the table below; and,
- (iii) The geographical location of any project to which any bond proceeds are allocated

⁹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302631

Green Bond Principles Category	Relevant NACE Codes	EU Taxonomy Activity and Number	Corresponding EU Taxonomy Technical Screening Criteria: Substantial Contribution	Example Projects	Relevant Sustainable Development Goals
Renewable Energy	D35.11 (Production of electricity), F42.22 (civil engineering constructions for power plants)	Electricity generation from wind power (4.3)	The activity generates electricity from wind power.	Onshore wind power generation projects	
	D35.11, F42.22	Electricity generation using solar PV technology (4.1)	The activity generates electricity using solar PV technology.	Solar power projects	
	D35.11, F42.22	Electricity generation from hydropower (4.5)	The activity generates electricity from hydro power.	Hydro power projects	
	D35.12 (Transmission of electricity), D35.13 (Distribution of electricity)	Transmission and distribution of electricity (4.9)	One of the following criteria applies: (a) the system is the interconnected European system, ¹⁰ (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO ₂ e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; (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 100 gCO ₂ e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;	Grid expenditure including modernisation and upgrade to facilitate increased renewable energy capacity connection subject to the Grid meeting at least two of the EU Taxonomy criteria for eligibility.	
Energy Efficiency	N/A	Storage of electricity (4.10)	The activity is the construction and operation of electricity storage including pumped hydropower storage.	Pumped hydropower storage	
Terrestrial and aquatic biodiversity	N/A	Conservation, including restoration, of habitats, ecosystems and species.	Conservation activities, including restoration activities, aimed at maintaining or improving the status and trends of terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species ¹¹ .	River Restoration Restoring fish migration routes for improved spawning, such as Fish Passages	

¹⁰ The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

¹¹ As further set out in Annex IV of Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Exclusions:

Uses of Proceeds for the following will be specifically excluded:

- Financing of any power generation project wholly or partly powered by fossil fuels or nuclear power.
- Financing of any project involving the transportation of fossil fuels.
- Financing of any hydropower plant > 1000 MW capacity.

Process for Project Evaluation and Selection

Eligible projects are going to be identified by the relevant functional areas within the Verbund Group operating companies and assessed by a Green Bond Committee (“GBC”), which will ensure that allocations of an amount equal to the net proceeds of any Green Bond are made in line with the eligibility criteria described in this Framework.

The GBC will be responsible for:

- Ensuring the proposed Eligible Green Projects are aligned with the categories as specified in the Use of Proceeds section above (including alignment with the EU Taxonomy), and approving any proposed changes in the event that projects no longer meet the eligibility criteria (e.g. following divestment, liquidation, technology switch, concerns regarding alignment of underlying activity with eligibility criteria etc.);
 - In relation to the EU Taxonomy alignment, the GBC will, on a best efforts basis, specifically ensure alignment of each Eligible Green Project with the EU Taxonomy in the following areas (1) substantial contribution to at least one of the six environmental objectives, (2) do-no significant harm to other environmental objectives, (3) minimum safeguards and where developed (4) meeting the technical screening criteria (“TSC”);
- Reviewing and approving any proposed updates to this Green Financing Framework; and
- Reviewing and approving allocation and where relevant, impact reports, where suitable data is available.

The GBC will be comprised of representatives from the following functions:

- Group Finance
- Investor Relations
- Corporate Responsibility
- VERBUND Hydro Power GmbH
- Austrian Power Grid AG
- VERBUND Green Power GmbH

The GBC will meet at least two times per year, to review proposed allocations and ensure these are made in line with the specified criteria above.

Eligible Green Projects in the Renewable Energy and Energy Efficiency categories as specified in the Use of Proceeds section above will also be subject to the requirements of the VERBUND environmental management systems established in accordance with the ISO 14001 standard.



Management of Proceeds

The allocation of an amount equivalent to the net proceeds of any Green Bond issued under this Framework to the Eligible Green Projects will be managed by VERBUND Group Finance.

VERBUND will establish a register of Eligible Green Projects and will track allocations matched to any Green Bond proceeds. This process will be managed by VERBUND Group Finance.

Pending full allocation of an amount equivalent to the net proceeds of the Green Bond to the Eligible Green Projects, the net 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).

Any unallocated proceeds held in temporary investments will be subject to Verbund's investment policy and due diligence requirements designed to ensure any adverse ESG-related impacts are mitigated effectively.

Reporting

Within one year of the year of issuance of any Green Bond issued under this Framework, and annually thereafter until full allocation of an amount equivalent to the net proceeds of any Green Bond issued under this Framework as well as in the event of any material changes, VERBUND will publish (i) an Allocation Report and (ii) an Impact Report via the VERBUND website at www.verbund.com. The Impact Report will be published at least once after full allocation.

The Allocation Report will be based on the template provided under the EU Green Bond Standard¹² and will include:

- A statement of best efforts alignment with the EU Green Bond Standard;
- Bond identifier (eg ISIN);
- Eligible Project names and descriptions;
- Geographical distribution of all the projects;
- ICMA's Green Bond Principles Eligible Green Project Category;

¹² https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302631

- EU Taxonomy environmental objective;
- Total cost of the Eligible Green Projects;
- Share of financing provided by VERBUND;
- Total amount of proceeds allocated to Eligible Green Projects;
- The proportion of refinancing vs. financing;
- Nature of Green Asset/Expenditure (Capex, Opex etc.); and
- The remaining balance of unallocated amounts, if any.

VERBUND will also publish an Impact Report on the environmental impacts (both positive and adverse, if relevant) of its Eligible Green Projects, where sufficient information is available. Details of the methodology applicable to the estimation of impacts will be included in the Impact Report. The Impact Report will be based on the template provided under the EU Green Bond Standard¹³. On a best-efforts basis, Verbund also intends to provide supplementary information as appropriate to demonstrate that projects eligible for allocation are also aligned with the EU Taxonomy. The potential qualitative and quantitative metrics illustrating the substantial contribution to the Environmental Objectives of the Eligible Green Projects are shown in Annex I. The selection of qualitative and quantitative metrics used in the Impact Report is subject to the availability of suitable information and data.

In order to make sure that the environmental and social risks linked to the financed projects are mitigated and the opportunities clearly supported, a set of Do No Significant Harm criteria has been established for each project category. The criteria are aligned with the EU Taxonomy and are checked by the external reviewer within the process of providing a Second Party Opinion. The full description of associated requirements can be found in the Annexes of the EU Taxonomy.

An external reviewer has assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for each Eligible Green Project category and can be found in the Second Party Opinion.

External Review

ISS ESG has provided a Second Party Opinion on VERBUND's Green Financing Framework, including its alignment with the Green Bond Principles, the EU Taxonomy, and the EU Green Bond Standard. The Second Party Opinion is available at www.iss-esg.com

VERBUND also intends to commission a compliance review within one year of the year of issuance of any Green Bond issued under this Framework, and annually thereafter until full allocation of any Green Bond, with the intention of confirming that proceeds have been allocated in accordance with the Uses of Proceeds specified in this Framework.

In the event that any adjustments are made to the allocations, an updated compliance review will be sought to reconfirm that proceeds have been re-allocated in accordance with the Uses of Proceeds specified in this Framework.

¹³ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302631



Annex I – Impact Reporting

Green Bond Principles Eligible Category	Description	Indicative Reporting metrics	Additional Information
Renewable Energy	Electricity Generation from Hydropower	Renewable Energy Capacity Added (MW): tCO _{2e} avoided ¹⁴	<p>Environmental Management: new generation facilities are incorporated into the certified environmental management system (e.g. ISO 14001) as quickly as possible after commissioning and included in the scope of the certificate</p> <p>Working conditions during construction and maintenance:</p> <ul style="list-style-type: none"> for all projects, a health and safety management is implemented all projects are located in countries with high statutory standards on occupational health and safety all subcontractors working at company sites relating to this project category receive induction training ensuring an adequate introduction to site health and safety procedures <p>Stakeholder Information:</p> <ul style="list-style-type: none"> for all projects: general information about hydro power investment projects is publically available (e.g. integrated annual report, VERBUND website) for projects with issues regarding environment / local communities - local communities / stakeholders are engaged with adequate measures (e.g. project information on local level, information material, VERBUND website)
Renewable Energy	Electricity Generation Using Solar Photovoltaic Technology	Renewable Energy Capacity Added (MW): tCO _{2e} avoided	<p>Environmental Management:</p> <ul style="list-style-type: none"> for operations and maintenance of all plants operated by VERBUND Green Power (operations management), a certified environmental management system is implemented (e.g. ISO 14001)¹⁵ <p>Working conditions during construction and maintenance:</p> <ul style="list-style-type: none"> for all projects, a health and safety management is implemented all projects are located in countries with high statutory standards on occupational health and safety (Europe)

¹⁴ Avoided emissions are calculated on the same basis as per the Verbund Integrated Annual report, and are calculated using emissions from thermal generation in Europe based on IEA figures. Details of methodology applied will be included in any impact reporting.

¹⁵ New plants of the consolidated companies or new sites under ownership are to be integrated into the existing environmental management system within a reasonable period of time. Where another company is responsible for managing a plant's operations, this company must verify that it has a certified environmental management system. For equity investments of 50% or less, VERBUND strives for certification of an environmental management system in agreement with all co-owners. The percentage of certified VERBUND locations in 2023 was 91% (with the exception of battery storage units). This corresponds to 99% of total installed capacity.

			<ul style="list-style-type: none"> all subcontractors working at company sites relating to this project category receive induction training ensuring an adequate introduction to site health and safety procedures <p>Stakeholder Information:</p> <ul style="list-style-type: none"> for all projects: general Information about projects is published (e.g. integrated annual report, VERBUND website) For projects with issues regarding environment / local communities: Involvement of local communities / stakeholders with adequate measures (e.g. project information on local level, information material, VERBUND website)
<p>Renewable Energy</p>	<p>Electricity Generation from Windpower</p>	<p>Renewable Energy Capacity Added (MW) tCO_{2e} avoided</p>	<p>Environmental Management:</p> <ul style="list-style-type: none"> for operations and maintenance of all plants operated by VERBUND Green Power (operations management), a certified environmental management system is implemented (e.g. ISO 14001) <p>Working conditions during construction and maintenance:</p> <ul style="list-style-type: none"> for all projects, a health and safety management is implemented all projects are located in countries with high statutory standards on occupational health and safety all subcontractors working at company sites relating to this project category receive induction training ensuring an adequate introduction to site health and safety procedures <p>Stakeholder Information:</p> <ul style="list-style-type: none"> for projects with issues regarding environment / local communities - local communities / stakeholders are engaged with adequate measures (e.g. project information on local level, information material, VERBUND website)
<p>Renewable Energy</p>	<p>Transmission and Distribution of Electricity</p>	<p>Expected tCO_{2e} avoided</p> <p>Additional transformer capacity (MVA)</p> <p>(Average) Annual avoided curtailment (renewable energy)(GWh/year)</p>	<p>Environmental Management:</p> <ul style="list-style-type: none"> new grid facilities are incorporated into the certified environmental management system (e.g. ISO 14001) and included in the scope of the certificate Taking security of supply into account, APG supports regional nature conservation projects in the area of power line routes <p>Working conditions during construction and maintenance:</p> <ul style="list-style-type: none"> A health and safety management is implemented All subcontractors working at company sites relating to this project receive induction training ensuring an adequate

			<p>introduction to site health and safety procedures</p> <p>Stakeholder Information:</p> <ul style="list-style-type: none"> for projects with issues regarding environment / local communities - local communities / stakeholders are engaged with adequate measures (e.g. project information on local level, information material, VERBUND website)
<p>Terrestrial and aquatic biodiversity</p>	<p>Investments and/or expenditures to reduce the impact on land and terrestrial biodiversity</p> <ul style="list-style-type: none"> River Restoration Restoring fish migration routes for improved spawning, such as Fish Passages Recovery of water basins Reduction of the spread of invasive species that could impair the sustainment of valuable native vegetation Other natural habitat protection initiatives for biodiversity enhancement 	<p>Number of Fish Passes</p> <p>Qualitative impact reporting, or other quantitative impact reporting where practicable and feasible.</p>	

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VERBUND does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

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Prospective investors are required to make their own independent investment decisions. No representation is made as to the suitability of any VERBUND Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of VERBUND Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such VERBUND Bonds regarding the use of proceeds and its purchase of VERBUND Bonds should be based upon such investigation as it deems necessary.

VERBUND has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with VERBUND Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any VERBUND Bonds if the VERBUND fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives.

In addition, each environmentally-focused potential purchaser of VERBUND Bonds should be aware that Eligible Green Projects may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of VERBUND Bonds or any other person might otherwise have in respect of this Framework or any VERBUND Bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.

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