

# REPORT REVIEW

## Verbund Green and Sustainability-Linked Bond Impact Report

Green and Sustainability-Linked Bond Impact Report 2022  
21 April 2023

### VERIFICATION PARAMETERS

<b>Type(s) of reporting</b>	<ul style="list-style-type: none"> <li>Green and Sustainability-Linked Bond Impact report</li> </ul>
<b>Relevant standard(s)</b>	<ul style="list-style-type: none"> <li>Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)</li> <li>Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2020)</li> <li>Harmonised Framework for Impact Reporting (HFIR), updated June 2022, as administered by International Capital Market Association (ICMA)</li> </ul>
<b>Scope of verification</b>	<ul style="list-style-type: none"> <li>Verbund's Green and Sustainability-Linked Bond Impact (as of March 2, 2023)</li> <li>Verbund's Green Finance Framework (as of February 16, 2021)</li> <li>Bond identification: ISIN XS2320746394/ A 20-years bond and will be matured in 2041 (€500.0 million)</li> </ul>
<b>Lifecycle</b>	<ul style="list-style-type: none"> <li>Post-issuance verification</li> </ul>
<b>Validity</b>	<ul style="list-style-type: none"> <li>As long as no changes are undertaken by the Issuer to the Impact Report</li> </ul>

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## SCOPE OF WORK

Verbund AG (“the Issuer” or “Verbund”) commissioned ISS Corporate Solutions (ICS) to provide an External Review<sup>1</sup> on its Green and Sustainability-Linked Bond Impact Report by assessing:

1. The alignment of the Verbund’ s Green and Sustainability-Linked Bond Impact Report with the commitments set forth in its Green Financing Framework (as of March 16, 2021, version)<sup>2</sup>.
2. Verbund’s Green and Sustainability-Linked Bond Impact Report - benchmarked against the Harmonised Framework for Impact Reporting (HFIR), as of June 2022 and the Sustainability-Linked Bond Principles Appendix II - SLB Disclosure Data Checklist, as of June 2020, as administrated by the ICMA.
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the bonds issued, i.e., green bonds, sustainability-linked bonds, or a combination of the two.
4. The disclosure of KPIs progress toward SPTs

<sup>1</sup> A limited or reasonable assurance is not provided on the information presented in Verbund Green and Sustainability-Linked Bond Impact Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Standards (Green Bond and Sustainability-Linked Bond Principles) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. Verbund is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

<sup>2</sup> The Framework was assessed as aligned with the Green Bond Principles as of June 2021 with June 2022 Appendix 1 and Sustainability-Linked Bond Principles as of June 2020.

## ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p><b>Part 1.</b></p> <p><b>Alignment with the Issuer's commitments set forth in the Framework</b></p>	<p>The Verbund's Green and Sustainability-Linked Bond Impact Report meets the Issuer's commitments set forth in the Green Financing Framework. The proceeds have been used to (re)finance renewable energy projects in accordance with the eligibility criteria defined in the Framework. The progress against the SPTs is in line with the initial commitments set in the Verbund's Green Financing Framework.</p>	<p><b>Aligned</b></p>
<p><b>Part 2.a</b></p> <p><b>Alignment with the Harmonised Framework for Impact Reporting</b></p>	<p>The Green and Sustainability-Linked Bond Impact Report is in line with ICMA's Harmonised Framework for Impact Reporting. The Issuer follows core principles and where applicable key recommendations.</p> <p>The Issuer put in place a formal internal process for allocation of proceeds linked with their investment operation for green projects and to report on the allocation of proceeds, providing a list of three projects to which the Green and Sustainability-Linked bond proceeds have been allocated. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best practices.</p>	<p><b>Aligned</b></p>
<p><b>Part 2.b</b></p> <p><b>Implementation of the SLBP Disclosure Data Checklist</b></p>	<p>Verbund has implemented the necessary and recommended information from the ICMA SLBP post-Issuance Disclosure Data Checklist. The Issuer will provide a verification of the performance of the SPTs.</p>	<p><b>Implemented</b></p>
<p><b>Part 3.a</b></p> <p><b>Disclosure of proceeds allocation and soundness of reporting indicators</b></p>	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework<sup>3</sup>.</p> <p>Verbund's Green Financing Framework has adopted an appropriate methodology to report the impact generated by providing</p>	<p><b>Positive</b></p>

<sup>3</sup> The assessment is based on the information provided in the allocation reporting. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.


	comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices.	
<b>Part 3.b</b> <b>Disclosure of KPIs progress towards SPTs</b>	Verbund has adopted an appropriate methodology to report on the KPIs and SPTs progress, by providing comprehensive disclosure on data, assumptions and calculation methods adopted.	<b>Positive</b>

## REPORT REVIEW ASSESSMENT

### PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN FINANCING FRAMEWORK<sup>4</sup>

#### GREEN BOND'S CHARACTERISTICS

The following table evaluates the Green and Sustainability-Linked Bond Impact Report against the commitments set forth in Verbund's Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

GREEN BOND PRINCIPLES	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>Verbund confirms to follow the Use of Proceeds' description provided by Verbund's Green Financing Framework. The report is in line with the initial commitments set in the Verbund's Green Financing Framework. The net proceeds will be exclusively allocated to finance or re-finance hydropower and grid infrastructure projects.</p> <p>The Issuer's green categories align with the project categories and are in accordance with the eligibility criteria set in the Verbund's Green Financing Framework. The Green and Sustainability-Linked Bond has been reviewed and is aligned with the EU Taxonomy.</p> <p>Environmental benefits of the project level are described and quantified in terms of reduction and avoidance of GHG emissions.</p> <p>Amount of proceeds allocated by project category is reported by Verbund. Verbund has transparently reported the following:</p> <p>EUR 252.5 million is allocated to financing Jettenbach-Töging hydropower project, EUR 140.6 million allocated to finance a Weinviertel line project and EUR 59.3 million allocated to financing Reschenpass project.</p> <p>Verbund makes allocations to Eligible Green Projects where the investment is a maximum of 3 years prior to the date of any issuance.</p>	

<sup>4</sup> The Verbund's Green Financing Framework was assessed as aligned with the Green Bond Principles as of June 2021 with June 2022 Appendix 1 and Sustainability-Linked Bond Principles as of June 2020.

<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>The report is in line with the initial commitments set in the Verbund’s Green Financing Framework: Each project to be selected is reviewed, evaluated, and proposed by representatives of the Green Bond Committee including the ESG risks related to the projects and then approved by the Managing Board</p> <p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> <p>Verbund allocates an amount equal to the proceeds raised by any bond under this Framework within 3 years from the issuance of each Green Bond.</p> <p>The activities at the Jettenbach-Töging power plant comply with the environmental and social performance standards of the International Finance Corporation (IFC). Verbund has received a positive assessment from MSCI.</p> <p>In order to systemically anchor the concept of sustainability at Verbund, a CSR management system was implemented in accordance with the specifications of ONR 192500 (social responsibility of organizations) and certified by Quality Austria. ONR 192500 implements the guidelines of ISO 26000 for the perception of social responsibility.</p> <p>All sites for Weinviertelleitung and Reschenpass projects are certified to the current standards ISO 14001 (International Environmental Management System), ISO 9001 (International Quality Management System), ISO 45001 (Safety and Health Management System) and ISO 27001 (Information Security Management). The annual internal and external audits of the Integrated Management System (IMS) contribute to a continuous improvement process in all areas.</p>	<p style="text-align: center;">✓</p>
<p><b>3. Management of Proceeds</b></p>	<p>The report is in line with the initial commitments set in the Verbund’s Green Financing Framework.</p> <p>The proceeds allocated represent 90.5% (EUR 452.4 million) of the total amount of proceeds (EUR 500 million) to the eligible projects. The proceeds are tracked in an appropriate manner and attested in a formal internal process.</p> <p>As of December 31, 2022, there is a difference of EUR 5.4 million between the planned allocated amount for the three</p>	<p style="text-align: center;">✓</p>



	<p>projects (Jettenbach-Töging, Weinviertel line and Reschen Pass) and the amount raised through the bond. This difference will be used, for any increase in investment costs for the three projects or to finance a sub-project of the fourth designated project (Salzburg line).</p> <p>The amount from the bond of EUR 47.6 million not yet used for the defined projects as of December 31, 2022, is managed in accordance with treasury criteria and relevant internal guidelines and invested either in short-term money market funds or in longer-term sustainable investment funds.</p>	
<p><b>4. Reporting</b></p>	<p>Verbund’s Green and Sustainability-Linked Bond Impact Report is coherent with the Reporting description provided by Verbund’s Green Financing Framework. The report is in line with the initial commitments set in the Verbund’s Green Financing Framework.</p> <p>This Green and Sustainability-Linked Bond Impact Report is published one year after issuance of the green and sustainability-linked bond at the following link: <a href="https://www.verbund.com/-/media/verbund/ueber-verbund/investor-relations/green-bond/verbund-green-bond-impact-report-2021_en.ashx">https://www.verbund.com/-/media/verbund/ueber-verbund/investor-relations/green-bond/verbund-green-bond-impact-report-2021_en.ashx</a> on an annual basis until the end of the bond's term.</p> <p>Verbund has provided details on the reduction and avoidance of GHG emissions in the Green and Sustainability-Linked Bond Impact Report in the section titled ‘Reduction and avoidance of GHG emissions.’</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p>✓</p>
<p><b>5. Verification</b></p>	<p>ISS ICS has provided a Second Party Opinion (SPO) on Verbund’s Green Financing Framework.</p>	



### SUSTAINABILITY-LINKED BOND'S CHARACTERISTICS

The following table evaluates the Green and Sustainability-Linked Bond Impact Report against the commitments set forth in Verbund's Framework, which are based on the core requirements of the Sustainability-Linked Bond Principles as well as best market practices.

SUSTAINABILITY-LINKED BOND PRINCIPLES	OPINION	ALIGNMENT WITH COMMITMENT
1. Selection of KPIs	The Verbund Green and Sustainability-Linked Bond Impact Report's KPIs are in line with the KPIs provided by Verbund's Green Financing Framework. The report is in line with the initial commitments set in the Verbund's Green Financing Framework. The scope and perimeter of the KPIs as well as their calculation methodologies are clearly described in the report.	✓
2. Calibration of SPTs	<p>Verbund's Green and Sustainability-Linked Bond Impact Report's SPTs are in line with the SPTs provided by Verbund's Green Financing Framework. The report is in line with the initial commitments set in the Verbund's Green Financing Framework: The KPI performance against the SPT has been measured in the report and the baseline, target observation date and coupon adjustment are in accordance with the framework commitments.</p> <p>The past performance verification of the SPTs from 2020 to 2022 is provided by Deloitte.</p> <p>The Issuer provides in the report detailed factors supporting the achievement of the targets while risk factors are set out in the bond documentation.</p> <p><i>Further analysis of this section is available in Part IV of this report.</i></p>	✓
3. Bond characteristics	Verbund's Green and Sustainability-Linked Bond Impact Report is coherent with the Bond Characteristics description provided by Verbund's Green Financing Framework. The report is in line with the initial commitments set in the Verbund's Green Financing Framework: The bond documentation includes the KPI and SPTs' definitions as well as the step-up event. The report confirms that, as this time, there are no circumstances that will result in the need to recalculate SPTs from the Green Financing Framework (2021).	✓

<p><b>4. Reporting</b></p>	<p>Verbund’s Green and Sustainability-Linked Bond Impact Report is coherent with the Reporting description provided by Verbund’s Green Financing Framework.</p> <p>The report is in line with the initial commitments set in the Verbund’s Green Financing Framework: The report is intended to be publicly available one year after the sustainability-linked bond issuance.</p> <p>A verification assurance report relative to the SPT was delivered on February 20, 2023.</p> <p><i>Further analysis of this section is available in Part IV of this report.</i></p>	
<p><b>5. Verification</b></p>	<p>Deloitte provided a Verification Assurance Report on the allocated amounts on a project basis as well as the annual development of the two KPIs specified in the year 2022. The report will be published on <a href="https://www.verbund.com/">https://www.verbund.com/</a>.</p>	

## PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the GBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bond issuers are required to report on both the use of green bond proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. Harmonised Framework for Impact Reporting has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Verbund's Green and Sustainability-Linked Bond Impact Report against ICMA's Harmonised Framework for Impact Reporting

CORE PRINCIPLES		
ICMA HFIR	IMPACT REPORT	ASSESSMENT
Reporting on an annual basis	Verbund has reported within the next fiscal year from issuance and 90.5% of the proceeds have been fully allocated, with the unallocated proceeds (EUR 47.6 m) to be used until 2041. The report will be available on Verbund's website.	✓
Illustrating the environmental impacts or outcomes	The assessment and measurement of the impacts generated by Verbund Green Bond(s) covered the following areas: <ul style="list-style-type: none"> <li>a. t CO<sub>2</sub>e avoided</li> <li>b. newly installed capacity from hydropower, wind power and photovoltaics in megawatts [MW]</li> <li>c. additional transformer capacity to facilitate grid interaction and integrate renewable power generation in megavolt ampere [MVA]</li> </ul>	✓
ESG Risk Management	Verbund's Green Bond Committee is responsible to review and evaluate projects proposed to the board on its' eligibility and risk management factors (including ESG and climate-change specific). Internal steering committees are implemented to all projects.	✓
Allocation of proceeds - Transparency on the currency	As part of the report audit carried out by Deloitte, Issuer reports the cash flow related to the Green Bond and the allocations to the projects in a single currency (EUR).	✓

RECOMMENDATIONS		
ICMA HFIR	IMPACT REPORT	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	<p>90,5% of proceeds have been allocated to Green Assets. No modification (removal or additional projects) of the portfolio is planned.</p> <p>The Issuer followed a transparent process for selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the Green Bond issued under Green Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria as laid out in the Framework.</p>	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 500M has been raised through Issuer's Green & Sustainability-Linked Bond. 90.5% of the proceeds has been allocated to Green Assets. Remaining proceeds (EUR 47.6 million) will be allocated until 2041.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The Issuer followed a transparent process for the allocation of proceeds.	✓
Report at project or portfolio level	<p>The Green and Sustainability-Linked Bond Impact Report includes the total amount of proceeds allocated per eligible project category, type within categories and per geographical breakdown (country). List of projects:</p> <ul style="list-style-type: none"> <li>▪ Project Jettenbach-Töging</li> <li>▪ Project Weinviertelleitung</li> <li>▪ Project Reschenpass</li> </ul>	✓
Describe the approach to impact reporting	The Issuer identifies the specific eligible projects and clearly defines, for each project, the total project's allocated proceeds.	✓
Report the estimated lifetime results and/or project economic life (in years)	Information on the lifetime results/project economic life is not given.	○

Ex-post verification of specific projects	Verbund is not planning to perform ex-post verification on their eligible projects.	N/A
Report on at least a limited number of sector specific core indicators	<p>The Verbund reports on avoided GHG emissions, which is a core indicator for the Renewable Energy sector.</p> <p>A description of core environmental impacts for each project is available in the report:</p> <ul style="list-style-type: none"> <li>▪ Weighted average of avoided CO<sub>2</sub> for Forest quarter line: 1.247 to 1.352 Mt/a</li> <li>▪ Weighted average of avoided tCO<sub>2</sub> for Reschen Pass: 0.193 to 0.195 Mt/a</li> <li>▪ Weighted average of avoided tCO<sub>2</sub> for Jettenbach-Töging: N/A (project started in September 2022 so no avoided emissions yet)</li> </ul>	✓
If there is no single commonly used standard, Issuers may follow and disclose their own calculation methodologies	<p>Avoided emissions relate to renewable power generation projects represented by the reduction in emissions due to the financed project compared to the emissions that would have been emitted without. They are calculated based on GHG Protocol for project financing in accordance with PCAF Global Standard for the calculation of avoided emissions. This calculation is applicable for project Jettenbach-Töging.</p> <p>Avoided emissions in the transmissions grid are calculated using the methodology developed by the Association of European Transmission System Operators, based on the published project sheets from the European Ten-Year Network Development Plan. This calculation is applicable to the projects Weinviertel Line and Reschen Pass.</p>	✓
Disclosure on the conversion approach (if applicable)	The conversion approach is not applicable.	N/A
Projects with partial eligibility	Not applicable since there are no projects with partial eligibility.	N/A

<p>When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach</p>	<p>The impact of Verbund’s projects is reported separately per project.</p>	<p>N/A</p>
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**OPINION**

*Verbund follows Harmonised Framework for Impact Reporting core principles and some key recommendations. The Issuer reports on an annual basis and has a dedicated internal process to track proceeds and address potential environmental and social risks. Environmental impacts are illustrated by tCO<sub>2</sub>e avoided emissions, newly installed capacity and additional transformer capacity.*

FOR SUSTAINABILITY LINKED BONDS

NECESSARY		
ICMA SLB Data Checklist	VERBUND'S SLB REPORT	ASSESSMENT
<b>Verification</b>		
<p><b>Verification / assurance report:</b> Reporting with verified SPTs is publicly available.</p>	<p>An external independent auditor verified limited assurance of the annual development of the two KPIs in the year 2022.</p> <p>A reporting relating to the verified SPT is publicly available on the website of the Issuer. The reporting includes the related impacts of the KPIs.</p>	✓
RECOMMENDATIONS		
ICMA SLB Data Checklist	VERBUND'S SLB REPORT	ASSESSMENT
<b>General</b>		
Report and ex-post external review publication dates	Verbund is publishing a post-issuance report.	✓
Identification of the bonds	<p>Verbund's Green and Sustainability-Linked Bond Impact Report includes relevant identification information on the green sustainability-linked bond:</p> <ul style="list-style-type: none"> <li>▪ ISIN: XS2320746394</li> <li>▪ Amount (currency): 500M (EUR)</li> <li>▪ Maturity date: 20 years</li> <li>▪ KPI/SPT: <ul style="list-style-type: none"> <li>• Newly installed capacity from hydropower, wind power and photovoltaics</li> <li>• Additional transformer capacity</li> </ul> </li> </ul>	✓
Scope of reporting (bond-by-bond, bond program)	Verbund is explicitly describing the reporting scope, bond-by-bond. The financial instrument to which this report refers to is a single Green and Sustainability-Linked Bond.	✓

<p>Adherence to specific standards or regulations</p>	<p>Verbund's sustainability-linked bond is aligned with ICMA's Sustainability-Linked Bond Principles and its report is also following the ICMA Harmonised Framework for Impact Reporting. (Please refer to section I and II.A for more details).</p>	<p>✓</p>
<p><b>Reporting</b></p>		
<p>Up-to-date information on the performance of the selected KPI(s)</p>	<p>Verbund's Green and Sustainability-Linked Bond impact report includes information on the performance of both KPIs as of December 31, 2022, including baseline data.</p>	<p>✓</p>
<p>Explanation of the contribution of the main factors (quantitative / qualitative)</p>	<p><b>SPT 1 - establishment of newly installed renewable energy capacity of 2,000 MW by 31 December 2032</b></p> <p>The additional 345 MW installed capacity in 2022 is explained by commissioned projects in hydropower (+110MW), wind (+50MW) and photovoltaics (+185MW). This adds to the 43 MW installed since the beginning of the project, amounting to 388MW additional capacity installed since 2020.</p> <p><b>SPT 2 - installation of additional transformer capacity of 12,000 MVA by 31 December 2032</b></p> <p>The Weinviertel line and the Reschenpass projects provide some qualitative and quantitative explanation on future additional transformer capacity to facilitate interaction with the grid and integrate renewable energy generation. The estimated additional transformer capacity of the financed projects Weinviertel line and Reschenpass was 1,670 MVA in 2022. The projects are detailed in Verbund's Impact Report.</p>	<p>✓</p>
<p>Illustration of the positive sustainability impacts of the performance improvement</p>	<p>Meeting the KPIs will have further impacts on the avoidance of CO<sub>2</sub> emissions, both in the grid and power generation and the reduction of the Issuer's Scope 1 emissions as well as upstream GHG emissions (Scope 3).</p> <p>Besides tCO<sub>2</sub> emission avoidance, Verbund included in the report other climate targets such as:</p>	<p>✓</p>



	<ol style="list-style-type: none"> <li>1. Expansion of electricity generation from renewable energy sources such as wind and solar power to 20-25%;</li> <li>2. Reduce Scope 1 emissions by 16% by 2030 (2015-2030)</li> <li>3. Reduce Scope 3 emissions from electricity sales to end-customers by 5% by 2030 (2020-2030)</li> </ol>	
<p>Any re-assessments of KPIs and/or restatement of the SPT and/or proforma adjustments of baselines or KPI scope</p>	<p>Issuer states that no re-assessments of KPIs and/or restatement of the SPT or pro-forma adjustments of baselines or KPI scope are expected to be applied.</p> <p>Yet, it is noted that baseline performance for SPT 1 has increased by 5MW in 2021, which was deemed not material since the change represents less than 5% of baseline figure.</p>	<p>N/A</p>

**OPINION**

*Verbund has implemented the necessary and recommended information from the ICMA SLB Post-Issuance Disclosure Data Checklist. The Issuer provides a verification of the performance of the SPTs as of December 2022.*

## PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

### Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' projects.

The Use of Proceeds allocation reporting occurred the next fiscal year from the issuance, after full allocation of the proceeds.

This is the second year of allocation reporting and the proceeds allocated represent 90.5% (EUR 452.4 million) of the total amount of proceeds (EUR 500 million) to the eligible projects.

The Issuer also disclosed transparently the amount of unallocated proceeds and the temporary investments. As of December 31, 2022, there is a difference of EUR 5.4 million between the planned allocated amount for the three projects (Jettenbach-Töging, Weinviertel line and Reschen Pass) and the amount raised through the bond. This difference will be used, for any increase in investment costs for the three projects or to finance a sub-project of the fourth designated project (Salzburg line).

The amount from the bond of EUR 47.6 million not yet used for the defined projects as of December 31, 2022, is managed in accordance with treasury criteria and relevant internal guidelines and invested either in short-term money market funds or in longer-term sustainable investment funds.

### Proceeds allocated to eligible projects/assets

The proceeds' allocation is broken down at the project category level, by type of project. The Issuer has provided details about the type of projects included in the portfolio namely Jettenbach-Töging, Weinviertel line and Reschen Pass.

The allocation report section of the Green and Sustainability-Linked Bond Impact Report of Verbund aligns with best-market practices by providing information on:

- The number of projects financed
  - Jettenbach-Töging – Hydropower project
  - Weinviertel line and Reschen Pass – Grid infrastructure and Transmission lines<sup>5</sup>
- The total amount of proceeds in million euros (divided per project)

<sup>5</sup> While majority of electricity (97%) in the Weinviertel line and Reschenpass projects is renewables, 1% & 2% of the total electricity generation is coal & gas respectively as per data provided in 2019. Verbund cannot ensure that electricity runs only from renewables but enables the integration of renewables into the overall electricity grid.

## Impact Reporting Indicators

The table below presents an independent assessment of the Issuer's report and disclosure on the output, outcome, and impact of projects using impact indicators.


ELEMENT	ASSESSMENT
<p><b>Relevance</b></p>	<p>The impact indicator chosen by Verbund for this bond is the following:</p> <ul style="list-style-type: none"> <li>▪ tCO<sub>2e</sub> avoided in power generation from hydropower</li> <li>▪ tCO<sub>2e</sub> avoided in transmission grid line</li> </ul> <p>The indicators are quantitative and material to the use of proceeds' categories financed through this bond and in line with the suggested metrics for renewable energy by the ICMA HFIR.</p> <p>Additional hydropower capacity will help Verbund achieve its climate targets:</p> <ul style="list-style-type: none"> <li>▪ Scope 1 (direct greenhouse gas emissions): Reduction of 16 % by 2030 (base year 2015).</li> <li>▪ Scope 3 (upstream greenhouse gas emissions from the sale of purchased electricity to end customers): Reduction of 5% by 2030 (base year 2020).</li> </ul>
<p><b>Data sourcing and methodologies of quantitative assessment</b></p>	<p>Data sources:</p> <ol style="list-style-type: none"> <li>1. The KPI data regarding newly installed capacity and additional transformer capacity is measured using company's internal data and not further processed or calculated to generate it.</li> <li>2. To calculate the data on CO<sub>2</sub> emission avoidance, the Greenhouse Gas Protocol (GHG Protocol) for project financing is used in accordance with the PCAF Global Standard for the calculation of avoided emissions.</li> </ol> <p><b>a) Avoidance of greenhouse gas emissions during production</b></p> <p>Avoided emissions related to renewable electricity project show the reduction of emissions from the financed project compared to emissions that would have been emitted without the project (baseline emissions). They are calculated on the basis of the Greenhouse Gas Protocol (GHG Protocol) for project financing in accordance with the PCAF Global Standard for the calculation of avoided emissions and are shown as a separate category – separate from the absolute greenhouse gas balance emissions for companies under the GHG Protocol.</p> <p>The operating margin emission factor is used to calculate the avoided emissions from the Jettenbach-Töging project for energy production. It is based on the existing fossil power plants in a country or region whose operation is most affected (reduced) by the project. This means the generation from the power plants with the highest variable operating costs according to the merit order effect in the electricity system. This factor is taken from the table "Harmonized IFI Default Grid Factors 2021 v3.1" published by the IFI Technical Working Group on Greenhouse Gas Accounting. The factor at country level given in the column "Operating Margin Grid Emission Factor, g CO<sub>2</sub>/kWh (including for use in PCAF GHG accounting)" is 650 g CO<sub>2</sub>/kWh for Germany.</p>

	<p>The higher amount of electricity generated annually after completion of the Jettenbach-Töging project will be multiplied by this factor for theoretical emission avoidance in tonnes of CO<sub>2</sub> per GWh. This results in the avoided emissions.</p> <p>Formula: Electricity generated per year [GWh] * 650 [tCO<sub>2</sub>/GWh] = avoided emissions [tCO<sub>2</sub>]</p> <p>Due to the construction phase until September, there was no additional generation compared to the theoretical generation of the old plant for 2022 and thus no avoided emissions. For the year 2023 (first full year of operation) and in the following years, avoided emissions result from the increased generation of the modernized Jettenbach-Töging power plant compared to the theoretical generation of the old plant according to the higher efficiency.</p> <p style="text-align: center;"><b>b) Avoidance of greenhouse gas emissions in the transmission grid</b></p> <p>To calculate the avoided greenhouse gas emissions at project level, APG uses the methodology developed by the Association of European Transmission System Operators for Electricity (ENTSO-E). The basics are taken from the published project sheets from the Ten-Year Network Development Plan (TYNDP).</p> <p>The TYNDP guidelines for cost-benefit analysis (CBA) include principles and general guidance for assessing project benefits at European level. They are formulated in such a way that the implementing body (ENTSO-E or project promoter) can adopt an approach consistent with pan-European evaluation principles. The guidelines contain terms and definitions, principles for assessing project benefits and some methods for calculation such as to change the net transmission capacity (NTC) of a project or to perform redispatch calculations.</p> <p>Based on the methodology and guidelines of the TYNDP, emission savings shall be calculated according to the following basic formula. According to the methodology mentioned, weighted average CO<sub>2</sub> savings of 1.247 Mt/a to 1.352 Mt/a can be calculated for the "Weinviertel Line" project and 0.193 Mt/a to 0.195 Mt/a for the Reschen Pass project as of December 2022.</p>
<p><b>Baseline selection</b></p>	<ol style="list-style-type: none"> <li>1. For newly installed capacity from hydropower, wind power and photovoltaics in MW, the base value as of December 31, 2020, is 8,692 MW.</li> <li>2. For additional transformer capacity to facilitate grid interaction and integrate renewable power generation in MVA, the base value as of December 31, 2020, is 30,810 MVA.</li> <li>3. a) For t CO<sub>2</sub>e avoided regarding electricity production, the baseline is the PCAF grid factor. b) For t CO<sub>2</sub>e avoided regarding electricity transmission, the base values are emission factor type, CO<sub>2</sub> emissions factor and CO<sub>2</sub> emissions per energy.</li> </ol> <p>The baselines are relevant. Points 1 &amp; 2 use baselines at the end of the year 2020 and point 3 uses the PCAF grid factor and ENTSO-E's TYNDP.</p>

<b>Scale and granularity</b>	The impact data is presented at project level for the indicators.
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### High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Green and Sustainability-Linked Bond Impact Report, the impact indicators adopted by Verbund for its green and sustainability-linked bond can be mapped to the following SDGs, according to the ICMA “A High-Level Mapping to the Sustainable Development Goals”<sup>6</sup>.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
a) annual GHG emissions avoided in tones of CO <sub>2</sub> equivalent	 

### OPINION

*The allocation of the bond’s proceeds has been disclosed with a detailed breakdown across 3 different eligible project categories and Verbund’s has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies and granularity for Jettenbach-Töging, Weinviertel line and Reschen pass projects, reflecting best market practice.*

<sup>6</sup> ICMA, June 2022, Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

## PART IV: DISCLOSURE OF KPIS' PROGRESS TOWARD SPT

The table below presents an independent assessment of the Issuer's measure and disclosure of its progress toward achieving its SPT(s).

ELEMENT	ASSESSMENT
<p><b>Review of Calculation and Methodology used for the KPIs</b></p>	<p>The calculation methodology is clear and consistent with its pre-defined assessment methodology as outlined within the Framework. Both KPIs selected cover material operations and activities of Verbund.</p> <p>KPI 1: Newly installed production capacity of hydropower, wind power and photovoltaic (PV) solar renewable energy of Verbund (including its subsidiaries), measured as Megawatts (MW). It is calculated as per the new, contractually agreed nominal capacities in MW for the respective year as newly installed generation capacity.</p> <ul style="list-style-type: none"> <li>▪ Baseline capacity value: 8,692 MW</li> <li>▪ Baseline year: 31 December 2020</li> </ul> <p>The newly installed net capacity of 345 MW in 2022 is made up of hydropower (110 MW,) wind (50 MW) and photovoltaics (185 MW).</p> <p>Total installed capacity in 2022: 9,080 MW</p> <p>The KPI relates to installation of new renewable energy generated which accounts for 95.6 % of the electricity generated<sup>7</sup> in 2022.</p> <p>KPI 2: Additional transformer capacity to facilitate interaction with the grid and integrate renewable energy generation, measured as Mega Volt Amperes (MVA). It is calculated as per the additional transformer capacity in MVA for the respective year (from commissioning).</p> <ul style="list-style-type: none"> <li>▪ Baseline value: 30,810 MVA</li> <li>▪ Baseline year: 31 December 2020</li> </ul> <p>The additional transformer capacity purchased in 2022 is 1,670 MVA.</p> <p>Total transformer capacity in 2022: 33,630 MVA</p>
<p><b>Sustainability performance / Progress toward achievement of the SPTs</b></p>	<p>SPT 1: Establishing 2,000 MW of newly installed renewables capacity by 31 December 2032 from baseline 31 December 2020.</p> <p>SPT 2: Establishing 12,000 MVA of additional transformer capacity by 31 December 2032 from baseline 31 December 2020.</p>

<sup>7</sup> The remaining 4.4% is from thermal generation from the Mellach combined cycle gas turbine power plant in Styria.

SPT	PERFORMANCE IN BASELINE YEAR	PERFORMANCE IN CURRENT YEAR (2022)	SPT TARGET DATE	PEER'S PERFORMANCE IN CURRENT YEAR
1	8,692 MW	+345 MW	31 December 2032	In line with peers <sup>8</sup>
2	30,810 MVA	+1670 MVA	31 December 2032	In line with peers <sup>9</sup>

SPT	PAST PERFORMANCE	2020	2021	2022	2032
1	Renewable capacity in MW	8,692	8,735	9,080	10,692
1	CAGR (from 2020 to year)			+2.2%	+1.7%
2	Transformer capacity in MVA	30,810	31,960	33,630	42,810
2	CAGR (from 2020 to year)			+4.5%	+2.8%

The newly installed capacity from hydropower, wind power and photovoltaics in 2022 reached 9,080 MW, which equates to a compound annual growth rate (CAGR) of 2.2%, higher than the estimated 1.7% CAGR required to reach target in 2032 from base year 2020. The SPT 1's progress as of 2022 is in line with the SPT'S trajectory to reach 9,080 MW by 2032.

Verbund's MVA of transformer capacity stands at 33,630 as of December 2022, equating to a CAGR of 4.5%, which is higher than the estimated 2.8% CAGR required to reach target in 2032 from base year 2020. The SPT 2's progress as of 2022 is in line with the SPT's trajectory to reach 33,630 MVA by 2032.

**Levers actioned to achieve the SPTs**

The Issuer has commissioned the following:

- For achievement of SPT1 the commissioning of wind and solar plants in various European countries such as Austria, Germany, Spain, Italy and Romania by 31 December 2032 and

<sup>8</sup> A benchmarking of the SPT 1 set by Verbund against the Electric utilities peer group consisting of 26 companies in the same region (including the Issuer) as per the ISS ESG Universe was conducted. Verbund belongs to the top 9 companies or top 35% tier of its sectorial peers in terms of additional installed capacity MW increase as of December 2021 compared to 2020 data. Therefore, SPT 1 set by Verbund is in line with industry peers.

<sup>9</sup> SPT 2 is the expansion of transformer capacity to facilitate interaction within power grids. The additional transformer capacity enables the integration of generation from renewables into the power grid. A benchmarking of the SPT set by Verbund against the Electric utilities peer group, using as a proxy the 'Integration of Renewable energy in the grid' indicator from ISS ESG Corporate Rating and including 26 companies in the same region (including the Issuer) as per the ISS ESG Universe was conducted. Verbund belongs to the top 13 companies or top 50% tier of its sectorial peers, assessing December 2022 ISS ESG's rating score on the integration of renewable energy into the grid. Therefore, SPT 2 set by Verbund is in line with industry peers.

	<ul style="list-style-type: none"> <li>For achievement of SPT2 the actual projects will be decided by Verbund and will be part of the Austrian Network development plan.</li> </ul>
<p><b>Real impact metrics</b></p>	<p>Relevant: Avoided emissions are commonly used in the Electric Utilities industry therefore it represents a relevant metrics.</p> <p>Clear data: Verbund has provided clear emission data</p>

**OPINION**

*The Verbund has adopted an appropriate methodology to report on the KPIs and SPTs progress, by providing comprehensive disclosure on data, assumptions and calculation methods adopted. The progress of SPT 1 and SPT 2 in 2022 is in line with the trajectory to reach the SPT in 2032 from base year 2020 and is in line with its industry peers.*



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## ANNEX 1: Methodology

### Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, the alignment of the report is assessed with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The metrics are analyzed based on specific sets of indicators using proprietary method referring to common market guidelines.

### High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to the Issuers reporting and project categories contribute to related SDGs is identified.

## ANNEX 2: Quality management processes

### SCOPE

Verbund commissioned ICS to compile an External Review on its Bond Report. The External Review process includes verifying whether the Bond Report aligns with the Issuer's Green, Social and Sustainability Bond Framework and the respective market standards, i.e. the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

### CRITERIA

Relevant Standards for this Report Review:

- ICMA Green Bond Principles
- ICMA Harmonised Framework for Impact Reporting
- ICMA Sustainability-Linked Bond Principles
- ICMA A High -Level Mapping to the Sustainable Development Goals

### ISSUER'S RESPONSIBILITY

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

- Impact Report
- Green Financing Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 External Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Verbund took place from January to April 2023.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyzes companies and countries regarding their environmental and social performance.

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

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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