

A scenic landscape photograph of a mountain valley. In the foreground, a calm lake reflects the surrounding green hills and the misty atmosphere. The middle ground shows steep, grassy slopes leading up to a mountain peak partially shrouded in white mist. The sky is overcast and grey. The overall mood is serene and natural.

VERBUND AG Green & Sustainability- linked Bond Impact Report 2022

Green & Sustainability-linked Bond (2021)

V

Verbund

The power to transform.
Together.

Contents

3 Green finance – a pillar of VERBUND’s sustainability strategy

- 4 An international pioneer in green finance
- 5 About the Green & Sustainability-linked Bond (2021)

6 How VERBUND assumes responsibility

- 7 Corporate responsibility strategy
- 8 VERBUND’s sustainable economic activities
- 10 Commitment to Sustainable Development Goals

11 Green Bond Committee, sustainable KPIs and targets

- 12 Green Bond Committee
- 12 Key performance indicators and sustainability performance targets in the Green Financing Framework

16 Report on the use of proceeds for projects

- 17 Jettenbach-Töging power plant rehabilitation project
- 20 Weinviertel line project
- 22 Reschen Pass project
- 24 Key criteria for the projects in accordance with the Green Financing Framework
- 27 Project-specific contributions to the SDGs
- 27 Project-specific application of the EU taxonomy
- 30 Allocation report
- 32 Reduction and avoidance of greenhouse gas emissions

35 Appendices

- 46 About this Impact Report
- 46 Contact and editorial details

About the Green & Sustainability-linked Bond Impact Report

This second Green & Sustainability-linked Bond Impact Report comes out two years after VERBUND issued its Green & Sustainability-linked Bond in 2021. It will be published annually at verbund.com until the bond matures.

A qualified independent verifier performs an external review each year in accordance with the ICMA reporting standard to reassess the specifications of the VERBUND Green Financing Framework (2021). The annual trend of the two key performance indicators (KPIs) established and the amounts invested in the defined projects are reviewed and verified by an audit firm (limited assurance).

Green finance – a pillar of VERBUND's sustainability strategy

An international pioneer in green finance

Whether it's about issuing the first green bond in the DACH region or launching global innovations such as a digital green Schuldschein, VERBUND has built up a solid track record in a variety of sustainable finance products.

Green bond (2014)

In 2014, VERBUND became the first corporate in the DACH region to issue a green bond (500 million euros, ten-year term). The bond proceeds were used to increase efficiency at hydro-power plants and to build wind power plants in Austria and Germany.

Digital green Schuldschein (2018)

In spring 2018, VERBUND launched a novel financing instrument – the world's first ever digital green Schuldschein. The Schuldschein (100 million euros, ten-year term) was issued as a debut transaction over a fully integrated digital issuing platform. The proceeds were used for the rehabilitation of a section of the high-voltage grid connecting to a hydro-power plant in Austria.

ESG-linked syndicated loan (2018)

In December 2018, VERBUND launched the world's first ESG-linked syndicated loan (500 million euros, five-year term). Its annual margin adjustment is based exclusively on the Group's sustainability score as determined annually by an external ESG rating agency. If the sustainability score deteriorates, the company-specific risk premium rises, and vice versa. A total of six notches upwards and downwards are possible; the margin can change by a maximum of 40%.

This new approach decouples the pricing of the syndicated loan from

the external credit rating. VERBUND's sustainability score has improved in the last four years. This has reduced the interest rate in the pricing grid by two notches, giving VERBUND a clear competitive advantage.

Green & Sustainability-linked Bond (2021)

In March 2021, VERBUND issued a Green & Sustainability-linked Bond (500 million euros, 20-year term). This bond, which is aligned with the EU taxonomy, is another world first in terms of green finance products (see next page).

ESG-linked promissory note loan (2022)

In November 2022, VERBUND supplemented its sustainable financing portfolio by issuing an ESG-linked Schuldschein (500 million euros, three-year or five-year term). The amount, the interest rate and the terms to maturity were customised to meet VERBUND's needs, resulting in two variable-rate tranches with terms of three and five years. The ESG link refers to VERBUND AG's ESG risk management score, which is calculated each year by Sustainalytics, a sustainability rating agency.

This ESG-linked promissory note loan (Schuldscheindarlehen, SSD) is yet another indication of VERBUND's commitment to pursuing a corporate strategy of sustainability. The new SSD has met with great interest across investor groups, as evidenced by VERBUND's overflowing order books. Nearly two-thirds of orders were received from international investors in a reflection of worldwide interest in green financing instruments from VERBUND.

Financing milestones at VERBUND

- First corporate green bond in the DACH region
- World's first digital green Schuldschein
- World's first ESG-linked syndicated loan, whose margin adjustment is based exclusively on the Group's sustainability score
- World's first green & sustainability-linked bond
- ESG-linked promissory note loan (Schuldscheindarlehen, SSD)

About the Green & Sustainability-linked Bond (2021)

VERBUND's Green & Sustainability-linked Bond is a 20-year senior unsecured benchmark-size bond.

Four sustainable components

The bond, which is a world first in green finance products, combines for the first time all four sustainable components of green finance in a single transaction:

- The bond is a conventional, project-specific green “use-of-proceeds” bond.
- The financed projects are aligned with the EU taxonomy.
- The margins depend on achievement of the Group's sustainability goals (“sustainability-linked”).
- There is a strong preference for sustainable investors, who were selected in accordance with a transparency criterion in bookbuilding during the issue.

Expansion of hydropower and the grid

The proceeds raised will be used to finance the modernisation and expansion of a hydropower plant in Germany as well as high-voltage power line projects in Austria. In addition, VERBUND has committed to adding at least 2,000 megawatts (MW) of production capacity for energy from renewable sources (hydropower, wind and solar photovoltaic) and at least 12,000 megavolt-amperes (MVA) of transformer capacity. The latter is necessary for feeding renewable electricity into the high-voltage grid.

Link to sustainable development goals

Both of these objectives are very ambitious for the energy industry. If one of these objectives is not achieved by 31 December 2032, the coupon payments for the remaining term of the bond will increase by 0.25% per year (see the bond terms for more information).

Green & Sustainability-linked Bond

- Issuer: VERBUND AG
- Rating: A3 (stable)/A (stable)
- Principal: 500 million euros
- Term: 20 years
- Coupon rate: 0.9% p.a.
- Issue date: 1 April 2021
- Maturity date: 1 April 2041
- Listing: Luxembourg, Vienna
- Denomination: 100,000 euros

How VERBUND assumes responsibility

Corporate responsibility strategy

VERBUND's corporate responsibility strategy

E = Environment, S = Social, G = Governance



Action areas and sustainability topics

E = Environment, S = Social, G = Governance

E Climate & Environment	S Way of Working	G Good Governance	S Corporate Citizenship
Climate change	Occupational health & safety	Compliance & transparency	Stakeholder engagement
Biodiversity	Attractive employer	Corporate governance	Commitment to society
Resource & energy consumption	Diversity & inclusion	Sustainable supply chain	International commitment
Waste & effluents	Information security & data protection	Green finance	Human rights

As a leading Austrian company, VERBUND is committed to taking responsibility for the environment and society. We are guided by the principle of sustainability in everything we do. Environmental protection and climate change mitigation, conservation of resources and social responsibility govern our corporate actions.

Strategy and action areas

Based on four pillars, the corporate responsibility strategy reflects ESG (environment, social, governance) criteria. It is an integral part of VERBUND's 2030 strategy. The

underlying corporate policy respects environmental limits, ensures efficient use of resources and strives for social equality.

The relevant sustainability topics identified in the materiality analysis have been allocated to the four action areas of the corporate responsibility strategy. Medium-term sustainability goals are set for the Group at this level. VERBUND reports on the progress made each year in its integrated annual report.

Note: Following a "health check" in 2021, VERBUND's 2030 strategy was reduced from originally five pillars (see the [VERBUND Green Financing Framework](#)) to three pillars and its content verified (see also [VERBUND's strategy document](#)).

VERBUND's sustainable economic activities

VERBUND has evaluated and classified its economic activities in terms of their environmental sustainability based on the EU Taxonomy Regulation (2020/852) and the delegated acts.

Disclosures pursuant to Article 8 of the EU Taxonomy Regulation

Based on this Regulation and the previously published delegated act, VERBUND evaluated which of the Group's activities are associated with economic activities that qualify as environmentally sustainable activities.

Note: Because the European Commission has not yet published all of its official guidance material, the wording of the acts and the terminology contained therein are still subject to interpretation. The disclosures are therefore subject to uncertainty in terms of their compliance with the law, meaning that it may still be necessary to amend the estimates made.

In the first step, activities that are listed in the Regulation and classified as generally taxonomy-eligible were identified. Taxonomy eligibility means that the relevant economic activities substantially contribute to at least one of the six EU environmental objectives if they meet defined criteria. However, criteria have only been published for the first two EU environmental objectives, "Climate change mitigation" and "Climate change adaptation". In March 2022, the EU adopted a Complementary Climate Delegated Act covering certain gas and nuclear activities for the energy sector.

Based on the evaluation carried out, these include the following taxonomy-eligible VERBUND activities:

- electricity generation using solar photovoltaic technology;
- electricity generation from wind power;
- electricity generation from hydro-power;
- transmission and distribution of electricity;
- storage of electricity;
- transmission and distribution networks for renewable and low-carbon gases; and
- high-efficiency co-generation of heat/cool and power from fossil gaseous fuels.

VERBUND uses a multi-step process to determine whether activities that have been identified as taxonomy-eligible are also taxonomy-aligned, as well as for collecting and documenting the relevant data. An economic activity can only be reported as taxonomy-aligned if it contributes to at least one of the six environmental objectives set forth in the EU taxonomy. In addition, the activity may not significantly harm any of the other environmental objectives, must meet minimum social safeguards and must comply with technical screening criteria. An economic activity must comply with all criteria in order to be reported as "taxonomy-aligned".

EU environmental objectives

The EU Taxonomy Regulation establishes the following six environmental objectives.

So far, criteria have only been issued for the first two objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

Taxonomy-aligned economic activities: revenue, CAPEX, OPEX

	2022	Revenue relative proportion	2022	CAPEX relative proportion	2022	OPEX relative proportion
Electricity generation using solar photovoltaic technology	19.6	0.2%	1,047.7	46.4%	2.8	1.4%
Electricity generation from wind power	242.6	2.3%	266.0	11.8%	1.6	0.8%
Electricity generation from hydropower	1,601.5	15.5%	160.1	7.1%	93.5	47.9%
Transmission and distribution of electricity (E)	1,810.8	17.5%	410.1	18.2%	35.9	18.4%
Storage of electricity (E)	966.2	9.3%	273.2	12.1%	30.0	15.4%
Transmission and distribution networks for renewable and low-carbon gases	0.0	0.0%	0.1	0.0%	1.7	0.9%
Total for taxonomy-aligned economic activities	4,640.6	44.9%	2,157.3	95.5%	165.4	84.8%
Total for not taxonomy-aligned (or taxonomy-eligible) economic activities	5,705.5	55.1%	101.2	4.5%	29.6	15.2%
Total	10,346.1	100.0%	2,258.5	100.0%	195.0	100.0%

E = enabling activity, unit listed in the columns containing the year, in millions of euros

Result of the calculation of VERBUND's alignment with the EU taxonomy

The proportion of taxonomy-aligned economic activities for the capital expenditure (CAPEX) key performance indicator (KPI) came to 95.5% in 2022 and the figure for the operational expenditure (OPEX) KPI was 86.7%. The proportion for revenue was much lower at 44.9%. This was mainly due to the fact that the revenue generated by the Sales segment, which includes revenue from electricity trading and sales in particular, is not included in the calculation so that it is not counted twice along with revenue from electricity generation.

The largest proportion of the taxonomy-aligned revenue comes from the Hydro segment (economic activities: electricity generation from hydropower and storage of electricity), followed by the Grid segment. The largest proportion of the taxonomy-aligned CAPEX comes from the New renewables segment (economic activities: electricity generation using solar photovoltaic technology and electricity generation from wind power), followed by

the Grid segment (economic activity: transmission and distribution of electricity). The capital expenditure relates to growth CAPEX and maintenance CAPEX. The biggest proportion of the taxonomy-eligible OPEX comes from the Hydro segment, followed by the Grid segment.

Commitment to Sustainable Development Goals

By practising responsible corporate governance, VERBUND contributes to meeting the 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.

Environmentally focused SDGs

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 its corporate vision of “The power to transform”. Generation of electricity from hydropower, wind power and solar energy does not produce any direct greenhouse gas emissions. 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.

Socially focused SDGs

VERBUND is also committed to achieving a positive social impact. The diversity of VERBUND's workforce is a major success factor for the company. VERBUND focuses on having a good gender balance and thus supports SDG 5 “Gender



equality”. The Company has launched several initiatives designed to ensure a balanced workforce. One of those initiatives 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 people with disabilities as employees, customers and business partners, for which VERBUND is 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 of its 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 physical well-being and mental health (for example sports, vision training, burnout prevention and an internal hotline).

Through its actions, VERBUND contributes to the global goals of the United Nations: the Sustainable Development Goals.

Green Bond Committee, sustainable KPIs and targets

Green Bond Committee

VERBUND follows a transparent process for selecting and evaluating projects to be financed with green finance instruments. Each project for selection is reviewed, evaluated and proposed by representatives of the Green Bond Committee and approved by the Executive Board.

If a financed green project is sold, discontinued, or no longer meets the definition of eligible green projects, it will be replaced by a suitable new project.

The members of VERBUND's Green Bond Committee are Group Finance & Investor Relations, Corporate Responsibility and representatives from the subsidiaries VERBUND Hydro

Power GmbH (VHP), VERBUND Green Power GmbH (VGP) and Austrian Power Grid AG (APG), where the projects are financed. Internal experts on the EU taxonomy are also consulted on specific issues.

The Committee, which met twice in 2022, performs all tasks set out in the VERBUND Green Financing Framework. In addition, the Green Bond Committee regularly discusses new legislative developments regarding the EU Taxonomy Regulation and related delegated acts, as well as their associated implementation in the reporting process, which was also on the agenda of the Committee meetings.

Substantiated project selection

The Green Bond Committee is an essential part of green finance at VERBUND.

Key performance indicators and sustainability performance targets in the Green Financing Framework

VERBUND has undertaken to comply with two key performance indicators (KPIs) set out in the Green Financing Framework (2021). These relate to two key pillars of the business model, namely electricity production and electricity transmission. Specific sustainability performance targets (SPTs) have been defined for the two KPIs.

The 2020 financial year (reporting date: 31 December 2020) has been set as the base year for the review of target

achievement. This is because the Green & Sustainability-linked Bond was issued in spring 2021.

The data underlying the KPIs is based on the Group's own measurements and has not been processed or calculated. The data was verified by an audit firm in a limited assurance engagement.

Definition: KPIs and SPTs

The VERBUND Green Financing Framework defines the following measurement parameters and targets:

- KPIs: general key performance indicators
- SPTs: specific sustainability performance targets

KPI 1: Newly installed production capacity for hydropower, wind power and solar photovoltaic energy

VERBUND has set itself ambitious targets for increasing renewable electricity generation to ensure the required supply is available to support the planned transition to a lower-carbon economy. KPI 1 in the Green Financing Framework means newly installed production capacity from hydropower, wind power and solar photovoltaic energy. An additional 2,000 MW is to be installed by 31 December 2032 (SPT 1).

Availability of reliable, low-carbon electricity is key to the overall effort to decarbonise the economy. Demand for green electricity is expected to rise as companies currently reliant on fossil fuels increasingly seek to meet their energy needs through renewable electrical energy.

This implies a rate of change (increase) in generation capacity that exceeds the forecast regional rate of capacity installation, matched to the type of renewable energy technology (hydro, onshore wind or solar PV). The information below relates to VERBUND AG and its subsidiaries.

SPT 1: Target achievement

	2020	2021	2022
Newly installed net production capacity (in MW)		43	345
Total installed production capacity (in MW)	8,692*	8,735	9,080
Target achievement (2,000 MW = 100%, in %)	0.0	2.2	19.4

“Newly installed net production capacity” is set out in the technical specifications for the relevant plant and is reviewed and approved upon final acceptance. The sum of all newly installed plants and facilities already in operation equals the “Total installed production capacity” (in the case of partner projects, VERBUND’s share is included).

The newly installed net production capacity of 345 MW in 2022 is comprised of hydropower (110 MW), wind power (50 MW) and solar photovoltaic energy (185 MW).

KPI 2: Additional transformer capacity

Austrian Power Grid AG (APG), a wholly owned subsidiary of VERBUND AG, is responsible for ensuring a sustainable supply of electricity in Austria. The greatest challenge in the coming years will be getting renewable energy to the grid and thus bringing Austria closer to achieving its climate targets. This will require massive expansion of transformer capacity as the necessary link between the transmission grid and the downstream networks, as well as reinforcement of the existing line infrastructure.

KPI 2 in the Green Financing Framework therefore entails building up additional transformer capacity to facilitate interaction within the power grids and integrate renewable energy generation. An additional 12,000 MVA is to be installed by 31 December 2032 (SPT 2).

The installation of 12,000 MVA will increase transformer capacity by 39%. This represents an ambitious growth target in comparison with installation trends reported by selected sector peers. The installation will be implemented by our subsidiary APG (please refer to the Green Financing Framework for details).

Sustainability performance

Target 1

- **Objective:** establishment of newly installed renewables capacity of 2,000 MW from hydropower, wind power and solar photovoltaic energy
- **Baseline** (31 December 2020): 8,692* MW (verified by the audit firm on 28 March 2022)
- **Target volume** (31 December 2032): 10,692 MW
- **Review basis:** installed power plant capacity of VERBUND (including consolidated subsidiaries)
- **Calculation method:** presentation of the new contractually agreed rated power output in MW for the relevant year as newly installed generation capacity

Target 2

- **Objective:** installation of additional transformer capacity of 12,000 MVA
- **Baseline** (31 December 2020): 30,810 MVA (verified by the audit firm on 22 and 28 March 2022)
- **Target volume** (31 December 2032): 42,810 MVA
- **Review basis:** additional transformer capacity of VERBUND (including the subsidiary APG)
- **Calculation method:** presentation of the additional transformer capacity in MVA for the relevant year (from commissioning)**

* adjusted figure taken from the 2021 Integrated Annual Report rather than the originally assumed figure published in the 2020 Integrated Annual Report

** The additional transformer capacity will facilitate integration of renewable energy generation into the power grid. This conforms to the definition of transformer capacity in Article 2 No. 1 of Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast).

SPT 2: Target achievement

	2020	2021	2022
New net transformer capacity (in MVA)		1,150	1,670
Total transformer capacity (in MVA)	30,810	31,960	33,630
Target achievement (12,000 MVA = 100%, in %)	0.0	9.6	23.5

“New net transformer capacity” is defined in the technical specifications for the relevant transformer. It is reviewed and approved upon plant acceptance. This capacity can be made available to the grid on a permanent basis. The sum of all newly installed transformers connected to the grid and in operation equals the “Total transformer capacity”. Based on the initial figure of 30,810 MVA as at 31 December 2020, APG has committed to installing an additional 12,000 MVA in additional transformer capacity by 31 December 2032.

The Weinviertel line was put into operation in 2022. The Reschen Pass project is still in the construction phase and has not been included in the target achievement for 2022. The total

estimated additional transformer capacity of these projects being financed with the Green & Sustainability-linked Bond is 2,080 MVA (Weinviertel line: 1,150 MVA, Reschen Pass: 930 MVA).

An additional 1,670 MVA in transformer capacity (cumulative 33,630 MVA) was procured and verified by the auditor in the 2022 financial year. That figure indicates the maximum capacity that is available to the grid.

According to plant statistics from APG, a total of 33,310 MVA in transformer capacity was connected to the grid as of the 31 December 2022 reporting date, an increase of 1,350 MVA over the 2021 figure. The delta measurement of 320 MVA was attributable to purchases of reserve transformer capacity.

Risk factors for target achievement

Achievement of the two SPTs depends on a variety of factors. Key factors that may adversely impact on VERBUND’s ability to meet SPTs or may serve to support its efforts to achieve SPTs are detailed below. Further risk issues are set out in the bond offering documentation (see “Risk Factors”).

Factors which may adversely impact on VERBUND’s ability to meet SPTs

Category	Description
Permitting	VERBUND may not be successful in securing the planning permissions and associated permits required to proceed with renewables infrastructure projects.
Competition	VERBUND faces increased competition from both sector peers and non-sector peers for access to renewable energy projects. Such competition may impact on VERBUND’s ability to secure participation in renewables projects on acceptable terms.
Electricity prices	Changes to the power price outlook (including demand projections) may negatively impact on the anticipated economics of projects, reducing the strength of the case for proceeding.
Grid integration – technical challenges	Failure to manage technical challenges associated with increased penetration of intermittent power supplies may result in regulatory intervention, which may constrain the opportunity for renewables.
Equipment availability and supplies	VERBUND is reliant on suppliers of the necessary renewable energy generation equipment to progress its plans to increase renewable energy generation and transformer capacity. Such equipment must be procurable at acceptable conditions.
Business combinations	VERBUND may seek to engage in business combinations in order to secure access to project development opportunities in the field of renewables. Failure to consummate such business combination efforts may adversely impact on VERBUND’s ability to implement projects.

Factors which may serve to support VERBUND's efforts to achieve SPTs

Category	Description
Regulatory	EU and/or national regulatory developments and policy mechanisms (in particular financial support mechanisms) which favour renewable energy generation.
Electricity prices	National/regional power price outlook – firmer pricing outlook generally improves the economic case for capacity expansion.
Commodity prices/labour costs	Reduced global cost of commodities and materials used in renewable energy infrastructure (e.g. steel, cement, silicone) and reduced labour costs in the construction industry may improve the economic case for renewable energy projects. Increased cost of carbon (e.g. European Union Allowances, EUAs) may serve to improve the economics of renewable energy versus alternative generation technologies, incentivising the development of increased renewable energy capacity.
Technology	Advancements in renewable energy generation technology may serve to reduce costs and improve the economics of renewables, incentivising the progress of projects.

At the present time, there are no circumstances requiring the SPTs from the Green Financing Framework (2021) to be recalculated.

Adjustment of the financial characteristics of the bond

In the event that VERBUND does not achieve both of the SPTs set by 31 December 2032 (target observation date), the financial characteristics of the bond will be adjusted in accordance with the mechanism defined for this.*

Failure to meet an SPT will lead to an increase in the coupon margin (a 'step-up' margin) of 25 bps payable by VERBUND from the first coupon payment date following the target observation date, until maturity of the financing instrument in 2041. The increased coupon margin will also be applicable in the following cases:

- if for any reason the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (for example where the relevant assurance statement contains a reservation or qualification, or where the independent auditor is not in a position to provide such an assurance statement); and

- if for any reason VERBUND does not publish details of its performance against the relevant SPT.

However, if the specified SPTs have been met, and the specified reporting and verification have been made public, the financial characteristics of the Green & Sustainability-linked Bond will remain unchanged.

VERBUND will provide data and information relevant to the degree of target achievement annually. An independent assurance statement by a qualified audit firm will be attached as an appendix to the Green & Sustainability-linked Bond Impact Report of VERBUND AG up to and including the target observation date. This assurance (review of target achievement for KPIs and SPTs) is currently provided by Deloitte, which means the provider selected for the purposes of providing external assurance is different to the provider selected for the purposes of offering a Second Party Opinion on the Green Financing Framework.

* See the Final Terms of the Green & Sustainability-linked Bond (2021).

Report on the use of proceeds for projects

Potentially eligible green projects comply with local laws and requirements, including the applicable environmental requirements and the VERBUND standards for the management of ethical and governance risks.

The following three projects to be financed from the proceeds were either still under construction in 2022 or had already been completed.

Jettenbach-Töging power plant rehabilitation project



Töging hydropower plant: the new building for the Töging powerhouse (centre) with the existing installation in the background on the right (8 August 2022)

The rehabilitation of the Jettenbach-Töging power plant has positioned one of the oldest run-of-river power plants on the Inn river for future success. Plant production capacity will rise by nearly a quarter.

Background

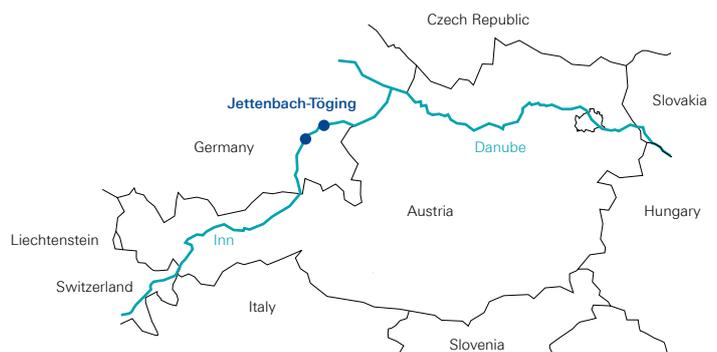
The Töging hydropower plant in Bavaria was the first large-scale run-of-river power plant to be built on the Inn river. It came on stream in 1924. Constructed under difficult conditions right after World War I, it was the largest power plant site in Central Europe. The existing power plant had a capacity of 85 MW and generated around 565 gigawatt hours (GWh) of electricity per year. It comprised the Jettenbach weir, the 23 km-long diversion channel and the actual Töging power plant with a total of 15 Francis turbines.

The channel was extensively refurbished in 2003 and a fish ladder built to ensure fish passability. In addition, the Jettenbach power plant was built at the Jettenbach weir.

Due to environmental requirements, this plant generates electricity from the volume of water remaining in the old Inn river bed. The Bavarian State Office for Monument Protection classified the Jettenbach weir and the powerhouse in Töging as protected buildings due to their historical significance.

Jettenbach-Töging power plant rehabilitation project

- **Region:** Bavaria (Germany)
- **Project:** modernisation and expansion
- **Start of construction:** 2018
- **Commissioning:** 2022
- **Additional capacity:** + 32.4 MW (+38%)
- **Additional generation:*** + 139 GWh (+ 25%)



* calculated on the basis of mean energy capability which describes the average generation potential of a hydro-power plant based on the historical water supply

Project overview

Due to the age of the plant and foreseeable major maintenance work, continued operation of the Töging power plant was considered from 2011 onwards. The renovation of the diversion channel provided potential for increasing efficiency. Based on an analysis of variants, a project for modernising and expanding the Jettenbach-Töging power plant was developed, comprising the following parts:

- construction of a new powerhouse in Töging with three Kaplan turbines to increase the flow rate and capacity (the landmarked existing powerhouse was retained, with the new building being integrated into the existing one);
- construction of a new weir in Jettenbach and raising of the water level by 50 cm;
- adjustment of the diversion channel to the higher water level, i.e. the higher flow rate; and
- improvement of flood protection.

Comprehensive ecological measures were implemented to minimise the environmental impact. The measures were described in the application documents for the approval process and were the subject of the planning approval notice. They included, for example:

- gravel banks and new water bodies as new spawn and fish habitats;
- additional fish bypasses to supplement the existing fish ladder; and
- structural and hydromorphological improvements: development of meadows on the banks to promote biodiversity, creation of new calcareous grassland and wetlands (total of 20 hectares), new habitats for reptiles.

Facts about the Jettenbach-Töging project

	Currently	After modernisation	Difference	(in %)
Discharge capacity	340 m³/s	410 m³/s	+ 70 m³/s	+ 21
Head	30.5 m	31.0 m	+ 0.5 m	+ 1.6
Production capacity	85.3 MW	117.7 MW	+ 32.4 MW	+ 38
Generation capacity	565 GWh	696 GWh	+ 139 GWh	+ 25



Current project status

The former powerhouse was decommissioned on 21 September 2021. After decommissioning, the work to connect the new powerhouse to the headrace channel was carried out. The work was completed on schedule on 31 January 2022, upon which work to commission the three generator sets commenced. The generator sets were synchronised with the grid one after the other, starting with the first generator set on 22 February 2022. Following a successful trial run of the third generator set on 17 June 2022, all three generator sets were put into operation. This was followed by handover to the operations team, which had already been involved in the planning and installation phase.

With regard to the Jettenbach weir, all assembly and commissioning work was likewise completed on schedule and the weir was able to fulfil its function as an impoundment facility starting in April 2022. The old weir was subsequently demolished. On 30 September 2022, the new weir was officially commissioned in the presence of Markus Söder, Bavarian Minister-President, and Thorsten Glauber, Bavarian State Minister in the Ministry for the Environment and Consumer Protection.



Ceremonial commissioning: Bavarian Minister-President Markus Söder inaugurates the expanded Jettenbach-Töging hydropower plant together with the VERBUND Executive Board (left)



A proud team: the management of VERBUND Innkraftwerke GmbH and the people behind the project celebrate successful project execution

The main project was completed on schedule at the end of 2022. The follow-up residual work – particularly the ecological compensation measures – will be carried out in 2023.

The rehabilitated Jettenbach-Töging hydropower plant generated a total of 471 GWh in 2022. For comparison, the theoretical generation of the former plant for 2022 was estimated at approximately 487 GWh based on the actual water supply. The discrepancy of 16 GWh is within the margin of error for the estimate.

The following aspects should also be taken into account:

- Based on the stage of construction, the power plant was not in operation at the start of the year. Generation capacity of the upgraded plant was gradually ramped up, and the first generator set was synchronised with the power grid on 22 February 2022.
- Planned shutdowns of certain systems took place in August and September 2022 to permit work on the generator sets.

- The water level was not raised to meet the higher water level target (+ 50 centimetres) until October 2022 due to the demolition work that was still ongoing at the old Jettenbach weir until that time.

This meant that the plant reached project-compliant status in October 2022. Actual generation in the months from October to December 2022 exceeded the figure calculated for theoretical generation of the old plant by approximately 20%.

Milestones

2013

Completion of feasibility study

January 2014

Start of preliminary project (planning)

October 2015

Submission of application documents

June/July 2016

Public participation

March 2018

Public hearing

September 2018

Investment decision

October 2018

Start of construction work

Mid-2022

Start of commercial operation

End of 2022

Finishing works (e.g. recultivation)

2023

Work on environmental compensation measures

Weinviertel line project



APG's new Weinviertel line will ensure a sustainable grid connection, thus assuring energy security for the region. The line will transport electricity generated from wind power in the Weinviertel region across Austria for use wherever it is needed.

Originally operated by APG, the Weinviertel line (220-kV overhead power line) was commissioned in 1958. The power line ran from Bisamberg in Lower Austria to the Czech border at Sokolnice. The former Weinviertel line has meanwhile been replaced by a new, higher-capacity power line in order to sustain the region's grid connection and provide energy security.

Background

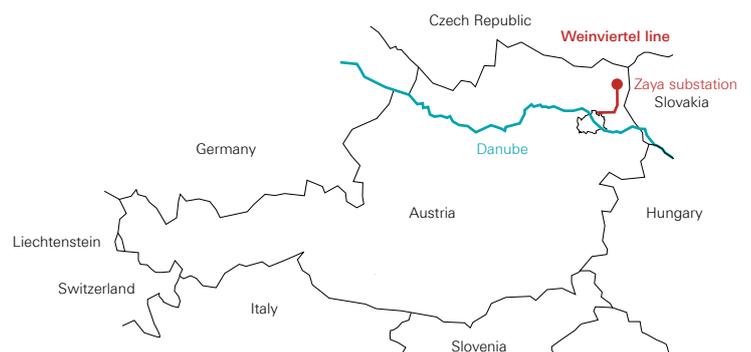
The original 220-kV overhead power line was located in the east of the Weinviertel region. Here, electricity generation from renewables – especially wind power – is being significantly expanded. What is more, the region has corresponding potential for additional photovoltaic installations.

The former line capacity was insufficient to connect the wind

farms planned in the Weinviertel region to the grid. The 220-kV line was thus unable to meet projected future requirements. Moreover, it also needed an extensive overhaul due to its age and condition.

Weinviertel line project

- **Region:** Lower Austria
- **Project:** construction of new line and substation
- **Start of construction:** 2019
- **Commissioning:** July 2022
- **Line capacity:** 380/220 kV
- **Line length:** 63 km





The new Weinviertel line comprises 202 pylons, each of which is around 60 metres high.



A new substation in Neusiedl an der Zaya was also built as part of the project.

Project overview

The steady expansion of renewable energy in the eastern Weinviertel region means that the regional transmission grid infrastructure needs to be upgraded in order to meet demand. APG's new Weinviertel line (replacement) was planned and built to that end. The line was routed as a 380-kV line from Seyring to the Zaya substation, another new construction. From the Zaya substation, new connections were made to the 110-kV grid in Lower Austria as well as to a 220-kV line extending to the Czech border.

This project has increased transmission capacity in the Weinviertel region. It allows the planned wind power plants and other facilities for renewable electricity generation (for example, photovoltaic installations) to be connected to the grid, i.e. gives them grid access. This approach is in the spirit of the Austrian and European climate and energy strategy as well as the Renewable Energy Development Act (EAG). What is more, the network reinforcement will enable the anticipated rise in consumption to be covered and the security and quality of supply in the Weinviertel region to be increased.

APG is investing some 200 million euros in executing the Weinviertel line project. Thanks to an optimised route corridor, the new Weinviertel line has 53 fewer pylons and 15 km less cable than the former line and puts less of a burden on environmentally sensitive areas (ESAs).

Current project status

Both the Weinviertel line and the Zaya substation went online in the summer of 2022. The original 220-kV line running from Bisamberg to the national border will be dismantled by spring 2023.

Milestones

March 2019
Construction decision
July 2019
Start of construction
July 2022
Commissioning of the Weinviertel line and the Zaya substation
March 2023
Final dismantling of the 220-kV line

Reschen Pass project



In the future, a connecting line will run from APG's new substation in Nauders, Tyrol, to Italy.

APG's connecting line between the Austrian and the Italian power grids currently runs from Lienz to Soverzene. An additional new interconnector is now being built from Tyrol to Lombardy in order to expand electricity transmission capacity.

Background

The existing interconnector is no longer able to handle the requirements of today's European electricity market. Increasing volumes of clean electricity from hydropower are being generated in Austria's western Alpine region – mainly with pumped storage power plants. Add to this the further expansion of energy from wind power in Northern Europe and the developments in the market in Italy, where renewable sources of energy are likewise being expanded on a large scale. These changing conditions require higher capacities from the power lines between Italy and Austria.

By establishing a new connection from Nauders in Tyrol to Premadio in Lombardy, APG and Trasmisione Elettricità Rete Nazionale (TERNA) are creating another interconnector between their transmission networks with greater capacity. In connection with the project, new support for the medium-voltage grid is also planned for the distribution network of Tiroler Netze GmbH (TINETZ) in the Nauders area. This will improve security of supply at a local level.

Reschen Pass project

- **Region:** Austrian-Italian border
- **Project:** construction of a new interconnector
- **Start of construction:** 2020
- **Planned commissioning:** end of 2023
- **Line capacity:** 220 kV
- **Line length:** 1.3 km





Well on schedule: project elements such as the transformer foundations and building structures have already been completed.

Project overview

The project entails construction of the 380-/220-kV Nauders substation, including a phase-shifting transformer (220/220 kV) and a 220-kV cable connection to the national border at the Reschen Pass, i.e. to Italy. The existing 380-kV line between West Tyrol and Pradella in Switzerland in the region where Austria borders Switzerland and Italy serves as the connection point for the substation. On the Italian side, the Lombardy region will be included in TERNÀ's existing 220-kV grid at the Glorenza (Glurns) substation.

The expansion of international interconnectors will greatly improve security of supply and honour European interests in market development. The additional interconnection capacity between Austria and Italy will have a positive impact on the related electricity markets and on market integration. Furthermore, boosting the power grid of TINETZ will substantially increase regional security of supply in the distribution network. The Reschen Pass project will ensure adequate capacity to Italy for the period in which the 220-kV line between Lienz and Soverzene is undergoing the necessary complete overhaul.

Current project status

Construction preparations for the Reschen Pass project got underway in summer 2020. The first construction phase was completed by quarter 2/2021. This entailed construction of the two dead-end towers and the construction preparation measures such as excavations, bored piling, soil compaction, water retention measures and application of shotcrete.

The second construction phase and most of the purchase orders – for example for construction, primary technology and secondary technology – commenced in parallel in quarter 1/2021, and installation of the 220-kV cable system to Italy started in late 2021. The shell of the building structures and the transformer foundations were largely completed in 2021.

In 2022, the building structures were completed and the main control transformers, phase shifters and throttles were delivered. Work to assemble the 220-kV and 380-kV GIS switching stations also commenced. The project is going according to plan. Commissioning is expected to take place in quarter 4/2023.

Milestones

August 2020

Start of preparations for construction

March 2021

Start of construction phase 2

June 2022

Completion of building structure

June 2023

Completion of GIS facilities

September 2023

Completion of construction

December 2023

Planned commissioning

Key criteria for the projects in accordance with the Green Financing Framework

The VERBUND Green Financing Framework (2021) defined environmental management, working conditions during construction and maintenance, and stakeholder management as key sustainability criteria for projects. How these criteria are implemented in the individual projects is described below.

In order to systematically anchor the concept of sustainability within the Group, VERBUND has implemented a corporate responsibility management system in accordance with the requirements of ONR 192500 (Social Responsibility of Organisations) and had it certified by Quality Austria. ONR 192500 is the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility.

Criteria for the Jettenbach-Töging project

Work on the Jettenbach-Töging power plant is in line with the project-related, statutory and voluntary environmental and sustainability standards of the International Finance Corporation (IFC) Performance Standards (1–8). VERBUND demonstrated compliance with the requirements by means of a study as well as references – for example to environmental impact statements and assessments, internal guidelines or laws – and a review by MSCI yielded a positive outcome. The Green & Sustainability-linked Bond was included in the Bloomberg Barclays MSCI Green Bond Index in 2021. This is a key quality criterion for the project and the bond.

Environmental management

After commissioning, the renovated Jettenbach-Töging power plant will be incorporated into the existing Inn River power plant group operated by VERBUND Innkraftwerke. This also entails integration into the environmental management system certified to ISO 14001:2015 that has been in place since 2013.

The implemented management systems cover both social and environmental topics to the required extent. These include environmental policy, identification of risks and impacts, management programmes, organisational capacity and expertise, emergency preparedness and response, stakeholder engagement, as well as monitoring and review.

Working conditions during construction and maintenance

For the Jettenbach-Töging project, very high standards are required to be met in terms of the working conditions during construction and maintenance. These conform to the legal environment in the EU and Germany. Occupational health and safety has reached a high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. Starting from a very high level, occupational safety has been improved further with the “We Live Safety” project.

Before construction even started, a planning coordinator was appointed and a safety and hazard protection plan drawn up, which the companies contracted are required to follow. The plan is monitored by an external construction site coordinator. The legal requirements and the guidelines and

Sustainability criteria for projects at VERBUND

- Environmental management
- Working conditions during construction and maintenance
- Stakeholder management

regulations of the occupational health and safety agency as amended are applied and complied with.

This is also the case for operation of the completed power plant, which commenced in 2022. The plant is not manned outside regular working hours because the entire facility is operated and monitored remotely. Sanitary and social facilities, first aid facilities, artificial lighting, heating, air conditioning and ventilation, escape routes and fire protection facilities are provided for the operating staff. Maintenance and repairs are performed exclusively by trained, expert staff.

Stakeholder management

Involving stakeholders during the planning and construction phases of a power plant is crucial. This took place early on in the project based on a stakeholder analysis. Stakeholders include residents and people who are directly affected, local authorities (mayors and district and city councillors), associations (e.g. for fisheries), nature conservation societies, interest groups and emergency services organisations (fire brigade, water rescue services).

Integrating communities and local residents right from the start of the process is key to a project's successful implementation. Shortly after the project team was put together, the project was presented at a public briefing, which meant that information was available from the outset to expert partners in the fields of project management, operations, legal affairs and ecology.



Well-attended: the Open Day held at the new Töging powerhouse on 1 October 2022 gave the many visitors the opportunity to form their own impression of the project.

Communication with stakeholders also took the following forms:

- regular briefings for district and city councillors and mayors;
- informational events in the affected communities of Töging, Jettenbach and Waldkraiburg;
- opportunities for direct communication over the hotline and by e-mail;
- regular project consultations;
- sending out specific project updates in different phases of the project;
- coordination meetings with emergency services organisations (fire brigade, water rescue services);
- regular briefings for relevant associations (fisheries, nature conservation, boaters, etc.);
- separate project website on the VERBUND website; and
- regular briefings for the local media.

An Open Day was held on 1 October 2022 as part of the official inauguration. This gave the local population a chance to gain an impression of the new powerhouse.

Criteria for the Weinviertel line and Reschen Pass projects

Environmental management and working conditions during construction and maintenance

All of APG's sites and power lines are certified under the ISO 14001 (international environmental management systems), ISO 9001 (international quality management systems), ISO 45001 (safety and health management systems) and ISO 27001 (information security management) standards as amended. Annual internal and external audits of the integrated management system (IMS) contribute to a continuous process of improvement in all areas and provide valuable guidance on optimising processes. The certified management system also increases organisational stability and legal certainty in the Group and raises awareness.

In 2021, SystemZert verified the recertification of the integrated management system and the successful switch from OHSAS 18001 to ISO 45001. The information security management system (ISMS) was reviewed by Certification & Information Security Services (CIS). APG reviewed the entire management system with respect to its conformity with the prevailing standard. The audits found high levels of acceptance and engagement at APG with respect to the specifications of the IMS. Employees are exceedingly conscious of risk and opportunity, and the internal control mechanisms are very well established. All certificates in the areas of environment, quality, safety, health and information security were reissued.

In addition, APG developed the concept for sustainable route management over 20 years ago. The concept lays down internal environmental protection guidelines for the maintenance and repair of power lines. When required maintenance work is being planned, consideration is given to the breeding periods of animals and the

growing season for their food. The maintenance work itself is carried out – with the assistance of experts – making particular efforts to protect flora and fauna along line routes. APG also continually implements additional measures to support the development of endangered animal and plant species.

Occupational safety and compliance with all statutory provisions on employee protection is vital on APG's construction sites. Corresponding provisions can be found in the documents entitled "General terms and conditions of purchase orders for the main and ancillary construction trades and building services" (ABB-Bau) and "General commercial and administrative terms and conditions of purchase orders for the main and ancillary construction trades and building services" (KAB-Bau) (in German only). These terms and conditions are an integral part of orders.

Stakeholder management

Active communication with stakeholders is anchored in APG's corporate strategy. In all projects, APG thoroughly analyses the varied demands and needs of the stakeholder groups involved.

Implementation of this strategy is manifested in personal discussions with community representatives, landowners and other stakeholders. In addition to project updates being provided, measures planned in connection with the projects have been implemented. APG aims to handle future approval processes for major projects in the same spirit of constructive cooperation as well as quickly and efficiently. All concerns must be handled with sensitivity, transparency and a sense of responsibility. APG will apply these guiding principles as part of its responsibility for supplying power in Austria.

Project-specific contributions to the SDGs

Based on the sustainability quality assessment of the Green Bond selection criteria, each of the projects to be financed supports the following SDGs to a significant extent:

- Jettenbach-Töging project (hydro-power): SDG 7 “Affordable and clean energy”, SDG 13 “Climate action”;
- Weinviertel line project (grid infrastructure): SDG 7 “Affordable and clean energy”, SDG 13 “Climate action”; and
- Reschen Pass project (grid infrastructure): SDG 7 “Affordable and clean energy”, SDG 13 “Climate action”.



Project-specific application of the EU taxonomy

Alignment of the projects to be financed with the EU taxonomy

A key tenet of the VERBUND Green Financing Framework is that all hydro-power and grid infrastructure projects financed with the proceeds from the Green & Sustainability-linked Bond must be aligned with the EU taxonomy. In March 2021, the sustainability rating agency ISS ESG monitored the conformity of VERBUND’s due diligence processes for each project category with the draft of the delegated act (November 2020). The projects were assessed as aligned with the November 2020 version of the EU taxonomy on a best-effort basis.

Minimum social safeguards

VERBUND has introduced effective processes to ensure adherence to the minimum social standards laid out in Article 18 of the EU Taxonomy Regulation in the relevant divisions. In so doing, the Company based its

requirements for meeting minimum social safeguards on the OECD Due Diligence Guidance for Responsible Business Conduct in particular.

The OECD Guidance presents six recommendations, including practical support, 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;
6. provide for or cooperate in remediation when appropriate.

How these steps are executed at VERBUND is described below.

VERBUND's codes of conduct

The VERBUND Code of Conduct for Sustainable Business Practices forms the basis for responsible business conduct with the aim of meeting all legal, contractual, ethical and voluntary requirements. In the Code of Conduct, VERBUND commits to respecting human rights, adhering to labour standards, contributing to environmental and climate protection, fighting corruption, promoting fair competition and complying with tax regulations.

The Code of Conduct applies to all executives and employees. It supports them in making decisions and taking action in their everyday working lives in their dealings with colleagues, customers, suppliers, local residents and all other stakeholders. The Code uses examples to describe issues, offers detailed definitions and refers to additional policies, information and internal guidelines such as the Group guideline entitled "Human rights due diligence".

VERBUND also ensures that its suppliers and business partners uphold the aforementioned principles by way of its Supplier Code of Conduct (SCoC).

Corporate responsibility management system

In order to embed responsible business conduct into its policies and management systems, VERBUND has implemented a corporate responsibility (CR) management system in accordance with the requirements of ONR 192500 (Social Responsibility of Organisations). ONR 192500 is the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility. It deals with the following core topics:

- organisational governance;
- human rights;
- labour practices;
- the environment;
- fair operating and business practices;
- consumer issues; and
- community involvement and development.

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 in VERBUND's integrated annual report. 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. Where issues are identified, corrective action is taken to ensure continuous improvement of the CR management system and the underlying targets.

To meet unbundling requirements, grid operators APG and Gas Connect Austria GmbH (GCA) have established independent, integrated systems for managing issues related to sustainability, the environment, safety and security, and occupational health and drafted the corresponding codes and guidelines.

Ongoing analysis of hotspots

The positive and negative impacts of business activities on the environment and society are identified, analysed and periodically updated in the context of a materiality analysis. Sustainability risks in the supply chain are identified and assessed through regular hotspot analyses. Information is also culled from recognised external sources such as the Business and Human Rights Resource Center.

VERBUND most recently updated its hotspot analysis in financial year 2022. Risk mitigation measures and processes were derived from the analysis and integrated into the regulatory system and into contracts with business partners. Implementation and results are tracked in connection with the CR management system described.

Group-wide whistleblower system

The Group-wide whistleblower system plays a key role in ensuring that due diligence requirements are met. In 2022, the system was updated to include an option to submit reports electronically via the verbund.integrityline.com platform. The VERBUND integrity line also permits third parties – for example employees of business partners – to submit reports simply and securely, including anonymous reports. All reports are treated in confidence, independently and objectively, with special attention being paid to data protection and personal privacy for both the whistleblowers and the subjects of the reports.

Allocation report

An amount equal to the net proceeds from the bond issue will be used exclusively to finance, in full or in part, projects in the renewable energy category and related grid infrastructure. The projects financed from the Green & Sustainability-linked Bond (2021) will be evaluated and selected on the basis of the VERBUND Green Financing Framework.

VERBUND will use the net proceeds from this bond on a project basis. The Group intends to use all of the net proceeds within three years before (from 1 January 2018) and three years after (until 31 December 2024) the issue date. VERBUND will report annually on the allocation of the net proceeds until all of the net proceeds have been allocated.

The allocation of funds from the issue of the Green & Sustainability-linked Bond as at 31 December 2022 is shown on the next page. The table also contains an overview of VERBUND's first Green Bond (2014). This data is only provided for the sake of completeness, to provide a view of all the Group's green bonds.

Status of the investments

The investments made as at 31 December 2022 using funds raised from the Green & Sustainability-linked Bond (2021) amount to 452.3 million euros. This corresponds to 90.5% of the total proceeds. The allocations made have been reviewed and verified by the audit firm Deloitte for specific projects as follows:

- investments made between 1 January 2018 and 31 December 2022; and
- investments made between 1 January 2022 and 31 December 2022.

Unallocated difference

As at 31 December 2022, there was a difference of 5.4 million euros between the amount to be allocated to the three projects (Jettenbach-Töging, Weinviertel line and Reschen Pass) and the proceeds raised from the bond issue. This amount will be used, for example, to cover any increase in investment costs for the three projects or to finance a sub-project of the fourth designated project (Salzburg line).

The amount of 47.7 million euros from the bond that has not yet been used for the defined projects as at 31 December 2022 will be 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. No money has been used to refinance other projects.

Allocation of funds from VERBUND's green bonds

Green Bond 2014–2024*

ISIN code: XS1140300663, volume: 500.0 million euros, term: 10 years, coupon rate: 1.5% p.a.

Project name & type of project	SDGs	Planned total project costs (€m)	Possible amount allocated from the green bond*** (€m)	Share of possible amount allocated in total project costs (%)	Planned amount allocated from the green bond*** (€m)	Amount allocated from the green bond in the reporting period*** (€m)	Accumulated amount allocated from the green bond to date (€m)	Share of planned amount allocated to date (%)
Ybbs (A) Hydro Increase in energy efficiency	7 & 13	144.0	31.0	21.5	31.0	Fully allocated	31.0	100.0
Reißeck II (A) Hydro New construction	7 & 13	385.0	359.0	93.2	180.2	Fully allocated	180.2	100.0
Lower Austria (A) Wind New construction	7 & 13	93.5	93.5	100.0	83.5	Fully allocated	83.5	100.0
Hunsrück (D) Wind New construction	7 & 13	205.3	205.3	100.0	205.3	Fully allocated	205.3	100.0
		827.8	688.8		500.0		500.0	100.0

Green & Sustainability-linked Bond 2021–2041**

ISIN code: XS2320746394, volume: 500.0 million euros, term: 20 years, coupon rate: 0.9% p.a.

Project name & type of project	SDGs	Planned total project costs (€m)	Possible amount allocated from the green bond*** (€m)	Share of possible amount allocated in total project costs (%)	Planned amount allocated from the green bond*** (€m)	Amount allocated from the green bond in the reporting period*** (€m)	Accumulated amount allocated from the green bond to date (€m)	Share of planned amount allocated to date (%)
Jettenbach-Töging (D) Hydro Increase in energy efficiency (rehabilitation)	7 & 13	254.1	254.1	100.0	254.1	53.5	252.5	99.4
Weinviertel line (A) Grid New construction	7 & 13	164.7	149.8	91.0	149.8	20.1	140.6	93.9
Reschen Pass (A) Grid New construction	7 & 13	91.6	90.7	99.0	90.7	33.3	59.2	65.3
		510.4	494.6		494.6	106.9	452.3	90.5

* based on the VERBUND Green Bond Framework 2014

** based on the VERBUND Green Bond Framework 2021

*** eligible period: +/-3 years from date of issue

**** posted amounts

Reduction and avoidance of greenhouse gas emissions

The energy sector is undergoing a global transformation. Decarbonisation, the switch from fossil fuels to low-emission energy and curbing global warming are common policy objectives.

Reduction of greenhouse gas emissions and climate targets

VERBUND has already ceased using lignite (2006), oil (2015) and hard coal (2020) as fuel and counts as one of the early movers among electric utilities. The Group is perceived in Austria as being a reliable partner for generating electricity from hydropower, wind power and solar power and for securing supply.

In 2022, 95.6% of the electricity generated by VERBUND came from renewables, mainly from hydropower. The remaining 4.4% came from thermal generation from the state-of-the-art Mellach combined cycle gas turbine power plant in Styria. This plant is necessary to continue to provide and maintain a secure domestic supply. On the one hand, the Mellach power plant is called upon as a grid reserve for the necessary congestion management. On the other, it serves to supply district heating for the greater Graz area. This avoids the use of more pollutant-intensive individual home heating, which significantly improves air quality in the Graz urban area as well as the Graz Basin.

Based on its corporate strategy, VERBUND is seeking to further expand renewable energy in Europe. It is also looking to expand transmission networks and energy storage facilities, focus on research and innovation and further advance innovative, efficient customer solutions. This will give rise to new business models, which in

turn will result in changed calculation methods and, consequently, a new greenhouse gas emission forecast for VERBUND.

The climate targets based on this are as follows: by 2030, direct Scope 1 greenhouse gas emissions are to be reduced relative to 2015 (around 1.8 million tonnes CO₂e) by 16% to around 1.5 million tonnes of CO₂e. VERBUND is aiming to reduce the upstream greenhouse gas emissions from the sale of purchased electricity to consumers by 5% to around 3.5 million tonnes of CO₂e by 2030 compared with base year 2020 (around 3.7 million tonnes of CO₂e), with simultaneous growth.

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. By doing so, the Group is also contributing to the EU-wide objective of reducing greenhouse gas emissions by 55% from 1990 to 2030.

In addition to security of supply, the injection of new renewable energy capacity through grid infrastructure measures is essential. All projects that support the achievement of VERBUND's climate targets are to be implemented with funds raised from green financing instruments wherever possible.

VERBUND's climate targets

- **Scope 1:** 16% reduction in Scope 1 emissions (direct greenhouse gases) by 2030 (base year: 2015)
- **Scope 3:** 5% reduction in Scope 3 emissions (upstream greenhouse gas emissions from the sale of purchased electricity to consumers) by 2030 (base year: 2020)



For a future worth living: VERBUND is pursuing ambitious climate targets.

Avoidance of greenhouse gas emissions in electricity generation

Avoided emissions related to renewable power projects are the reduction in emissions of the financed project compared to what would have been emitted in the absence of the project (the baseline emissions). They are calculated based on the Greenhouse Gas Protocol (GHG Protocol) for Project Finance and are a separate category to the calculation of absolute emissions based on the GHG Protocol for Corporate Accounting according to the PCAF Global Standard for calculating avoided emissions.

For calculating avoided emissions from the Jettenbach-Töging project for power generation, the “operating margin” (OM) emission factor is used. The OM emission factor is based on the existing fossil fuel power plants in a country/region whose operation will be most affected (reduced) by the project, i.e. it represents the generation from the power plants with the highest variable operating costs in the

economic merit order dispatch of the electricity system.

The OM emission 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 country-level factor given in this publication in the column “Operating Margin Grid Emission Factor, g CO₂/kWh (including for use in PCAF GHG accounting)” for Germany is 650 g CO₂/kWh. The emission factor is multiplied by the figure representing the additional amount of electricity generated per annum after completion of the Jettenbach-Töging project to give the theoretical emission avoidance in tonnes of CO₂ per GWh.

Because the construction phase lasted until September, no additional electricity was generated compared with the theoretical generation of the former plant for 2022; thus there were no avoided emissions. The calculation indicated that in 2023 (the first full year of operation) and in the

following years, avoided emissions will result from the additional electricity generated by the modernised Jettenbach-Töging hydropower plant compared with the theoretical generation of the former plant thanks to better efficiency.

Avoidance of greenhouse gas emissions in the transmission grid

To calculate avoided greenhouse gas emissions at a project level, APG uses the method developed by the European Network of Transmission System Operators for Electricity (ENTSO-E). The basis for this is taken from the published project papers from the European Ten-Year Network Development Plan (TYNDP).

The TYNDP Guideline for Cost Benefit Analysis (CBA) includes principles and general guidance for assessing project benefits at the European level. They are formulated in such a way that the implementing entity (ENTSO-E or a project-executing organisation) can adopt an approach that is consistent with pan-European evaluation principles. The Guideline provides terms and definitions, principles for evaluating project benefits and several methods for calculating them – e.g. for changing a project's net transfer capacity (NTC) or for performing redispatch calculations. Specific methodological steps are not indicated.

Based on the methodology and guidelines in the TYNDP, the reduction in CO₂ emissions is calculated using the following basic formula. Pursuant to the methodology specified, the following weighted average reductions in CO₂ emissions were calculated for the projects:

- Weinviertel line: 1.247 to 1.352 megatonnes per year (Mt/a)
- Reschen Pass: 0.193 to 0.195 Mt/a

This benefit is also listed on the [project platform for the 2022 Ten Year Network Development Programme](#).

Calculation (B2a) of annual CO₂ variation based on a market simulation (in kt/year)

$$\sum_{i=1} \sum_{h=1} \sum_{\text{type}=1} \sum_{b=1} \text{Produced energy (i, h, type, b)} \times \text{type of emission factor (i, h, type, b)}$$

i = bidding zone used in the model

h = number of hours in the normalised year

type = technology type number

b = number of power plant blocks per bidding zone and technology type

Appendices

Independent Assurance Report on Sustainable Performance Targets 2022 according to the Terms and Conditions of the “Green and Sustainability-Linked Notes (due 1 April 2041)” of VERBUND AG – Verification Assurance Certificate

Independent Assurance Report on Specific Information from the Allocation Report 2022 in connection with the Use of Proceeds from the “Green and Sustainability-Linked Notes (due 1 April 2041)” of VERBUND AG



Deloitte Audit
Wirtschaftsprüfungs GmbH
Renngasse 1/ Freyung
P.O. Box 2
1010 Vienna, Austria

Tel +43 1 537 00 + ext
Fax +43 1 537 00-99 + ext
www.deloitte.at

VERBUND AG
Am Hof 6a
1010 Vienna
Austria

Independent Assurance Report ¹ on Sustainable Performance Targets 2022 according to the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)" of VERBUND AG - Verification Assurance Certificate

Based on the issue of the "Green and Sustainability-Linked Notes (due 1 April 2041)" VERBUND AG ("VERBUND" or the "Company") is obligated to select an independent verifier (the "Independent Verifier"), who shall, on an annual basis, certify defined Sustainable Performance Targets (KPI 1 and KPI 2) and report (Verification Assurance Certificate) on the results of the procedures performed.

For 2022 VERBUND determined the Sustainable Performance Targets as follows:

Sustainable Performance Targets 2022

	Unit of Measure	Increase 2022
KPI 1	MWp	+345
KPI 2	MVA	+1.670

Table 1

We performed the assurance engagement on the Sustainable Performance Targets for 2022, as determined by the Company.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Sustainable Performance Targets for 2022 (*Table 1*) was not, in all material respects, derived in accordance with the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)".

¹ This English language assurance report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Responsibilities of Management

Management is responsible for the preparation of the Sustainable Performance Targets for 2022 in accordance with the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)". This responsibility includes the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of the Specific Information, that is free from material misstatement, whether due to fraud or error.

The Sustainable Performance Targets according to the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)" to be prepared by VERBUND are as follows:

- **KPI 1:** The newly installed production capacity of hydropower, wind power and photovoltaic solar renewable energy of the Company (including its Subsidiaries), measured as Megawatts ("MW").
KPI 2: The additionally installed transformer capacity of the Company (including its Subsidiaries) installed to facilitate interaction with the grid and integrate renewable energy (as defined in Art. 2 No. 1 of Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast)) generation, measured as MegaVolt-Ampere ("MVA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Austrian professional standards and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Based on Austrian requirements, we have implemented a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express a conclusion, based on the procedures performed and the supporting documents obtained, whether anything has come to our attention that causes us to believe that the Sustainable Performance Targets for 2022 (*Table 1*) are not derived, in all material respects in accordance with the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)".

We conducted this assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). In this context we have to plan and perform the engagement applying materiality considerations in order to enable us to issue a conclusion with limited assurance.

The procedures performed in a limited assurance engagement are, by definition, limited compared with that necessary in a reasonable assurance engagement, and accordingly, less assurance is obtained.

Determination of procedures to be performed are based on practitioner's judgement and comprised the following:

- Investigation of VERBUND named employees regarding implemented processes, guidelines and internal controls, relevant for determination of KPI 1 and KPI 2;
- Critical appraisal of the documentation, the implemented guidelines, as well as processes and internal controls, relevant for determination of KPI 1 and KPI 2;
- Sample testing of supporting documents for KPI 1 and KPI 2 regarding the determined underlyings.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

The subject matter of our engagement is neither an audit nor a review of financial statements. Also, neither the detection and clarification of criminal offenses, such as misappropriations or other acts of embezzlement and irregularities, nor the conclusion of the effectiveness and efficiency of the management is the subject of our engagement.

Terms and Conditions of the Engagement

We issue this report on the basis of the engagement concluded with VERBUND, which is also based, with effect towards third parties, on the General Conditions of Contract for the Public Accounting Professions annexed to this report.

According to the General Conditions of Contract for the Public Accounting Professions our liability is limited to claims for damages based on at least gross negligence on our part. Liability for slight negligence is excluded. As far as legally permissible, our liability in case of gross negligence towards the Company and also towards third parties (this also in case of several claimants or bases of claims) is limited to the total maximum liability amount of EUR 2.000.000. Claims for damages are limited to the actual damage (damnum emergens). We shall only be liable for loss of profit in the event of intent or gross negligence, to the extent permitted by law. We are not liable for un-foreseeable or untypical damages that we could not have expected.

Vienna

February 20, 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:)

Walter Müller

(Austrian) Certified Public Accountant

Annex

General Conditions of Contract for the Public Accounting Professions



Deloitte Audit
Wirtschaftsprüfungs GmbH
Renngasse 1/ Freyung
P.O. Box 2
1010 Vienna, Austria

Tel +43 1 537 00 + ext
Fax +43 1 537 00-99 + ext
www.deloitte.at

VERBUND AG
Am Hof 6a
1010 Vienna
Austria

Independent Assurance Report ¹ on Specific Information from the Allocation Report 2022 in connection with the Use of Proceeds from the "Green and Sustainability-Linked Notes (due 1 April 2041)" of VERBUND AG

In the context of the VERBUND Green Financing Framework (the "Framework") VERBUND AG ("VERBUND" or the "Company") is committed to publish, within one year after a Green Bond issue (and on an annual basis thereafter), an Allocation Report. Such Allocation Report also includes (the "Specific Information"):

- The amount of proceeds from Green Bond issues, which was allocated to eligible Green Projects.

As part of the issue of "Green and Sustainability-Linked Notes (due 1 April 2041)" in 2021, VERBUND is obligated to use the proceeds from this bond issue on defined Eligible Green Projects. The defined Eligible Green Projects are (the "Eligible Green Projects"):

- (i) Weinviertel Line
- (ii) Salzburg Line
- (iii) Reschenpass
- (iv) Töging-Jettenbach

The allocation rules outlined in the Framework provide for the possibility to allocate proceeds to investments for Eligible Green Projects within a maximum timeframe of 3 years prior to the Green Bond issue.

¹ This English language assurance report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation

Company Location Vienna, Company Register Vienna, FN 36059 d, DVR 0508951, WT-Code 800192, UID: ATU16060704
The General Conditions of Contract for Wirtschaftstreuhandberufe are applicable (www.deloitte.at).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Legal refers to the constant cooperation with Jank Weiler Operenyi, the Austrian law firm of the international Deloitte Legal network.

Until December 31, 2022, the following allocation to Eligible Green Projects was performed:

Project	Investments		
	2018 to 2021	2022	2018 to 2022
Töging-Jettenbach	199,0	53,5	252,5
Weinviertel Line	120,5	20,1	140,6
Reschenpass	25,9	33,3	59,2
	345,4	106,9	452,3

Table 1

We performed the assurance engagement on the Specific Information prepared by the Company for the period from January 1, 2022, to December 31, 2022.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Specific Information (*Table 1*) as included in the Allocation Report 2022 for the Eligible Green Projects was not, in all material respects, derived in accordance with the Green Financing Framework of VERBUND.

Responsibilities of Management

Management is responsible for the preparation of the Specific Information in accordance with the Green Financing Framework. This responsibility includes the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of the Specific Information, that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Austrian professional standards and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Based on Austrian requirements, we have implemented a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express a conclusion, based on the procedures performed and the supporting documents obtained, whether anything has come to our attention that causes us to believe that the Specific Information for the period from January 1, 2022 to December 31, 2022 are not derived, in all material respects in accordance with the investments presented in *Table 1*.

We conducted this assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). In this context we have to plan and perform the engagement applying materiality considerations in order to enable us to issue a conclusion with limited assurance.

The procedures performed in a limited assurance engagement are, by definition, limited compared with that necessary in a reasonable assurance engagement, and accordingly, less assurance is obtained.

Determination of procedures to be performed are based on practitioner's judgement and comprised the following:

- Sample testing of supporting documents for investments in the Eligible Green Projects (according to *Table 1*) for period from January 1, 2022 up to and including December 31, 2022.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

The subject matter of our engagement is neither an audit nor a review of financial statements. Also, neither the detection and clarification of criminal offenses, such as misappropriations or other acts of embezzlement and irregularities, nor the conclusion of the effectiveness and efficiency of the management is the subject of our engagement.

Terms and Conditions of the Engagement

We issue this report on the basis of the engagement concluded with VERBUND, which is also based, with effect towards third parties, on the General Conditions of Contract for the Public Accounting Professions annexed to this report.

According to the General Conditions of Contract for the Public Accounting Professions our liability is limited to claims for damages based on at least gross negligence on our part. Liability for slight negligence is excluded. As far as legally permissible, our liability in case of gross negligence towards the Company and also towards third parties (this also in case of several claimants or bases of claims) is limited to the total maximum liability amount of EUR 2.000.000. Claims for damages are limited to the actual damage (damnum emergens). We shall only be liable for loss of profit in the event of intent or gross negligence, to the extent permitted by law. We are not liable for unforeseeable or untypical damages that we could not have expected.

Vienna

February 22, 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller m.p.
(Austrian) Certified Public Accountant

Annex

- 1 "Use of Proceeds" from the Prospectus for Green and Sustainability-Linked Notes (due 1 April 2041) dated March 30, 2021
- 2 General Conditions of Contract for the Public Accounting Professions

USE OF PROCEEDS

The net proceeds from the issue and sale of the Notes will amount to approximately € 490,230,000 (the "**Net Proceeds**").

VERBUND will allocate an amount equal to the Net Proceeds to the Eligible Green Projects (as defined below). On a best effort basis, VERBUND aims to complete such allocation within three years of the issuance of the Notes. The total envisaged investment in the context of the Eligible Green Projects amount to EUR 1,400,000,000. With regard to the allocation of the Net Proceeds, the Issuer will focus on the projects hydropowerplant Töging-Jettenbach (as defined below), Weinviertel line (as defined below) and the Reschenpass project (as defined below).

Pending full allocation of an amount equivalent to the Net Proceeds to the Eligible Green Projects, the Net Proceeds will be invested on a temporary basis in accordance with the relevant internal treasury policies of VERBUND, in cash, cash equivalents or similar instruments (including green, social and/or sustainability bonds issued by other issuers).

"**Eligible Green Projects**" means each of the following three grid projects as further specified under (i) through (iii) below and the hydropower plant project as further specified under (iv) below:

- (i) "**Weinviertel line**": Parts of the existing 220-kV overhead line from Bisamberg to the national border (*Sokolnice*) were constructed during World War II or shortly after and put in operation in 1958. The route of the Weinviertel line crosses the eastern "Weinviertel" region where power generation from renewables (mainly wind energy) is being expanded. As of the end of 2017, wind energy plants with a total combined generating capacity of approximately 880 MW were connected to the grid in the "Weinviertel" region.

To facilitate the integration of renewable sources in the grid, the transmission grid infrastructure in the eastern "Weinviertel" region has to be strengthened (new line to replace the old line) and substations have to be expanded. For this purpose, a new 110-kV support line in the northern "Weinviertel" region with the substation Zaya and a new 220-kV line connection to the national border are planned. The construction of the new APG Weinviertel line will result in a 380/110-kV grid concept by the summer of 2022. Envisaged investment amounts to approximately EUR 165,000,000. The envisaged start of operation of the Weinviertel line is in 2022.

- (ii) 380-kV Salzburg line node St. Peter – node Tauern ("**Salzburg line**"): As trans-regional transmission line project the Salzburg line links the grid hub St. Peter in Upper Austria with the grid hub Tauern in Salzburg. The current bottleneck on the existing 220-kV Salzburg line will be eliminated with the new 380-kV Salzburg line. The Salzburg line is an important step towards the realization of the 380-kV ring – which will be the backbone for the power supply in Austria – a key grid expansion project of APG.

The project provides for the construction of a double-system 380-kV overhead line between the grid hub St. Peter and the grid hub Tauern. Along this route several substations will be integrated for feeding in regional distribution grids. Envisaged investment amounts to approximately EUR 890,000,000. Envisaged start of operation of the Salzburg line is in 2025.

- (iii) "**Reschenpass project**": The currently existing APG line between Austria (Lienz) and Italy (Soverzene) dates back to the year 1952 and does nowhere near live up to the requirements of the modern European electricity market with a current carrying capacity of approximately 290 MVA. The increasing production from hydropower plants in the Western Alpine regions of Austria (mainly pumped storage power plants), the continuing expansion of wind energy in Northern Europe, and the developments in Italy's energy industry (including substantial expansion of renewables) require higher transmission capacities to Italy. With a new line between the region around Nauders and Premadio (respectively the region of Lombardia) another interconnecting line between the transmission grids of TERNA and APG with additional capacities can be established and is known as the Reschenpass project.

The APG Reschenpass project comprises the 380/220-kV substation "Nauders" with a phase shifting transformer (220/220 kV) and a single-circuit 220-kV connection to the national border at Passo di Resia (*Reschenpass*). The point of connection for the substation is the existing 380-kV line "Westtirol – Pradella" (CH) close to the borders Austria, Switzerland and Italy. On the Italian side, in the region of Lombardia, the line will be integrated in the

existing 220-kV grid of TERNÀ at the substation Glorenza. Envisaged investment amounts to approximately EUR 92,000,000. Envisaged start of operation of the Reschenpass project is in 2023.

- (iv) Refurbishment and extension of the hydropower plant "**Töging-Jettenbach**": The run off river plant Töging started operation almost 100 years ago in 1924. Until now mainly refurbishment works have been carried out in the 20 km channel with its structures (including several bridges). Maintenance works at turbines and replacement of generators as well as transformers are scheduled to take place over the next years. The Refurbishment and extension of the hydropower plant "Töging-Jettenbach" includes (a) a new construction of a hydropower plant and an increase of the power plant discharge capacity; (b) the new construction of weir Jettenbach and increase of operation water level; (c) the adaption of the existing channel to cope with the new conditions in the context of boundaries resulting from water level and discharge; and (d) improving flood protection measures. Through these measures and further measures, VERBUND believes to increase annual renewable energy production by up to 40 per cent and to strengthen the local renewable power production and grid. Envisaged investment amounts to approximately EUR 250,000,000. Envisaged start of operation of the hydropower plant Töging-Jettenbach is in 2023.

Green Bond Committee

To ensure that allocations of an amount equal to the Net Proceeds are made to Eligible Green Projects, VERBUND has established a Green Bond Committee ("**GBC**").

The GBC will be responsible for:

- Ensuring the proposed Eligible Green Projects are aligned with the categories as specified in the VERBUND Green Finance Framework (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 the VERBUND Green Financing Framework; and,
- Reviewing and approving allocation and where relevant, impact reports, where suitable data is available.

The Issuer intends to have a composition of the GBC of representatives from the following functions of the Issuer:

- Group Finance;
- Investor Relations; and
- Corporate Responsibility;

and from the following subsidiaries of the Issuer:

- VERBUND Hydro Power GmbH;
- Austrian Power Grid AG; and
- VERBUND Green Power GmbH.

The Issuer intends to call for meetings of the GBC at least twice per year in order to review proposed allocations and ensure these are made in line with the specified criteria of the VERBUND Green Finance Framework.

Further information on the Issuer's intention to manage the Net Proceeds as well as on reporting and the external review of the VERBUND Green Finance Framework can be obtained from the VERBUND Green Finance Framework as amended from time to time and as published on the website of the Issuer (www.verbund.com). *For the avoidance of doubt*, the content of any website referred to in this Prospectus, unless specifically incorporated by reference, does not form part of this Prospectus.

About this Impact Report

This Green & Sustainability-linked Bond Impact Report describes advances in the projects financed through VERBUND's Green & Sustainability-linked Bond (2021). The proceeds from this bond will be used exclusively to finance investments in the modernisation and expansion of hydropower in Germany and in the power grid for the transmission of electricity from renewable energy in Austria. Advances in these projects relate to the 2022 reporting period, which ended on 31 December 2022. Investments made after 1 January 2018 (three years prior to the issue date) have also been taken into account.

This Impact Report is in conformity with the Harmonized Framework for Impact Reporting issued by the International Capital Market Association (ICMA)*. To ensure that the projects financed with the proceeds from this green bond comply with these criteria, ISS ESG – a leading rating agency that focuses on the field of sustainability – was retained to perform an independent review. The unqualified assurance report is published on the Group's website at verbund.com. This external review will take place annually throughout the bond term and will be made publicly accessible.

In March 2021, ISS ESG reviewed the alignment of VERBUND's due diligence processes for each project category based on the taxonomy report in the draft of the delegated act (November 2020). The projects were assessed as aligned with the November 2020 version of the EU taxonomy on a best-effort basis.

*IMCA Handbook: Harmonised Framework for Impact Reporting, June 2021

Contact

VERBUND AG
Am Hof 6a, 1010 Vienna, Austria
Tel.: +43 (0)50 313-0
E-mail: information@verbund.com
Web: verbund.com

Editorial details

Published and distributed by:
VERBUND AG, Am Hof 6a, 1010 Vienna, Austria
Photos: VERBUND
Concept and text: Schreibagentur based on contributions from VERBUND experts
Translation and linguistic consulting: ASI GmbH
Design: Kathi Reidelshöfer
Image processing: Siegfried Füreder
Date: April 2023