

VERBUND Digital Green Schuldschein

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

In April 2018, VERBUND AG (“VERBUND”) issued a digital green Schuldschein aimed at financing the refurbishment of the transmission line between St. Peter am Hart and Ernsthofen (Austria). In April 2019, VERBUND engaged Sustainalytics to review the project(s) funded through the issued digital green Schuldschein and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the VERBUND Digital Green Schuldschein Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2018 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria	Key performance indicators
Renewable Energy	<ul style="list-style-type: none"> • The proceeds of this bond are exclusively used for financing the refurbishment of a transmission supply line between the substation St. Peter am Hart – Lambach – Sattledt – Ernsthofen. For more information on the project, refer to Appendix 2. The purpose is to facilitate the integration of renewable energy transmission. 	<ul style="list-style-type: none"> • Based on VERBUND’s technical estimation, transmission losses are expected to be reduced by 70% by the end of the project.

Issuing Entity’s Responsibility

VERBUND is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of VERBUND’s Digital Green Schuldschein Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from VERBUND employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by VERBUND with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by VERBUND.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,¹ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of VERBUND's Digital Green Schuldschein, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Schuldschein Framework.

Detailed Findings

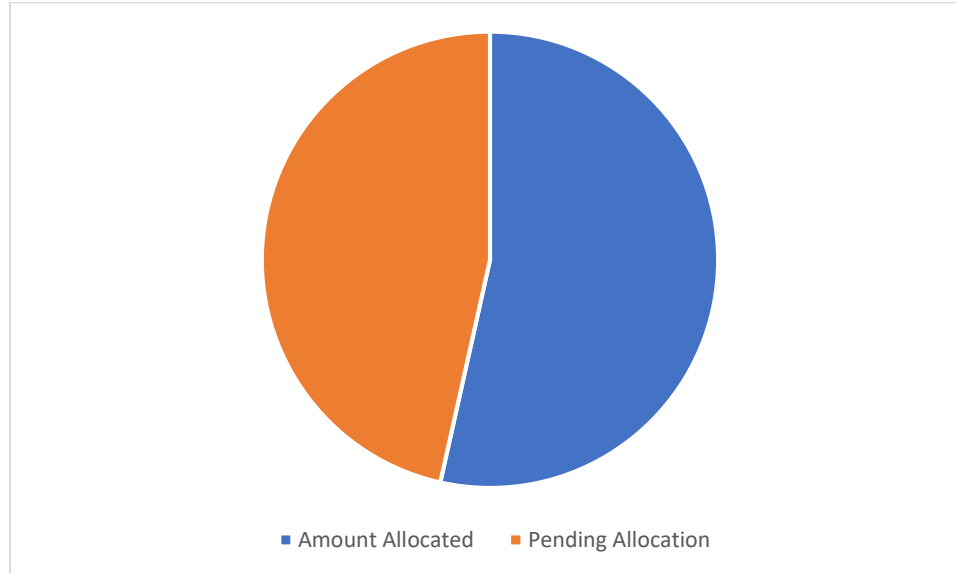
Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the digital green Schuldschein in 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Digital Green Schuldschein Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the impact of the project funded by the digital green Schuldschein in 2018 was not carried out in this annual review as the project funded by the bond has not been completed.	As the project is not yet complete no post-hoc impact reporting is available.	None

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Detailed Reporting Information

VERBUND has disclosed that as of December 31, 2018, €53.5 million of the total issued amount has been allocated to the eligible project, with 46.5 % of the proceeds pending allocation.



Appendix 2: Project Status

VERBUND is using the proceeds of its Digital Green Schuldschein to finance the refurbishment of the 220 kV St. Peter-Ernsthofen transmission line. The first construction phase from the St. Peter substation to the municipality of Weibern began in April 2018.

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The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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