

VERBUND AG

Type of Engagement: Annual Review

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Introduction

In March 2018, VERBUND AG (VERBUND) issued Digital Green Schuldschein aimed at financing the refurbishment of the transmission line between St. Peter am Hart and Ernstshofen (Austria). In April 2020, VERBUND engaged Sustainalytics to review the project funded in 2019-2020 through the issued Digital Green Schuldschein and provide an assessment as to whether the project met the Use of Proceeds criteria and the Reporting commitments outlined in the VERBUND Digital Green Schuldschein Framework.

Evaluation Criteria

Sustainalytics evaluated the project funded in 2019-2020 based on whether the project:

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

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

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	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 – Erntshofen. The purpose is to facilitate the integration of renewable energy transmission.	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 VERBUND Digital Green Schuldschein 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 VERBUND Digital Green Schuldschein Framework. VERBUND has disclosed to Sustainalytics that the proceeds of the Digital Green Schuldschein were fully allocated as of March 31, 2020.

Detailed Findings

Table 2: Detailed findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the project funded by the Digital Green Schuldschein in 2019-2020 to determine if it is aligned with the Use of Proceeds Criteria outlined in the VERBUND Digital Green Schuldschein Framework and above in Table 1.	The project 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 2019-2020 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. ²	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.

² VERBUND disclosed to Sustainalytics that it does not expect any changes to its initial estimation regarding the 70% reduction of transmission losses by the end of the project.

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Sustainalytics

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