VERBUND AG Green & Sustainability-linked Bond Impact Report 2023

Green & Sustainability-linked Bond (2021)

Verbund

The power to transform.
Together.

Contents

About the Green & Sustainability-linked Bond Impact Report

This third Green & Sustainability-linked Bond Impact Report comes out three 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 during the allocation period in accordance with the ICMA's External Review Guidelines, Green Bond Principles and Sustainability-linked Bond Principles to re-verify compliance with the requirements 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 proceeds were used to increase efficiency at hydropower 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 début 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 hydropower 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 was 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 were possible, meaning that the margin could change by a maximum of 40%.

This new approach decouples the pricing of the syndicated loan from the external credit rating. Thanks to VERBUND's success in improving its sustainability score over the last four years, the interest rate in the pricing grid has decreased by two notches. This gives 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 green finance products (see next page).

ESG-linked promissory note loan (*Schuldscheindarlehen,* SSD) (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.

Sustainability-linked syndicated loan (2023)

The ESG-linked syndicated loan issued by VERBUND in 2018 expired in December 2023 at the end of its five-year term. The loan facility was refinanced at a higher volume (1 million euros, five-year term, option to extend for two additional one-year terms).

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)
- Sustainability-linked syndicated loan

It was taken out with 15 national and international banks with good and very good credit ratings. The annual margin is linked to achievement of two of the Group's sustainability performance targets (with the same or similar KPIs as the Green & Sustainability-linked Bond).

These green financing instruments are clear evidence of VERBUND's commitment to pursuing a corporate strategy of sustainability, and they have attracted great interest among investor groups and banks worldwide.

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 is a conventional, project-specific green "use-of-proceeds" bond.
- All financed projects are EU taxonomy-aligned at the time of issue.
- The margins depend on achievement of the Group's sustainability performance targets ("sustainability-linked").
- Responsible investors are given significant preference. Investors are selected in accordance with a transparency criterion in bookbuilding during the issue (in line with the UN Principles for Responsible Investment).

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) in production capacity for energy from renewable sources (hydropower, wind and photovoltaic) and at least 12,000 megavolt-amperes (MVA) in transformer capacity. The latter is necessary for feeding renewable electricity into the high-voltage grid.

Link to sustainability performance targets

The two sustainability performance targets set by the Group are very ambitious for the energy industry. If one of the targets is not achieved by 31 December 2032, the coupon payments for the remaining term of the bond will increase by 0.25 percentage points per year (see the bond terms for more information).

Green & Sustainability-linked Bond

- Issuer: VERBUND AG
- Rating (2021): 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
- Listed in: 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 and the transformation programme based on this. The underlying corporate policy respects environmental limits, ensures efficient use of resources and strives for social equality.

The relevant sustainability topics were identified in a materiality assessment and allocated to the four action areas outlined in the corporate responsibility strategy. Medium-term sustainability performance targets are set for the Group at this level. VERBUND reports on the progress made each year in its integrated annual report.

Note: VERBUND's strategy is based on three pillars: strengthening VERBUND's integrated positioning in its home market, expanding renewables in Europe and positioning VERBUND as a European hydrogen player (see also Mission V).

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 associated delegated acts.

Disclosures pursuant to Article 8 of the EU Taxonomy Regulation and the Commission Delegated Regulations

Each year, VERBUND reassesses the Group's economic activities to determine which of them qualify as environmentally sustainable economic activities pursuant to the EU Taxonomy Regulation and the Commission Delegated Regulations covering the six environmental objectives (2021/2139, 2022/1214, 2023/2485 and 2023/2486). The European Commission has meanwhile issued several notices on the interpretation and implementation of certain legal provisions (for example, C/2023/267 and C/2023/305). Those notices were consulted as part of the internal evaluation process. However, there is still some uncertainty regarding how to interpret some of the wording and terminology contained in the legal acts. The legal conformity of the disclosures is therefore subject to uncertainty, meaning that it may be necessary to adjust the assessments made after the fact.

The first step was to identify which of VERBUND's economic activities as listed in the Regulation qualify as generally taxonomy-eligible. Taxonomy-eligible means that an economic activity is described in one of the Commission Delegated Regulations – regardless of whether the assessment criteria specified can be met. Thus, taxonomy-eligible activities are those that contribute to at least one of the EU's six environmental objectives.

Due to the constantly evolving legal situation and the potential inclusion of new activities, VERBUND reassessed the taxonomy-eligible status of its economic activities in 2023. The following of the Group's economic activities were classified as taxonomy-eligible on that basis:

- electricity generation from hydropower;
- electricity generation from wind power;
- electricity generation using solar photovoltaic technology;
- transmission and distribution of electricity;
- storage of electricity;
- transmission and distribution networks for renewable and low-carbon gases;
- high-efficiency co-generation of heat/cool and power from fossil gaseous fuels;
- transport by motorbikes, passenger cars and light commercial vehicles;
- installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings); and
- installation, maintenance and repair of renewable energy technologies.

Some of the economic activities specified are taxonomy-eligible with respect to various environmental objectives. That is because they are described in multiple sections of the EU Taxonomy Regulation and could potentially contribute to more than one environmental objective. Since VERBUND's top priority is to fight climate change by contributing to the energy transition, all of the Group's economic activities have been allocated to the EU

EU environmental objectives

The EU Taxonomy Regulation establishes the following six environmental 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.

environmental objective of "climate change mitigation". This is relevant because the various sections of the taxonomy emphasise different factors and contain requirements of varying strictness. For example, the threshold values applicable to direct greenhouse gas emissions are stricter for the EU environmental objective of "climate change mitigation" than they are for the objective of "climate change adaptation". Allocating all of the Group's activities to the objective of "climate change mitigation" prevents target contributions from being counted twice.

Disclosures on taxonomy-eligible and taxonomy-aligned revenue

Group revenue has been allocated among VERBUND's individual economic activities. Revenue from the Hydro segment counts as "electricity generation from hydropower" (run-of-river power plants and daily and weekly storage facilities that are not pumped storage power plants) and "storage of electricity" (pumped storage power plants). Examples include the run-of-river and storage power plants in Austria and Bavaria and the pumped storage power plants in Austria.

Revenue from the New renewables segment has been allocated to the economic activities of "electricity generation using solar photovoltaic technology" and "electricity generation from wind power" depending on the generation technology used. Examples include rooftop and ground-mounted systems in Austria and Spain as well as projects under development and construction in Germany and Italy (including contracting systems). Onshore wind farms in Austria, Germany, Romania and Spain are also allocated to the aforementioned economic activities.

Revenue generated in the Grid segment is allocated to "transmission and distribution of electricity" and "transmission and distribution networks for renewable and low-carbon gases", which include Austrian Power Grid AG (APG)'s high-voltage and extra-high-voltage power grid. Also included are innovation, research and development projects carried out by Gas Connect Austria GmbH (GCA) with the goal of integrating renewable gases and hydrogen into the gas network. In the case of the economic activity of "transmission and distribution networks for renewable and low-carbon gases" (relates to GCA's gas network), taxonomy-eligible and taxonomy-aligned activities consist of measures to reduce methane along with green hydrogen projects and projects aimed at producing gases from renewable energy sources.

Revenue from thermal electricity generation from gas-fired power plants, which is attributable to the Other segment, is allocated to the economic activity of "high-efficiency co-generation of heat/cool and power from fossil gaseous fuels". The Mellach combined cycle gas turbine plant operated by VERBUND Thermal Power GmbH & Co KG falls into this category. Although this is a taxonomy-eligible economic activity, it is not currently taxonomy-aligned as the defined criteria have not been met.

To avoid double counting, revenue from the Sales segment ("electricity trading and sales") has not been taken into account with the exception of economic activities associated with battery storage systems in Austria and Germany. Those activities include "storage of electricity" and economic activities associated with the "installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)" and the "installation, maintenance and repair of renewable energy technologies". The former activity covers the e-mobility products offered by VERBUND Energy4Business GmbH and VERBUND Energy4Customers GmbH and the latter relates to PV

systems owned by customers. "Transport by motorbikes, passenger cars and light commercial vehicles" refers to the use of company vehicles by VERBUND employees. VERBUND defines "revenue" in line with the definition in IFRS 15 of the International Financial Reporting Standards.

Disclosures on taxonomy-eligible and taxonomy-aligned capital expenditure (CapEx)

The allocation of capital expenditure to economic activities is consistent with the way in which revenue is allocated. Capital expenditure is included in VERBUND's multi-year investment plan, which was approved by the Group's Supervisory Board. The CapEx KPI is calculated by dividing all taxonomy-aligned capital expenditure (the numerator) by total capital expenditure (the denominator). The following definitions from International Accounting Standards (IASs) and the IFRSs were used in the calculation of CapEx: Property, Plant and Equipment (IAS 16), Intangible Assets (IAS 38), Investment Property (IAS 40), Biological Assets (IAS 41) and Leases (IFRS 16). Investments via joint ventures and investments in financial instruments are not relevant to the calculation of this KPI. As part of a plan to expand taxonomy-aligned economic activities, a CapEx plan consisting of the listed economic activities has been prepared for the next three years (until 2026) in accordance with Annex I, No. 1.1.2.2 of Commission Delegated Regulation (EU) 2021/2178. A total of approximately 5.4 billion euros is to be invested.

Non-financial undertakings that have issued environmentally sustainable bonds or debt securities for the purpose of financing specifically identified taxonomy-aligned activities are also required to disclose a CapEx KPI that has been adjusted to reflect the taxonomy-aligned capital expenditure financed by such bonds or debt securities. The proceeds from the Green and Sustainability-linked Bond (2021) will be used to finance the rehabilitation and expansion of a hydropower plant in Germany and high-voltage power line projects in Austria. A total of around 37 million euros was invested in those projects in 2023. After adjusting for the capital expenditure invested, the CapEx KPI was 90.7% (2022: 90.4%).

Disclosures on taxonomy-eligible and taxonomy-aligned operating expenditure (OpEx)

The allocation of operating expenditure to economic activities is consistent with the way in which revenue and capital expenditure are allocated. Under Article 8 of the EU Taxonomy Regulation (2020/852), only specific types of operating expenditure may be allocated to economic activities. These include non-capitalisable research and development costs, short-term lease liabilities, maintenance and repair costs and current maintenance expenses that are associated with taxonomy-aligned economic activities as well as directly allocable personnel expenses.

Result of VERBUND's taxonomy assessment

In 2023, 93.1% of CapEx was attributable to taxonomy-aligned economic activities and 86.0% of OpEx was attributable to such activities. These two KPIs were established by VERBUND in 2021 in its Green Financing Framework. The revenue KPI was much lower at 59.9%. 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. The largest proportion of taxonomy-aligned revenue comes from the Hydro segment, followed by the Grid segment. The largest proportion of taxonomy-aligned CapEx comes from the New renewables segment, followed by the economic activity of "transmission

and distribution of electricity" (Grid segment). Capital expenditure includes both growth CapEx and maintenance CapEx. The largest proportion of taxonomy-aligned OpEx comes from the Hydro segment, followed by the Grid segment.

The CapEx KPI showed the greatest change. CapEx decreased by around 600 million euros in 2023 compared with 2022. The decline was primarily due to the inclusion of major business acquisitions in the New renewables segment in this KPI in 2022 – for instance the acquisition of an operating renewables portfolio and a development platform in Spain.

The remainder of the Group's economic activities remained at the prior-year level. The proportion of revenue associated with taxonomy-aligned activities rose by 15%. The increase was mainly attributable to the Hydro segment, which registered a significant rise in generation volumes. Revenue for the rest of the Group's economic activities remained by and large at the prior-year level. OpEx registered a slight year-on-year increase, although the relative share of OpEx remained stable. OpEx for the Hydro segment rose slightly due to an increase in maintenance activities.*

* Note: The Group's 2023 Integrated Annual Report contains a table depicting VERBUND's taxonomy KPIs (please refer to the section entitled EU taxonomy).

Commitment to Sustainable Development Goals

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

Commitment to climate and environment

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

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

Commitment to social improvement

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

Apart from its social responsibility, VERBUND focuses on its commitment to its own staff. The diversity of the VERBUND workforce is a major success factor for the company. VERBUND focuses on having a good balance of male and female employees and thus supports SDG 5 "Gender equality". One example is the VERBUND Gender Balance project, which aims to create a corporate culture that is both diverse and intergenerational.

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

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

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

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

Fair operating practices

VERBUND will be investing a total of 4.6 billion euros between 2023 and 2025 in order to secure its core business for the long term. The focus always remains on safeguarding human rights and dignity in line with SDG 8 "Decent work and economic growth".

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

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

Green Bond Committee, sustainable KPIs and performance 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 include Group Finance & Investor Relations, Corporate Responsibility and representatives from the subsidiaries VERBUND Hydro Power GmbH, VERBUND Green Power GmbH and Austrian Power Grid AG, where the projects are financed. Internal experts on the EU taxonomy are also consulted on specific issues.

The Committee, which met twice in 2023, 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. These matters were likewise 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 KPIs set out in the Green Financing Framework (2021). They relate to two key pillars of the business model, namely electricity production and electricity transmission. Specific sustainability performance targets (SPTs) have been defined for both 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 further processed or calculated. The data was verified by an audit firm in a limited assurance engagement.

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

VERBUND has set itself ambitious targets for increasing renewable electricity generation to ensure that the required supply is available to support the planned transition to a

Definition of 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

lower-carbon economy. KPI 1 in the Green Financing Framework refers to newly installed production capacity from hydropower, wind power or 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 photovoltaic). The information below relates to VERBUND AG and its subsidiaries.

SPT 1: Target achievement

	2020	2021	2022	2023
Newly installed net production capacity (in MW)		43	345	99
Total installed production capacity (in MW)	8,692*	8,735	9,080	9,178
Target achievement (in %; 2,000 MW = 100%)	0.0	2.2	19.4	24.4

"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).

In 2023, newly installed net production capacity amounted to 99 MW and comprised hydropower (0 MW), wind power (73 MW) and photovoltaic energy (25 MW).

KPI 2: Additional transformer capacity

Austrian Power Grid AG, 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 thereby 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 power grids and to 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 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	2023
New net transformer capacity (in MVA)		1,150	1,670	1,723
Total transformer capacity (in MVA)	30,810	31,960	33,630	35,353
Target achievement in % (12,000 MVA = 100%)	0.0	9.6	23.5	37.9

"New net transformer capacity" is defined in the technical specifications for the relevant transformer and 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 that are both 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 verified by the auditor, 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 and the Reschen Pass project was completed at the end of 2023. These projects, which were financed via the Green & Sustainability-linked Bond, added an estimated 2,080 MVA in total transformer capacity (Weinviertel line: 1,150 MVA, Reschen Pass: 930 MVA).

An additional 1,723 MVA in transformer capacity (cumulative: 35,353 MVA) was procured and verified by the auditor in financial year 2023. The cumulative figure indicates the maximum capacity that is available to the grid.

According to plant statistics from APG, a total of 34,440 MVA in transformer capacity was connected to the grid as at the 31 December 2023 reporting date, an increase of 1,130 MVA over the 2022 figure. The delta measurement of 913 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 could adversely impact on VERBUND's ability to meet its SPTs or 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 its 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 for access to renewable energy projects from both sector and non-sector peers. 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 profitability of projects, thus 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 opportunities arising from renewables.
Equipment availability and supplies	VERBUND is reliant on suppliers of the necessary renewable energy generation equipment to advance 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 meet its SPTs

Category	Description
Regulatory	EU and/or national regulatory developments and policy mechanisms (in particular financial support mechanisms) could 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. Higher costs for 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, which could incentivise 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 observed or calculated 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 both 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 from a qualified audit firm up to and including the target observation date is attached as an appendix to the Green & Sustainability-linked Bond Impact Report of VERBUND AG. This assurance (review of target achievement for KPIs and SPTs) is currently provided by EY, 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 VERBUND standards for the management of ethical and governance risks.

Of the following three projects to be financed from the bond proceeds, one was still under construction in 2023. The other two were put into operation in 2022, and follow-up work was carried out in 2023.

Jettenbach-Töging power plant rehabilitation project

Jettenbach weir: The newly built weir on the Inn River controls the inflow of water to the run-of-river hydropower plant.

Rehabilitation of the Jettenbach-Töging hydropower plant has positioned one of the oldest run-of-river plants on the Inn River for future success and increased its generation capacity by nearly a quarter.

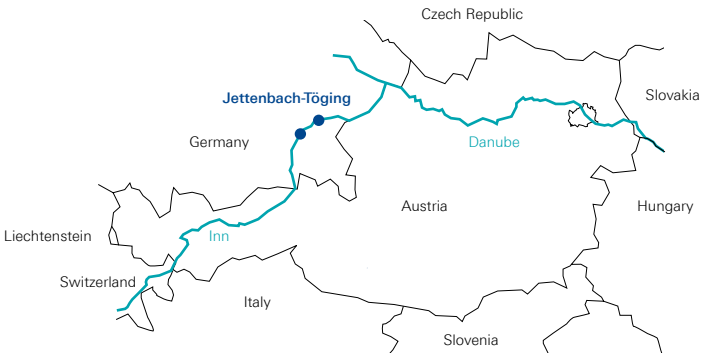
Background

The Töging hydropower plant in Bavaria was the first large-scale run-of-river hydropower 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, a 23 km-long diversion channel and the actual Töging hydropower plant with a total of 15 Francis turbines.

The channel was extensively refurbished in 2003 and a fish ladder was built to ensure fish passability. In addition, the Jettenbach hydropower plant was built at the Jettenbach weir. Due to environmental requirements, this plant generates electricity from the volume of residual water remaining in the old Inn river bed. The Bavarian State Office for Monument Protection has 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 hydropower plant based on the historical water supply

Töging hydropower plant:
The new plant (centre) has been in operation since 2022.
The old plant can be seen on the right (summer 2023).

Project overview

Due to the age of the plant and foreseeable major maintenance work, deliberations on the continued operation of the Töging hydropower plant commenced in 2011. 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 plant was developed, comprising the following parts:

- construction of a new powerhouse in Töging with three Kaplan turbines to increase 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;
- adaptation of the diversion channel to the higher water level, i.e. the higher flow rate; and
- improvement in 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 to create new spawn and fish habitats;
- additional fish bypasses to supplement the existing fish ladder; and
- structural and hydromorphological improvements such as development of meadows on the banks to promote biodiversity, creation of new calcareous grassland and wetlands (total of 20 hectares) and new habitats for reptiles.

Current project status

The Jettenbach-Töging plant's three generator sets were commissioned in June 2022. The previous weir installation was dismantled that same summer. In December 2022, the water level at the newly constructed Jettenbach weir was raised to its maximum height. The new impoundment level is 70 centimetres higher than the old level.

Repurposing the old Töging powerhouse: a look at the multifunctional marketplace with its three former generator sets

Redesigned for animals and plants: at the mouth of a stream in the Jettenbach tailwater area

A number of residual projects were carried out in 2023:

- conversion/new construction of the operations building for the residual flow plant at the Jettenbach weir;
- dismantling of the construction site facilities and recultivation at the Jettenbach weir;
- implementation of supplementary measures, optimisation of generator sets, transplanting work in the vicinity of the Jettenbach reservoir, the weir and the Inn Canal; and
- professional supervision and maintenance of the ecological compensation areas created to achieve the targeted project status.

The modernised Töging plant generated 683 GWh in 2023. The former plant would have generated 588 GWh during the same period based on actual water supply. Thus, the plant overhaul resulted in an additional output of 95 GWh. Note: Operational restrictions were still in place in 2023 due to optimisations of the generator sets and of one transformer.

The old plant building, which is protected as a historical landmark, is no longer in operation. The option of repurposing the building by converting it into offices for housing administrative and/or technical divisions of VERBUND's Inn River hydropower operations is currently under consideration. The Group's operations are presently split between three sites: Simbach, Braunau and Töging. Only the existing administrative building in Töging is owned by the Group. However, the building is over 60 years old and no longer meets modern standards for office buildings, including energy efficiency standards.

A number of future office infrastructure options were analysed in a feasibility study, with adaptation of the former Töging powerhouse emerging as the best one. The conversion project would also involve extensive rehabilitation of existing installations at the Töging site, including shop buildings, training centres and warehouses. The Bavarian State Office for Monument Protection has raised no objections to this type of repurposing.

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 and optimisations following initial operational experience

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.

Commissioned in 1958, the Weinviertel line (a 220 kilovolt (kV) overhead power line) was originally operated by APG. 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.

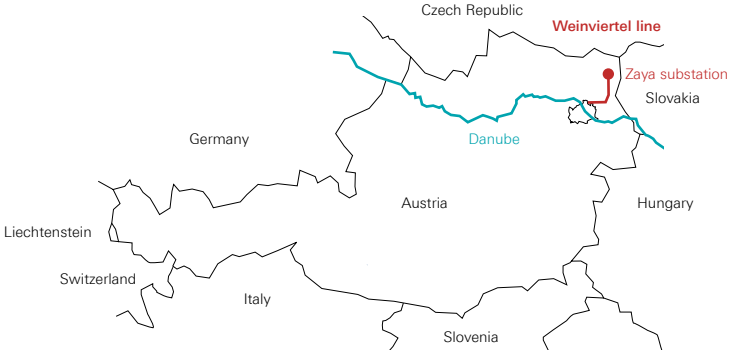
Background

The original 220 kV overhead power line was located in the east of the Weinviertel region, an area in which electricity generation from renewables – especially wind power – is being significantly expanded. The region also offers potential for additional photovoltaic installations.

The former line capacity was insufficient to connect the wind farms planned for 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 overhead line and substation
- **Start of construction:** 2019
- **Commissioning:** July 2022
- **Line capacity:** 380/220 kV
- **Line length:** 63 km



The new Weinviertel line includes 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 security and quality of supply to be increased in the Weinviertel region.

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 new 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 was dismantled and removed by the end of March 2023. Ecological measures were also carried out, such as recultivation of the construction site roadways and dismantling and removing temporary site buildings. In April 2023, the Lower Austrian state government issued the acceptance notice for the Weinviertel line, which certifies that the project was executed in accordance with the official project documents and the building permit.

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, environmental measures

Reschen Pass project

Snow-covered facility: an interconnector now runs from APG's new substation in Nauders (Tyrol) to Italy.

The APG interconnector between the Austrian and the Italian power grids used to run from Lienz to Soverzene. In order to expand electricity transmission capacity, an additional, new interconnector was built from Tyrol to Lombardy.

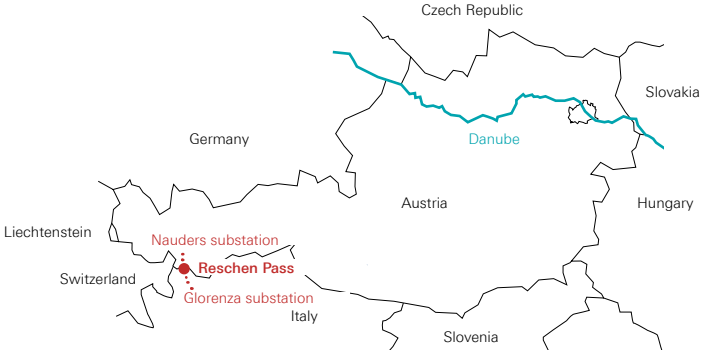
Background

The previous interconnector was 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 via pumped storage hydropower plants. Added to this is the further expansion of energy from wind power in Northern Europe and developments in the Italian market, where renewable sources of energy are likewise being expanded on a large scale. These changing conditions require higher capacities of the power lines running between Italy and Austria.

By establishing a new connection from Nauders in Tyrol to Premadio in Lombardy, APG and Trasmissione Elettricità Rete Nazionale (TERNA) have created an additional interconnector between their transmission networks with greater capacity. In connection with the project, new support for the medium-voltage grid was 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
- **Commissioning:** December 2023
- **Line capacity:** 220 kV
- **Line length:** 1.3 km



Commissioning of the Nauders substation: The Reschen Pass project was completed on schedule in December 2023.

Project overview

The project entailed construction of a 380/220 kV substation in Nauders, 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 TERNA'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 connected 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 has ensured 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

The Nauders substation and the associated 220 kV cable connection to the national border at the Reschen Pass went online in December 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
Commissioning

Key project criteria in accordance with the Green Financing Framework

The VERBUND Green Financing Framework (2021) defines 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 hydropower plant is being performed 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 by providing 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 hydropower plant was incorporated into the existing Inn River power plant group operated by VERBUND Innkraftwerke GmbH. This also entailed 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 and monitoring and review.

Working conditions during construction and maintenance

For the Jettenbach-Töging project, very high standards were required to be met in terms of the working conditions during construction and maintenance. Those standards comply with the legal framework in place in Germany and the rest of the EU. 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.

In operation since 2022, the completed plant is not manned outside regular working hours because the entire facility is operated and monitored remotely. Sanitary and social facilities are provided for operating staff in

Sustainability criteria for projects at VERBUND

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

addition to first aid facilities, artificial lighting, heating, air conditioning and ventilation, escape routes and fire protection facilities. 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 an analysis of the project environment. Stakeholders include residents and others who are directly affected, local authorities (mayors and district or city councillors), associations (e.g. for fisheries), nature conservation societies, interest groups and emergency services organisations (fire brigades, water rescue services).

Even after the Jettenbach-Töging plant was commissioned in mid-2022 and officially inaugurated on 1 October 2022, a number of stakeholder management activities were carried out. Activities included providing various tours to regulatory authorities (e.g. water management offices, state council offices), parties with a professional interest (such as universities) and the public. Particularly noteworthy was a workshop on water ecology issues in the diversion channel. In addition to public authorities (water management offices, state council offices), the workshop was attended by NGOs and various associations (such as fishery associations or the WWF).

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

APG also has a concept for sustainable route management, which it developed 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 are vital at 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 discussions in person with community representatives, landowners and other stakeholders. In addition to project updates 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 (hydropower): 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 projects to be financed with the EU taxonomy

A key tenet of the VERBUND Green Financing Framework is that all hydropower 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.

Technical screening criteria and Do No Significant Harm (DNSH) principle

VERBUND uses a multi-step process to determine whether taxonomy-eligible activities 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 makes a significant contribution 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. Only if all criteria are met in full can an activity be reported as taxonomy-aligned. Therefore, the following key questions were asked in the evaluation, and documented if the criteria were met:

- Does the activity meet the technical screening criteria listed in the delegated regulations issued?
- Does the activity meet the DNSH criteria listed in the delegated regulations?
- Have the minimum social safeguards referred to in Article 18 of the EU Taxonomy Regulation been fulfilled?

To determine whether the criteria had been met, workshops were held with the subsidiaries concerned. Climate experts, financial controllers, risk managers and technical specialists as well as environmental and sustainability experts participated in the workshops. The methods for measuring criteria fulfilment were refined during the reporting period and the results were updated. The documentation was prepared using standardised evaluation forms and checklists for all relevant plants and sites. Assessments of climate risk and vulnerability were carried out as part of fulfilling the DNSH criteria with respect to the typical assets associated with all types of economic activities. The assessment of minimum social safeguards took place at the upper corporate level.

Climate risk and vulnerability assessment

To avoid doing significant harm in line with the environmental objective of "climate change adaptation" (DNSH 2), all taxonomy-aligned economic activities that contribute substantially to climate change mitigation must meet the criteria specified in Appendix A of Annex I to Commission Delegated Regulation (EU) 2021/2139. The criteria call for performing a robust climate risk and vulnerability assessment to identify physical climate risks that are material to the activity. The assessment comprises the following steps:

- identifying which physical climate risks could impact performance of the economic activity during its expected lifetime;
- assessing the materiality of any such physical climate risks for the economic activity in question; and
- assessing adaptation solutions that could reduce any physical climate risk identified.

To assist in the fulfilment of legal obligations, a standardised assessment form was created and a uniform procedure was developed. VERBUND identifies and assesses climate risks each year and derives the corresponding adaptation measures in an ongoing process in which various companies, departments and experts are involved. In addition to ensuring that legal obligations are met, carrying out climate risk and vulnerability assessments adds the following value for the Group:

- establishment of an ongoing Plan-Do-Check-Act (PDCA) cycle;
- greater awareness and understanding of climate risks at various levels; and
- resilience and adaptation planning for various climate scenarios.

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 Group divisions. In so doing, the Group based its requirements for meeting minimum social safeguards on the OECD's Due Diligence Guidance for Responsible Business Conduct in particular. The OECD Guidance presents six recommendations, including practical support, for implementing effective due diligence processes:

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

How these steps are executed at VERBUND is described below.

VERBUND's Code 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 protection and climate change mitigation, 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".

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 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 GCA have established independent, integrated systems for handling 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 assessment. 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. The VERBUND integrity line platform (verbund.integrityline.com) 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 solely for the financing, in full or in part, of 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 allocates the net proceeds from the 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 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 2023 is shown on the next page. The table also contains an overview of VERBUND's first Green Bond (2014). This data is merely provided for the sake of completeness, to provide a view of all the Group's green bonds.

Status of investments

The investments made as at 31 December 2023 using funds raised from the Green & Sustainability-linked Bond (2021) amounted to 489.7 million euros. This corresponds to approximately 98% of the total proceeds. The allocations made have been reviewed and verified by the audit firms Deliotte and EY for specific projects as follows:

- investments made between 1 January 2018 and 31 December 2023 (Deloitte); and
- investments made between 1 January 2022 and 31 December 2023 (EY).

Unallocated difference

As at 31 December 2023, there was a difference of 10.3 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. In view of the insignificance of the remaining difference compared with the bond proceeds raised (approximately 2% of the bond proceeds), the funds are administered pursuant to treasury criteria and the relevant internal guidelines and invested in either short-term money market funds or in longer-term, sustainable investment funds. None of the funds are allocated to any other projects or used to refinance them.

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)	Potential allocation from the Green Bond*** (€m)	Share of potential allocation in total project costs (%)	Planned allocation from the Green Bond*** (€m)	Amount allocated from the Green Bond in the reporting period*** (€m)	Cumulative allocation from the Green Bond to date (€m)	Share of potential allocation 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)	Potential allocation from the Green Bond*** (€m)	Share of potential allocation in total project costs (%)	Planned allocation from the Green Bond*** (€m)	Amount allocated from the Green Bond in the reporting period*** (€m)	Cumulative allocation from the Green Bond to date (€m)	Share of potential allocation to date (%)
Jettenbach-Töging (D) Hydro Increase in energy efficiency (rehabilitation)	7 & 13	254.1	254.1	100.0	254.1	1.6	254.1	100.0
Weinviertel line (A) Grid New construction	7 & 13	163.8	148.6	90.7	148.6	6.5	147.1	99.0
Reschen Pass (A) Grid New construction	7 & 13	93.5	89.2	95.4	89.2	29.3	88.5	99.2
		511.4	**491.9**		**491.9**	**37.4**	**489.7**	99.6

* 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. Common policy objectives include decarbonisation, switching from fossil fuels to low-emission energy sources and curbing global warming.

Reducing greenhouse gas emissions and VERBUND's 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 2023, 97.9% of the electricity generated by VERBUND came from renewables, mainly from hydropower. The remaining 2.1% 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 in the Graz Basin.

Guided by its Mission V corporate strategy, VERBUND focuses on strengthening its position as an integrated supplier and leading producer of hydropower in Austria and Germany, on expanding new renewables in Europe and on positioning itself as a leader in the European hydrogen sector. VERBUND is also looking to expand its transmission networks and energy storage facilities, to focus on research and innovation and to further advance innovative, efficient customer solutions. This will give rise to new business models, which in turn will result in different calculation methods and, consequently, a new greenhouse gas emission forecast for VERBUND.

The climate targets forecast are as follows: by 2030, direct Scope 1 greenhouse gas emissions are to be reduced by 16% relative to 2015 (around 1.8 million tonnes CO_2e) to around 1.5 million tonnes of CO_2e. VERBUND is aiming to reduce upstream greenhouse gas emissions from the sale of purchased electricity to consumers by 5% to around 3.5 million tonnes of CO_2e by 2030 compared with base year 2020 (around 3.7 million tonnes of CO_2e), with simultaneous growth.

In electricity trading, VERBUND contributes to emissions avoidance for its customers with its green electricity products as it 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% by 2030 compared with the 1990 level.

In addition to security of supply, it is essential to implement grid infrastructure measures that will enable new renewable energy capacities to be fed into the grid. All projects that support the achievement of VERBUND's climate targets are to be implemented using funds raised from green financing instruments wherever possible.

VERBUND's climate targets

- **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

When calculating avoided emissions associated with projects to generate electricity from renewable energy sources, the reduction in emissions of the financed project is compared to what would have been emitted in the absence of the project (the baseline emissions). Avoided emissions are calculated based on the Greenhouse Gas Protocol (GHG Protocol) for Project Finance pursuant to the PCAF Global Standard for calculating avoided emissions and are a separate category to the calculation of absolute emissions based on the GHG Protocol for Corporate Accounting.

To calculate avoided emissions from the Jettenbach-Töging power generation project, the "operating margin" (OM) emission factor is used. The OM emission factor is based on data from those fossil fuel power plants in a country or region whose operations 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 for Germany in this publication in the column for "Operating Margin Grid Emission Factor, g CO_2/kWh (including for use in PCAF GHG accounting)" is 650 g CO_2/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 CO_2 per GWh.

The modernised Töging plant generated 683 GWh in 2023. By comparison, the former plant would have generated 588 GWh based on the actual water supply. Thus, the plant overhaul resulted in an additional output of 95 GWh. That figure was used to calculate the theoretical level of avoided emissions, which came to 61,750 tonnes of CO_2.

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. It does not list specific methodological steps.

Based on the methodology and guidelines in the TYNDP, the reduction in CO_2 emissions is calculated using the following basic formula. Pursuant to the methodology specified, the following weighted average reductions in CO_2 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. As the calculations for the TYNDP are made only every two years, the figures for 2023 are identical to the 2022 figures.

Calculation (B2a) of annual CO_2 variation based on a market simulation (in kt/year)

$$\sum_{i=1}^{\text{Nodes}} \sum_{h=1}^{8736} \sum_{type=1}^{\text{Tech types}} \sum_{b=1}^{\text{No. of blocks}} \text{Produced energy (i, h, type, b)} \times \text{type of emission factor (i, h, type, b)}$$

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

Appendix

Independent Assurance Report on Sustainable Performance Targets 2023 according to the Terms and Conditions of the “Green and Sustainability-Linked Notes (due 1 April 2041)” of VERBUND AG

(Translation)

Report on the independent review of specific details of the Allocation Reports 2023 in connection with the utilization of funds (“Use of Proceeds”) from the “Green and Sustainability-Linked Notes (due 1 April 2041)” of VERBUND AG

(Translation)

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February 16, 2024

Independent Assurance Report on Sustainable Performance Targets 2023 according to the Terms and Conditions of the "Green and Sustainability-Linked Notes (due 1 April 2041)" of VERBUND AG (Translation)

Dear Sirs and Madams,

We have carried out an audit of the Sustainability Performance Indicators 2023 in accordance with the terms of emissions of the "Green and Sustainability-Linked Notes (due 1 April 2041)" of VERBUND AG to obtain limited assurance.

VERBUND AG issued a bond in the fiscal year 2021 that combines the characteristics of an environmentally sustainable use of proceeds with an interest rate step-up tied to company-wide sustainability targets ("Sustainability-linked").

VERBUND AG ("VERBUND" or the "Company") has committed itself in the context of the issue of "Green and Sustainability-Linked Notes (due 1 April 2041)" to appoint an independent audit body (Independent Verifier) to carry out an annual certification of defined sustainability performance indicators (KPI 1 and KPI 2) and to report on the results of this work in the form of a certification confirmation (Verification Assurance Certificate).

For 2023, the following sustainability performance indicators were determined by VERBUND:

- KPI 1: The newly installed production capacity of the Company (including its subsidiaries) of renewable energies from hydropower, wind power, and solar power (photovoltaics) in the period 01.01.2023 to 31.12.2023, measured in megawatts ("MW").
- KPI 2: The additional transformer capacity installed by the Issuer (including its subsidiaries) in the period 01.01.2023 to 31.12.2023, serving for the connection to the grid and the integration of renewable energy generation (as defined in Art. 2 No. 1 of Directive (EU) 2018/2001 of the European Parliament and Council of December 11, 2018 on the promotion of energy use from renewable sources (recast) defined) (the "Transformer Capacity"), measured in megavolt-amperes ("MVA").

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We checked the following values:

	Unit of measure	Increase 2023
KPI 1	MW	+99
KPI 2	MVA	+1.723

Table 1

Responsibility of the legal representatives

The proper determination of the sustainability performance indicators for 2023 in accordance with the terms of emission of the "Green and Sustainability-Linked Notes (due 1 April 2041)" is the responsibility of the Company's legal representatives. This responsibility includes designing, implementing, and maintaining an internal control system that the legal representatives deem necessary to enable the determination of the sustainability performance indicators that are free of material misrepresentations due to fraudulent actions or errors.

Unrestricted access to the records, documents and other information required for the execution of the audit described above, and the willingness of the legal representatives to provide complete information to the required extent is agreed upon.

We have taken a completeness declaration signed by the legal representatives into our files.

Responsibility of the auditor

Our task is to report to the client in writing based on our audit procedures whether we became aware of any matters during our audit that lead us to believe that KPI 1 and KPI 2 were not determined in all material respects in accordance with the terms of emission.

We carried out the assignment according to 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), to obtain limited assurance. Accordingly, we had to plan and perform the assignment taking into account the principle of materiality so that we can make our assessment with limited assurance.

In an assurance engagement to obtain limited assurance, the audit procedures performed are less in scope compared to an audit to obtain reasonable assurance, thus providing a lower level of assurance.

The selection of audit procedures is at the auditor's discretion and primarily included the following activities:

- Interviewing the employees named by VERBUND regarding the processes, policies and internal controls relevant for the collection of KPI 1 and KPI 2.
- Critical evaluation of the documentation, existing policies, processes and internal controls relevant for the collection of KPI 1 and KPI 2.
- Random testing of the evidence for KPI 1 and KPI 2 for consistency with the information included in the calculation.

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

Our engagement does not encompass assurance services concerning past-oriented financial information or other services. Therefore, neither an audit nor a review of past-oriented financial information is the subject of our engagement.

Likewise, the uncovering and clarification of criminal offenses, such as embezzlement or other fraudulent actions, nor the evaluation of the effectiveness and efficiency of the management is the subject of our engagement.

Reporting

Based on our audit procedures, no matters came to our attention during our audit that lead us to believe that KPI 1 and KPI 2 have not been determined in all material respects in accordance with the emission terms.

This audit is intended to assist VERBUND AG in demonstrating the compliant determination of KPI 1 and KPI 2 as set out in the emission terms. Our report may only be passed on to VERBUND AG and exclusively under the condition that our overall responsibility to you and any other recipient who receives the report with our consent is limited to the amount resulting from the attached "General Terms and Conditions of Engagement for Business Trust Professions" ("AAB") (see Appendix I). A partial passing on of the report (e.g., of attachments to the report) is not permitted.

Since our report is produced solely on behalf of and in the interest of the client, it does not provide a basis for any trust third parties might place in its content. Therefore, third parties cannot derive claims from it. Accordingly, this report may not be passed on in full or in part to third parties without our express consent. Forwarding to third parties generally requires our prior written consent.

You are permitted to reproduce our report at your sole responsibility, provided that the non-financial / sustainability reporting, along with our report, is reproduced only in full and unchanged in the version we reviewed.

We do not assume any responsibility, liability or other obligations towards third parties unless we have concluded a different written agreement with the third party, or such a disclaimer would be invalid.

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

The "General Contract Conditions for Business Trust Professions" ("AAB 2018") attached to this letter are agreed upon. For the execution of the assignment and our liability and responsibility, also in relation to third parties, the General Contract Conditions for Business Trust Professions in the currently valid version, which are attached as a copy, apply. It is agreed that the maximum liability sum is ten times the minimum insurance sum according to §11 WTBG, currently EUR 726,730, and applies in total once for all victims, including the client's own claims for compensation, even if several individuals (the client and a third party or several third parties) have been harmed; Victims are satisfied according to their precedence.

Vienna, February 16, 2024

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. (FH) Rosemarie König mp
Certified Public Accountant / Wirtschaftsprüferin

Mag. Stefan Uher mp
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Annex

1 General Conditions of Contract for the Public Accounting Professions

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To the Executive Board of
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February 16, 2024

Report on the independent review of specific details of the Allocation Reports 2023 in connection with the utilization of funds ("Use of Proceeds") from the "Green and Sustainability-Linked Notes (due 1 April 2041)" of VERBUND AG (Translation)

Dear Sirs and Madams,

VERBUND AG has committed under the VERBUND Green Financing Framework (the "Framework") to publish an Allocation Report within one year (and thereafter on an annual basis) following a Green Bond issue. The Allocation Report also includes the following specific information:

• The amount of proceeds from Green Bond issues that were allocated to Green Projects deemed suitable.

In the context of the issue of the "Green and Sustainability-Linked Notes (due 1 April 2041)" (the "2021 Issue"), VERBUND AG has committed in 2021 to utilize the proceeds from this issue for defined Eligible Green Projects.

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

The allocation provisions specified in the Framework allow for investments in Eligible Green Projects to be assigned up to a maximum of 3 years prior to the date of the Green Bond issue.

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The following allocation to the Eligible Green Projects was made until 31.12.2023:

Specific information Amounts in EUR Mio.

Project	Investments		
	2018 to 2022	2023	2018 to 2023
Töging - Jettenbach	252,5	1,6	254,1
Weinviertel-Leitung	140,6	6,5	147,1
Reschenpass	59,2	29,3	88,5
	452,3	37,4	489,7

We carried out the examination of the Specific Information determined by the Company for the period from 01.01.2023 to 31.12.2023.

Responsibility of the legal representatives

The proper determination of the specific information in accordance with the Green Financing Framework is the responsibility of the company's legal representatives. This responsibility includes the design, implementation, and maintenance of an internal control system that the legal representatives deem necessary to enable the determination of sustainability performance indicators that are free from material misrepresentations due to fraudulent actions or errors.

Unrestricted access to the records, documents and other information required for the performance of the audit described above, as well as the willingness of the legal representatives to provide information in the required scope in full, are deemed as agreed.

We have taken a completeness declaration signed by the legal representatives to our files.

Responsibility of the auditor

Our task is to report to the client in the form of a written report based on our audit actions, whether during our audit we became aware of facts that lead us to believe that VERBUND AG's representations of the Specific Information for the specified period from 01.01.2023 to 31.12.2023, were not determined in material aspects with the transmitted investments and not in accordance with VERBUND AG's Green Financing Framework.

We performed the engagement in accordance with the 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), to obtain limited assurance. Accordingly, we have carried out the engagement under consideration of the principle of materiality in such a way as to plan and conduct it that we can provide our limited assurance.

In a limited assurance engagement, the audit procedures performed are less in scope compared to an audit that aims to obtain reasonable assurance, hence providing a lower level of assurance.

The selection of audit procedures lies within the discretion of the auditor and included, in particular, the following activities:

- Random testing of evidence for the investments made from 01.01.2023 to 31.12.2023 for the Eligible Green Projects (according to Table 1).

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

Our engagement does not include assurance services on historical financial information or other services. Thus, the focus of our engagement is neither an audit nor a review of historical financial information.

Likewise, the detection and clarification of criminal offenses, such as embezzlements or other fraudulent actions, as well as the assessment of the effectiveness and efficiency of the management are not part of our assignment.

Reporting

Reporting Based on our audit procedures, we did not become aware of any matters during our audit that would lead us to believe that VERBUND AG's statements about the specific information for the specified period from 01.01.2023 to 31.12.2023 were not determined in material aspects with the investments provided and not in accordance with VERBUND AG's Green Financing Framework.

This audit is intended to assist VERBUND AG in demonstrating the compliant determination of the "specific information". Our report may only be passed on to VERBUND AG and exclusively under the condition that our total liability to you and any other recipient who receives the report with our consent is limited to the amount resulting from the attached "General Contract Terms and Conditions for Economic Trust Professions" ("AAB") (cf. Annex I). A partial passing on of the report (e.g., of attachments to the report) is not permitted.

Our report may not be passed on in full or in part to third parties without our express consent. Forwarding to third parties generally requires our prior written consent.

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

You are permitted to reproduce our report at your sole responsibility, provided that the non-financial reporting / sustainability reporting, together with our report, is reproduced only in full and unchanged in the version we reviewed.

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The "General Contract Conditions for Business Trust Professions" ("AAB 2018") attached to this letter are agreed upon. For the execution of the assignment and our liability and responsibility, also in relation to third parties, the General Contract Conditions for Business Trust Professions in the currently valid version, which are attached as a copy, apply. It is agreed that the maximum liability sum is ten times the minimum insurance sum according to §11 WTBG, currently EUR 726,730, and applies in total once for all victims, including the client's own claims for compensation, even if several individuals (the client and a third party or several third parties) have been harmed; Victims are satisfied according to their precedence.

Vienna, February 16, 2024

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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 con-

tinuing 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 TERNA 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 strenghthen 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 the progress of projects financed through VERBUND's Green & Sustainability-linked Bond (2021). The proceeds from the bond will be used for the sole purpose of financing investments in the modernisation and expansion of hydropower in Germany and investments in the power grid for the transmission of electricity from renewable energy in Austria. The project progress reports refer to the 2023 reporting period, which ended on 31 December 2023. 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 projects financed with the proceeds from the 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 allocation period 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

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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 2024