

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and the Green Finance Framework

Energie Burgenland
07 May 2021

VERIFICATION PARAMETERS

| | |
|-------------------------------------|---|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">• Green Bonds, Green Loans and Green Schuldscheindarlehen |
| Relevant standards | <ul style="list-style-type: none">• Green Bond Principles and Green Loan Principles (as administered by ICMA and LMA) |
| Scope of verification | <ul style="list-style-type: none">• Energie Burgenland Green Finance Framework (as of April 2021) |
| Lifecycle | <ul style="list-style-type: none">• Pre-issuance verification |
| Validity | <ul style="list-style-type: none">• As long as the Green Finance Framework does not change |

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Scope of work

Energie Burgenland (“the issuer” or “EB”) commissioned ISS ESG to assist with its Green Finance Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Finance Framework link to Energie Burgenland’s sustainability strategy – drawing on Energie Burgenland’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Energie Burgenland’s Green Finance Framework (April 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) and Green Loan Principles (GLPs).
3. The Eligibility criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ¹ |
|---|---|---|
| Part 1: Green Finance Framework link to issuer’s sustainability strategy | <p>Energie Burgenland’s line of business includes the generation, transmission, and distribution of electric energy. The company’s energy generation is almost exclusively based on wind and biomass. Additionally, Energie Burgenland also produces a minor share of its total generation from solar energy, block-type thermal power stations and one small-scale hydropower plant.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.</p> | Consistent with issuer’s sustainability strategy |
| Part 2: Alignment with GBPs and GLPs | <p>The issuer has defined a formal concept for its Green Finance Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and Green Loan Principles.</p> | Aligned |
| Part 3: Sustainability quality of the Eligibility criteria | <p>The overall sustainability quality of the eligibility criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The green finance instrument will (re-)finance eligible asset categories which include solar p.v. and wind energy.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 7 ‘Affordable and clean energy’ and 13 ‘Climate action’. The environmental and social risks associated with those use of proceeds categories have been well managed.</p> | Positive |

¹ ISS ESG’s evaluation is based on the Energie Burgenland’s Green Finance Framework (April 2021 version) and the ESG indicative assessment of the company based on ISS ESG Corporate Rating methodology.

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCE FRAMEWORK LINK TO ENERGIE BURGENLAND'S SUSTAINABILITY STRATEGY

A. INDICATIVE ASSESSMENT OF ENERGIE BURGENLAND'S ESG PERFORMANCE

Industry classification: Electric Utilities

Key issues of the industry

- Facilitation of the energy transition and resource efficiency
- Environmentally safe operation of plants and infrastructure
- Worker safety and accident prevention
- Accessibility and reliability of energy supply
- Business ethics and government relations

Indicative ESG risk and performance assessment:

Energie Burgenland's line of business includes the generation, transmission, and distribution of electric energy. Additionally, the company also supplies natural gas and offers energy related services. The company's energy generation is almost exclusively based on wind and biomass. Additionally, Energie Burgenland also produces a minor share of its total generation from solar energy, block-type thermal power stations and one small-scale hydropower plant. Until 2025, Energie Burgenland plans to invest 1.5 billion EUR into further increasing its wind and solar power capacities. The company does not appear to plan any investments into fossil fuel-based energy sources. It does not report in detail on measures to avoid environmental impacts from its energy generation, for example, regarding biodiversity impacts of the company's wind power plants.

Furthermore, Energie Burgenland is also involved into innovative projects, such as hydrogen-based mobility initiatives. While the company's overall activities can be considered climate friendly, it does not report on a more comprehensive climate change mitigation strategy that would include clear quantitative targets and corresponding measures.

While a health and safety management system is in place, there is no information provided on whether it is certified to a standard such as OHSAS 18001 or ISO 45001. As safety performance data is not disclosed, the company's performance in this regard cannot be assessed.

Lastly, a code of conduct for the own workforce has been implemented to ensure responsible and ethical decision-making regarding issues such as conflicts of interest and corruption and bribery. Similar policies regarding suppliers have not been identified.

Indicative product portfolio assessment:

- **Social impact of the product portfolio:**

Energie Burgenland provides electricity and gas to a variety of customers, including private households, which positively contributes to the provision of basic services, but presumably accounts for a minor revenue share.

- **Environmental impact of the product portfolio:**

With its focus on renewable energy generation, Energie Burgenland offers products and services that significantly contribute to the achievement of global climate targets. The company's natural gas distribution activities are currently assessed neutral in terms of their environmental impact.

Controversy risk assessment:

The analyst in charge of producing this report, conducted a high-level controversy assessment on the company, which did not reveal any controversy that can be attributed to the issuer.

Based on a review of controversies in the period of 1 January 2019 – 8 April 2021, the greatest risk reported against companies operating in the Electric Utilities industry relate to activities that may have adverse impacts on the environment and human rights. This is closely followed by activities related to business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to assess environmental impacts, failure to respect the right to an adequate standard of living and poor stakeholder consultation. This is closely followed by the alleged failure to mitigate climate change impacts, failure to respect indigenous rights and failure to prevent water pollution.

B. CONSISTENCY OF THE GREEN FINANCE FRAMEWORK WITH ENERGIE BURGENLAND'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Climate change is one of the world's greatest challenges and energy service companies have the opportunity to make a major contribution to the goal set in the Paris Agreement² to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. Energie Burgenland's electricity generation is purely based on renewables. It is Austria's largest producer of wind energy with 225 wind energy plants and 522 MW capacity.

Energie Burgenland aims to not only remain Austria's largest producer of wind energy, but also become the number 1 in photovoltaics as well as a leading green tech company with a European focus.

In its business activities, Energie Burgenland complies with the strict EU environmental and bird protection regulations that apply to wind farms. In addition to that, Energie Burgenland has introduced "Maßnahmenpakt Ornithologie" program in which it monitors the population, breeding success and use of space of birds. Here, additional studies on the population development of the protected species of the bird sanctuary are carried out. Likewise, there is

² [The Paris Agreement | UNFCCC](#)

an ongoing collision monitoring for bats. Furthermore, Energie Burgenland has created compensation areas to protect bird life, especially the imperial eagle. With these special protection programs, Energie Burgenland goes one step further and makes an important contribution to the preservation of nature and a livable, sustainable environment and takes important steps in environmental and animal protection.

Rationale for issuance

To emphasize its commitment to sustainable development, Energie Burgenland has started the investment program “Programm Burgenland 2025”. In sum, two billion euros will be invested in Burgenland by 2025, divided in four growth areas: renewable energy generation – wind and photovoltaics –, grid expansion, digitalization, and customer services.

Energie Burgenland will be tripling the amount of renewable electricity that it generates each year. Furthermore, Energie Burgenland invests in the necessary grid capacities so that the electricity can safely be transported to customers or discharged into the higher-level grid. The investment program will halve Burgenland’s greenhouse gas emissions, according to the issuer and is a major step towards making Burgenland to one of the world’s first carbon-neutral regions.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Finance Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Electric Utilities sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

| USE OF PROCEEDS CATEGORY | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | CONTRIBUTION |
|--------------------------|--|-----------------------------|--------------------------------------|
| Renewable Energy | ✓ | ✓ | Contribution to a material objective |

Opinion: ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by Energie Burgenland.

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES AND THE GREEN LOAN PRINCIPLES

1. Use of Proceeds

An amount equivalent to the net proceeds raised by the issuance of Green Financing Instruments will be used to finance or re-finance, in part or in full, new or existing Eligible Assets providing distinct environmental benefits (“Eligible Green Assets”).

Eligible Green Assets relevant for use under the Framework include:

| ELIGIBLE CATEGORY | ELIGIBILITY CRITERIA |
|-------------------------|---|
| Renewable Energy | <p>Investments in or expenditures for the acquisition, construction, development, operation and installation as well of re-powering of renewable energy production and storage units.</p> <p>Renewable energy projects may include the following categories:</p> <p>Wind power:</p> <ul style="list-style-type: none"> ▪ Onshore wind power plants ▪ Re-powering / refurbishment of existing wind power plants <p>Solar Photovoltaics:</p> <ul style="list-style-type: none"> ▪ Open space installations ▪ Roof installations ▪ Dedicated support infrastructure installations |

Furthermore, the eligibility criteria described above comply³ with the recommendation of the Technical Expert Group (TEG) final report on the EU Taxonomy (the “EU Taxonomy”) published in March 2020⁴, which establishes a system to classify environmentally-sustainable activities by setting out metrics and thresholds. Under the current version of the EU Taxonomy activities that generate electricity from wind power and solar PV technology are eligible and contribute to the climate change mitigation goal.

Opinion: ISS ESG considers the Use of Proceeds description provided by Energie Burgenland’s Green Finance Framework as aligned with the GBPs and GLPs. Environmental benefits are described. Furthermore, the projects selected show alignment with the sustainability strategy of the issuer.

³ ISS ESG did not review the alignment of the eligibility criteria displayed in the framework against the EU Taxonomy.

⁴ March 2020 version of the TEG Report: [Technical annex to the TEG final report on the EU taxonomy \(europa.eu\)](https://ec.europa.eu/economy_finance/technical-annex-to-the-teg-final-report-on-the-eu-taxonomy_en)

2. Process for Project Evaluation and Selection

To ensure that allocations are made to Eligible Green Assets as specified in the use of proceeds section above, Energie Burgenland has established a Green Finance Committee (“GFC”), consisting of members of EB’s Finance, Sustainability and Project Management teams.

Only projects/assets which are approved by all members of the GFC can be selected as Eligible Green Assets. After approval by the committee, Eligible Green Assets will be recorded in a Green Asset Register which will be managed by a nominated team within the company.

The Green Finance Committee will be responsible for:

- Ensuring the potential Eligible Green Assets are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above, and approving any proposed changes to the List of Eligible Green Assets in the event that the Assets no longer meet the eligibility criteria
- Ensuring that the allocations are aligned with the relevant general company policies and company’s ESG strategy
- Approving the annual Allocation and Impact Report

The GFC meets at least on an annual basis and until full allocation.

Exclusions

Energie Burgenland commits to use the proceeds of the Green Financing Instruments only for Eligible Green Assets described in the use of proceeds section above and explicitly excludes financing of fossil fuel generation, nuclear energy generation, the weapons and defense industries, gambling or tobacco industries.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Energie Burgenland’s Green Finance Framework as aligned with the GBPs and GLPS. The issuer has developed a clear and transparent screening selection process. Furthermore, the issuer has created a green bond committee composed of different departments. Lastly, Energie Burgenland has put in place exclusion criteria, reflecting best market practices.

3. Management of Proceeds

An amount equal to the net proceeds raised by the Green Financing Instruments will be allocated to Eligible Green Assets as specified in this Framework. Energie Burgenland will establish a Green Asset Register in relation to Green Financing Instruments issued by Energie Burgenland for the purpose of monitoring the Eligible Green Assets and the allocation of the net proceeds from Green Financing Instruments to Eligible Green Assets. The Green Asset Register will form the basis for the impact reporting.

All Green Financing Instruments issued by Energie Burgenland will be managed on a portfolio level. This means that a Green Financing Instrument will not be linked directly to one (or more) pre-determined Eligible Green Assets. Energie Burgenland will nominate a dedicated department which will then be responsible for keeping track and ensuring that there are sufficient Eligible Green Assets included in the Green Asset Register matched to the proceeds of Green Financing Instruments until

full allocation. Assets can, whenever needed, be removed or added to/from the list. Additionally, the approved Eligible Green Assets will be earmarked as “green” in a profit-center manner within the company.

Any portion of the net proceeds of Green Financing Instrument that have not been allocated to Eligible Green Assets in the Green Asset Register will be held in accordance with EB’s normal liquidity management policies and guidelines in money market products, such as cash and/or cash equivalents and/or bank deposits.

Energie Burgenland plans, on a best effort basis, to fully allocate the proceeds of its Green Financing Instruments within 24 months upon issuance.

Opinion: *ISS ESG finds that Management of Proceeds proposed by Energie Burgenland’s Green Finance Framework is aligned with the GBPs and GLPs, as the issuer will establish a Green Asset Register in light of the Green Finance Framework for the purpose of monitoring the eligible Green Asset and allocation of the net proceeds. Furthermore, the issuer has defined the timeframe to fully allocate the proceeds of the green financing instruments.*

4. Reporting

To be fully transparent towards Green investors and other market stakeholders, Energie Burgenland commits to publish an Allocation and Impact Report within 12 months of issuance and then annually until full allocation and on a timely basis in case of material developments. The report will be publicly available on Energie Burgenland’s website⁵ and will cover the following areas:

Allocation of proceeds reporting

The allocation report will provide:

- Total amount of Green Financing Instruments issued
- Share of proceeds allocated/ yet unallocated
- The geographic distribution of Eligible Green Assets
- Examples of Eligible Green Assets that have been financed or refinanced (project name and location, as long as not of sensitive nature)

Impact reporting

Where feasible, and on a best effort basis, Energie Burgenland will provide an impact report which may include below criteria indicating environmental impact for the total amount of Green Eligible Assets covering:

| ELIGIBLE CATEGORIES | EXAMPLE OF POSSIBLE KEY PERFORMANCE INDICATORS |
|----------------------------|---|
|----------------------------|---|

⁵ <https://www.energieburgenland.at/unternehmen/facts-figures/geschaeftszahlen>

Renewable Energy

- Installed renewable energy capacity (MW)
- Renewable energy produced (MWh)
- Estimated annual GHG emission avoided (tCO₂e)

Where impact data is reported, details of the methodology applied in compiling the data will be disclosed in the report.

Opinion: *ISS ESG finds that the reporting proposed by Energie Burgenland's Green Finance Framework is aligned with the GBPs and GLPs. Furthermore, Energie Burgenland has provided Key Performance Indicators for each use of proceeds categories as per the recommended harmonized framework for impact reporting published by ICMA.*

External review

Second party opinion (pre-issuance)

To confirm the transparency and robustness of Energie Burgenland Green Finance Framework the Framework has been reviewed by an external second party opinion provider ISS ESG, confirming the alignment with the ICMA Green Bond Principles.

Audit of the Allocation Report (post-issuance)

Allocation of the proceeds will be subject for an annual review by an independent auditor confirming that an amount equal to the net proceeds of Green Financing Instruments has been allocated to Eligible Green Assets. A verification report provided by the external auditor will be published on company's website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE ELIGIBLE USE OF PROCEEDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the eligible use of proceeds and using a proprietary methodology, ISS ESG assessed the contribution of the Energie Burgenland’s Green Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

| | | | | |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|
| Significant Obstruction | Limited Obstruction | No Net Impact | Limited Contribution | Significant Contribution |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|

Each of the green financing instrument’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS | |
|--------------------|-------------------------------------|--|---|
| Wind Energy | Significant contribution |  |  |
| Solar P.V. | Significant contribution |  |  |

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE USE OF PROCEEDS

ASSESSMENT AGAINST ISS ESG KPI

Impact of operations on biodiversity

- The issuer has policies in place on biodiversity management during operation. Energie Burgenland complies with the EU environmental and bird protection regulations that apply to wind farms. In addition to that, Energie Burgenland has introduced “Maßnahmenpakt Ornithologie” program in which it monitors the population, breeding success and use of space of birds.

Impact of planning and construction on biodiversity

- The issuer is located in Austria, where it is mandatory to conduct an Environmental Impact Assessment according to EU legislation and directives.

Labour standards

- The issuer is located in Austria, where the ILO Core Conventions are widely adopted.

Health & Safety Standards

- The issuer is located in Austria where occupational Health & Safety management system are widely adopted.

Waste management & pollution prevention

- The issuer has policies in place regarding waste management, pollution prevention, dismantlement and recycling.

Dialogue with local communities

- Community dialogue features as part of the Environmental Impact Assessment and is therefore an integral part of the planning process.

DISCLAIMER

1. Validity of the SPO: As long as Energie Burgenland's Green Finance Framework does not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Energie Burgenland’s Green Finance Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Energie Burgenland (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Energie Burgenland’s eligible criteria contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Energie Burgenland commissioned ISS ESG to compile a Green Finance Framework SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles and Green Loan Principles and to assess the sustainability credentials of its eligibility criteria, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles and LMA Green Loan Principles
- ISS ESG KPI set

ISSUER'S RESPONSIBILITY

Energie Burgenland's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Framework to be issued by Energie Burgenland based on ISS ESG methodology and in line with the ICMA Green Bond Principles and the LMA Green Loan Principles.

The engagement with Energie Burgenland took place in April and May 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

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

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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

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

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