



GREEN BOND FRAMEWORK AUSTRIAENERGY INTERNATIONAL GMBH

Imug Beratungsgesellschaft
für sozial-ökologische Innovationen
mbH
Postkamp 14a
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Imug, Hanover, the 03.03.2023

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1. Company Profile

AustriaEnergy International GmbH (AEI) was founded in 2014 and is a wholly-owned subsidiary of AustriaEnergy-Holding GmbH, which was founded in 2006. The company's main office is in Vienna, Austria, and the group of companies has subsidiaries and offices in both Europe and in Latin America.

AEI's core business is the development, construction, operation and management of renewable power plants in South America with a particular focus currently on Chile. The company is also looking into expanding into other markets such as Columbia and Peru.

Thanks to its many years of experience, AEI has distinctive expertise in the development and management of renewable energy projects across their entire lifecycle. Business clients such as Total, Sojitz and Opde particularly appreciate the company's extensive experience with its investors' specific requirements concerning the development, operation, maintenance, and management of the plants that AustriaEnergy develops.

To date AustriaEnergy has developed over 1,000 MW of output in the form of photovoltaic (PV) plants and wind power plants.

2. Sustainability Strategy

Since its inception, AustriaEnergy has pursued its goal of making renewable energies marketable and by doing so making a necessary contribution to a circular, low-carbon economy. To this end the company engages its stakeholders in an ongoing dialogue.

“We firmly believe that humanity has to generate its energy sustainably in order to survive over the long term. For this reason, we make renewable energies storable and distributable – for a better and more sustainable environment.”

This vision is regarded as the guiding force of AustriaEnergy's sustainability strategy. It was also in this spirit that the sustainability mission was defined, which is intended to serve all its staff as a compass guiding their actions.

“Together with our partners we develop projects for the production and storage of green energy, and we make a point of complying with internationally recognized environmental and social standards.”

Since 2019, the company has been able to finance 100% of its projects using its own capital. In order to be able to carry out all its future projects as well and pursue its corporate strategy even better, AEI is striving for strong growth in the areas of photovoltaics, wind and green hydrogen over the short and medium term. In line with its own sustainability convictions, this growth will be financed through the issuance of a five-year corporate green bond. This bond is scheduled to be issued in the 2nd quarter of 2023 – a decisive measure in the context of the company's medium-term business and sustainability objectives.

In order not to lose sight of its corporate vision during its growth phase, AustriaEnergy is setting up its own sustainability management in the period leading up to the bond's issuance. Sustainability is given consideration along its three dimensions of economy, ecology and social aspects, and each dimension is furnished with long-term, medium-term and short-term goals along with measures for their achievement.

AustriaEnergy's sustainability strategy will aim to make a significant contribution towards attaining the United Nations' Sustainable Development Goals (SDGs). The first step has already been taken, which was to determine the SDGs on which AEI has a particular impact through its business strategy (see Figure 1). AEI's business model is strongly linked to SDGs 7 and 13, which is why AustriaEnergy's climate strategy is also given special priority.



Figure 1: Important SDGs for the AustriaEnergy Group

2.1. Sustainability Management Measures

As a developer of sustainability projects, AustriaEnergy depends to a considerable degree on its project partners in plant construction. There are considerable risks, for example, when wages are withheld or workers are employed illegally. For this reason, the company monitors the processes implemented by EPC¹ contractors and their subcontractors in the performance of works contracts and does not approve payments until it has received full verification of all payments and fees.

The supply chain poses another social risk. The solar industry as a whole faces a situation in which the market is dominated by Chinese solar panel manufacturers. In order to minimize risks, AEI requires its Chinese suppliers to confirm that they employ no forced labor whatsoever and respect human rights. From 2025 onwards, Chinese manufacturers will also have to be certified if they want to deliver to the EU. AustriaEnergy will be voluntarily integrating this certification into its supply chain management.

Every single project carried out also takes into consideration the ten Equator Principles, which are an international set of environmental and social standards intended to serve as a guideline for banks to use in connection with financing projects.²

3. Framework For Green Bonds

This AustriaEnergy International framework aligns with the four core components described in the latest edition of the Green Bond Principles (GBP) published in 2021 by the International Capital Markets Association (ICMA):

- Use of proceeds
- Process for project evaluation and Selection
- Management of proceeds
- Reporting

¹ Engineering Procurement Construction

² The Equator Principles were developed in 2003 in cooperation with the International Finance Corporation (IFC) and representatives from the international banking sector. Further information on the Principles is available here: <https://equator-principles.com/>

This framework is also oriented to the Climate Bond Initiative's Climate Bond Standard (version 3.0). For all future revisions of this framework, AEI aims to at least maintain the current standards in terms of transparency and ambitiousness and raise them where possible.

3.1 Use of Proceeds

AEI sees itself as accompanying the transformation towards a climate-friendly, carbon-neutral economy. All the projects developed by AEI up to commencement of construction fall into the project category of renewable energies and serve the overarching objective of fulfilling the Paris Climate Accords and achieving the 1.5°C target. AEI sometimes acts as EPC manager for investors during the construction phase, although it does not contribute capital.

AEI is planning to finance and complete several projects over a period of five years by means of a green bond, which is being issued as a corporate bond with a total value of 15 million euros. These projects can be allocated to the sub-categories shown in Table 1.

Table 1: Project categories and their financing

Project category	Company Activity	Funding share target
1. Solar power (onshore)	<ul style="list-style-type: none"> Developing and supervising the construction of plants Developing and supervising the construction of transmission infrastructure including inverters, transformers and energy storage 	30 % of the issued volume
2. Wind power (onshore)	<ul style="list-style-type: none"> Developing and supervising the construction of plants Developing and supervising the construction of transmission infrastructure including inverters, transformers and energy storage 	40 % of the issued volume
3. Green hydrogen	<ul style="list-style-type: none"> Developing and supervising the construction of plants Developing and supervising the construction of transmission infrastructure including inverters, transformers and energy storage 	30 % of the issued volume

AEI plans to invest 100% of the proceeds in financing new projects. In order to guarantee that the development of all its projects proceeds as smoothly as possible, the option is being

left open of using a maximum of 20% of the proceeds to re-finance existing projects insofar as the funding that projects have been receiving is no older than six months.

We will use an ESG compliant bank to receive the funds. In addition, we will use our own account opened for this purpose.

The funds are expected to be used in less than 5 years.

3.2 Solar and Wind Power Projects

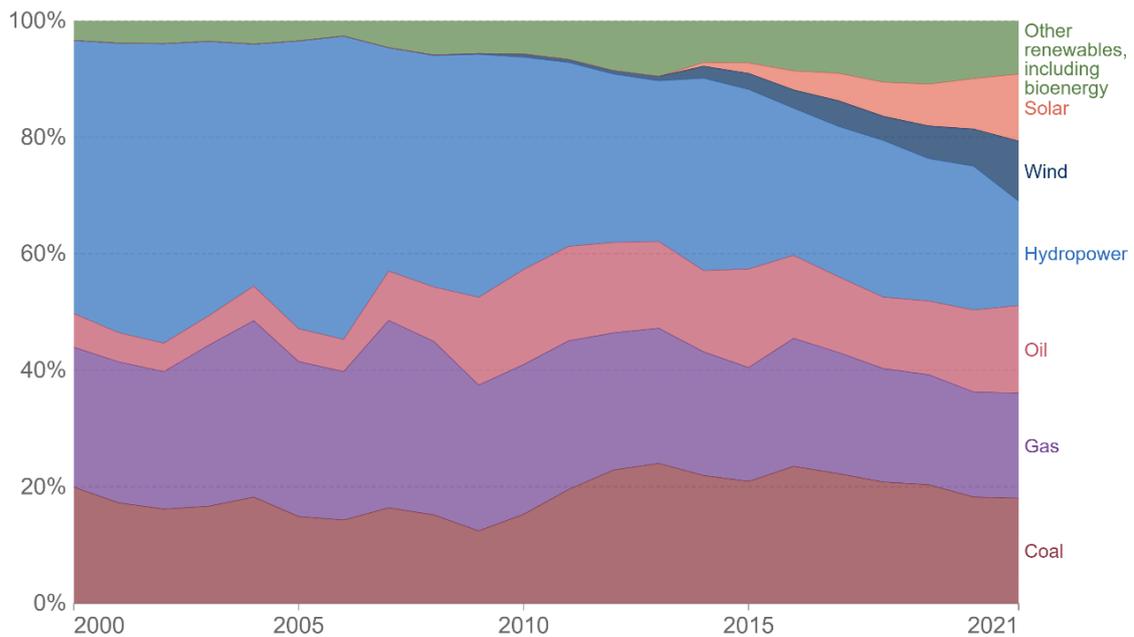
Chile is a privileged country in terms of solar radiation, especially in the north of Chile and with wind resources throughout the country, which gives us the opportunity and privilege of the opportunity and privilege to develop a world-class leadership in renewable energies.

Because of these characteristics is that It is an objective of government energy policy to implement the necessary measures so that renewable energies account for 60% by 2035, and at least 70% of electricity generation by 2050.

AEI's solar and wind energy projects are in line with these commitments and are adapted to the capacity required by the region in question.

In this way, the company not only contributes to combating global warming, but also to stabilising the region's electricity supply and creating and protecting sustainable added value for the people of Chile.

Through the development and construction of its plants, AEI is making a considerable contribution to reducing the proportion of carbon-intensive energy sources such as oil, gas and coal in the Chilean electricity mix. At 44.27 TWh of electricity, these energy sources still dominated over 50% of the Chilean electricity market in 2021 (see Figure 1).



Source: Our World in Data based on BP Statistical Review of World Energy (2022); Our World in Data based on Ember's Global Electricity Review (2022); Our World in Data based on Ember's European Electricity Review (2022)
 Note: 'Other renewables' includes biomass and waste, geothermal, wave and tidal.
 OurWorldInData.org/energy • CC BY

Figure 2: Electricity generation in Chile by source

3.3 Projects for the Generation of Green Hydrogen.

Another segment of AEI's business operations is the development of plants that use 100% renewables to generate green hydrogen for the storage and worldwide distribution of energy in the form of ammonia. Through the investment volume made available to the company and its collaboration with its project partner Ökowind EE GmbH¹ and the Danish fund management company Copenhagen Infrastructure Partners² (CIP), AustriaEnergy is planning to become the leading provider of green hydrogen and green ammonia from southern Chile over the coming years (see Figure 2).

Its wind power plants provide the basis for producing green hydrogen, which is then converted into green ammonia. This ammonia, in turn, will be the foundation for the manufacture of low-carbon fertilizers, steel, refrigerants, chemicals and fuel for shipping. For a long time, the idea of a zero-carbon economy was considered inconceivable. Due to the

¹ <https://oekowind.eu>

² <https://cippartners.dk>

work it does in the areas with the highest solar irradiation and wind energy on the planet, AEI has managed to reduce electricity generation costs so that, for the first time, green hydrogen and ammonia can be provided at competitive prices.

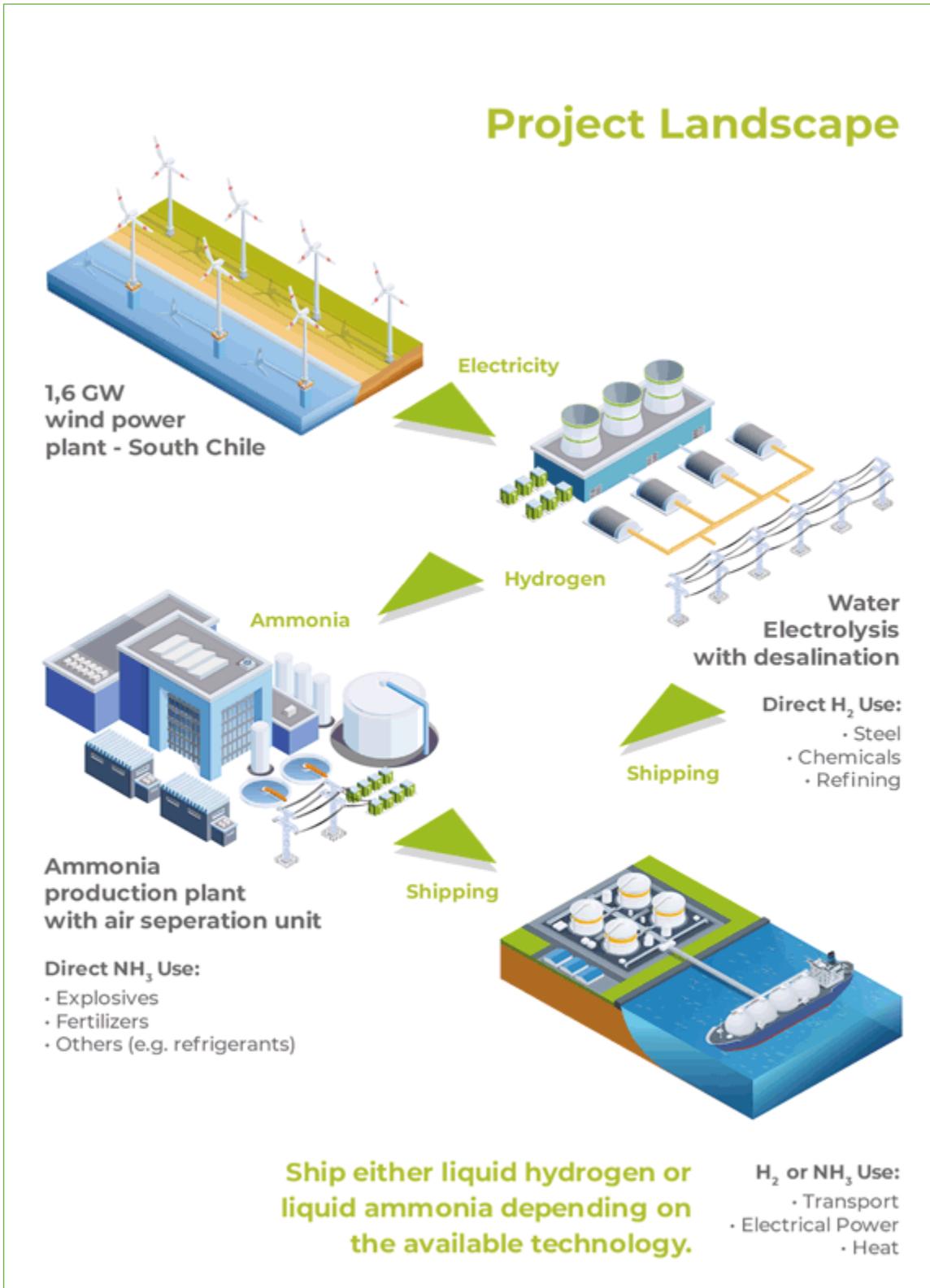


Figure 3: Hydrogen project

Development of the first hydrogen project began in 2019 and is expected to be completed upon commissioning in 2027/28. A joint venture with CIP, a company specialized in the operation of power-to-x installations, is ensuring the project's optimum development and execution. AEI will also be undertaking to refine this first project with the same partner at a later stage. With an overall investment volume of approximately three billion USD, the project will have the potential to prevent carbon emissions in the order of 2.3 million t/a. The hydrogen will be converted into approximately 1,000,000 mt¹ of green ammonia and exported.

3.4 Process for Project Evaluation and Selection

3.4.1 Selection procedure

For compliance with the climate bond standard Part C: Eligibility of Projects & Assets, AE has set up an eligibility internal Green Bond Committee (GBC), which is composed of:

- Owners
- Area managers
- Development managers
- Technicians

They apply wind and/or solar resource criteria, and then carry out a technical and financial evaluation, which will define the optimal projects to be developed. This agreement sets out general principles of environmental compliance and establishes categories for projects, in our case we apply to Category C - Projects with minimal or no adverse environmental and social risks or impacts.

This committee is in charge of selecting, steering and evaluating all the projects that are potentially eligible for funding. The committee will also monitor attainment of environmental benefits as defined in the Green Bond Principles and Climate Bond Standards.

The committee meets once a month during the management meetings, which also take place once a month. The green projects are assessed and chosen using selected economic

¹ metric tons

and ESG criteria (see Table 2). The GBC is also responsible for developing the selection criteria while taking into account the selection indicators of the Climate Bonds Taxonomy and the requirements of the Equator Principles formulated by the Inter-American Development Bank (IDB). AEI will only implement projects that comply with the GBP and are consistent with the Climate Bonds Taxonomy classification system. The GBC is charged with documenting the entire project selection process, which an outside agency will be auditing in future when necessary.

3.4.2 Committee procedure

The owner and the area managers on the committee will evaluate, in a first stage, business opportunities that are applicable to the green climate bond standard criteria.

This first selection of business opportunities will be subject to a detailed environmental, technical and financial evaluation.

From the results of this detailed evaluation, projects that are feasible to develop will be selected.

The projects selected for development will be formulated under the green climate bond standard.

Then, in a second stage, the development managers will be responsible for the implementation of the project development with the support of technical specialists.

The projects selected by the committee will comply with the general principles of environmental compliance and will establish categories for the projects, in our case we apply to Category C - Projects with minimal or no adverse environmental and social risks or impacts.

In addition to meeting the criteria of the green bond standard, AustriaEnergy is committed to complying with the Equator Principles. This agreement sets out general principles of environmental compliance and establishes categories for projects.

Regarding risk management, no standardized risk management system currently exists at AEI. A risk management system is scheduled to be introduced in the spring of 2023 in order to identify not only potential financial risks but also multi-dimensional sustainability risks.

Table 2: Selection criteria for projects eligible for funding

Selection category	Selection criterion	Characteristics
Obligatory	<ul style="list-style-type: none"> Location 	<ul style="list-style-type: none"> Chile No immediate proximity to relevant stakeholder groups (e.g. indigenous communities who would be negatively affected) Not located in potential flood zones
	<ul style="list-style-type: none"> Project area 	<ul style="list-style-type: none"> Utility size
	<ul style="list-style-type: none"> IDB Equator Principles 	<ul style="list-style-type: none"> Consent of all parties involved to use the IDB Equator Principles
Ecological parameters	<ul style="list-style-type: none"> Contribution to reducing greenhouse-gas emissions through projects in the PV project pipeline and wind project pipeline 	<ul style="list-style-type: none"> ≥ 1,200 t CO₂e/a ≥ 2,000 t CO₂e/a
	<ul style="list-style-type: none"> Sealing of agricultural areas and biologically valuable habitats 	<ul style="list-style-type: none"> ≤ 25 % of the area sealed was previously used for agriculture or considered biologically valuable
	<ul style="list-style-type: none"> Meeting adaptation and resilience criteria for the construction of hydrogen production plants 	<ul style="list-style-type: none"> Compliance with 100 % of all applicable criteria in the CBS hydrogen standard
	<ul style="list-style-type: none"> Carbon intensity of the power for seawater desalination plants 	<ul style="list-style-type: none"> ≤ 100g CO₂e/kWh
	<ul style="list-style-type: none"> Threshold for carbon intensity of hydrogen production and as ingredient for the production of ammonia 	<ul style="list-style-type: none"> as of 2028: ≤ 3 kg CO₂e/kg H₂ as of 2030: ≤ 1.5 kg CO₂e/kg H₂ as of 2040: ≤ 0.6 kg CO₂e/kg H₂ as of 2050: ≤ 0 kg CO₂e/kg H₂
Social parameters Impact on stakeholders (local)	<ul style="list-style-type: none"> Remuneration of the people working on site on the project 	<ul style="list-style-type: none"> At least 100 % of the wages considered standard for the industry
		<ul style="list-style-type: none"> ≥ 20 % above the minimum wage

groups) in the vicinity of the projects	<ul style="list-style-type: none"> • Collaboration with firms that themselves take on trainees 	<ul style="list-style-type: none"> • $\geq 50\%$ of the firms involved train trainees
Economic parameters	<ul style="list-style-type: none"> • Plant's expected electricity generation costs 	<ul style="list-style-type: none"> • ≤ 3 USD/MWh
	<ul style="list-style-type: none"> • Expected ROI 	<ul style="list-style-type: none"> • $\geq 7\%$

3.5 Management of Proceeds

AEI will credit the proceeds from the green bond to a bank account specifically set up for the purpose. As there are currently no plans to commit to another green bond before the other one has been paid back in full, the proceeds will be managed using the bond-by-bond approach. The funds used will be tracked through dedicated cost units within the project, thus ensuring that the funds are used correctly.

The financial director ensures that the funds are allocated and monitored in accordance with the framework, and this work in turn is monitored by top management (the owner). The bank account and the cost units are checked at monthly intervals. Unallocated proceeds are credited to a bank account, thus ensuring that the funds are managed in compliance with the funding guidelines in the GBP and the Climate Bond Standards.

If the proceeds need to be reallocated, the GBC ensures that the new projects also fulfill the selection criteria. Following their implementation, adherence to these processes should be checked and verified by an outside agency¹ in the context of the annual allocation and impact reports.

3.6 Reporting

3.6.1 Content to Publish

In compliance with the Climate bond standard, AE will publish on its website a report including at least the following items.:

¹ Which agency would come into consideration here is still being determined.

1. The portfolio of initiatives subject to the green bond framework.
2. A detailed summary of the intended use of the total revenue raised through the bond including a description of the project where the revenues are going to be used. And how this use contributes to achieving the objectives of the Paris Climate Agreement.
3. A description of AE's decision-making process for choosing the initiatives subject to the bond.
4. Information on the methodology and assumptions to be used to: confirm, where required by the relevant Sectoral Eligibility Criteria, the characteristics or performance of the performance of the Proposed Projects and Assets necessary to meet eligibility requirements of the Climate Bond Standard.

In addition to the above, AE will issue an update report on the initiatives once a year, or as necessary if there are significant changes, to reaffirm compliance with the Climate Bond Standard for as long as the Bond remains outstanding.

AEI is looking into the possibility of having an independent outside agency¹ verify the information made available in the allocation and impact report.

3.6.2 Regarding to the Content of the Allocation and Impact Report

AEI will report on the absolute and percentage proportions of the allocated green bond proceeds per approved project and also on the status of unallocated proceeds. Reports will also include a breakdown of the proportion of the proceeds that has gone into the financing and re-financing of projects.

The following **key data** is published for each category of projects eligible for funding:

- reduced/prevented greenhouse-gas emissions in tons of CO₂e per year
- absolute (gross) greenhouse-gas emissions of the projects in tons of CO₂e per year
- power in MWh of electricity and GJ (other energy) generated per year using renewable sources
- capacity in MW of the renewable power plants built
- capacity in MW of the renewable power plants connected to the power grid

¹Which agency would come into consideration here is still being determined.

All the required data is collected by the project manager in the course of the project development processes and checked by project supervision. The key data is reported for each specific project, stating the respective environmental benefits in connection with the mitigation of climate change. AEI uses the standards specified in the Greenhouse Gas Protocol when calculating key climate-related data. Any other key data to be reported will be calculated in accordance with internationally applicable standards of sustainability reporting, e.g. the Global Reporting Initiative.

AustriaEnergy also provides information on:

- the environmental impact assessment of all the projects in the process of development,
- measures implemented to overcome any potential risks in the course of the environmental impact assessment and
- planning specifications, environmental regulations and any other legislation that the hydrogen production facilities must comply with.

4. Involving external verifiers

AEI will be having imug rating GmbH verify this framework in the form of a Second Party Opinion (SPO) in order to confirm that it meets the requirements of the Green Bond Principles and the Climate Bond Standards. The SPO will also be posted on AustriaEnergy's website along with this framework.