

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Wiener Stadtwerke GmbH  
6 March 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>Green financial instruments (including bonds, bills or loans)</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>Green Bonds Principles, as administered by the International Capital Market Association (ICMA, as of June 2021 with June 2022 Appendix 1)</li><li>Green Loan Principles (GLP) 2021, as administered by the Loan Market Association (LMA) (as of February 2021)</li><li>EU Taxonomy Climate Delegated Act (as of June 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>Wiener Stadtwerke's Green Finance Framework (as of March 3, 2023)</li><li>Wiener Stadtwerke's selection criteria (as of March 3, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>As long as there is no material change to the framework</li></ul>

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## SCOPE OF WORK

Wiener Stadtwerke GmbH ('the issuer' or 'Wiener Stadtwerke') commissioned ISS Corporate Solutions (ICS) to assist with its green financial instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. Wiener Stadtwerke's Green Finance Framework (as of March 3, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and the Loan Market Association's (LMA) Green Loan Principles (GLP).
2. The selection criteria – whether the nominated project categories contribute positively to the UN Sustainable Development Goals (SDGs) and how they perform against the proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project categories against the EU Taxonomy on a best-efforts basis<sup>3</sup> – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Adaptation Criteria and Do No Significant Harm Criteria.
4. The green financial instruments' link to Wiener Stadtwerke's sustainability strategy – drawing on the issuer's overall sustainability profile and issuance-specific use of proceeds' categories.

## WIENER STADTWERKE BUSINESS OVERVIEW

Wiener Stadtwerke is a company operating in Vienna, Austria, and is classified in the Multi-Utility with Secondary Activities Rail Industry, as per ISS ESG's sector classification. The company engages in energy generation, electricity and gas networks operation, rail and road transportation, car parking and funeral services. The group has more than 15,000 employees with an annual turnover of EUR 4,300 million in 2021.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Alignment with GBP and GLP</b>	The issuer has defined a formal concept for its green financial instruments 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.	<b>Aligned</b>
<b>Part 2:</b>  <b>Sustainability quality of the selection criteria</b>	The green financial instruments will (re-)finance eligible asset categories which include Solar Photovoltaics, Wind Power, Network Infrastructure and Clean Transportation.  The 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 are well managed.	<b>Positive</b>
<b>Part 3:</b>  <b>Eligibility against the EU Taxonomy</b>	The Wiener Stadtwerke's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy's (Climate Delegated Act of June 2021) Technical Screening Criteria for a Substantial Contribution to Climate Change Adaptation, and the Do No Significant Harm Criteria on a best-efforts basis. <sup>2</sup>  The Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the issuer is yet to develop a human rights due diligence process that is externally communicated.	<b>Eligible for assessing alignment at a later date</b>
<b>Part 4:</b>  <b>Linking the transactions to Wiener Stadtwerke's overall ESG profile</b>	The key sustainability objectives and the rationale for issuing green financial instruments are clearly described by the issuer.  The project categories financed are in line with the sustainability objectives of the issuer.	<b>Consistent with issuer's sustainability strategy</b>

<sup>1</sup> The evaluation is based on Wiener Stadtwerke's Green Finance Framework (March 3, 2023 version), on the analysed selection criteria as received on 03.03.2023, and on the ISS ESG Indicative Corporate Rating applicable at the SPO delivery date.

<sup>2</sup> Whilst the delegated act on climate change mitigation and adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GBP AND GLP

This section evaluates the alignment of Wiener Stadtwerke’s Green Finance Framework (as of March 3, 2023) with the GBP and GLP.

GREEN BOND PRINCIPLES/GREEN LOAN PRINCIPLES	ALIGNMENT	OPINION
<b>1. Use of Proceeds</b>	✓	<p>The Use of Proceeds’ description provided by Wiener Stadtwerke’s Green Finance Framework is <b>aligned</b> with the GBP and GLP.</p> <p>The issuer’s green categories align with the project categories as proposed by the GBP. The criteria are defined in a clear and transparent manner. Environmental benefits are described.</p> <p>The issuer defines which projects will be refinanced and includes a look-back period of 24 months, in line with best market practice.</p>
<b>2. Process for Project Evaluation and Selection</b>	✓	<p>The process for project evaluation and selection description provided by Wiener Stadtwerke’s Green Finance Framework is <b>aligned</b> with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> <p>Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>The issuer includes various stakeholders and clearly defines responsibilities in the process for project evaluation and selection transparently, in line with best market practices. Moreover, the issuer identifies alignment of its framework and their green projects with official or market-wide taxonomies and references any green standards or certifications used, in line with best market practice.</p>
<b>3. Management of Proceeds</b>	✓	<p>The management of proceeds proposed by Wiener Stadtwerke’s Green Finance Framework is <b>aligned</b> with the GBP and GLP.</p>

		<p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds and their nature as cash or short-term financial investments.</p> <p>It has defined an expected allocation period.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Wiener Stadtwerke’s Green Finance Framework is <b>aligned</b> with the GBP and GLP.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Wiener Stadtwerke explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The issuer is transparent on the level of impact reporting and the information provided in the report, in line with best market practice. Moreover, the issuer defines the frequency and the duration of the impact reporting, in line with best market practices.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE GREEN FINANCIAL INSTRUMENTS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.





#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 5-point scale (see annex 1 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the green financial instruments Use of Proceeds' categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Solar Photovoltaics</b> The activity generates electricity by means of photovoltaic technology	<b>Significant Contribution</b>	
<b>Wind Power - Onshore</b> The activity generates electricity from onshore wind power	<b>Significant Contribution</b>	
<b>Network Infrastructure</b> Transmission and distribution of electricity (line network, switchgear) <ul style="list-style-type: none"> <li>The network shall be the interconnected European system, i.e., the interconnected control areas of member states, Norway, Switzerland and the United Kingdom, and its subordinated systems.<sup>3</sup></li> </ul>	<b>Significant Contribution</b>	
	<b>Limited Contribution</b>	

<sup>3</sup> Infrastructure for the creation of a direct connection or the extension of an existing direct connection between a substation or grid and a power plant with a greenhouse gas intensity of more than 100g CO<sub>2</sub> eq/kWh, measured on a life-cycle basis, does not meet the criteria.

**Network Infrastructure**

Smart metering<sup>4</sup>

**Significant Contribution**



**Clean Transportation**

The activity provides urban or suburban passenger transport and its direct (tailpipe) CO<sub>2</sub> emissions are zero<sup>5</sup>

**Significant Contribution**



**Limited Contribution**



<sup>4</sup> Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.

<sup>5</sup> This includes Motor buses with type of bodywork classified as ‘CE’ (low-floor single-deck vehicle), ‘CF’ (low-floor double-deck vehicle), ‘CG’ (Articulated low-floor single-deck vehicle), ‘CH’ (Articulated low-floor double-deck vehicle), ‘CI’ (open top single deck vehicle) or ‘CJ’ (open top double deck vehicle), as set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.



## B. MANAGEMENT OF SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the green bond framework selection criteria against issuance-specific KPIs<sup>6</sup>. All of the assets financed under the Green Finance Framework will be located in Austria.

### ASSESSMENT AGAINST KPIs

#### All Categories

#### Labor Health and Safety

- ✓ Wiener Stadtwerke provides high labor, health, and safety standards for its employees, volunteers, and supply chains. The company operates in Austria, where all the core conventions of ILO are ratified. The company also has a certified management system ISO 45001, which is audited externally on an ongoing basis. Besides, a Compliance Management System to systematically ensure the Business Code of Conduct, including human rights and working conditions principles are respected. In addition to the legal requirements, the company has safety experts, occupational physicians, and occupational psychologists present at the group-wide level.

For the Clean Transportation project category in particular, EU Directive 2016/798 on Railroad Safety requirements has integrated into the certified ISO 45001 and carry out internal and external audit regularly to ensure that measures for the health and safety of both passengers and operators are in place.

#### Wind Power – Onshore & Network Infrastructure (Transmission and distribution of electricity and smart meters)

#### Community dialogue

- ✓ Wiener Stadtwerke has policies and processes in place to ensure the assets financed feature community dialogue as part of the planning process. According to its 2021 Sustainability Report<sup>7</sup>, the company engages in stakeholder dialogue internally and externally, by using questionnaires and materiality analysis to identify sustainability issues relevant to the group and address issues raised. The company conducts assessments, including local resident recommendations, and applies measurements to address local community concerns. Furthermore, a whistleblower system is in place as a communication channel between the company and stakeholders, including local communities.

<sup>6</sup> The KPIs related to site selection, environmental aspects of construction and operation considering the environmental risks are covered within the EU Taxonomy Do No Significant Harm Criteria assessment in Part 3. Thus, they are excluded from this section.

<sup>7</sup> 2021 Sustainability Report, Wiener Stadtwerke, 2021, [https://www.wienerstadtwerke.at/documents/238130/1547357/WStW\\_Nachhaltigkeitsbericht\\_2021.pdf/6dd317a9-742c-94b5-58ae-3a8532b0aeb6?t=1653463459955](https://www.wienerstadtwerke.at/documents/238130/1547357/WStW_Nachhaltigkeitsbericht_2021.pdf/6dd317a9-742c-94b5-58ae-3a8532b0aeb6?t=1653463459955)

## Network Infrastructure (smart meters)

### Data protection and information security



Wiener Stadtwerke has policies and measures in place systematically ensuring that smart meter assets financed under this framework meet minimum requirements for data and information security. Wiener Netze is certified in accordance with the compliance standard ISO 37301 and the information security management system standard ISO 27001. In addition, Wiener Netze is subject to the Network and Information System Security Act (NIS) and has been defined by the authority (Federal Chancellery & Federal Ministry of the Interior) as an operator of essential services. Together with the ISO 27001 certification, the company carries out the mandated audits under the NIS Act regularly.

Additionally, the company has a Chief Information Security Officer and data protection officer that ensures Wiener Netze implements and complies with all legal requirements (e.g., the General Data Protection Regulation (GDPR) and the Austrian Data Protection Act (DSG), the Company Code of Conduct which includes data protection).

## **PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT**

Wiener Stadtwerke's project characteristics, due diligence processes and policies for the nominated Use of Proceeds' project categories have been assessed against the relevant Climate Change Mitigation, Do No Significant Harm Criteria (DNSH) of the EU Taxonomy Climate Delegated Act<sup>8</sup> (June 2021), based on information provided by Wiener Stadtwerke. Where Wiener Stadtwerke's project characteristics, due diligence processes and policies meet the eligibility for the EU Taxonomy criteria requirements, a tick is shown in the table below.

Wiener Stadtwerke's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 4.1 Electricity generation using solar photovoltaic technology
- 4.3. Electricity generation from wind power
- 4.9 Transmission and Distribution of Electricity
- 6.3 Urban and suburban transport, road passenger transport

All projects financed under the Green Finance Framework will be located in Austria.

Note: In order to avoid repetition, the evaluation of the alignment of Wiener Stadtwerke's assets to the general Do No Significant Harm Criteria for Climate Change Adaptation and Biodiversity and Ecosystems is provided in points e) and f). They are applicable to all of the above activities.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

Additionally, the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the issuer is yet to develop a human rights due diligence process that is externally communicated.

<sup>8</sup> [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)





#### 4.1 Electricity generation using solar photovoltaic technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>3</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>	
The activity generates electricity using solar PV technology.	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See e)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for this category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wien Energie, a subsidiary of Wiener Stadtwerke, strives to promote the longevity of photovoltaic systems by aiming to procure systems with a technical lifetime of at least 25 years.</p> <p>The company states that it acts in accordance with the Austrian Waste Management Act (AWG 2002)<sup>10</sup> and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The solar plants are planned with regard to the residual free dismantling process the company implements. The longevity of the plants is established through regular repairs, checkups, and maintenance. Wien Energie endeavors to reuse and refurbish the functioning parts of the plants' components if other parts of the plant are found defective or no longer available on the market. Furthermore, the company hands over the solar panels at the end of their lifecycle to a recycling and disposal company that carries over the process.</p> <p>As part of the implementation of the planned investment projects, an additional policy will also be drawn up to take account of circular economy principles that meet the requirements of the EU Taxonomy.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for this category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	✓

### 4.3 Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>11</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>	
The activity generates electricity from wind power.	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See e)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A as only onshore wind power will be financed.	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wien Energie, a subsidiary of Wiener Stadtwerke, strives to promote the longevity of wind turbines by aiming to procure turbines with a technical lifetime of at least 20 years (mostly 25 years).</p> <p>The company states that it acts in accordance with the Austrian Waste Management Act (AWG 2002)<sup>12</sup> and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. In that regard, Wien Energie undertakes the longevity of wind turbines by implementing regular maintenance measures in order to optimize and achieve efficient use of resources. The plants will be sold as a whole or as individual components at the end of their lifecycle when possible.</p> <p>Additionally, the company has an internal process in place to ensure that any waste produced is properly recycled and disposed of. Professionally qualified waste management officers monitor compliance with waste management regulations applicable to the plants.</p> <p>As part of the implementation of the planned investment projects, an additional policy that includes the assessment of recyclability, longevity, deconstructability, and re-use within the procurement guidelines for equipment that meets the EU taxonomy requirements will also be drawn up.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for this category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	✓

## 4.9 - Transmission and distribution of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>13</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>	
<p>Wiener Netze, a subsidiary of Wiener Stadtwerke, confirms that its grid is connected to subordinated systems of the European system, i.e. the interconnected control areas of member states, Norway, Switzerland and the United Kingdom, and its subordinated systems.</p> <p>It will also comply with two more requirements set out in the taxonomy:</p> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO<sub>2</sub>e/kWh measured on a lifecycle basis is not compliant.</p> <p>Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See e)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wiener Netze has a waste management concept in place, the so-called “Abfallwirtschaftskonzept” (AWK). The AWK shows among others the processes, the waste that is recovered and disposed of, the measures which are already taken to avoid and recover waste, and the strategies and future developments.</p> <p>The company states that it acts in accordance with the Austrian Waste Management Act (AWG 2002)<sup>14</sup> and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to re-use, recycling, other processing and disposal.</p> <p>As part of the implementation of the planned investment projects, an additional policy will also be drawn up to take account of circular economy principles that meet the requirements of the EU taxonomy.</p>	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
Wiener Netze commits that it will only invest in underground high voltage lines and not in overground high voltage lines until it is able to confirm compliance with the IFC General Environmental, Health, and Safety Guidelines (EHS).	

The issuer is not currently fulfilling the IFC guidelines for construction site activities of overground high-voltage lines. However, it has a company-intern manual for safety, health, and environmental protection rules, and owns a number of relevant certifications (environment management ISO 14001/EMAS, occupational health and safety management systems ISO 45001:2018, quality requirements for gas network operators QS-GNB200, technical security management electricity TSM P 100).

Austria follows the international limit value recommendations of the EU and ICNIRP, which have been implemented in the OVE guideline R 23-1:2017. The use of polychlorinated biphenyls (PCBs) is prohibited, according to Austrian law.

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

See f)




### 6.3 Urban and suburban transport, road passenger transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>15</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>	
<p>Wiener Lokalbahnen, a subsidiary of Wiener Stadtwerke, confirms that direct (tailpipe) CO<sub>2</sub> emissions from its urban or suburban rail-based passenger transport activities are zero.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See e)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wiener Lokalbahnen has a waste management officer who is responsible for compliance with the waste laws and is the contact point between the company and the authorities, in accordance with the Austrian Waste Management Act (AWG 2002)<sup>16</sup>. The company confirms that the only disposal of passengers train is planned for the TW100 model and that the rest of the trains will not be disposed of in the next 10 years. The old TW100 railcars are cannibalized as spare parts storage so that the other TW100s can still run. The remaining skeleton will be disposed of properly by a waste management company or the metal will be removed for further use.</p> <p>Due to the maintenance contract for the TW500, all used or defective parts are placed in restricted storage and then collected by the manufacturer ALSTOM. Wiener Stadtwerke has limited visibility regarding the implementation of the waste hierarchy, as they are unable to look into the manufacturer’s system. Yet, Alstom has measures to scrap the parts properly or refurbish them in an eco-efficient operation that serves to emission-free transportation.</p> <p>Buses that are no longer needed are either used for other services (e.g., rail replacement services for the Badner Bahn) or sold back to the manufacturer at the end of their service life.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: the EU 2020/740 does not apply to railcars, which are subject to the SchLV.	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	



e) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>17</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wiener Stadtwerke is currently in the process of carrying out a physical climate risk analysis. It focuses on its subsidiaries Wien Energie, Wiener Linien, Wiener Lokalbahnen Wiener Netze, Wipark, WienIT, and B&amp;F Wien. Due to all the assets that are financed under this framework will be located in Austria, a bespoke approach was developed in cooperation with PwC which enables Wiener Stadtwerke to locate assets (existing and new) on a hazard map to determine the relevant developments up to 2100 per given scenario.</p> <p>The physical risk data for the RCP 8.5 scenario was provided by the company Jupiter Intelligence.</p> <p>The analysis covers the physical climate risks wildfire, heatwave (including temperature rise), flood (covering both pluvial and fluvial flooding), drought and storms. Wiener Stadtwerke found that the existing assets of Wien Energie, Wiener Lokalbahnen and Wiener Netze can all be subject to at least one physical climate risk.</p> <p>The analysis covers all assets provided by Wiener Stadtwerke (more than 400 locations across all business units) and the approaches applied can also be used to analyze the physical risks for new locations. To determine the financial materiality per hazard, standard methods (e.g. from insurance companies) are applied. For example, the scenario data lists the flood height for a 100-year flooding event at a specific location. As a next step, the flood height is multiplied by the damage factor (from a damage curve) which corresponds to the specific flood height and the type of asset.</p> <p>The result is the financial damage on the asset that is to be expected in case the flooding event materializes. In addition to the expected asset damage, the approach of Wiener Stadtwerke also assesses the financial impact of any business interruption that might occur. To calculate this effect, the annual revenue is multiplied by the duration of a potential interruption of the production of an assets which is determined in cooperation with experts for the operation of the assets. The total loss of a hazard is represented by the sum of asset damages and business interruptions.</p> <p>The overall materiality is determined by the total damage that might occur at an asset within the business unit (i.e. which are the assets that are most susceptible to physical risk) and secondly how high the damage ratio (expected damage/value) is. It is noted that this is a very conservative approach since it assumes that all hazards could occur within each milestone year. The analysis considers the milestone years 2030, 2050 and 2100.</p>	

The IPCC's RCP 8.5 scenario has been selected to perform the analysis. The issuer said that some of the wind parks could be subject to a non-material risk from avalanches, but the current analysis does not provide a climate variable which enables a sound evaluation of this risk category as well as the category cold waves. With respect to avalanches, the building permit requires the analysis of avalanches on the safe operation of wind turbines. It can be concluded, according to the analysis, that there is no material risk from avalanches on the operation of wind turbines at any site of Wiener Stadtwerke.

- Flood risk is among the highest risk categories for the underlying assets. However, according to the assessment, there are already flood protection measures in place for existing assets which can significantly reduce the flood risk.
  - For example, for U4 and U1, the flood risk mitigation plan of Wiener Linien highlights that no damage is to be expected until the flood level exceeds 5.8m<sup>18</sup> at "Schwedenbrücke".
  - Physical flood protection measures are implemented to protect assets (e.g. tunnels)
  - Non-physical solutions cover the operation and shutting down of turbines to protect them at 1-year flood events
- Drought and heat waves can have a direct negative impact on business interruption. Heatwaves on the other hand can have a direct impact on all the assets' productivity and even morbidity. However, the financial impact can be considered low. This applies, for example to the main depots in which the workforce could be subject to heatwaves.
  - Therefore, sufficient air conditioning/cooling can be crucial for safe operation and hydration and is a second measure to prevent negative implications on personnel.
  - For other assets (e.g., transformers, trains, etc.) regular maintenance can ensure that operate within the specified technical criteria is as expected.
- Susceptibility to wildfire risk is low, which in part is due to all the locations situated in Vienna combined with the quick response times offered by professional firefighters.

f) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>19</sup>	ELIGIBILITY AGAINST THE EU TAXONOMY
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Wiener Stadtwerke confirms that all of the projects are obliged in the construction and operation contracts/permits to follow local legislation and to be in compliance in all material respects with all applicable laws in Austria (e.g., with the corresponding EU Directives on Environmental Impact Assessment, Strategic Environmental Assessment, EU Conservation of Natural Habitats and Wild Fauna and Flora Directive, EU Conservation of Wild Birds Directive, and relevant EIA legislation and requirements of Austria.</p> <p>It states that for assets located in or near biodiversity-sensitive areas, including Natura 2000 sites, appropriate EIAs are conducted as required by local legislation in Austria. If required by the local authorities, any measures to mitigate negative environmental effects will be implemented accordingly by the legal and compliance departments.</p> <p><b>Solar PV power:</b> National law in Austria does not require environmental impact assessments for solar PV power. However, Austrian national nature protection law transposes the EU’s Habitats Directive and Birds Directive. It states among others that the state government may establish licensing requirements for projects which have adverse effects on nature or the landscape, particularly with regard to the objectives of nature conservation and landscape development.</p> <p><b>Wind power:</b> In Austria, an environmental impact assessment (EIA) is required for the construction of certain types of onshore wind power plants under the Environmental Impact Assessment Act 2000 (UVP-G 2000).</p> <p><b>Transmission and distribution of electricity:</b> Major projects of Wiener Netze are examined by the legal department but have so far not required an environmental impact assessment.</p> <p>The issuer confirms that projects are regularly undergoing nature conservation audits to preserve natural habitats (e.g. species protection of plants and animals).</p> <p><b>Clean transportation:</b> National law in Austria and the Environmental Impact Assessment Act 2000 (UVP-G 2000) does not require an EIA for providing urban and/or suburban passenger transport, which has zero CO<sub>2</sub> emissions.</p>	<p style="text-align: right;">✓</p>

## PART IV: LINKING THE TRANSACTIONS TO WIENER STADTWERKE'S OVERALL ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCIAL INSTRUMENTS WITH WIENER STADTWERKE'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the issuer*

Wiener Stadtwerke is partnering with the city of Vienna to implement the Vienna Smart Climate City strategy. Next to implementing the smart climate city topic, is the group's strategy to ensure a stable financial basis.

Wiener Stadtwerke is implementing numerous measures in the area of infrastructure development, climate protection, and the further promotion of innovation in order to implement the smart city framework strategy of the city of Vienna.

The company has a plan in place to become climate neutral by 2040. Wiener Energie, a subsidiary of Wiener Stadtwerke, will support the energy transition and has set itself an interim target of reducing scope 1, 2, and 3 emissions by 33% by 2030, against its 2019 baseline.

Wiener Stadtwerke established specific targets for its climate investments in its [2021 Sustainability Report](#) :

1. The company plans to invest EUR5.60 billion in the areas of mobility and energy by 2025. Moreover, 76% of these investments, EUR4.25 billion, will directly contribute to climate protection projects.
2. By 2025, Wiener Netze aims to invest a total of EUR1.50 billion in Vienna's infrastructure networks.
3. Wien Energie, another subsidiary of Wiener Stadtwerke, plans to invest EUR1.07 billion in the conversion of the energy system by 2026.
4. Wiener Linien, another subsidiary of Wiener Stadtwerke, has been investing EUR2 billion in maintaining and expanding public transportation infrastructure, and new construction of the underground between 2018 and 2022. Moreover, EUR6 billion will be invested in the U2xU5 project in an effort to promote climate-friendly transportation.

Wiener Stadtwerke has meanwhile updated its plan and expects to invest 6.2 billion EUR over the period 2022 - 2026 of which 91% will relate to climate-friendly projects.

#### *Rationale for issuance*

Wiener Stadtwerke established the Green Finance Framework with a focus on investments in photovoltaic and wind power plants, as it aims to advance the decarbonization of Vienna by 2040 through the expansion of renewable and emission-free power generation capacities.

The firm will also finance investments in transmission grids, switching stations, smart metering systems and their infrastructure. Investments in the operation and expansion of CO<sub>2</sub> emission-free passenger and freight transport will be financed as well.

**Opinion:** *The key sustainability objectives and the rationale for issuing green financial instruments are clearly described by the issuer. The project categories financed are in line with the sustainability objectives of the issuer.*

## B. WIENER STADTWERKE'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the issuer's industry*

The issuer is classified in the Multi Utility with Secondary Activities Rail industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Climate protection and promotion of a sustainable energy system
Protection of human rights, community outreach, and transport safety
Accessibility and reliability of energy supply
Promotion of a sustainable energy system
Environmentally safe operation of plants and infrastructure

### *ESG strengths and points of attention related to the issuer's disclosures*

Leveraging ISS ESG's Research, the following strengths and points of attention<sup>9</sup> have been identified:

STRENGTHS	POINTS OF ATTENTION
The company has established a Health and Safety Management System that is certified to ISO 45001 standard. Additionally, it reports zero fatalities for the group's employees in the last three years.	The company has taken measures to promote a sustainable energy system by integrating renewable energy, focusing on customer energy efficiency, etc. However, it has not reported the thermal efficiency of its natural gas-fired power plants.
The company is a signatory of the United Nations Global Compact (UNGCC), and it adheres to the principles related to the protection of human rights.	The company is aligned with the climate-neutral target of Vienna City by 2040. However, it has not clearly defined its operational quantified greenhouse gas emission reduction targets.

<sup>9</sup> Please note that Wiener Stadtwerke is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by an analyst in charge of the Multi Utility with Secondary Activities Rail industry sector. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.




<p>The company has reported its energy generation by source along with the share of renewables. Further, there are disclosures on the carbon intensity of energy generation and the trend can be analyzed for the past three years.</p>	<p>The company has not provided any evidence of measures in place to ensure gas pipeline integrity and safety management such as protective coatings, maintenance, inspection, and replacement programs, etc.</p>
<p>The company has reported measures to ensure the reliable operation of power grids and average interruption of power supply.</p> <p>The company operates road and rail transport majorly powered by renewable/alternative fuels.</p>	<p>The company has disclosed some actions to ensure passenger safety such as emergency systems and accessibility of transport services such as wheelchair spaces, low-floor fleets, etc. However, there is no reporting of passenger accidents.</p>

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part IV.B of the report.









### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

Also, the company through its subsidiary Wiener Netze operates a combined system of gas and electricity distribution grids in Vienna. It supplies energy to both residential customers and residents that attribute positively towards social sustainable goals of providing basic services. However, due to limited information, the size of the contribution cannot be estimated.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>10</sup>	DIRECTION OF IMPACT	UN SDGS
<b>Public transportation services</b>	13%	CONTRIBUTION	
<b>Rail transport (electric)</b>	11%	CONTRIBUTION	 

<sup>10</sup> Percentages presented in this table are not cumulative.

<b>Energy generation based on hydropower (&gt;10MW)</b>	2.5%	CONTRIBUTION	 
<b>Passenger road mass transport (conventional combustion engine vehicles)</b>	2%	CONTRIBUTION	
<b>Energy generation based on wind</b>	1.1%	CONTRIBUTION	 
<b>Public transportation services for disadvantaged/underserved individuals</b>	1%	CONTRIBUTION	
<b>Passenger road mass transport (alternative drives)</b>	1%	CONTRIBUTION	 

*Breaches of international norms and ESG controversies*

At issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Multi Utility with Secondary Activities Rail industry are as follows: failure to mitigate climate change impacts; failure to assess environmental impacts; and failure to prevent water pollution.

Please note that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.



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## ANNEX 1: Methodology

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection criteria included in the Green Finance Framework meet eligibility for the Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation, and the Do No Significant Harm Criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if Wiener Stadtwerke's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

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

### Environmental and social risks assessment methodology

The Environmental and social risks assessment 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 or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Wiener Stadtwerke (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, the extent to which Wiener Stadtwerke's green bonds contributes to related SDGs has been identified.

## ANNEX 2: Quality management processes

### SCOPE

Wiener Stadtwerke commissioned ICS to compile a green financial instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBP and GLP and to assess the sustainability credentials of its green bonds and green loans, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of June 2021 with June 2022 Appendix)
- LMA Green Loan Principles (as of February 2021)
- EU Taxonomy Climate Delegated Act (as of June 2021)

### ISSUER'S RESPONSIBILITY

Wiener Stadtwerke's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation on the alignment of the project categories with the EU Climate Delegated Act

### 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.

This independent Second Party Opinion of the green financial instruments to be issued by Wiener Stadtwerke has been conducted based on ISS ESG methodology and in line with the ICMA Green Bond Principles and LMA Green Loan Principles.

The engagement with Wiener Stadtwerke took place from October 2022 to March 2023.

### ISS' 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 behavior 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 this 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.

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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