

The background of the entire page is a photograph of a renewable energy farm. In the foreground, rows of solar panels are tilted towards the sun. In the background, several wind turbines are visible against a clear sky. The sun is low on the horizon, creating a bright glow and lens flare effects across the scene.

Sustainability- Linked Bond Framework

January 2022

Sustainability at Axpo

The provision and efficient use of climate-friendly energy plays a crucial role in the sustainable development of our society. As a leading publicly owned Swiss energy company, Axpo strives to achieve financial success and conduct its business in a socially and environmentally responsible manner. For this reason, a broadly defined concept of sustainability (environmental, social and governance criteria) is one of the key pillars of our business strategy.

Axpo is Switzerland's largest producer of renewable energy and an international leader in energy trading and the marketing of solar and wind power. Our 5,000 employees combine their experience and expertise to develop innovative energy solutions based on state-of-the-art technologies for our customers in more than 30 countries in Europe, the USA and Asia.

As a leading publicly owned Swiss energy company, Axpo is committed to making a meaningful contribution to climate protection. Climate-friendly or even completely CO₂-free electricity generation is key to achieving the Paris climate agreement targets, effectively decarbonising the mobility and heating sectors. The European target for the electricity sector is around 200 kg CO₂e/MWh by 2022. Axpo's international power production mix is already very climate-friendly at around 87kg CO₂e/MWh, making the greenhouse gas intensity of electricity generation from our own plants and our associates' significantly below the European target. The reason for this positive performance is that Axpo generates most of its electricity in Switzerland and Europe through climate-friendly hydro, nuclear, wind and photovoltaic power plants (as of 30.09.2021).

Axpo is part of the Swiss economy and Swiss society, Axpo's commitment to sustainability is central to the business and all of its related activities. Based on this broad understanding of sustainability, Axpo is committed to the following six actions aimed at achieving its sustainability targets.

Axpo will ensure long-term economic success

Available investment capital will be used for further growth in existing business areas that are not dependent on electricity prices. Furthermore, we will be focusing on strengthening our innovative capacity and driving forward digital transformation. This will increase efficiency in our existing business activities and help us develop the capabilities we need to identify and successfully open new areas of business. New approaches will be required to pool the various capabilities within Axpo and our external partnerships in the most effective way possible.

Axpo will reduce its carbon footprint and increases energy efficiency

Axpo is already contributing to this action through the low greenhouse gas intensity of our energy production mix, and by boosting energy efficiency. However, further opportunities to increase energy efficiency lie in utilising and maintaining the most up-to-date and most efficient technology in our production plants, reducing energy loss on distribution grids, and making careful and efficient use of energy in our buildings. Axpo's products and services also help our customers to improve their own energy efficiency and promote decarbonisation.

Axpo will enforce sustainability principles among business partners

As part of our corporate governance guidelines, we ensure that our business partners are also committed to sustainability, through our Code for Business Partners.

Axpo will play an active role in shaping the energy transition

Axpo is helping reshape the energy system through a number of initiatives. It is supporting the expansion of renewable energy through its two subsidiaries – the wind farm developer Volkswind and the photovoltaic developer Urbasolar. Projects include onshore wind farms in Germany

and France and large-scale solar plants in France, Spain and Italy. These acquisitions have also enlarged Axpo's own renewable energy portfolio in Europe outside Switzerland.

Besides building and operating its own plants, in recent years Axpo has become one of Europe's leading marketers of electricity from renewable energy sources. The customer portfolios it manages chiefly comprise wind and photovoltaic energy and are spread right across Europe. Axpo offers investors in renewable energy individual and long-term power purchase agreements (PPAs), enabling the construction of new plants that are not subsidised through a fixed feed-in subsidy. These PPAs give investors planning certainty, particularly if they lack expertise in marketing electricity.

Axpo is responding to the trend towards the use of increasingly localised and smart technology in the energy sector by developing and selling smart energy products through its subsidiary CKW (Centralschweizerische Kraftwerke AG) in Switzerland and its sites in Italy and Spain. These products and services focus on decentralised production and optimised energy consumption (utilising photovoltaics, batteries and e-mobility, for example), to provide heating solutions and intelligent controls for both private and business customers. Solutions for delivering energy efficiency, flexible energy management and sustainable building technologies are also offered.

Axpo is a responsible employer

Axpo has established a management system for occupational health and safety. Implementation is based on national guidelines (EKAS 6508), with industry solutions and occupational health and safety management systems in line with the OHSAS 18001 and ISO 45001:2018 standards. Core elements of the occupational health and safety management system are the definition of safety objectives, the operation of a safety organisation, systematic hazard

identification and risk assessment, and the implementation and monitoring of improvement measures.

Axpo also seeks to achieve a high level of employee satisfaction, particularly at times when it is focusing on new business areas and services, as this is a prerequisite for good performance and drives innovation. The key to this is the development of a highly diverse range of skills within the company, supported by a broad range of training and education courses. As a modern employer, Axpo is also committed to gender equality and has taken action to deliver it through recruitment, communication, talent management and succession planning.

Axpo makes a contribution to society

For Axpo, a responsible commitment to society must be based on open and honest dialogue with all stakeholders and achieved by establishing deep and meaningful relationships in the regions where we are located. With this in mind, Axpo aims to deliver: transparent and politically neutral communication of knowledge covering all aspects of energy at our visitor centres and power plants; comprehensive annual reporting on all sustainability topics relevant to the business; and support for more than 200 different organisations, institutions and projects that are committed to culture, the environment or young and disabled sporting talent.

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Sustainability-Linked Bond Framework

Axpo has decided to establish a Sustainability-Linked Bond Framework as the next step in linking its financing strategy with its already established sustainability strategy. The company aims to attract further ESG-focused investors to its credit profile by introducing sustainability action points to the wider debt investor base. Moreover, Axpo aims to contribute to the growth of the sustainable debt market as a whole.

This Sustainability-Linked Bond Framework has been developed to align with the Sustainability-Linked Bond Principles (SLBP)

established by the International Capital Markets Association (ICMA) in June 2020. The five core components of the SLBP are:

- 1. Selection of Key Performance Indicator (KPI)**
- 2. Calibration of Sustainability Performance Target (SPT)**
- 3. Bond characteristics**
- 4. Reporting**
- 5. Verification**

Selection of Key Performance Indicator (KPI)

The KPI chosen by Axpo for the purpose of this Framework is aligned with the six action points of Axpo's sustainability strategy. Axpo's commitment to sustainability is reflected in all aspects of the business itself and related activities. Axpo has conducted a thorough materiality analysis, as per the requirements of the GRI Standard and EU CSR Directive, which has formed the basis in the selection of the KPI for this Framework. The materiality analysis covered all topics from three perspectives: (i) relevance to Axpo's business activity and business success, (ii) relevance to the various stakeholder groups and (iii) relevance to impacts on sustainable development (see Axpo's sustainability report). The selected KPI is core, relevant and material to our business and sustainability strategy.

Renewable Energy: Development of renewable energy capacity. Climate-friendly electricity generation is essential to fulfilling the Paris Agreement. Axpo is already the leading producer of renewable energy in Switzerland. Looking at climate change, there is great potential for growth, especially internationally. Axpo is also involved in the development, planning, construction and operation of solar and wind power plants through its two subsidiaries Volkswind and Urbasolar located in Germany and France. In addition, subsidiaries such as CKW contribute to the development of photovoltaic installations or wind power plants in Axpo's Swiss home market. While some of the newly-built wind and solar power plants will remain in Axpo's

portfolio, others will be sold to investors to generate additional income. Axpo usually remains the main operator for the power plants it sells. By developing and marketing renewable energy, Axpo contributes to the restructuring of the energy supply system desired both by politicians and society in general (SDG 7 and 13).

Rationale. In line with the materiality analysis, developing renewable energies and supporting customers in expanding their use of renewable energies is considered as a key material topic for the business and has consequently been selected as the KPI within the Sustainability-Linked Bond Framework. For this, Axpo aims to increase the capacity of its photovoltaic portfolio by

10 gigawatts by 2030 – making it approximately 20 times bigger than at the end of 2020. Axpo is also planning a tenfold increase in onshore wind power generation to around three gigawatts within the same time period.

Methodology and scope. The scope of the KPI covers the further creation and development of renewable energy capacity in megawatts (MW), including photovoltaic and wind power plants mostly across Europe. The developed renewable capacities are counted towards the KPI in the business year when the respective assets first start delivering electricity to the grid. The developed capacity is measured in absolute figures in MW as this illustrates the steps to the KPI goal in the most transparent way.

Historic values and baseline. From 1 October 2017 until 30 September 2021 Axpo has developed a total capacity of 770.3 MW, out of which 383.5 MW come from wind farms and 386.8 MW from photovoltaic power plants. The 770.3 MW capacity developed in the past four business years serves as a baseline for the KPI.

Cumulative development of renewable energy capacity in MW (historic values) ¹	
30 September 2018	67.3
30 September 2019	98.0
30 September 2020	251.0
30 September 2021	354.0

¹ The developed capacities per business year is published in Axpo's sustainability report available on www.axpo.com.

Calibration of Sustainability Performance Target (SPT)

SPT: Target for the development and creation of renewable energy capacity by 30 September 2024/30 September 2025 cumulated from 1 October 2021.

Description and ambition level. Development of at least 1,500 MW/2,300 MW of renewable energy capacity from 01 October 2021 until 30 September 2024/30 September 2025 respectively. A cumulative, absolute target has been selected rather than a yearly absolute target to show Axpo's ambition to fulfil its communicated objectives. So, if Axpo misses one year, the company is committed to do twice as much in the following year to meet the final target. The target represents an increase in renewable

energy capacity development that is between 2 and 2.5 times greater than in the previous four business years, indicating a clear and strong focus on the development of renewable energy.

Target Observation Dates. For any Sustainability-Linked Bond (SLB) issued under this Framework, there will be two Target Observation Dates, referring to specific dates at which the performance of the KPI against a predefined SPT is recorded.

	Target Observation Date for Tranche A: 30 September 2024	Target Observation Date for Tranche B: 30 September 2025
Cumulative development of renewable energy capacity in MW between 1 October 2021 and the applicable Target Observation Date ²	≥ 1,500	≥ 2,300

² The developed capacities per business year will be published within 90 days from previous business year-end.

Trigger Event. In the event Axpo does not meet the targets by the aforementioned Target Observation Dates, a Trigger Event will occur.

Measures. Axpo will firstly focus on the core markets Germany and France, and secondly expand production internationally and evaluate market opportunities throughout Europe. These include projects such as onshore wind farms and large-scale solar plants in Spain and Italy. Thirdly, capital will be allocated for the targeted growth. All implementation plans will be linked to the strategic goals.

Other key factors beyond Axpo's direct control.

- Replacement of state subsidies for renewable energy with fixed feed-in tariffs with market-driven funding, or even abolition in many European countries.
- Changes in local regulatory conditions, besides subsidies, altering the economic feasibility to develop renewable energies.
- Changes in development costs to produce a kWh of solar or wind power, depending on technological advancements or supply chain availabilities.

Sustainability-Linked Bond characteristics

The financial characteristics of any SLB issued under this Framework will be specified in respective terms and conditions.

In the event the SPT is not achieved at the respective Target Observation Date, as per the annual report published following the Target Observation Date, a Trigger Event will occur. The occurrence of a Trigger Event will result in either (i) a coupon step-up for the relevant security from the first day of the next interest period immediately following the SPT reporting end date until maturity of the relevant security, or (ii) an increase in the redemption price payable on redemption of the relevant security at final maturity.

If, for any reason, Axpo does not publish the relevant SPT within the time limit as

prescribed in this Framework, a Trigger Event will occur.

The KPI and SPT set out in this Framework will remain applicable throughout the tenor of the SLB, regardless of any changes to Axpo Group's sustainability strategy. This is also the case for potential extreme or exceptional events (such as significant change in perimeters through material M&A activities, or drastic changes in regulatory environment) that could substantially impact the calculation of the KPI, the restatement of the SPT and/or pro forma adjustments of baselines or KPI scope. Any new or updated Sustainability-Linked Bond Framework, in relation to any subsequent capital markets transactions, will not have any implications for the SLB issued under this current Framework.

Reporting

Axpo publishes a sustainability report on an annual basis, as at 30 September until the end of the SLB. The sustainability report will include information on the performance of the selected SPT as well as any other

information deemed material for investors to monitor the level of ambition of the SPT. The report will be publicly available on Axpo's webpage within 90 days of the previous business year-end.

Verification

Axpo is committed to on an annual basis seeking independent verification from an appropriate assurance provider on the performance of the SPT for the KPI. This verification will be included in the Sustainability Report on www.axpo.com.

To assess the relevance and robustness of the selected KPI as well as the ambition level of the SPT, Axpo has engaged ISS ESG to provide a pre-issuance Second Party Opinion. The Second Party Opinion is available on Axpo's webpage www.axpo.com.

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