The background of the entire page is a photograph of a renewable energy farm. In the foreground, there are rows of solar panels 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 lens flare effect. The overall scene is bathed in the warm, golden light of a sunrise or sunset.

Green Bond Framework

Introduction

The provision and efficient use of climate-friendly energy play 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 to conduct 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 pillars of our business strategy; this was confirmed by the initial ESG rating produced by ISS-oekom, in which Axpo was rated in the top 20 percent of all comparable companies.

As an energy company, we bear a great responsibility to make a contribution to climate protection. Climate-friendly or even completely CO₂-free electricity generation is the key to achieving the Paris climate agreement because it can also make the “mobility” and “heat” sectors free from greenhouse gases (“decarbonised”). In Europe, the average greenhouse gas intensity of electricity generation has fallen considerably over the last few years, but is still around 300 g CO₂/kWh. Axpo’s international power production mix is already very climate-friendly and, at around 100 g CO₂/kWh, is about three times lower than today’s European average. 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: end of the 2018/19 financial year).

Axpo’s acquisition of the French photovoltaic company Urbasolar, which was completed in July 2019, enabled Axpo to significantly strengthen its operations in the area of solar energy. Urbasolar offers maintenance, servicing and asset management and had a development pipeline of more than 1,000 MW at the time of its acquisition. Urbasolar’s specific know-how will be of benefit to all national companies for their PV projects going forward, including in Switzerland. The Axpo subsidiary Volkswind focuses on wind energy and pursues a strategy geared towards profitable growth, which includes not only the

construction and operation of wind farms but also sales. In addition, we see great potential in the increasingly subsidy-free expansion of renewable energies, which we help enable through long-term power purchase agreements (PPAs)¹⁾.

The Axpo subsidiary Centralschweizerische Kraftwerke (CKW) is building a new business segment for large battery storage in collaboration with Axpo Grids. Given the expansion of volatile renewable energies, such electricity storage systems are increasingly necessary to ensure grid stability. CKW is also active in the field of PV.

As the leading producer of renewable energies in Switzerland, Axpo is keen to further expand its commitment as an ecologically sustainable energy company. With this in mind, Axpo is intending to support its environmentally sustainable investment policy by issuing Green Bonds and to use the corresponding net issue proceeds to finance current and future green projects within the following Green Bond Asset categories:

- Renewable energies
- Protection of biodiversity
- Energy efficiency and
- Conversion of the energy system

This Green Bond Framework is based on the Green Bond Principles published by the ICMA²⁾ in June 2018. It will provide Axpo’s Green Bond investors with a transparent overview of Axpo’s selection process for “green” projects and the intended use of the proceeds from the Green Bond issues. The Green Bond Framework is therefore a concrete illustration of Axpo’s plans to help implement the SDGs at home and abroad through investments.

¹⁾ Further information on power purchase agreements can be found in the Axpo Sustainability Report.

²⁾ International Capital Market Association.




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Green Bond Framework

1. Use of issue proceeds

An amount equal to the net proceeds from Green Bond issues will be used to partially or fully finance and/or refinance Axpo's green projects, as defined below.

Green Bond Asset Category	Description of green projects	Positive impact on sustainable development according to UN SDGs ³⁾
<p>Renewable energies</p>	<p>Projects to expand and maintain renewable energies and related infrastructure, as well as to connect and distribute energy from the same.</p> <p>Renewable energy projects may include the following categories:</p> <p>Photovoltaics:</p> <ul style="list-style-type: none"> • Open-air installations • Roof installations • Infrastructure installations (e.g. ski lifts, dams, noise barriers, etc.) • Special installations (e.g. installations on greenhouses) <p>Wind power:</p> <ul style="list-style-type: none"> • Onshore wind turbines <p>Hydro power:</p> <ul style="list-style-type: none"> • Small hydroelectric plants with less than 20 MW generation capacity • Large-scale hydroelectric plants that meet the requirements of recognised international environmental standards. This includes the requirements of the Climate Bond Initiative, the UNFCCC Clean Development Mechanism, IFC reference standards for hydro power projects or equivalent requirements <p>Biomass:</p> <ul style="list-style-type: none"> • Plants for the energetic use of biomass, e.g. fermentation plants • Plants for the thermal use of biomass, e.g. wood-fired power plants 	  

Protection of biodiversity

Projects to protect and improve local biodiversity in the vicinity of renewable energy production facilities and related infrastructure, as well as infrastructure for renewable energy connection and distribution.

Biodiversity protection projects may include the following categories:

- Projects for the protection of terrestrial bio-diversity
- Projects for the protection of aquatic biodiversity



Energy efficiency

Increasing energy efficiency and thus reducing energy consumption is an essential element in the creation of an ecologically sustainable energy system. Energy efficiency improvement projects may include the following categories:

- **Transmission:** Improving the infrastructure for the transmission and distribution of electricity in order to increase transmission efficiency and reduce transmission losses
- **Production:** Energy efficiency measures to increase electricity production in renewable energy production plants
- **Services:** Increasing energy efficiency on the customer end



Conversion of energy system

The energy system is changing across Europe. The decentralised elements are increasing, the passive consumer is becoming a demanding customer and "prosumer", digital intelligence is becoming pivotal and renewable energies are being built up. Their volatile electricity production must be able to be adapted to demand, which is why electricity storage technologies will continue to gain in importance.

Projects that contribute to the reorientation towards a sustainable and viable energy system for the future may include the following categories:

- Storage systems (e.g. battery storage, green hydrogen)
- Smart Grid applications
- Smart Meter applications
- Intelligent control (e.g. demand-side management)
- Green building technology
- Electromobility
- Sector coupling (e.g. coupling of electricity/heat/gas 'mobility')



2. Project evaluation and selection process

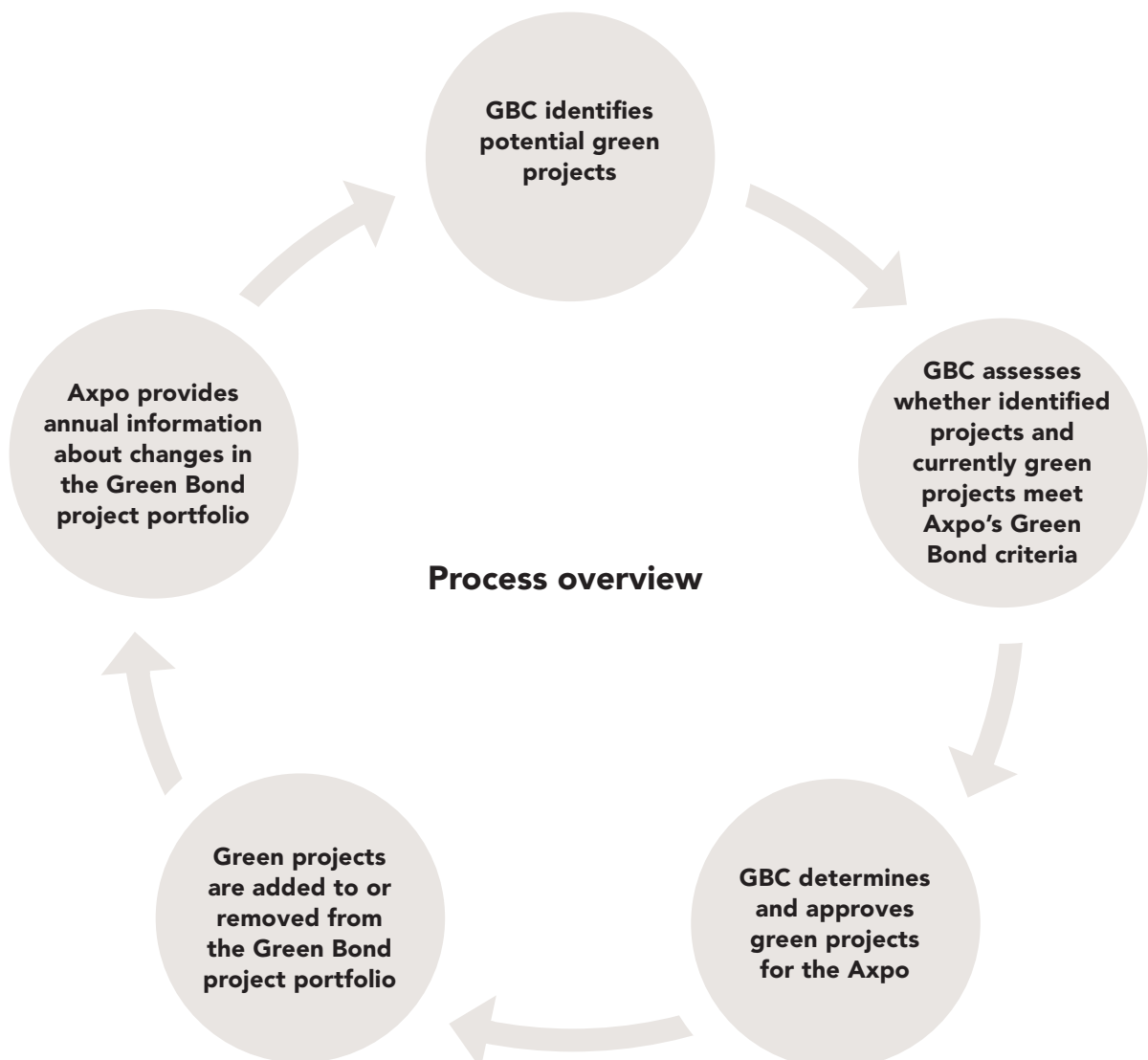
In order to identify and select projects that meet the Axpo Green Bond criteria (see Section 1), Axpo has established a cross-departmental Green Bond Committee (GBC).

The GBC will meet at least once a year and consist of members of the following departments within the Axpo organisation:

- Sustainability Management
- Group Treasury
- Financial Communication
- Renewable Energies business units
- Other functional teams (joining the GBC as needed)

The GBC will perform the following tasks:

1. The GBC's main task will be project selection. Potential green projects will be examined in terms of their sustainability and environmental compatibility in accordance with the criteria defined in the Green Bond Framework and will be added to a Green Bond project portfolio if they qualify (see process overview).
2. Validation of the annual investor report on the use of net proceeds from issues.
3. Regular review of trends in the Sustainable Capital Markets to continuously safeguard Green Bond reporting in accordance with market best practice.
4. Review and update of the Green Bond Framework in the event of changes to Axpo's sustainability strategy.



3. Allocation of net proceeds from Green Bond issues

Net proceeds from Green Bond issues will be added to cash and cash equivalents of Axpo Holding AG and used to fully finance and/or refinance green projects in the Green Bond project portfolio. The net proceeds from Green Bond issues will be allocated using a Green Bond Register. This register will compare the projects in the Green Bond project portfolio with the net proceeds from Green Bond issues. Group Treasury will be responsible for the full allocation of these proceeds.

Axpo is intending to allocate the net proceeds from Green Bond issues to the projects in the Green Bond project portfolio in full within three years. In principle, the net proceeds are to be used to finance green projects that will be commissioned within the next three years or to refinance projects that were commissioned no more than three years ago. Should the use of funds differ from the above-mentioned funding periods in individual cases, information will be provided in a transparent manner within the annual reporting.

In the event that net proceeds from Green Bond issues have already been allocated to projects that subsequently no longer meet the Green Bond Asset criteria of this Framework, the available funds for financing and/or refinancing green projects in the Green Bond Register will be increased and, if necessary, allocated to projects that continue to qualify for funding in accordance with the Framework Guidelines.

The net proceeds from Green Bond issues will be allocated in the Green Bond Register to the project-related equity and/or intra-group debt of green projects.

4. Reporting

4.1 Reporting on the allocation of issue proceeds

Axpo will report annually on the use of net proceeds from Green Bond issues and related key figures until the respective Green Bond matures, and as necessary in the event of a significant development. These regular reports will be published in December within the framework of Axpo's annual reporting. The first publication is expected to take place in December 2020.

The report will include the following information:

- The total amount of net proceeds from Green Bond issues already allocated to the project portfolio
- The breakdown of the allocated net proceeds from Green Bond issues in terms of use for new financing, refinancing and amounts not yet allocated

- A list of the green projects that were (re-)financed in the year under review, including project descriptions
- Reporting on any allocation adjustments in the Green Bond project portfolio if projects no longer meet the Green Bond Asset criteria of this Framework

4.2 Reporting on the environmentally sustainable impact

If possible, Axpo will report on the environmentally sustainable impact achieved by the (re-)financing of the projects. A selection of relevant key figures for the impact measurement can be found in the following table:

Green Bond category	Examples of impact measurement metrics (not exhaustive)
Photovoltaics	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO₂ equivalents]
Wind power	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO₂ equivalents]
Hydro power	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO₂ equivalents]
Biomass	<ul style="list-style-type: none"> • Quantity of processed biomass [t] • Installed capacity [MW] • Energy produced [MWh] • Quantity of biogas produced [MWh] • Quantity of substances returned to the environment [t] • Avoided greenhouse gas emissions [t CO₂ equivalents]
Protection of biodiversity	<ul style="list-style-type: none"> • Protected species on the Red List • Upgraded area [m²]
Energy efficiency	<ul style="list-style-type: none"> • Increase in electricity-related energy efficiency [MWh_{el}] • Increase in heating-related energy efficiency [MWh_{th}]
Conversion of energy system	<ul style="list-style-type: none"> • Installed capacity [MW] • Stored energy [MWh] • Newly installed "smart" components [number] • Charging stations for electromobility [number] • Avoided greenhouse gas emissions [t CO₂ equivalents]

5. External review

5.1 Second Party Opinion

The Second-Party Opinion (SPO) was provided by ISS-oekom. ISS-oekom reviewed Axpo's Green Bond Framework and confirmed that it complies with the ICMA's Green Bond Principles and Market Practices. The SPO has been published on the Axpo website.

5.2 Allocation of net proceeds

The allocation of net proceeds from Green Bond issues will be reviewed once a year by KPMG.

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Annex 1: List of green projects

Type	Project	Capacity (MW)	Status	Start of operation (year)	Country
PV	Caveirac	5.1	Construction area and grid connection secured, all permits received except for the permit relating to endangered species (permit is expected in September 2020)	2021	France
PV	Villognon	22.3	Construction area secured, all permits received, securing of the grid connection is currently undergoing approval	2022	France
PV	Forcalqueiret	9.7	Construction area secured, other permits and securing of the grid connection are currently undergoing approval	2022	France
PV	Bove	17.4	Construction area and grid connection secured, other permits are currently undergoing approval	2022	Italy
PV	Cigliano	5.8	Construction area and grid connection secured, other permits are currently undergoing approval	2022	Italy
PV	Viglione	11.8	Construction area and grid connection secured, other permits are currently undergoing approval	2022	Italy
PV	Bell Lloc	30.0	Construction area secured, other permits and securing of the grid connection are currently undergoing approval	2023	Spain
PV	Castrillo 1	50.0	Construction area and grid connection secured, other permits are currently undergoing approval	2023	Spain
Wind	Ferme éolienne de Benet 2	17.0	In operation	2019	France
Wind	Ferme éolienne du Bois de la Hayette SAS	26.4	Construction area and grid connection secured, all permits received	2022	France
Wind	Ferme éolienne du Saint-Quentinois SAS	24.0–27.6	Most of the construction area secured, grid connection secured, all permits received (modification pending)	2022	France