



Východoslovenská vodárenská spoločnosť, a.s.

Green Financing Framework

April 2026

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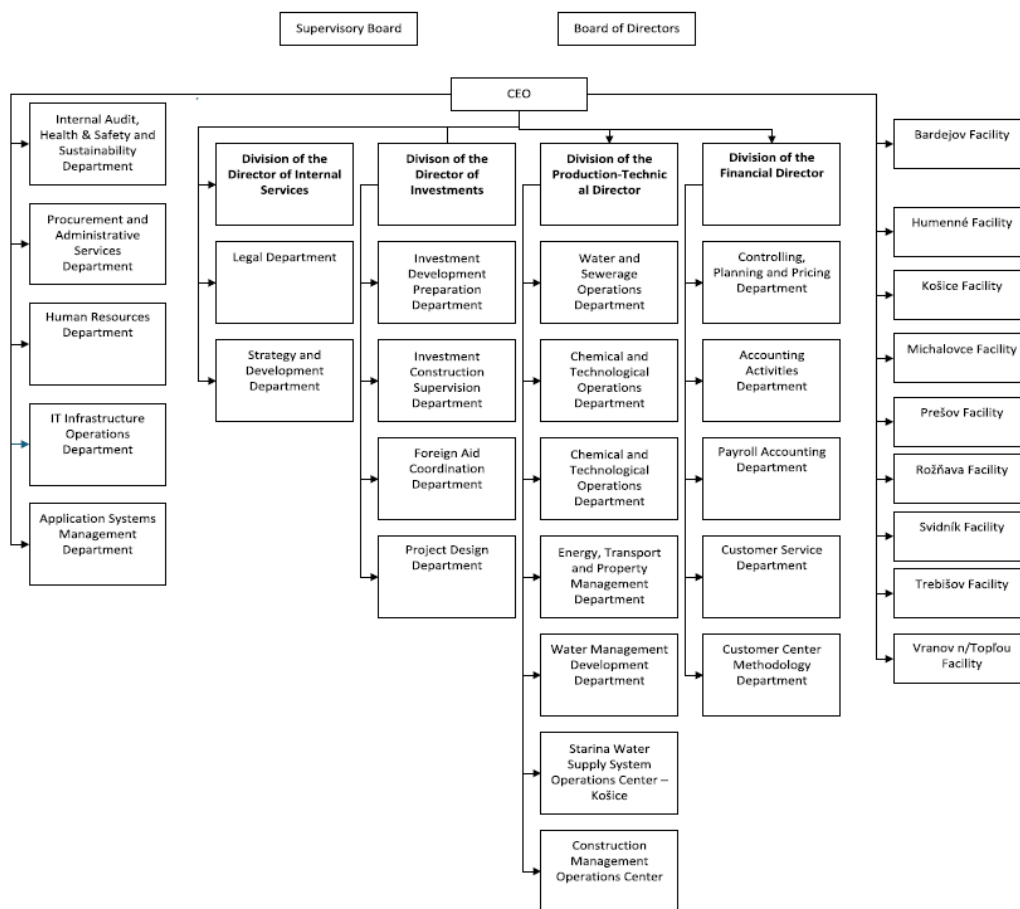
1. Introduction

The purpose of the Green Finance Framework (**Green Financing Framework** or **Framework**) is to enable Východoslovenská vodárenská spoločnosť, a.s. Komenského 50, 042 48 Košice, Slovak republic, registered number: 36 570 460, LEI: 213800KZBUKL7G5OPF59 (**VVS**) to issue and/or guarantee financing instruments in the form of green bonds or green loans to finance projects with positive environmental impacts. This framework is prepared in line with the principles set out by ICMA (International Capital Markets Association) and LMA (Loan market association), which include the Green Bond Principles and Green Loan Principles. The Green Finance Framework includes criteria for green projects and procedures for selecting, managing and reporting information on these projects financed through green bonds or loans. The Green Finance Framework ensures transparency and compliance with international environmental laws and regulations on the best effort basis.

1.1. About the Company

VVS is a leading water company in Slovakia, serving almost 1 million inhabitants. Its main activities include the supply of drinking water, wastewater treatment and the management of the water supply and sewage network in eastern Slovakia. VVS operates an extensive network of water supply and sewage infrastructure, which includes more than 6 700 km of water supply network and more than 3 100 km of sewage system. The company is committed to sustainable development, environmental protection and social responsibility through its activities.

VVS was founded in 2003 and is headquartered in Košice. VVS facilities include operations in the following cities in the eastern part of Slovakia: Bardejov, Humenné, Košice, Michalovce, Prešov, Rožňava, Svidník, Trebišov and Vranov nad Topľou.



1.2. Sustainability in VVS

The company's activities significantly improve the quality of life of residents in the region and contribute to the protection and improvement of the environment. In performing its activities such as the construction and operation of public water supply systems, public sewerage systems, wastewater treatment plants and water reservoirs, VVS prioritizes the use of innovative technologies and equipment with low energy consumption (more energy-efficient pumps, blowers, LED lighting, etc.).

Since 2016, VVS has been demonstrating progress in increasing the energy efficiency of production processes and equipment by implementing the **Energy Management System certificate** according to the requirements of the STN EN ISO 50001-2011 standard. In addition to reducing electricity consumption from the grid, the company uses renewable energy sources in its own technological equipment. The company also achieves more efficient management thanks to the potential of small hydroelectric power plants and cogeneration units.

As part of environmental protection, the company has created several projects for its clients. VVS is the first water company in Slovakia to provide, under favorable conditions defined in the project "**Čisté obce**", waste disposal from domestic cesspools in villages that do not have sewage systems. During World Water Day, the company provides free water quality checks from domestic wells. The company is launching Project "**Voda spieva**" for municipalities, under which it will be prepared to purchase typically outdated water infrastructure from municipalities in eastern Slovakia.

The company carries out its activities in accordance with legal and social standards and its own **Code of Ethics**¹. VVS has developed a series of values, principles and rules that serve as a basis for the company's employees as well as for contractual partners.

¹ Protikorupčná politika | www.vodarne.eu (Anti-corruption Policy).

2. Green Financing Framework

This Green Financing Framework of the VVS is in line with:

- The International Capital Markets Association (ICMA) Green Bond Principles (**GBP**²) 2025;
- The Loan Market Association (LMA) Green Loan Principles (GLP³) 2025.

GBP and GLP is a set of voluntary guidelines that promote transparency and disclosure while supporting integrity in the development of the market for green instruments.

In order to finance new projects or refinance existing projects with an environmental nature in the field of water supply, sanitation and waste management, VVS has decided to issue and/or to guarantee green bonds. The Green Financing Framework describes how the proceeds from loans or bond issuance will be used in accordance with the above principles.

Green Finance Instruments will include bonds or other debt or financial instruments that may be issued publicly or as private placements and that will finance eligible green projects that comply with the principles of green finance (**Green Finance Instruments**).

- **Green Bonds/Green Loans** means Green Finance Instruments that finance and/or refinance eligible green projects (as defined in Section 2.1.1 Eligible Green Projects).

The Green Finance Framework is based on the following key pillars that apply to the relevant Green Finance Instruments:

- Use of Proceeds;
- Projects Evaluation and Selection Process;
- Management of Proceeds;
- Reporting;
- External Review.



2.1 Use of Proceeds

The net proceeds from the issuance of the Green Bonds and Loans (**Net Proceeds**) will be used exclusively to finance and/or refinance the following eligible VVS projects with environmental benefits (**Eligible Projects**):

- Eligible Green Projects (**Green Projects**): projects and investments with a positive impact on the environment as defined in Section 2.1.1.

The portfolio of eligible projects (**Project Portfolio**) consists of all green projects and investments. All the eligible projects will be located only in the Slovak Republic.







2.1.1 Eligible Green Projects

ICMA category	Eligible criteria	UN SDGs
Sustainable water & wastewater management	– Measures to reduce water consumption and minimize losses through the installation and associated services for leakage control, technologies that enable leakage reduction and prevention ⁴ ;	 

² Green Bond Principles.

³ Green Loan Principles.

⁴ Possible activities: active leak detection using acoustic equipment, sensors, network zoning to monitor consumption and losses at zone level, satellite technology for advanced leak identification, smart metering and real-time monitoring of flows and pressures, digitalization and system integration to support data-driven asset management.

ICMA category	Eligible criteria	UN SDGs
	<ul style="list-style-type: none"> – Construction, expansion, or renovation of water collection, treatment, supply systems and existing water reservoirs with net average energy consumption ≤ 0.5 kWh per m³ of produced water; – Construction of new water supply and sewer pipelines or replacement of worn-out parts of existing pipelines that meet the requirements of the Urban Waste Water Treatment⁵; – Construction of new and renovation of existing wastewater treatment facilities (e.g., sewer systems, treatment plants); – Measures to improve water quality⁶ focuses on the comprehensive renewal of technological equipment to enhance the long-term security and quality of drinking water supply. 	 
Energy efficiency	<p>Projects focused on reducing energy consumption, including:</p> <ul style="list-style-type: none"> – Energy efficiency improvements in existing administrative buildings through major renovations (or refurbishments) that meet applicable regulatory requirements and result in an increase in energy efficiency of at least 30% compared to the building's pre-renovation baseline performance; – The installation and operation of electric heat pumps, including their installation, maintenance and repair; – The projects will include only stand-alone heat pumps, not combined using fossil fuels. 	  
Renewable energy	<ul style="list-style-type: none"> – Construction and/or operation of electricity generation facilities where electricity for on-site consumption is produced from: <ul style="list-style-type: none"> • solar photovoltaic technology⁷; • hydropower⁸; • bioenergy solely from the operation of municipal wastewater treatment plants⁹. The biogas produced is utilised for the generation of electricity and heat in a combined heat and power (CHP) unit. 	

⁵ Commission Delegated Regulation (EU) 2023/2486, environmental objective: the sustainable use and protection of water and marine resources, substantial criteria for activity Urban waste water treatment

⁶An example under this activity is a large-scale modernization of the Stakčín water treatment plant.

⁷ In compliance with Slovak legislation the projects with an installed capacity of up to 5 MW are exempt from EIA requirements, projects between 5 MW and 50 MW are subject to an EIA screening procedure, and projects exceeding 50 MW require a full Environmental Impact Assessment.

⁸ Small hydropower installations on existing water supply pipelines operate as run-of-river facilities without any reservoir or storage capacity.

⁹ VVS has established operational, monitoring and maintenance measures aimed at minimizing methane leakage. VVS follows relevant national/international standard for sludge treatment.

VVS may at any time expand the list of eligible projects and investments to include other types of eligible projects that provide verifiable sustainability benefits. VVS undertakes to update the current Green Finance Framework and expand the set of criteria to appropriately reflect the new group of eligible projects.

The prevailing nature of eligible expenditures are expected to be capital expenditure (approximately 80%), with the remaining portion consisting of other forms of expenditure such as operating expenditure, research and development, subsidies, and EU funds, depending on the relevant eligible category or project. As a water utility company, the majority of the net proceeds will be allocated to activities within the Sustainable Water and Wastewater management category. Over the next two years, VVS will allocate the proceeds predominantly to projects classified as Sustainable Water & Wastewater management category (approximately 90%)

2.2 Projects Evaluation and Selection Process

A dedicated Green Finance Committee (the **Committee**) has been established to develop and manage this Framework. The committee is composed of two board members and two senior managers of the company. The Committee will manage all future updates to the Green Finance Framework and appoint or recall the sustainability officer. The Committee shall convene at least once per year and report on the results of its activities to the Board of Directors and the Supervisory Board of the Company. The Green Financing Committee shall be entitled to issue internal regulations and adopt other legally binding acts and actions on behalf of the VVS in connection with its operations. The Green Finance Framework will be evaluated according to the principles and guidelines set out in Chapter 2.

The Committee shall convene at least once per year and shall assess:

- A. progress in the investment plan and priorities, including new types of projects/assets, as well as project validation;
- B. the review and validation of Eligible Projects and related calculations; and
- C. the review and validation of annual reporting concerning Eligible Projects (for example allocation and impact report).

The VVS may rely on external consultants and their information sources to identify green projects and investments and their non-financial impacts.

The selection of projects and investments is based on the eligibility criteria defined in the previous sub-chapter – VVS will ensure that all green projects comply with national and international environmental regulations and standards on a best-efforts basis. Part of the VVS project and investment approval process is to ensure that all activities comply with internal environmental guidelines. VVS defines minimum environmental requirements for projects and investments, including those financed from the proceeds of Green Financing Instruments. These eligibility criteria, minimum requirements and ESG-related matters are continuously developed and updated within the framework of VVS external and internal policies. VVS will ensure that its internal policies not only define the process for identifying green projects, but also establish appropriate processes to ensure that, in the event of a loss of eligibility, divestments, or postponements, the relevant proceeds are reallocated to other eligible green projects. These procedures will be approved by the Committee. VVS environmental policies are available on www.vodarne.eu and/or www.vodaspieva.sk.

The Company applies an Integrated Management System¹⁰ – aligned risk management process that enables the effective identification, assessment, and management of risks, as well as the maximisation of opportunities across its business activities.

¹⁰ Integrovaný manažérsky systém | www.vodarne.eu (Integrated management system).

ESG risk factors are part of the VVS financial standards. These standards are differentiated by type of project or investment, related to size, complexity and ESG impact. The VVS Group refrains from ethically, socially and environmentally harmful investments.

2.3 Management of Proceeds

The net proceeds from green financing instruments issued in accordance with this Green Finance Framework will be managed and reported by VVS, on a portfolio basis. The VVS intends to allocate the proceeds from the Green Finance Instruments to a portfolio of projects and/or investments that meet the eligibility criteria for the use of the proceeds and are in accordance with the above-mentioned evaluation and selection process. Adjustments to the balance of tracked proceeds will be made periodically, at least quarterly, to reflect the allocation of funds to eligible assets.

VVS will strive to achieve a level of allocation of the project and/or investment portfolio within 24 months of the issuance of Green Bonds that at least matches the net proceeds from its outstanding Green Financing Instruments.

The project portfolio will, as appropriate, be supplemented with additional green projects and/or investments that were implemented up to one year prior to the issuance/provision of the green bond/loan (on a look-back basis).

With respect to the placement and tracking of proceeds, the Company plans to use a dedicated bank cash account to ensure transparent and effective monitoring of the funds. In cases where an eligible project extends over a longer period, the unallocated proceeds may be temporarily placed in a bank term deposit or may be used to repay outstanding debts or other capital management activities. The Issuer commits to ensuring that outstanding debt or capital management activities will not finance any controversial activities.

2.4 Reporting

The VVS will publish and maintain reports on the allocation of net proceeds to projects and/or investments on a nominal equivalence basis for one year from the issuance of the relevant Green Finance Instruments, which will be renewed annually until the maturity/repayment. VVS will publish a list of the financed projects together with short descriptions outlining their objectives and sustainability relevance.

The VVS intends to publish reports on the allocation of the use of proceeds to projects and/or investments at least at the category level and on an aggregated (portfolio) basis for all Green Finance Instruments issued by the VVS on an annual basis.

The VVS intends to align, to the maximum extent possible, the reporting of impact with the portfolio approach described in the **Harmonized Framework for Impact Reporting**¹¹ (June 2024). The impact report will be prepared and published annually until the maturity of the relevant debt or bond. VVS also commits to ensuring that the impact report contains basic information on the calculation methodologies and key assumptions applied to the selected impact indicators, with such information being made publicly available.

Each green project and/or investment will be counted by the VVS only once in its reports.

2.4.1 Allocation Report

The Allocation Report will provide aggregated indicators such as:

- size of the project and/or investment portfolio;
- total amount of funds allocated to the project and/or investment portfolio (consisting of green projects and/or investments);

¹¹ Handbook – Harmonised Framework for Impact Reporting.

- balance (if any) of unallocated funds;
- amount or percentage of new financing and refinancing;
- geographical distribution of assets (at district level);
- total volume of outstanding Green Financing Instruments.

2.4.2 Impact Report

The VVS intends to report on the environmental impacts of projects financed by the Green Finance Instruments or refer to existing VVS sustainability reports. A list of potential indicators is provided below.

ICMA category	Impacts indicators
Sustainable water & wastewater management	<ul style="list-style-type: none"> – net average energy consumption ≤ 0.5 kWh per m³ of produced water – Reduction of clean drinking water leakage leaked [in m³/year]; – Extension or renovation of the network of drinking water pipes [in km]; – Extension or renovation of the network of sewerage pipes [in km]; – Volume of clean drinking water in m³ supplied to consumption [in m³/year]; – Number of households connected to wastewater network [in thousands of households and in %].
Energy efficiency	<ul style="list-style-type: none"> – Annual energy savings [in MWh/GWh and/or GJ/TJ]; – Reduction of greenhouse gas emissions [in tons of CO₂e per year].
Renewable energy	<ul style="list-style-type: none"> – Renewable energy capacity installed [in MW] – Annual renewable energy generated or expected [in MWh/GWh]; – Renewably self-generated electricity share of electricity used in production and distribution [in %]; – Carbon emissions avoided [tonnes CO₂e / year]; – Share of renewable energy in VVS's energy mix [in %].

The Allocation Report and Impact Report will be made available on www.vodarne.eu and/or www.vodaspieva.sk.

2.5 External Review

2.5.1 Second Party Opinion

The VVS Green Finance Framework has been reviewed by Moody's Deutschland GmbH, An der Welle 5, 2nd Fl. 60322 Frankfurt, Deutschland (**Moody's**), which has issued a second opinion. Moody's has assessed the Framework and its compliance with relevant industry standards and provided views on the robustness and credibility of the Framework.

The second opinion, as well as the Green Finance Framework, are available to investors and other interested parties on www.vodarne.eu and/or www.vodaspieva.sk.

2.5.2 Valuation / Post issuance external verification

The VVS intends to obtain annually, starting one year from the date of issuance and until maturity (or until full allocation), a limited assurance report on the allocation of funds from the Green Finance Instruments to the project and/or investment portfolio, to be provided by an external verifier. In addition, VVS plans to have at least the first impact report following the bond issuance audited by an independent external auditor.

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