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# Vistra Green Finance Framework

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November 2021

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## **DISCLAIMER: IMPORTANT NOTICE**

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This Green Finance Framework contains certain forward-looking statements that reflect Vistra's management's current views with respect to future events and the financial and operational performance of Vistra. These forward-looking statements, which are based on current expectations, estimates and projections about the industry and markets in which Vistra operates and beliefs of and assumptions made by Vistra's management, involve risks and uncertainties, which are difficult to predict and are not guarantees of future performance, that could significantly affect the financial results of Vistra. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Vistra to control or estimate precisely, including adverse changes in general economic or market conditions, changes in political conditions or federal or state laws and regulations, future market developments, the ability of Vistra to execute upon its contemplated strategic, capital allocation, performance, and cost-saving initiatives, impact of climate and extreme-weather events, and other risks mentioned in Vistra Corp.'s Annual Report on Form 10-K for the year ended December 31, 2020 and any subsequently filed Quarterly Reports on Form 10-Q. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. Vistra does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this document. New factors emerge from time to time, and it is not possible to predict all of them; nor can Vistra assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The information contained in this Green Finance Framework does not purport to be comprehensive and has not been verified by any independent third party.

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# 1 Introduction

Vistra (NYSE: VST) is a leading, Fortune 275 integrated retail electricity and power generation company based in Irving, Texas, providing essential resources for customers, commerce, and communities. Vistra combines an innovative, customer-centric approach to retail with safe, reliable, diverse, and efficient power generation. The company serves approximately 4.3 million residential, commercial, and industrial retail customers with electricity and natural gas and operates in 20 states and the District of Columbia, including in six of the seven competitive wholesale markets in the U.S., as well as both Canada and Japan. Vistra is leading in the global effort to mitigate the impacts of climate change by setting accelerated greenhouse gas emissions reduction targets, retiring substantially all of our coal assets, and investing in carbon free resources and new technologies—actions the company is taking now to ensure our long-term sustainability.<sup>1</sup>

*Electricity is an essential good—one we expect the country will demand more, not less, of as climate change initiatives are implemented across the economy. While the method with which we serve our customers this critical product might evolve over time, our role in the process will not. We believe Vistra is well-positioned to not only display resiliency during this important transition, but to lead.*<sup>2</sup>

## 1.1. Climate Action 2030 / 2050

Climate change is a defining issue of our time, impacting all global citizens, industries, and nations and it must be addressed collectively. As an integrated retail electricity provider and electric power producer, Vistra has actively committed to combating climate change through the reduction of greenhouse gas emissions across business activities and is transforming the company's electric generation fleet. In just five years, Vistra's generation portfolio has shifted from one that was largely based on coal to one that is predominately natural gas-fueled and we are now operating a growing fleet of solar and energy storage facilities. We launched our zero-carbon portfolio, *Vistra Zero*, which includes our nuclear asset, Comanche Peak—a critical carbon-free, base load resource—to maintain the reliability and affordability of electricity in the U.S. for the next several decades. Through the retirement of coal plants and annual investments in renewable resources, battery energy storage, and retail, we expect that by 2030, approximately 90% of our generation capacity will be comprised of low-to-no carbon-emitting resources with renewables and energy storage accounting for at least 20% of both our capacity and Adjusted EBITDA. Importantly, Vistra believes that our technology-advantaged and flexible gas assets will continue to provide critical support in the reliability of the electric grid as the nation's generation supply transitions to intermittent renewable resources.

## 1.2. Alignment with the UN Sustainable Development Goals

Launched in 2015, the 17 Sustainable Development Goals ("SDGs") are a global set of goals, targets, and indicators developed by the United Nations to guide countries, communities, and organizations in their work to create a sustainable world by 2030. Vistra's climate strategy predominately supports the following four SDG's: Affordable and Clean Energy, Decent Work and Economic Growth, Sustainable Cities and Communities, and Life on Land.

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<sup>1</sup>[https://investor.vistracorp.com/investor-relations/overview/default.aspx#:~:text=Vistra%20\(NYSE%3A%20VST\)%20is,customers%2C%20commerce%2C%20and%20communities](https://investor.vistracorp.com/investor-relations/overview/default.aspx#:~:text=Vistra%20(NYSE%3A%20VST)%20is,customers%2C%20commerce%2C%20and%20communities)

<sup>2</sup> <https://www.vistracorp.com/wp-content/uploads/2020/11/VST-2020-Climate-Report.pdf>

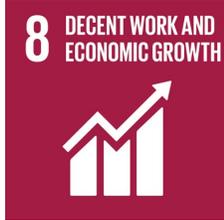


Ensure access to affordable, reliable, sustainable and modern energy for all:

- 180 MW solar / 10 MW energy storage facility in Texas
- 400 MW energy storage facility in California
- ~850 MW of solar and energy storage under development in Texas
- ~450 MW of solar and energy storage under development in Illinois
- One of the largest wind purchasers in Texas
- Advocates and supports competitive energy markets
- Renewable retail products and solutions offered in all retail electricity markets

*Subtargets:*

- 7.1: access to affordable, reliable and modern energy services
- 7.2: increase substantially the share of renewable energy in the global mix
- 7.3: double global rate of improvement in energy efficiency



Promote inclusive and sustainable economic growth, employment and decent work for all:

- Training and development programs at every level to help grow and develop employees
- Employee-initiated and -led resource groups for individuals to participate in, based on demographics, interests, and purpose

*Subtargets*

- 8.2: economic productivity through diversification, technological upgrading and innovation
- 8.5: employment and decent work for all women and men, including for young people and persons with disabilities



Make cities inclusive, safe, resilient and sustainable:

- Solar developer and provider of solar panels for residential customers
- Power Plant Optimization
- EV Car Charging stations
- Supports numerous city efficiency efforts
- Payment assistance through TXU Energy Aid<sup>SM</sup>

*Subtargets*

- 11.1: adequate, safe and affordable basic services
- 11.3: enhance inclusive and sustainable urbanization



Sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss:

- 45+ years of Land Reclamation
- 2021 recipient of OSM's Excellence in Surface Coal Mining Reclamation Award and second-time honoree on Texan by Nature 20 list
- 300,000 plus trees provided to Trees Across Texas Program
- TXU Urban Tree Farm and Education Center
- Luminant Environmental Research Program

*Subtargets*

- 15.1: ensure conservation, restoration, and sustainable use of ecosystems

### 1.3. Vistra's Transition Strategy

Vistra is committed to transitioning our business toward a green energy future and regularly evaluates the resiliency of our business in the face of both physical and transitional climate change risks. Importantly, along with risks, climate change presents tremendous opportunities for our business to evolve and thrive—and these opportunities are firmly embedded in Vistra's long-term strategy.

#### Climate Scenario Analysis

In 2020, Vistra engaged a third-party agency to conduct a climate scenario analysis, evaluating both physical and transition risks to the business over the next 10 to 30 years. The third-party agency specifically utilized climate projections adopted by the Intergovernmental Panel on Climate Change (IPCC) for three scenarios: Sustainable Future Scenario (RCP 2.6, global average temperature rise stays below 2 degrees), 2-Degree Scenario (RCP 4.5, global average temperature rise limited to 2 degrees), and Current Policies Scenario (RCP 8.5, business as usual). Under the scenarios evaluating potential physical risks to our business, Vistra's generation facilities are well-positioned to withstand a variety of weather events including rising sea and river levels, droughts, and increasing temperatures.

While we cannot control weather events, Vistra does make informed decisions on capital spend at our facilities to help position our assets to withstand the potential long-term impacts of climate change. For example, in 2021 Vistra outlined a plan to invest \$80 million in its Texas generation fleet in order to further harden the fleet to be able to withstand even colder temperatures for even longer durations following the week-long freeze Texas endured in 2021. Please see our Climate Report [here](#) for other specific resiliency examples. The potential future physical risks of climate change will continue to inform Vistra's allocation of maintenance capital at our generation facilities, so we can ensure our assets will be able to run safely and reliably in the years ahead.

In addition, Vistra management reviewed the three scenarios as prepared by the International Energy Agency in its 2019 World Energy Outlook—the Current Policy Scenario, the Stated Policy Scenario, and the Sustainable Development Scenario—and its proprietary assessments of future transition risks in response to climate change to evaluate the potential business implications that could result from various policy and market changes under future climate scenarios. Vistra's review and evaluation of various climate scenario analyses have resulted in the identification of certain physical and transition risks that could impact the business over the short-, medium-, and long-term time horizons. A discussion of these transition risks and opportunities can be found in our 2020 Climate Report.

Risks and opportunities that stem from climate change are managed through Vistra's established enterprise risk management framework. In September 2020, Vistra published a TCFD guided Climate Report that discusses various climate-related risks and opportunities that Vistra management has identified as influencing the company's long-term strategy. Vistra similarly completed the CDP climate report in both 2020 and 2021, which provide additional details about the climate-related risks and opportunities influencing Vistra's strategy and business operations. Vistra received a management level score of 'B' for its 2020 report, which recognizes companies that are taking coordinated action on climate issues. This score is significantly above the 2020 North American regional average of 'D' and puts Vistra on par with its energy utility peers. The 2021 scores have not yet been released by CDP.

Vistra management believes that the opportunities emerging from climate change outweigh any associated risks, and Vistra's long-term strategy has been designed to capitalize on these opportunities as our business—and the world around us—evolves. As an innovative, market-leading, integrated power company, Vistra believes climate change mitigation brings tremendous opportunity for our company to grow as we reduce total emissions, thereby satisfying the priorities of a wide-range of stakeholders.

### ***Greenhouse Gas Emissions Reduction Targets***

In 2019, Vistra committed to long-term emissions reduction targets, announcing a goal to achieve a greater than 50% reduction in CO<sub>2</sub> equivalent emissions by 2030 with a long-term objective to achieve a greater than 80% reduction in CO<sub>2</sub> equivalent emissions by 2050, each as compared to a 2010 baseline.

On September 29, 2020, the Company announced that its strategic plans support accelerating its emissions reduction targets with an updated expectation to achieve a 60% reduction in CO<sub>2</sub> equivalent emissions by 2030 as compared to a 2010 baseline with a long-term goal to achieve net-zero carbon emissions by 2050, assuming necessary advancements in technology and supportive market constructs and public policy. This commitment builds on the billions of dollars Vistra has already invested to control emissions, increase the efficiency of its existing power plant fleet, and advance its generation fleet into newer, more efficient, and lower-emitting resources.

Vistra is among over a thousand companies world-wide leading the zero-carbon transition by committing to set emissions reduction targets grounded in climate science through the Science Based Targets initiative (SBTi). By joining SBTi's Business Ambition for 1.5°C, Vistra will align its short-term emissions reduction targets with science and the Paris Agreement to keep warming to 1.5°C and reach net-zero emissions by 2050. Through Vistra's long-term strategy of transforming its generation portfolio from fossil fuels to renewables, investing in innovative technology, and advocating for appropriate and supportive public policy, Vistra believes net-zero by 2050 is achievable.

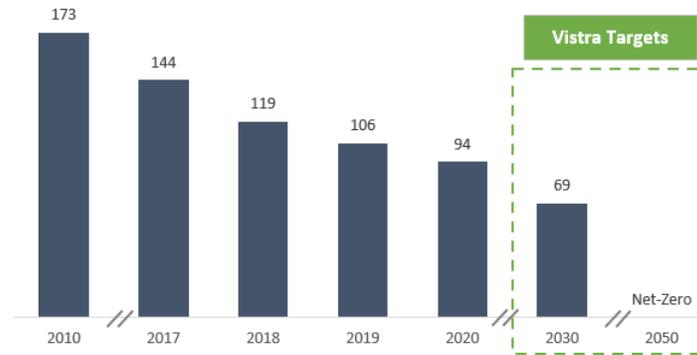


Figure 1: Total Scope 1 & 2 GHG emissions evolution (MMtCO<sub>2</sub>e)

#### 1.4. Vistra's Transition Levers

Vistra believes it is imperative that it transform its generation portfolio over the next several years to support its long-term sustainability. Vistra believes its 10-year strategy will both support electricity system reliability while providing customers with cost-effective energy that meets their sustainable preferences and significantly reduces Vistra's carbon footprint.<sup>3</sup>

In order to meet Vistra's net-zero goal, Vistra will deploy multiple levers to transition the company to operating with net-zero emissions. These Transition Levers can be grouped into four main categories:

- **DECARBONIZATION** of existing business lines, including by retiring nearly all of its coal assets by year-end 2027
- **DIVERSIFICATION** into low-emission businesses, primarily renewables and energy storage
- **ADVOCACY** for public policy solutions that will help accelerate the transition to a net-zero future
- **SUPPORT OF INNOVATION** to facilitate technological advancements to offset residual emissions

##### 1.1.1 DECARBONIZATION OF EXISTING BUSINESS LINES

Vistra is adopting various initiatives to decarbonize its operations, including the optimization of its existing generation fleet. This includes:

- Retiring older fossil fuel generation assets, including nearly all of its remaining coal fleet, in a responsible manner
- Engaging in Operations Performance Improvement initiatives to ensure assets are running as efficiently as possible
- Investing in capital improvements to enhance efficiency and reduce emissions of existing operations

#### Coal Retirements

One of Vistra's primary strategies to address decarbonization has been to retire older and less economically viable fossil fuel assets, primarily coal-fueled power plants. By making the decision to retire assets rather than pursue a portfolio sale approach, Vistra can ensure that the emissions associated with these assets are taken out of the climate while also ensuring the transition is conducted in a manner that is best for the environment, its employees, and the local communities where we operate.

Vistra recently announced the timeline for the retirement of one Texas gas plant and eight coal assets in the MISO, PJM, and ERCOT markets, resulting in the planned retirement of Vistra's entire Midwest coal fleet by no later than year-end 2027. These announced closures will result in an incremental reduction of approximately 7,500 MW of coal assets and approximately 250 MW of gas assets, for a total of nearly 20,000 MW of coal and gas retirements since 2010, with approximately 17,000 MW of actual or planned retirement decisions made since 2016.

<sup>3</sup> 10-year outlook disclosed in Vistra's 2020 Climate Report, accessible at: <https://www.vistracorp.com/sustainability/>



Figure 2: Anticipated Coal Retirement Timeline

Note: anticipated timeline in Figure 2 subject to economic and/or other conditions

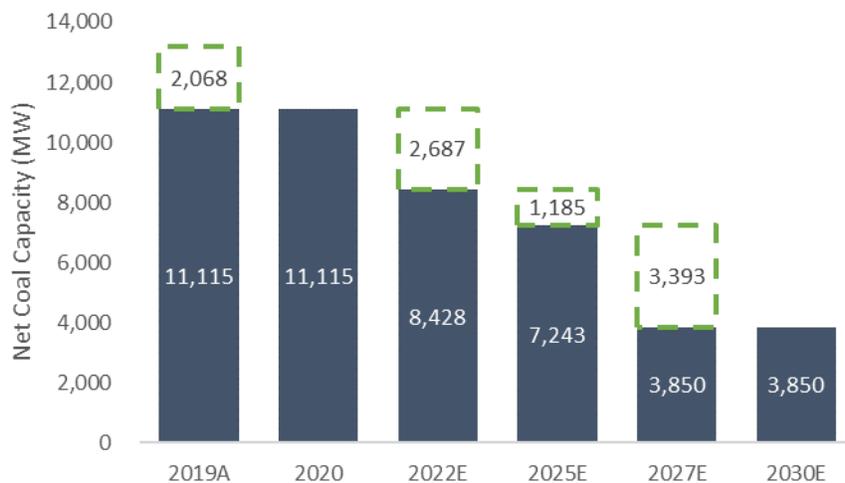


Figure 3: Anticipated Net Coal Capacity (MW)

Planned retirements include:

- Edwards, by 2022
- Joppa, by 2022
- Zimmer, by 2022
- Baldwin, by 2025<sup>4</sup>
- Coletto Creek, by 2027<sup>4</sup>
- Kincaid, by 2027<sup>4</sup>
- Miami Fort, by 2027<sup>4</sup>
- Newton, by 2027<sup>4</sup>

In order to ensure that all of the plants and mines retired are transitioned cost-effectively and in a manner that is in compliance with all laws and regulations, while taking into account the impacts on the local communities, Vistra has a team led by its Senior Vice President of Asset Closure that is solely dedicated to the decommissioning and reclamation of these retired plants and mines. This separation of duties is designed to ensure the work required to wind down these assets is done properly with focused management attention.

<sup>4</sup> May retire earlier than expected dates shown above if economic or other conditions dictate.

Vistra has a long history of excellence in land reclamation. Since mining began more than 50 years ago, Luminant, a subsidiary of Vistra, has reclaimed more than 86,000 acres of land for use as pastures, forests, wildlife habitat, and water resources, and the company has already secured reclamation bond liability releases on over 45,000 acres, demonstrating that it meets or exceeds pre-mine standards. Over the last 45 years, Luminant has planted more than 42 million native trees as part of its reclamation program. More than 30,700 acres of the company's reforested land is certified by the American Tree Farm System as sustainably managed woodlands. The Federal Office of Surface Mining has indicated that Luminant plants more trees annually than any mining company in the U.S. and in 2021 the Office of Surface Mining Reclamation and Enforcement awarded Luminant its 2021 Excellence in Surface Coal Mining Reclamation Award for the work done to reclaim and restore previously mined land at its Monticello-Winfield Mine. We have created or enhanced more than 7,000 acres of wetlands, ponds, and stream channels on our restored lands, dramatically increasing water resources for the benefit of wildlife and livestock. Luminant has received over 90 awards for reclamation excellence, including an unprecedented five Director's Awards, the highest honor from the U.S. Department of the Interior's Office of Surface Mining. In 2017 Luminant was recognized by the Stephen F. Austin State University Board of Regents for nearly 50 years of commitment to environmental education and in 2020 and 2021, Vistra was recognized in the *Texan by Nature 20* for its leadership in conservation and sustainability.

Recognizing the significant impact asset retirements can have on employees and local communities, Vistra similarly takes a Just Transition approach when executing on its retirement commitments.

<b>For employees</b>	<ul style="list-style-type: none"> <li>✓ Advance notice of closure</li> <li>✓ Severance packages</li> <li>✓ Outplacement services</li> <li>✓ Resources for job skills training for new technologies</li> <li>✓ Potential placements in alternate roles inside the organization</li> </ul>
<b>For local communities</b>	<ul style="list-style-type: none"> <li>✓ Develop property tax plans that cushion the near-term impact of plant shutdowns</li> <li>✓ Support legislation to redevelop sites into solar and energy storage facilities</li> <li>✓ Invest in zero carbon technologies to enhance air quality</li> </ul>

#### Operations Performance Improvement Initiatives

Vistra's Operations Performance Improvement Steering Committee provides oversight for power plant operations improvements and potential investments, including the ongoing implementation of initiatives and proliferation of best practices through excellence forums. These initiatives ensure our assets are running as efficiently as possible.

#### Reducing Emissions of Existing Operations

Vistra continuously looks for opportunities to reduce the emissions produced by its existing operations. For example, in 2019 Vistra completed projects at its Hays power plants to reduce their conventional SCR catalyst with a multi-function catalyst, which resulted in emissions reductions during normal operating conditions of CO and VOCs by 90% and 43%, respectively.

#### **1.1.2 DIVERSIFICATION INTO LOW-EMISSION BUSINESSES**

##### Renewable and Storage Development

As Vistra looks forward, it continues to change the composition of its fleet for maximum efficiency and environmental performance, while making disciplined investments in new technologies. Vistra expects to invest in renewable resources, energy storage systems, and retail businesses, resulting in a renewable and energy storage portfolio of more than 5,000 MWs by 2026.

Recent announcements related to Vistra's portfolio transformation include:

- Solar Development Projects:
  - June 2018 – began commercial operations of 180 MW Upton 2 solar facility in Texas
  - Sept. 2020 – announced the planned development of 568 MW of solar generation facilities in Texas that are expected to begin commercial operations during 2022
  - Sept. 2021 – announced the planned development of up to 300 MW of solar generation facilities in Illinois that are expected to begin commercial operations during 2023-2025 supported by the state's passage of the Energy Transition Act, which incorporated the company's legislative priority known as the Coal to Solar & Energy Storage Act
- Battery Energy Storage Projects:
  - 2018 – operations commenced for 10 MW / 42 MWh battery energy storage system (ESS) at the Upton 2 solar facility in Texas
  - Sept. 2020 – announced the planned development of a 260 MW ESS in Texas that is expected to enter commercial operation in 2022
  - Dec. 2020 – Moss Landing Energy Storage Facility, with a capacity of 300 MW, connected to the power grid and began operating, the largest ESS of its kind in the world
  - Aug. 2021 – Vistra completed the expansion of Moss Landing Energy Storage Facility with an additional 100 MW
  - Sept. 2021 – announced the planned development of up to 150 MW of energy storage facilities in Illinois that are expected to begin commercial operations during 2023-2025 supported by the state's passage of the Energy Transition Act, which incorporated the company's legislative priority known as the Coal to Solar & Energy Storage Act

Beyond these actions and announcements, Vistra has a robust pipeline for the development of incremental solar and battery energy storage, including:

- Approximately 1,800 MW of incremental energy storage development at existing sites in California
- Approximately 1,000 to 1,500 MW of incremental solar projects in ERCOT

Vistra's California energy storage projects will help increase local electric reliability by turning on quickly when incremental power supply is needed (particularly when California's large solar generation fleet powers down in the evening), and they will assist in curtailing fossil-fueled peaking power plants, lessening California's reliance on fossil-fueled electric generation and associated water requirements. Vistra's solar and energy storage developments in Texas will help to transition the grid away from fossil-fueled resources toward zero carbon generation that will be important to meet the increasing electricity demands in the growing state. In Illinois, Vistra's development projects will help provide a responsible and accelerated transition to cleaner energy sources while reusing the considerable infrastructure already at plant sites, including transmission lines and interconnects.

### Wind

While Vistra's primary renewable development focus is on solar generation and battery energy storage, Vistra is also a large purchaser of wind-generated electricity to support retail products, including being the largest wind purchaser in Texas. In 2020, Vistra had over 784 MW of wind-generated power and 284 MW of solar under power purchase agreements (PPAs) and purchased over 7 million wind and solar renewable energy credits (RECs) to meet retail customer demand. The purchases of wind power and RECs support the continued development of renewable projects and complement Vistra's net-zero emissions goal through avoided emissions. Vistra will continue to evaluate potential investments in wind development in the future.

### Retail

As an integrated power company, a significant portion of Vistra's generation is sold via retail subsidiaries. Vistra Retail currently offers more than 50 electricity plans that incorporate renewable energy into the product offering. These products are offered to customers through Vistra's portfolio of retail brands, leveraging various marketing channels across the U.S. to offer renewable energy, carbon offset, and energy management products that help consumers reduce their carbon footprint. A few examples are:

- TXU Energy Free Nights & Solar Days<sup>SM</sup>. A first-of-its kind plan, Free Nights & Solar Days offers residential customers 100% renewable energy (100% wind power at night and 100% solar during the day). This offer

capitalizes on low-cost wind-generated energy in Texas. As of June 2020, twice as many Texans are enrolled on TXU Energy solar plans than own rooftop solar panels in the competitive Texas market.

- TXU Solar Club. This first-of-its-kind, membership-style plan provides residential customers clean energy purchased from Texas solar farms. The shared solar offer gives customers benefits similar to a rooftop solar array without the cost of installing a system.
- TXU Rooftop Solar. TXU Energy has partnered with Sunrun to offer the market's highest efficiency rooftop solar panels. Residential customers can take advantage of incentives like federal tax credits or rebates through transmission and distribution utilities (TDUs) for installing Sunrun's high-performance solar arrays, and they can earn bill credits when their system produces more energy than their home uses.
- TXU Energy Pure Solar<sup>SM</sup>. New in 2020, residential customers can support clean solar energy with Pure Solar without installing solar panels. Vistra purchases all the power from Texas solar farms equal to the customer's total electricity usage.
- TXU Energy Greenup. A program in which TXU buys power and renewable energy credits from Texas wind power equal to the customer's total electricity usage.
- TXU Energy Renewable Buyback. This program pays customers for their surplus power generated by renewable energy equipment, such as solar panels or wind turbines.
- Brighten Energy. A new Vistra retail brand that offers only renewable energy plans to consumers in Illinois, Ohio, and Pennsylvania.
- Greenbacks. Vistra Retail offers large business customers the Greenback program, a self-funded rebate program that helps customers fund their energy efficiency projects. Vistra Retail has awarded approximately \$2 million in Greenbacks each year to customers to help them install LED lights, convert to solar energy, upgrade their HVAC or make other improvements.
- Custom Solutions. Vistra Retail develops customized solutions for large business customers, who have their own sustainability goals, that utilize wind PPAs, utility-scale solar generation, energy efficiency programs, and other innovative structures.

As Vistra's generation portfolio transitions, Vistra Retail will continue to create innovative, industry-leading retail products that complement Vistra's growing renewable portfolio and meet customer demand and changing preferences.

### 1.1.3 ADVOCACY

Vistra takes a leadership role in advocacy efforts, supporting public policy initiatives that will advance the country's progress toward lowering GHG emissions. Specifically, Vistra is a founding member of the Climate Leadership Council (CLC) and its advocacy arm, Americans for Carbon Dividends, actively supporting the CLC's framework of a consistently applied national carbon fee and dividend approach with a border tax adjustment as the ideal public policy solution to appropriately incentivize investments in carbon-free and carbon-reducing technologies. The CLC has estimated that if its plan were to be implemented in 2021, it would cut U.S. CO<sub>2</sub> emissions in half by 2035 (as compared to 2005) and far exceed the U.S. Paris commitment.



In 2020, Vistra further advocated for policies that would help support the nation's clean energy transition by leading an effort at the Federal Energy Regulatory Commission (FERC) to consider and encourage regional carbon pricing, working with stakeholders in the competitive electricity markets of both PJM and ISO-NE on carbon-pricing regimes, and advocating for legislation in Illinois, the Illinois Coal to Solar & Energy Storage Act, that supports the conversion of retiring coal plants to zero-emission generation through investments in solar and batteries. This legislation, which was passed in 2021 as part of the Illinois Energy Transition Act, will bring an immediate ~\$550 million investment in renewable energy infrastructure to Vistra's sites through the development of approximately 300 MW of utility-scale solar and approximately 150 MW of battery energy storage. The repowering of Vistra's existing sites to renewable resources will further facilitate components of a Just Transition, as the redevelopment will offer employment opportunities and a new, revenue-generating asset to support the tax base in the local communities.



Joining trade groups and participating in advocacy efforts extends beyond Vistra's own utility sector. In September 2020, Vistra joined the Zero Emissions Transportation Association (ZETA) as a founding member. ZETA is a federal organization advocating for policies that will enable meeting a goal of 100% electric vehicle sales by 2030. As a member

of this non-partisan group, Vistra is in the unique position to promote electrification of the transportation sector, support the buildout of infrastructure, collaborate on innovation, and promote competitive electric markets.



Vistra understands and appreciates that its voice can make a difference as state and federal policies supporting climate change are adopted, and is committed to advocate for the country's accelerated transition to a lower carbon future while providing affordable and reliable electricity, and maintaining the strength of the American economy.

#### 1.1.4 SUPPORT OF INNOVATION

As a core part of its strategy, Vistra invests in a venture fund that focuses on technological innovation and sustainability to help accelerate the viability of carbon free and carbon reducing technologies. Through this venture and the initiatives of its own strategy team, Vistra actively monitors technological advancements, policy developments, and supporting infrastructure additions for smart energy, smart building, and smart mobility opportunities, including potential zero-emission technology investments. Examples of such early-stage and developing technologies include hardware such as hydrogen electrolyzers, fuel cells, batteries, and carbon capture and storage, as well as software. Emerging technologies and alternative power sources are progressively assessed to identify economically viable and sustainably sound upgrades through an active evaluation of its assets. As an example, most of Vistra's gas turbines can begin blending up to c.15% hydrogen as a feedstock with little modifications, and further research is underway to evaluate the technical upgrades required to burn increasing blends of hydrogen. Vistra also invests in technologies that are responsive to the changing needs of our retail customers, including demand response, electric vehicle smart charging, and distributed carbon-free generation and storage.

Similarly, Vistra regularly collaborates with various stakeholders including universities, research institutes, and governments on projects that would reduce CO<sub>2</sub> emissions from coal or gas-fueled power plants. We believe our participation in these projects will help to accelerate technological innovation while also staying close to the advancements that we expect will have a meaningful impact on our industry in the coming decades.

### 1.5. Governance

#### Vistra Board of Directors

Creating a sustainable company requires a commitment to all facets of environmental, social, and governance (ESG) stewardship, including:

- Addressing climate change and being good stewards of environmental resources
- Supporting all of our stakeholders, including employees, contractors, suppliers, customers, local communities, and investors, among others
- Maintaining appropriate governance frameworks
- Providing a long-term vision and sustainable strategy

Vistra's policies and initiatives are interconnected and collectively contribute to the company's long-term sustainability. Given this interconnectedness, ultimately, the oversight of Vistra's ESG initiatives is governed by the full Vistra board, with oversight of subject matter-specific components delegated to applicable board committees, as referenced in the graphic below. ESG-related topics are discussed at each scheduled quarterly board and committee meeting, and on a more frequent basis as necessary.



Vistra is led by a team of industry veterans with expertise across all areas of the energy and retail businesses, including a board of directors with a diverse set of experiences providing oversight and governance. Details about each of our directors' experience is further detailed in our [2021 proxy statement](#). Each director brings ESG experience through either climate change and sustainable strategy/policy experience, human capital management/diversity, equity, and inclusion (DEI) experience, or both. To ensure the board and senior management stay current on climate issues and sustainability trends, Vistra works with outside consultants and experts who train the management team on climate issues and sustainability trends.

**Director Expertise**



The extensive mix of skills, knowledge, and experience the board brings is a direct result of the diversity of our board members. Vistra's board is comprised of 10 members, three of whom are women and two of whom are ethnically diverse.

### Board Composition



### Vistra Management

The board has delegated management of the company’s day-to-day operations, including all ESG initiatives, to Vistra’s executive officers. Key officers responsible for various sustainability initiatives include:

- Chief executive officer (CEO): provides day-to-day oversight and ultimate responsibility for all sustainability and ESG strategy.
- Chief purpose and sustainability officer (CPSO): responsible for the development, implementation, and management of Vistra’s sustainability strategy and related ESG initiatives. The CPSO has a dual role as senior vice president of investor relations, providing the benefit of hearing from and communicating directly with stakeholders, including investors, regarding Vistra’s sustainability initiatives. The CPSO also leads two working committees: the Sustainability Reporting Committee, whose membership includes internal stakeholders providing the metrics and content for the annual sustainability report and various ESG surveys and the Sustainability Advocacy Committee, whose members include internal stakeholders involved in climate policy development and advocacy.
- Chief financial officer (CFO): chairs the Risk Management Committee (as described below) providing oversight to Vistra’s risk management. Reporting to the CFO is the chief risk officer (CRO) who leads the enterprise risk assessment and management process.
- Chief administrative officer (CAO): oversees human capital management and compensation for the enterprise. Reporting to the CAO is Vistra’s chief diversity officer (CDO) who develops, directs, and oversees the implementation of Vistra’s DEI initiatives.
- Executive vice president and general counsel: oversees the governance and compliance of the organization, in addition to all legal matters. Reporting to the general counsel is the senior vice president of environmental health and safety responsible for the management of environmental reporting, performance, compliance, and employee safety programs.

There are three standing committees that comprise the primary governance forums for day-to-day management of the company: the Management Committee, Commitments Committee, and Risk Management Committee.

	Executive/Management Committees	Commitments Committee	Risk Management Committee
Members:	- CEO - all direct reports of CEO - leaders who represent key business areas and support functions	Voting members: - CEO (chair) - CFO - general counsel - CAO - chief commercial officer - president of retail - executive vice president of renewables/battery storage/fossil operations  Standing invitees: - all other direct reports of CEO - other key functional and operational leaders	- CEO - CFO (chair) - chief commercial officer - CRO - president of retail - treasurer - senior vice president of planning and analytics controller - vice president of regulatory compliance (trading and generation)
Meeting Occurrence:	Weekly	Weekly	Weekly

Function:	Provides the forum for discussion and decision-making related to general strategy and policy items, operational updates, information sharing, prioritization, and cross-business and cross-functional coordination	Provides operational oversight of Vistra's material commitment activities, ensuring that an appropriate level of analysis, review, and approvals are performed prior to committing or deploying capital, approving transactions within transaction authority limits delegated by the Vistra board of directors	Provides risk management oversight, monitoring, control, and guidance for all risk management activities at Vistra, approving risk management activities within limits delegated by the board of directors
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**Risk Management**

Vistra's governance framework includes a robust enterprise risk analysis, through which all functional groups in the company provide input on key business, regulatory, market, legal, and climate risks, among other potential areas of threat. The risk management process is owned by the CRO, who meets periodically with every functional group in Vistra to review the risk universe for any relevant updates with a detailed analysis performed on an annual basis.

**ESG Executive Compensation Changes for 2021**

In furtherance of the Company's continued focus on ESG initiatives, the Social Responsibility and Compensation Committee of the board approved a new ESG Index as part of Vistra's 2021 Executive Annual Incentive Plan (EAIP) scorecard with a 10% weighting. The performance of the company on the categories measured by the ESG Index will factor into the short-term incentive compensation for all employees in the organization. To align management's compensation with Vistra's important ESG and DEI goals, the ESG Index measures:

- GHG emissions reduction targets tracking to achieve 60% reduction by 2030 and net-zero by 2050,
- GHG-related advocacy efforts,
- DEI initiatives including the implementation of various DEI programs, training and reporting enhancements, and updated recruiting efforts, and
- Supplier Diversity expansion

## 2 Sustainable Financing Rationale

As a committed stakeholder in mitigating climate change and the development of a sustainable economy, Vistra recognizes the urgency to implement measures that address climate change and enhance the universal quality of life. As a power producer and retailer, Vistra is uniquely positioned to make a direct impact by spearheading its transition and aspiring to achieve its sustainability ambitions.

Vistra's various operating segments coupled with the span of its operations generates the need for a wide range of capital requirements and an agile approach to capital management. As a next step in Vistra's sustainability journey and to further signal its commitment, Vistra has published this Framework to tie its funding strategy with its sustainability approach. This Financing Framework has been designed in consideration of the recommended disclosures contained within the Climate Transition Finance Handbook published by the International Capital Market Association ("ICMA"). See Appendix for a summary table on where each of the four elements are contained.

## 3 Green Use of Proceeds Financing Framework

Vistra has developed this Financing Framework to support Green Financing Instruments (for example, Bonds, Convertible Bonds, Private Placements, Loans, Letters of Credit, Preferred Equity) for Vistra and its subsidiaries. The Use of Proceeds Framework is aligned with the four core components and the two key recommendations of the Green Bond Principles 2021 ("GBP") as administered by the ICMA and the four core components of the Green Loan Principles 2021 ("GLP") as administered jointly by the Loan Syndications and Trading Association, the Loan Market Association and the Asia Pacific Loan Market Association. Additionally, it outlines the contribution to the aforementioned SDGs.

### 3.1 Use of Proceeds

An amount equal to the net proceeds from the issuance of the Green Financing Instrument, will be used to finance or refinance, in whole or in part, new or existing, investments or assets that meet the criteria outlined below:

GBP & GLP Categories	Targeted Environmental Objectives	Eligible Expenditures	Targeted SDGs	
<b>Renewable Energy</b>	Climate change mitigation	<ul style="list-style-type: none"> <li>Investments associated with the development, construction, acquisition, installation and maintenance of renewable energy production projects in line with the EU Technical Expert Group report on the EU Taxonomy<sup>5</sup>. Wind, solar and green hydrogen<sup>6</sup> projects that meet the following criteria:               <ul style="list-style-type: none"> <li>Average carbon intensity of the electricity produced, including that used for hydrogen manufacturing, at or below 100 gCO<sub>2</sub>e/kWh</li> <li>Direct CO<sub>2</sub> emissions from production of hydrogen below 5.8 tCO<sub>2</sub>e/t hydrogen</li> <li>Electricity use for hydrogen produced by electrolysis at or lower than 58 MWh/t hydrogen</li> </ul> </li> </ul>	  	<p><b>7.2</b> increase share of renewable energy in global energy mix</p> <p><b>11.1</b> adequate and affordable basic services</p> <p><b>13.2</b> integrate climate change measures into policies</p>

<sup>5</sup> [https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy\\_en](https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy_en)

<sup>6</sup> Vistra 2020 Climate Report (Page 11, 13)

<b>Energy Efficiency</b>	Climate change Mitigation	<ul style="list-style-type: none"> <li>▪ <b>Investments associated with the acquisition, development and maintenance of battery energy storage projects</b> in line with the EU Technical Expert Group report on the EU Taxonomy</li> <li>▪ <b>Investments or expenditures associated with customer energy efficiency incentive programs</b> including the installation of smart meters</li> <li>▪ <b>Investment in technologies that increase operational energy efficiency, reduce energy consumption or mitigate GHG emissions by more than 20%</b> (building automation systems, LED lighting and occupancy sensors)</li> <li>▪ <b>Research and development of innovative technological advancements and supporting infrastructure</b> (e.g., early-stage technology including hydrogen electrolyzers, fuel cells, batteries)</li> </ul>	<p><b>7.2</b> increase share of renewable energy in global energy mix</p> <p><b>7.3</b> double the rate of energy efficiency</p> <p><b>9.4</b> sustainable infrastructure with increased resource efficiency</p>
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For the avoidance of doubt, expenditures associated with either nuclear or fossil fuel power generation will be excluded under this Framework.

### 3.2 Process for Project Evaluation and Selection

A dedicated Sustainability Financing Committee will be created to, among other things, oversee the Green Financing program. The Committee will be chaired by the Chief Purpose & Sustainability Officer & SVP, Investor Relations and include the following officers of Vistra: Chief Executive Officer; President & Chief Financial Officer; EVP & Chief Commercial Officer; EVP, General Counsel, & Chief Compliance Officer; EVP & Chief Administrative Officer; EVP, Renewables, Battery Storage, Fossil Operations & Services; EVP & President, Vistra Retail; SVP & Treasurer; SVP, Development; and SVP, Environmental Health & Safety.

New projects will be identified on an ongoing basis by the respective operational and/or finance teams of various business units. Identified projects will be submitted to the Sustainability Financing Committee, who then evaluates the project eligibility in the context of this Framework and decides on the integration (or flagging) to a Portfolio of Eligible Green Projects.

The Committee will meet on a periodic basis to review the portfolio of Eligible Green Projects and decide on the inclusion of any new projects eligible for financing via a Green Financing Instrument. The Committee will oversee the Green Financing Reporting process and manage the process should this Framework need to be updated.

### 3.3 Management of Proceeds

An amount equal to the net proceeds of each Green Financing Instrument will be earmarked for allocation against the Portfolio of Eligible Green Projects. The net proceeds from the Green Financing Instruments will be tracked internally. Eligible projects are those that fit the criteria outlined by this Framework and have been disbursed in the last 18 months prior to the issuance date or during the term of the Green Financing Instrument.

Any projects that become no longer eligible will be substituted as soon as practical once an appropriate substitution option is identified, on a best-efforts basis. Vistra intends to fully allocate the proceeds of the Green Financing Instrument within 18-24 months from the date of issuance.

Where proceeds cannot be immediately allocated or reallocated, Vistra will invest the balance of the net proceeds at its own discretion as per the company’s liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments. Vistra is committed to not investing any unallocated proceeds in any fossil-fuel related instruments.

### 3.4 Reporting

In alignment with the company’s transparency and commitment to publicly report on allocation and expected impact, Vistra will provide an Investor Report on an annual basis until proceeds are fully allocated and thereafter during the life of the Green Financing Instrument in the event of any material change in the allocation.

#### Allocation Reporting

The report will include:

- The aggregate amount of allocation of the net proceeds to the Eligible Green Projects at the category level;
- The proportion of net proceeds used for financing vs. refinancing; and
- The balance of any unallocated proceeds invested as per the company’s liquidity management policy, including in cash or cash equivalents, or in other liquid marketable instruments.

#### Expected Impact Reporting

Project Categories	Subcategories	Reporting Indicator
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>▪ Wind, Solar, Green Hydrogen</li> </ul>	<ul style="list-style-type: none"> <li>▪ Estimation of renewable energy produced (MWh)</li> <li>▪ GHG emissions reduction (MMtCO<sub>2</sub>e)</li> <li>▪ Increase of energy supply from</li> <li>▪ Renewable sources (% share)</li> <li>▪ Installed capacity (MW)</li> </ul>
<b>Energy Efficiency</b>		<ul style="list-style-type: none"> <li>▪ Estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>▪ Energy saved (MWh)</li> <li>▪ Storage installed capacity (MW/MWh)</li> <li>▪ Annual renewable energy stored in MWh</li> </ul>

## 4 External Review

#### Second-Party Opinion

Vistra has appointed Vigeo Eiris to provide a Second Party Opinion on the Green Finance Framework, its transparency, governance and alignment with the Green Bond Principles and the Green Loan Principles.

This Second Party Opinion document will be made available on Vistra’s website.

Vistra commits to update the Second Party Opinion whenever this Framework is materially updated.

#### External Verification

Any Green Financing will be supported by an external verification of the tracking of the offering proceeds on an annual basis, until the complete allocation of proceeds, by an independent third party on a limited assurance basis, whose report will be made public.

## 5 Appendix

### Climate Transition Finance Handbook<sup>7</sup> Integration

In keeping with Vistra’s overall commitment to transparency and decarbonization, this Financing Framework is also designed to adopt all four elements of the Climate Transition Finance Handbook published by the ICMA. The table below provides a reference guide to where each of the recommended disclosure can be found.

Disclosure Elements	Relevant Finance Framework Sections	Additional Resources
<p><b>Issuer’s climate transition strategy and governance, including:</b></p> <p>A long-term target to align with the goals of the Paris Agreement (e.g., the objective of limiting global warming ideally to 1.5°C and, at the very least, to well below 2°C);</p> <p>Relevant interim targets on the trajectory towards the long-term goal;</p> <p>Disclosure on the issuer’s levers towards decarbonization, and strategic planning towards a long-term target to align with the goals of the Paris Agreement;</p> <p>Clear oversight and governance of transition strategy; and,</p> <p>Evidence of a broader sustainability strategy to mitigate relevant environmental and social externalities and contribute to the UN Sustainable Development Goals</p>	Sections: 1.1; 1.2; 1.3 and 1.4; and 1.5	2021 Sustainability Report 2020 TCFD Report 2020 CDP Report
<p><b>Business model environmental materiality of the disclosures referenced for Element One above.</b></p>	As above	2021 Sustainability Report
<p><b>Climate transition strategy to be ‘science-based’ including targets and pathways.</b> The planned transition trajectory should:</p> <p>be quantitatively measurable (based on a measurement methodology which is consistent over time);</p> <p>be aligned with, benchmarked or otherwise referenced to recognized, science-based trajectories where such trajectories exist;</p> <p>be publicly disclosed (ideally in mainstream financing filings), include interim milestones, and;</p> <p>be supported by independent assurance or verification.</p>	Section 1.3	2021 Sustainability Report 2020 Results Vistra’s Sustainability Website
<p><b>Implementation transparency:</b></p> <p>Disclosure of capital expenditure (capex) and operational expenditure (opex) plans and other relevant financial metrics to the extent they relate to a transition strategy</p>	Section 1.4	2021 Sustainability Report

<sup>7</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>