

Press release

06 December 2022

Experts confirm Axpo's effective risk management

The last 12 months have been dominated by a European energy crisis of historic proportions which has presented major challenges for the population, business and the energy sector. The Axpo Board of Directors commissioned PricewaterhouseCoopers (PwC) to conduct an assessment that would allow external evaluation of its risk management as a whole, and in particular the processes that led to its precautionary application to the federal government for a credit facility. The PwC experts came to the conclusion that Axpo handled market risks appropriately and in accordance with industry standards over the last year, that the high requirement for liquidity in the wake of record prices was primarily a consequence of hedging Switzerland's electricity supply, and that this was greatly reduced by the international customer and trading business.

As a follow-up to the precautionary application to the federal government for a credit facility, the Axpo Board of Directors commissioned PwC to offer an external view of Axpo's risk management to ensure that internal processes are bearing up, even in the face of the events of this unprecedented year. The assessment was also intended to determine which business areas had contributed to these increased liquidity requirements, and to what extent. The consultancy company presented its findings to the Board of Directors in a report.

The PwC experts have concluded that Axpo's risk management is effective and that the high requirement for liquidity in the wake of record prices was primarily a consequence of hedging Switzerland's electricity supply, and that this was greatly reduced by the international customer and trading business. This counters the accusation heard in some quarters that the liquidity requirement arose from speculative transactions in other countries. PwC also confirmed that in view of the extreme uncertainty, the application for a precautionary credit facility from the federal government in early September 2022 represented prudent risk management. Axpo has not yet drawn on the credit facility, and is doing everything in its power to avoid doing so. The outgoing funds (security deposits) are returned as soon as prices fall or at the point that the electricity is delivered at the latest. However, with ongoing tension in the European energy markets, credit risks in particular remain high, with the threat of counterparty defaults.

Thomas Sieber, Chairman of the Board of Directors of Axpo: 'I am pleased that PwC's assessment confirms the professional structures of Axpo. The findings show that our diversified business model is robust. In these times of market turmoil, this

strategy built on a variety of business areas and regions has truly proven itself. But in this last, unprecedented year we have learnt a lot, and we will apply our various findings to ensure we emerge from this energy crisis stronger than before.'

The main conclusions from the PwC assessment:

- The price fluctuations of the last year were to a large extent exceptional.
- Axpo's actions were commensurate with its risks and in line with industry standards.
- The temporarily high liquidity requirement is largely attributable to hedging for Swiss production.
- The trading business (origination and proprietary) and other international activities greatly reduced liquidity outflows.
- With enormous uncertainty in the market at the time, the decision to apply for a subordinated, unsecured credit facility from the federal government in September 2022 represented prudent risk management. To date the credit facility has not been accessed.
- With conditions on European energy markets remaining tense, Axpo's credit risk remains high, and it is being very closely monitored.

Axpo's books are reviewed by an external auditor each year as a matter of course. Before approving the precautionary credit facility in early September 2022, the federal government also carried out a due diligence check in cooperation with an external audit company. PwC has in addition assessed Axpo's risk management in its trading business on behalf of the Board of Directors. The next step will see a further external review which will be carried out on behalf of the owners of Axpo. Axpo welcomes all of these measures, as they provide answers to open questions and strengthen the company's standing.

You can find more information on the federal credit facility at:

<https://www.axpo.com/ch/en/about-us/media-and-politics/credit-line.html>

About Axpo:

Axpo's ambition is to provide a sustainable future for society through innovative energy solutions. Axpo is Switzerland's largest producer of renewable energy and an international pioneer in energy trading and the marketing of solar and wind power. The company has more than 5,000 employees who combine experience and expertise with a passion for innovation and the shared search for ever better solutions. Axpo relies on innovative technologies to meet the ever-changing needs of its customers in over 30 countries in Europe, North America and Asia.

Additional information

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