

# Strategy, goals and performance management system

## Strategy

### Implementation of the EnBW 2020 strategy successfully concluded

Strategically, 2020 was a very good year for us. We have been resolutely repositioning our company in accordance with measurable targets since 2013 and aligning it to meet the requirements of the Energiewende in Germany. Our EnBW 2020 strategy that was guided by the **principle of “Energiewende. Safe. Hands on.”** was based on sustainability criteria from the very beginning. Comprehensive investment in renewable energies, electricity grids and electromobility, the creation of new jobs and apprenticeships and intensive dialog with citizens, the public and non-government organizations (NGOs) characterized this phase of the transformation of the portfolio. This was accompanied by significant improvements in efficiency and the first targeted growth initiatives. To implement our strategy, we planned total investment of €14.1 billion and divestitures of €5.1 billion by 2020 (reference year of 2012). We realized total investments of €17.2 billion, exceeding our investment target, and divestitures of €5.8 billion since 2012. After the conclusion of the 2020 reporting year – the strategy horizon – the following is now clear: We have successfully implemented the repositioning of our company, increased our earnings to €2.8 billion, which is above both our earnings target of between €2.3 billion and €2.5 billion and the level before the Energiewende, and achieved or exceeded almost all the other targets in our EnBW 2020 strategy, reaching many of them earlier than planned (p. 37).

### The next step: EnBW 2025 strategy

The EnBW 2025 strategy is based – just like the EnBW 2020 strategy – on a holistic approach to stakeholders. It defines specific financial and non-financial targets that take account of the economic, ecological and social dimensions of sustainability. We carried out a project at the Board of Management level during the coronavirus pandemic that closely examined the question of what opportunities and risks the pandemic could hold for our 2025 strategy. Under the motto **“Making and shaping the infrastructure world of tomorrow,”** the EnBW 2025 strategy will increasingly place the company’s focus onto the infrastructure aspects of existing business fields – for example, networking small, decentralized power plants to form virtual power plants (Glossary, from p. 138) or networking the energy sector (Glossary, from p. 138) with neighboring sectors such as transport or communications. Furthermore, we will exploit new growth opportunities above and beyond the energy sector that are aligned with our core expertise. Our core expertise – what we do well and do better than many others – lies in the safe and reliable construction, operation and management of critical infrastructure in the energy sector, such as the supply of energy or the distribution of energy by our grid subsidiaries. This well-developed expertise can be transferred to other infrastructure sectors in which we have already made significant progress, such as the broadband business (Glossary, from p. 138), the

expansion of quick-charging infrastructure (Glossary, from p. 138) and the area of urban infrastructure. Urban infrastructure, as we understand it, involves smart networking of the energy supply, heating, telecommunications, mobility, traffic management and parking space management, as well as security in the public sphere. Performance, creativity, freedom for independent action, quick decision-making processes that are as closely aligned to the business as possible and a resolute focus on the needs of our customers are defining the requirements for the future.

### Sustainable and innovative infrastructure partner

Using the EnBW 2025 strategy, we aim to transform our company into a sustainable and innovative infrastructure partner for our customers and other stakeholders. We will combine our business portfolio within **three strategic business fields** from 2021:

- › In the business field **Smart infrastructure for customers**, we will transfer our core skills to new, often digital business models. In the next few years, our investment will mainly focus on the areas of electromobility, telecommunications and broadband, as well as on photovoltaics and energy storage systems. We want to further expand our quick-charging infrastructure to promote electromobility and thus maintain our position as the market leader in this sector. In the telecommunications and broadband business, we will expand our infrastructure, increase our range of services and aim to secure a strong position on the German market. On the German home electricity storage market for solar electricity, we aim to join the leading group of suppliers with SENEK. And in the area of B2B sales for electricity and gas, we will continue to rely on digitalization and improvements in cost efficiency.
- › In the business field **System critical infrastructure**, our grid subsidiaries for electricity and gas will further expand the transmission grids into an important cornerstone of our earnings alongside the distribution grids. In addition, our grid subsidiaries will upgrade the electricity distribution grids so that they are ready to meet the requirements of the future and ensure they are optimally prepared for the demands that will be placed on them by electromobility and electric heating. We will continue our participation model for local authorities to participate in the distribution grids. As part of the decarbonization of the gas sector, our grid companies are preparing their grid infrastructure for the use of climate-neutral gas in the future.
- › Renewable energies will dominant in the business field **Sustainable generation infrastructure**. This also includes further selective internationalization and projects without state funding. The generation capacity of our wind power plants is due to increase to 4.0 GW by 2025 and our portfolio of photovoltaic projects to 1.2 GW. In addition, EnBW and BP have entered into an equal partnership to build two offshore wind farms with a total capacity of 3.0 GW off the coast of Great Britain and place them into operation from 2028. At the same time, we will further strengthen our strong position

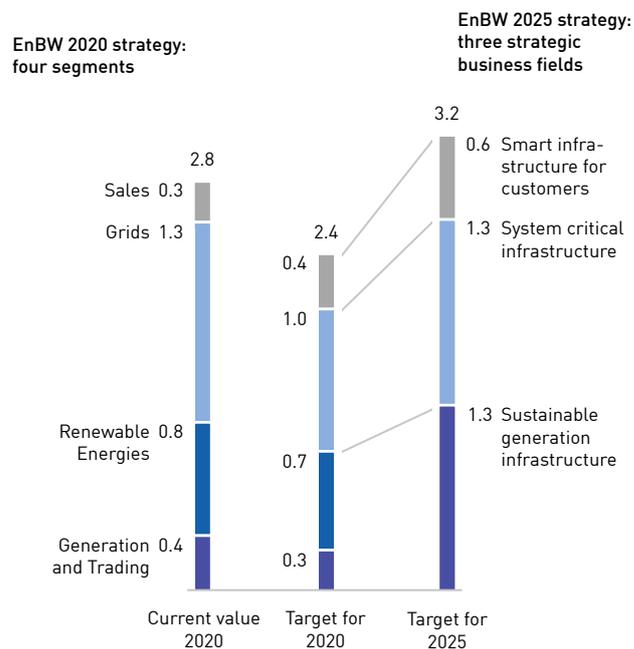
in the gas business, especially in the area of climate-neutral gases. And we have defined a clear phase-out plan for coal-based conventional generation by 2035. The last nuclear power plants operated by EnBW will be decommissioned by the end of 2022 at the latest. We will adapt our trading activities to the changes in our generation portfolio and the energy markets.

The central goal of the EnBW 2025 strategy is to increase **adjusted EBITDA** to €3.2 billion. All three strategic business fields will make a significant contribution to this increase in earnings – which represents an increase of more than 30% compared to the strategic target value for 2020.

EnBW is planning to **invest** around €12 billion in total between 2021 and 2025. The main focus of this investment will be the expansion of the grids, especially the central SuedLink and ULTRANET projects of our grid subsidiary TransnetBW for the future energy supply in Germany, the expansion of renewable energies, such as the planned realization of the EnBW He Dreiht offshore wind farm, and the further development of smart infrastructure for customers, for example, in the areas of broadband, telecommunications and electromobility. In accordance with the EnBW 2025 growth strategy, 80% of our overall investment will be accounted for by growth projects. We will use sustainability criteria as the benchmark for our future decisions and investments even more resolutely than before and align our growth accordingly.

**Realignment and growth**

Adjusted EBITDA in € billion



**EnBW sustainability program**

**25-point sustainability program<sup>1</sup>**

<p><b>Management processes</b></p> <ul style="list-style-type: none"> <li>&gt; Climate neutrality by 2035</li> <li>&gt; Integration of sustainability assessment in investment decisions</li> <li>&gt; Evaluation of the EnBW portfolio based on EU taxonomy</li> <li>&gt; Transparency with regard to party donations and lobbying</li> <li>&gt; Introduction of a plan of measures and progress report for non-financial targets</li> <li>&gt; Integration of sustainability and climate protection into the Board of Management’s remuneration</li> <li>&gt; Expansion of sustainable finance activities</li> <li>&gt; Systematic examination of sustainability risks and opportunities</li> <li>&gt; Human resources work focused on sustainability</li> </ul>	<	<p><b>Supporting processes</b></p> <ul style="list-style-type: none"> <li>&gt; Sustainable procurement</li> <li>&gt; Paper reduction and recycling</li> <li>&gt; Climate-friendly internal mobility</li> <li>&gt; Sustainable real estate management</li> <li>&gt; Climate protection measures</li> <li>&gt; Sustainable canteen</li> </ul>
<p><b>Core processes</b></p> <p><b>Sustainable generation infrastructure</b></p> <ul style="list-style-type: none"> <li>&gt; Boost sustainability in the area of trading</li> <li>&gt; Increase responsible raw material procurement</li> <li>&gt; Paris-compliant phase-out of coal</li> <li>&gt; Introduce climate-neutral gases</li> <li>&gt; Targets for harmful emissions and greenhouse gases</li> <li>&gt; Measures for efficient water consumption/extraction</li> </ul> <p><b>System critical infrastructure</b></p> <ul style="list-style-type: none"> <li>&gt; Development of sustainable grid companies</li> <li>&gt; Boost sustainable product portfolio at Netze BW</li> </ul>	<	
<p><b>Smart infrastructure for customers</b></p> <ul style="list-style-type: none"> <li>&gt; Sustainable sales</li> <li>&gt; Extend climate-friendly product portfolio</li> </ul>		

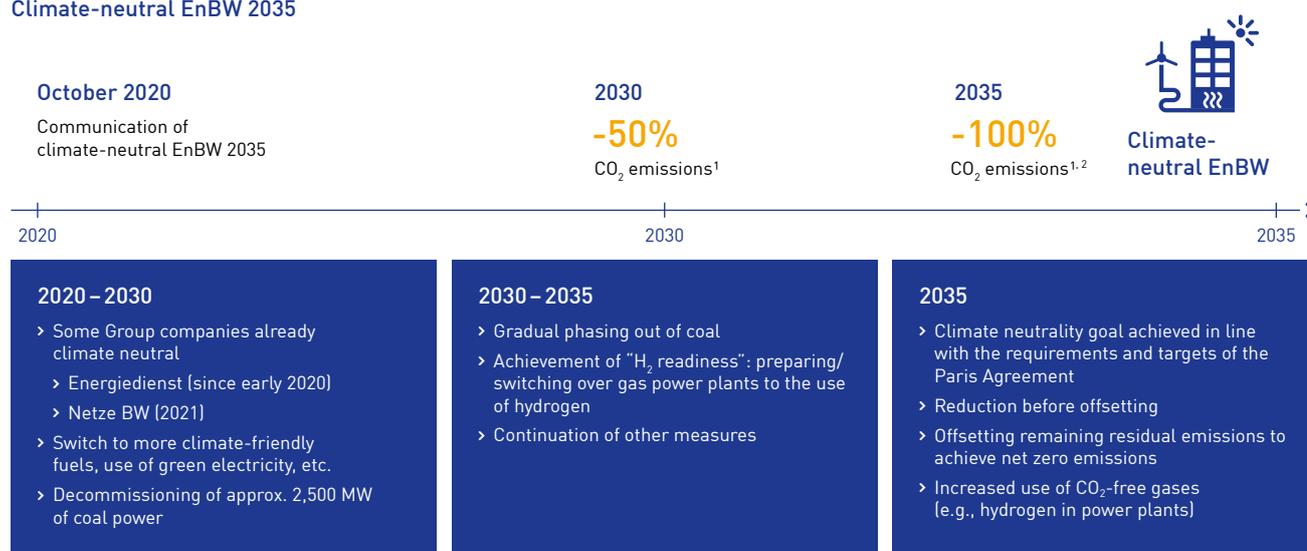
<sup>1</sup> The terms used here deviate in some cases from the sustainability program published at [www.enbw.com/sustainability](http://www.enbw.com/sustainability).

Sustainability is an integral part of our corporate strategy. Sustainability will also be a key principle behind our business activities in our EnBW 2025 strategy in continuity with the goal system that we have been following since 2013. Our long-term business success will be oriented – in accordance with our understanding of sustainability – around economic, ecological and social goals.

We launched a comprehensive sustainability program in autumn 2020 that comprises 25 measures across these three dimensions. This 25-point sustainability program covers all areas of the Group from higher level management processes and key operating processes through to supporting processes in the business and functional units.

## Long-term goal: Climate neutrality by 2035

### Climate-neutral EnBW 2035



1 The EnBW climate neutrality target refers to our own emissions [Scope 1 and 2]. Scope 3 is mainly influenced by the gas consumption of our customers and would require the use of climate-neutral gases in the future. The target refers to CO<sub>2</sub>eq (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and SF<sub>6</sub>). The reference year is 2018.

2 Includes in part the offsetting of remaining residual emissions due to the acquisition of recognized compensation certificates.

A central goal of our 25-point sustainability program is to achieve climate neutrality. As an integrated energy company with its own comprehensive generation portfolio, we can make an important contribution to safeguarding the livelihoods of future generations. We have thus set ourselves the ambitious aim of achieving **climate neutrality by 2035** across the entire company with respect to our own emissions (Scope 1 and 2). Our Scope 3 emissions are mainly due to the gas consumption by our customers (p. 82). We anticipate that it will only be possible to reduce Scope 3 emissions by switching to climate-neutral gases, which will probably not be available in sufficient quantities until the middle of the 2030s. An important milestone in our climate neutrality strategy will be halving our CO<sub>2</sub> emissions by 2030, based on the reference year of 2018. To this end, we will reduce our coal-based generation capacity of 4.6 GW (reference year of 2018) by around 2.5 GW. In parallel, we will examine the possibility of a fuel switch from coal to more climate-friendly gas and then in a second stage to climate neutral gases such as biogas or hydrogen. Coal-based energy generation will be fully phased out by the end of 2035. We are planning to use green electricity to compensate for grid losses in the energy system. Unavoidable residual emissions will be offset by acquiring recognized compensation certificates. Our

subsidiary Energiedienst is already climate neutral and Netze BW aims to achieve this goal in 2021. In 2020, the non-governmental organization CDP awarded us the best possible "A" grade rating for our climate protection activities (p. 47) for the first time.

The EnBW approach to achieving climate neutrality by 2035, based on electricity generation and supply of heating, is in harmony with the requirements and targets of the Paris Agreement. It should also create a balance between the different expectations of our stakeholders, with whom we remain in constant dialog. Since 2013, even before the Coal Phase-out Act, we had already phased out around 40% of our particularly carbon-intensive generation capacity for ecological and economic reasons. In the social dimension, we will strive to ensure that there will be no additional job losses due to the transition to climate neutrality. EnBW currently has 3,400 employees in the area of conventional generation. We have already implemented suitable human resources measures such as further training and forward-looking human resources planning. Some employees from the area of conventional generation are already bringing their technical expertise to other areas of the company, such as our offshore wind turbines.

## Goals and performance management system

### Performance management system

The management of the company comprises financial, strategic and non-financial goals and, as well as the finance and strategy goal dimensions, includes the dimensions customers and society, environment and employees. The centerpiece of this integrated corporate management is the performance management system (PMS). The most important financial and non-financial Group goals have been broken down into target agreements, insofar as they are considered a sensible performance indicator for the respective area. In the quarterly performance reviews conducted at a Board of Management level, the value drivers for the most important operating performance indicators that contribute to the achievement of targets for the key performance indicators (finance, strategy and environment goal dimensions) are reported. In terms of external communication, the PMS feeds into the integrated reporting of the financial and non-financial performance of the company based on the reporting framework of the International Integrated Reporting Council (IIRC). This Integrated Annual Report 2020 incorporates the financial and non-financial aspects of our business activities. The key performance indicators enable us to measure the degree to which goals are achieved and to manage our company.

### Achievement of the 2020 strategy targets

We have achieved or exceeded the financial and non-financial targets defined in the EnBW 2020 strategy almost in full and in many cases ahead of plan. We view this as an outstanding success because the majority of the strategy targets were already defined in 2013 – eight years ago – and we have worked to achieve them in a resolute and disciplined manner, with huge commitment from all involved.

#### Key performance indicators

- › The **adjusted EBITDA** for the 2020 financial year stood at €2.8 billion and thus exceeded the target value of between €2.3 billion and €2.5 billion. The Grids and Renewable Energies segments were important earnings generators in the strategy period.
- › **Internal financing capability:** The adjusted retained cash flow reached the forecasted range of €1.9 billion to €2.0 billion in 2020 so that the target value for internal financing capability of  $\geq 100\%$  was slightly exceeded. We were also able to achieve our target of an internal financing capability of around 100% for the period 2017 to 2020 with 99.2%.
- › **ROCE (return on capital employed):** ROCE reached 6.3% in 2020 and did not reach the target range of 8.5% to 11%. The main reason for this was the fall in capital market returns as a result of the low-interest phase.
- › **Share of the adjusted EBITDA accounted for by the segments:** The regulated grid business and renewable energies accounted together for 78% of the operating earnings in 2020. The target here was at least 70%. We have realized the planned transformation of the business portfolio and thus significantly improved the risk-return profile of EnBW.

#### Non-financial key performance indicators

- › **Reputation Index:** We slightly exceeded our target with a value of 56 index points, which was mainly due to the fact that our stakeholders appreciate our reliable business performance and our commitment to sustainability and climate protection.
- › The **Customer Satisfaction Index** for the EnBW brand stood at 132 points in 2020 and thus narrowly missed the strategic target defined in 2013 of  $>136$ . The Customer Satisfaction Index for the Yello brand of 159 points in 2020 virtually achieved the target value of  $>159$ . While customer satisfaction with the Yello brand is significantly influenced by brand image, price and service quality, the Customer Satisfaction Index for the EnBW brand is also impacted by social aspects. This is because it is a Group brand that has its own electricity generation capacities, which makes it more strongly recognizable to the public. This includes, for example, how the energy-industry activities of EnBW are perceived and the position it takes on current energy policy issues, the effects of which are difficult to predict in the long term.
- › **SAIDI:** Due to our ongoing investment and maintenance programs, SAIDI remained at a good, stable level of 15 min./year. We were thus able to achieve our target value of  $<25$  min./year.
- › **Installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE:** The installed output of RE reached 4.9 GW in 2020 and we thus almost achieved our target of 5.0 GW. The share of the generation capacity accounted for by RE stood at 39%, which was only slightly below the target value of  $>40\%$ . That means we have largely realized our strategic plans for the expansion of electricity generation from renewable energies.
- › **CO<sub>2</sub> intensity:** The CO<sub>2</sub> intensity of own generation of electricity in 2020 was 372 g/kWh. The target was to reduce the value from 2015 of 606 g/kWh by between 15% and 20%. We were able to clearly exceed this target with a reduction of 39%. The reasons for the over-attainment of this target were – despite the increased utilization of our power plants for redispatch by the transmission system operators in 2020 – the decommissioning of fossil fuel power plant capacities, which were mainly transferred to the grid reserve due to their system relevance, market-driven developments and the effect of the coronavirus pandemic.
- › **PEI:** The key performance indicator People Engagement Index (PEI) was only introduced in 2020 and there was thus no strategic target value defined for 2020. The Employee Commitment Index (ECI) was not compiled in 2020 but we had already exceeded the 2020 target value for this indicator in 2019.
- › **LTIF:** In comparison to the previous year, the LTIF for companies controlled by the Group remained at a good, stable level and we were thus able to achieve our target. There was no target value defined for LTIF overall for the 2020 financial year as we only reported on this performance indicator for the first time in 2019.

## TOP Financial and non-financial key performance indicators and targets

Goal dimension	Goal	Key performance indicator	2020	Target for 2020	Target for 2025
 Finance	Secure profitability	Adjusted EBITDA in € billion	2.8	2.3–2.5	3.2
	Managing the financial profile	Internal financing capability in %	102.8	≥ 100	– <sup>1</sup>
		Debt repayment potential in %	–	–	≥ 12 <sup>1</sup>
	Increasing Group value	ROCE in %	6.3	8.5–11	6.5–8
The EnBW Group, p. 63ff.   Forecast, p. 97f.   Report on opportunities and risks, p. 100ff.   Multi-year overview, p. 142f.					
 Strategy	Share of result accounted for by "Customer proximity"/Sales	Share of overall adjusted EBITDA in € billion/in %	0.3/12.0	0.4/15.0	0.6/20.0 (Smart infrastructure for customers <sup>2</sup> )
	Share of result accounted for by Grids	Share of overall adjusted EBITDA in € billion/in %	1.3/48.8	1.0/40.0	1.3/40.0 (System critical infrastructure <sup>2</sup> )
	Share of result accounted for by Renewable Energies	Share of overall adjusted EBITDA in € billion/in %	0.8/30.0	0.7/30.0	1.3/40.0 (Sustainable generation infrastructure <sup>2</sup> )
	Share of result accounted for by Generation and Trading	Share of overall adjusted EBITDA in € billion/in %	0.4/15.9	0.3/15.0	
The EnBW Group, p. 65   Forecast, p. 97   Report on opportunities and risks, p. 100ff.   Multi-year overview, p. 142f.					
 Customers and society	Reputation	Reputation Index	56	55	58–62
	Customer proximity	EnBW/Yello Customer Satisfaction Index	132/159	> 136 / > 159	125–136 / 148–159
	Supply reliability	SAIDI (electricity) in min./year	15	< 25	< 20
The EnBW Group, p. 76ff.   Forecast, p. 98f.   Report on opportunities and risks, p. 103   Multi-year overview, p. 142f.					
 Environment	Expand renewable energies (RE)	Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	4.9/39.0	5.0 / > 40	6.5–7.5 / > 50 <sup>3</sup>
	Climate protection	CO <sub>2</sub> intensity in g/kWh <sup>4,5</sup>	372	–15% to –20% (reference year 2015: 606 g/kWh)	–15% to –30% <sup>3</sup> (reference year 2018)
The EnBW Group, p. 79ff.   Forecast, p. 98f.   Report on opportunities and risks, p. 104   Multi-year overview, p. 142f.					
 Employees	Engagement of employees	People Engagement Index (PEI) <sup>6</sup>	83	–	77–83 <sup>7</sup>
	Occupational safety	LTIF for companies controlled by the Group <sup>8,9</sup>	2.1	≤ previous year's figure	2.1
		LTIF overall <sup>8</sup>	3.6	–	3.5
The EnBW Group, p. 86ff.   Forecast, p. 99   Report on opportunities and risks, p. 104   Multi-year overview, p. 142f.					

- Following the transition to the growth strategy, the internal financing capability will be replaced by the new key performance indicator debt repayment potential from 2021 onwards. To achieve the unchanged goal of maintaining a solid investment-grade rating, EnBW regularly checks the 2025 target value for the debt repayment potential for managing its financial profile. This was stated in the Integrated Annual Report 2019 as > 14%. The adjusted target of ≥ 12% will allow the company to take advantage of opportunities for growth while simultaneously maintaining its solid investment-grade rating. The rating target will still be guaranteed by the new target value.
- The four segments of Sales, Grids, Renewable Energies and Generation and Trading will become the three strategic business fields of "Smart infrastructure for customers," "System critical infrastructure" and "Sustainable generation infrastructure" from 2021.
- The 2025 target values for installed output of RE and share of generation capacity accounted for by RE and CO<sub>2</sub> intensity were examined and adjusted based on the target of climate neutrality. The target figures for the expansion of RE were adjusted due to slowed approval processes and grid connection and feed-in forecasts. The reference year for CO<sub>2</sub> intensity was adjusted to 2018 because the 2020 reporting year cannot be considered representative for the coming years (due to, among other things, market effects and the coronavirus pandemic).
- Includes redispatch deployment.
- Nuclear generation is not included in the calculation for the key performance indicator CO<sub>2</sub> intensity. The CO<sub>2</sub> intensity including nuclear generation for the reporting year was 268 g/kWh (previous year: 235 g/kWh).
- The performance indicator was reported for the first time in 2020 and replaces the Employee Commitment Index (ECI) as a key performance indicator. There is no target value available for 2020. Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered [except ITOs]).
- Due to the extraordinary effects relating to the coronavirus pandemic in the year this key performance indicator was introduced, we may need to adjust this target value during the strategy period.
- Variations in the group of consolidated companies (all companies with more than 100 employees, excluding external agency workers and contractors, are generally considered).
- Excluding companies in the area of waste management.

## TOP Definition of the key performance indicators

We safeguard the implementation of our strategy by means of a holistic goal and performance management system. This system strengthens integrated thinking in our company. At the same time, it underpins our comprehensive and transparent focus on performance and stakeholders. Our goal system comprises the five dimensions of finance, strategy, customers and society, environment and employees. A number of specific targets have been defined in each goal dimension, whose achievement is continuously measured using key performance indicators. Linked with this goal system and the centerpiece of our corporate management is the performance management system (PMS). Quantitative target values are currently set for the key performance indicators for the 2025 strategy horizon. The key performance indicators for the 2020 financial year were unchanged in comparison with the previous year with one exception: The People Engagement Index (PEI) has replaced the Employee Commitment Index (ECI).

The financial and strategic key performance indicators within the PMS are the adjusted EBITDA, the shares of the adjusted EBITDA accounted for by the segments, the internal financing capability and ROCE:

- ▶ The **adjusted EBITDA** is the earnings before the investment and financial results, income taxes and amortization and adjusted for non-operating effects. Adjusted EBITDA is a key performance indicator for the finance goal dimension, while the key performance indicators for the strategy goal dimension, which describe the **shares of adjusted EBITDA accounted for by the segments**, are derived directly from it (p. 65 and 97).
- ▶ The **internal financing capability** is the key performance indicator for the Group's ability to finance its activities internally: It describes the adjusted retained cash flow in relation to the adjusted net (cash) investment (p. 73 and 96). After covering ongoing costs and dividend payments, the adjusted retained cash flow is available to the company for net investment without the need to raise additional debt. Since the 2017 financial year, we have adjusted the retained cash flow to take account of the extraordinary effect of the reimbursement of the nuclear fuel rod tax (Glossary, from p. 138) (adjusted retained cash flow) and since the 2019 financial year we have also adjusted the net (cash) investment to take into account the accelerated growth investment used for the acquisitions of Valeco and Plusnet that already contribute to the EnBW 2025 growth strategy. As it will not be possible to exclusively finance this growth phase using funds from our internal financing capability, we will manage the financial profile from 2021 using the **debt repayment potential** (retained cash flow in relation to the net debt).
- ▶ **ROCE (return on capital employed)** is the ratio of adjusted EBIT including the adjusted investment result to the average capital employed. It should exceed capital costs and is used for determining the value added, reflecting the development of the company's value from a financial point of view (p. 74 f. and 97 f.).

Other explanations of our financial key performance indicators can be found in the Glossary, from p. 138.

In addition to the financial key performance indicators, the PMS also includes non-financial key performance indicators:

The customers and society goal dimension comprises the Reputation Index, the Customer Satisfaction Index and the SAIDI (System Average Interruption Duration Index):

- ▶ In order to calculate the **Reputation Index**, a total of around 5,000 people – from the stakeholder groups relevant for the EnBW brand of customers, the wider public, industrial companies, opinion leaders and investors – are asked about their impressions of the EnBW brand by an external market research institute. Results are collected for each stakeholder group about the distinctiveness of the brand and their assessment of the competence of and emotional attitude towards the EnBW brand. These are merged together to form a Reputation Index. The individual reputation indices for each stakeholder group are weighted equally to form a consolidated and reported Reputation Index (p. 76 and 98).
- ▶ The key performance indicator **Customer Satisfaction Index** assesses the average satisfaction of private end consumers of electricity over the year, which is directly linked to customer loyalty. The information is compiled using customer surveys about the two brands EnBW and Yello conducted by an external service provider. The Customer Satisfaction Index allows us to draw conclusions about how well we are meeting the needs and wishes of the surveyed customers (p. 76 f. and 98).
- ▶ **SAIDI** serves as the key performance indicator of supply reliability. It specifies the average length of supply interruption in the electricity distribution grid experienced annually by each connected customer. SAIDI includes all unscheduled interruptions to supply that last more than three minutes for the end consumer. The definition and calculation of this performance indicator is based on the guidelines issued by the Network Technology/Network Operation Forum (FNN) of the VDE (German Association for Electrical, Electronic & Information Technologies) (p. 78 f. and 98). The reliability of the supply in the grid areas operated by our grid subsidiaries builds on our comprehensive investment in grids and facilities as well as our system expertise.

The key performance indicators in the environment goal dimension are the installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE and CO<sub>2</sub> intensity:

- ▶ The **installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE** are measures of the expansion of renewable energies and refer to the installed output of the power plants and not to their weather-dependent contribution to electricity generation (p. 81 and 98).
- ▶ The emissions of CO<sub>2</sub> from own generation of electricity for the Group, as well as the volume of electricity generated by the Group without the contribution made by the nuclear power plants, form the basis for the calculation of the key performance indicator **CO<sub>2</sub> intensity**. This performance indicator is calculated as the ratio between the emissions and the generated volume of electricity and thus specifically describes the amount of CO<sub>2</sub> released per kilowatt hour. By discounting the electricity generated by nuclear power

plants, the performance indicator will not be influenced by the phasing out of nuclear energy in the coming years (p. 83 and 99f.).

The People Engagement Index (PEI) and LTIF (Lost Time Injury Frequency) are utilized as performance indicators in the employees goal dimension:

- › The **PEI** expresses how engaged employees are in their work at EnBW and was measured and reported as a key performance indicator for the first time in 2020. It is compiled at all companies with more than 100 employees (except for the Independent Transmission Operators [ITOs]) (Glossary, from p. 138) as part of an employee survey carried out by an external, independent service provider. It is determined based on the first question of the standardized list of questions “How happy are you working for the EnBW Group and the companies in the Group?” It is a question that uses a rating scale from 1 (I do not agree at all) to 5 (I agree completely). The value determined is then converted to a scale of 0 to 100 (p. 86 and 99). The Employee Commitment Index (ECI) was compiled up until 2019 and expressed the degree to which employees identified with EnBW.
- › **LTIF** is calculated on the basis of LTI (Lost Time Injuries), which denotes the number of accidents during working hours which have occurred exclusively because of a work assignment from the company and result in at least one day of absence. LTIF indicates how many LTI occurred per one million working hours performed. The calculation of the LTIF overall generally includes all companies with more than 100 employees. For the calculation of the LTIF for companies controlled by the Group, those companies engaged in the area of waste management are excluded because the number of accidents deviates significantly from that in the core business in the energy industry. External agency workers and contractors are not taken into account in either performance indicator (p. 89 and 99).

#### **TOP** Interdependencies between the goal dimensions, targets and key performance indicators

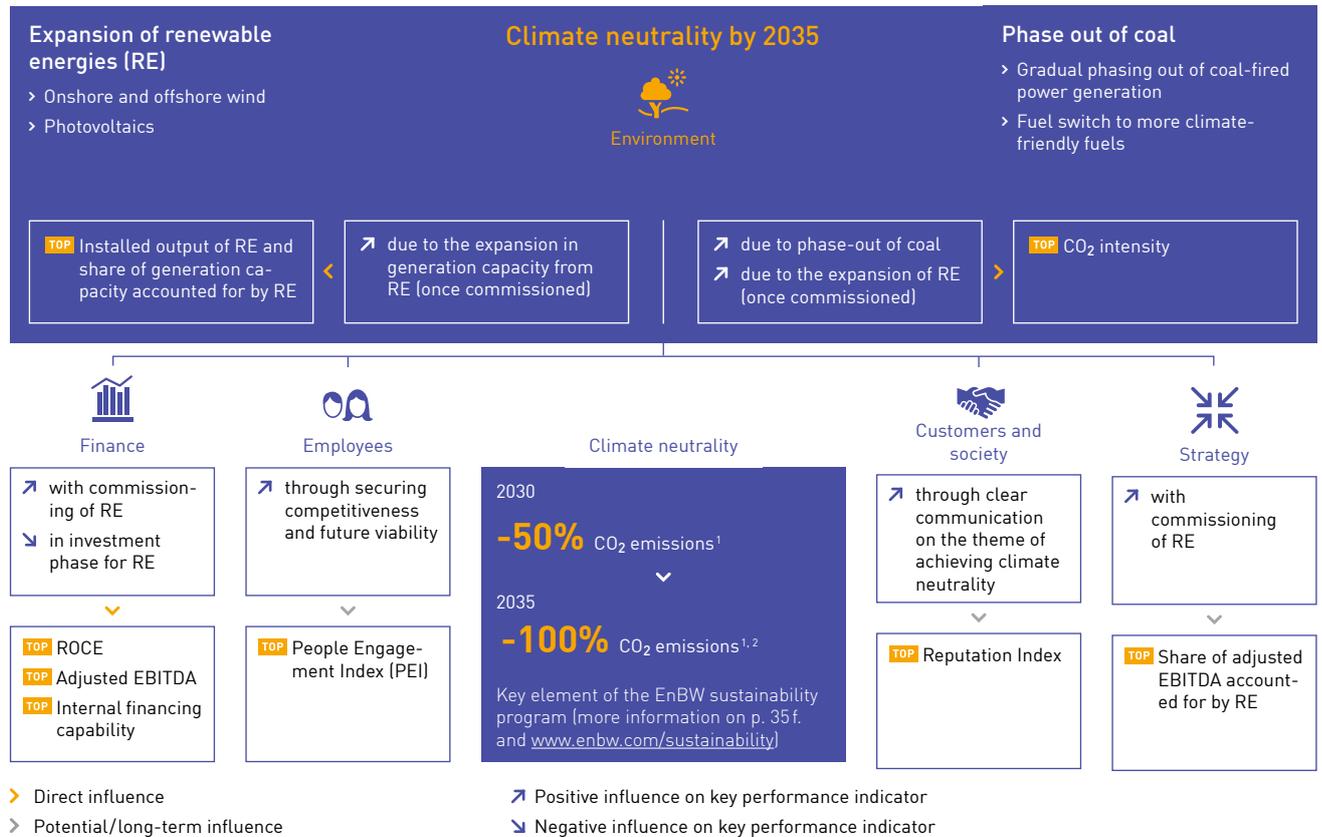
In order to give a comprehensive portrayal of the company, we are convinced that it is not only necessary to present the economic, ecological and social aspects, but also to illustrate and

provide an analysis of interdependencies between them. By linking together the various goal dimensions, we want to demonstrate an important element of our integrated reporting. Interlinking financial and non-financial aspects encourages a holistic corporate management approach within EnBW. In order to illustrate these interdependencies, the key performance indicators for the goal and performance management system are used. We take as a basis the fact that a change in one key performance indicator can also often lead to a change in one or more other key performance indicators. Reciprocal relationships thus exist between the key performance indicators – in the most extreme case, all of the key performance indicators can even influence all the others.

In order to illustrate the interdependencies in 2020, we have selected two themes: **climate neutrality by 2035** and **Sustainable Netze BW**. Both themes represent measures in the EnBW sustainability program (p. 35f.). Using the long-term goal of climate neutrality as a component of the 25-point sustainability program, we demonstrate the direct positive effect on the key performance indicators in the environment goal dimension. The activities of our subsidiary Netze BW that focus on a sustainable Energiewende and mobility transition have a direct effect on the key performance indicator “share of adjusted EBITDA accounted for by Grids” in the strategy goal dimension. In addition, we anticipate that there will be a direct or potential impact on other key performance indicators in both cases.

The key performance indicators that are directly influenced are positioned in the center of the diagram and should essentially be directly measurable. The interdependencies between the financial and strategy key performance indicators are also essentially directly measurable and are represented in the example diagrams by orange arrows. The interdependencies with the other non-financial key performance indicators are difficult to measure and generally tend to be potential or long term in nature. They are represented by gray arrows. In the 2020 financial year, these interdependencies were not measured individually. They are presented based on the results of an exchange of information with experts from the relevant departments. The upward pointing arrows show a positive influence on the key performance indicator, while the downward pointing arrows show a negative influence.

Interdependencies between key performance indicators using climate neutrality by 2035 as an example



1 The EnBW climate neutrality target refers to our own emissions (Scope 1 and 2). Scope 3 is mainly influenced by the gas consumption of our customers and would require the use of climate-neutral gases in the future. The target refers to CO<sub>2</sub>eq (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and SF<sub>6</sub>). The reference year is 2018.  
2 Includes in part the offsetting of remaining residual emissions due to the acquisition of recognized compensation certificates.

Interdependencies between key performance indicators using Sustainable Netze BW as an example

