

# Strategy, goals and performance management system

## Strategy

### Sustainable and innovative infrastructure partner

We have successfully concluded the EnBW 2020 strategy. Our **EnBW 2025 strategy** has the motto “Making and shaping the infrastructure world of tomorrow” and is based on a holistic approach to stakeholders. It defines specific financial and non-financial targets in the dimensions finance, strategy, customers and society, environment and employees. Sustainability is an integral component of our corporate strategy, guaranteeing the creation of economic, ecological and social value for our stakeholders.

Our EnBW 2025 strategy is increasingly placing the company’s focus onto the infrastructure aspects of existing energy-related business fields and utilizing our core expertise to exploit new growth opportunities above and beyond the energy sector. 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 generation of energy or the distribution of energy by our grid subsidiaries. This can also be transferred to other **business fields related to infrastructure**. One example of this type of business field is our broadband business in which we have already made significant progress. We are also involved in the expansion of urban infrastructure. As we understand it, urban infrastructure concerns, for example, the smart networking of the energy and heating supplies, telecommunications and mobility. Another new business field is the development of passive mobile phone infrastructure (such as radio towers), whereby we are actively working to improve mobile phone coverage in Baden-Württemberg with, for example, 5G technology <sup>8</sup>.

We are following these **strategic goals** in our three segments:

In the **Smart Infrastructure for Customers** segment, we are transferring our core skills to new, often digital business models. In the next few years, we will mainly focus on the growth 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 2,500 sites in order to promote electromobility and thus maintain our position as the market leader in this sector. In the telecommunications and broadband business, we are expanding our infrastructure, increasing our range of services and striving to secure a strong position on the German market. On the German home electricity storage market for solar electricity, we also aim to join the leading group of suppliers with our subsidiary SENEK. And in the area of B2C sales for electricity and gas, we will continue to rely on digitalization and make improvements in our cost efficiency.

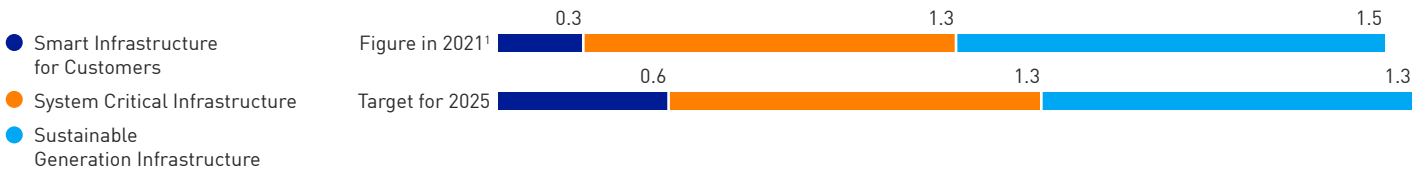
In the **System Critical Infrastructure** segment, our grid subsidiaries for electricity and gas will further expand the transmission grids into an important cornerstone of our earnings alongside the distribution grids. In addition, they will upgrade the electricity distribution grids so that they are ready to meet the challenges of the future and ensure they are optimally prepared for the demands that will be placed on them by electromobility and the decentralized feed-in of energy. 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 such as green hydrogen in the future.

Renewable energies will dominate the **Sustainable Generation Infrastructure** segment. The expansion of renewable energies will cover further selective internationalization and the realization of 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 a joint venture 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. In the gas business, we will further strengthen our strong position, especially in the area of climate-neutral gases. We have defined a clear phaseout plan for coal-based conventional generation by the end of 2035 at the latest and plan to switch over some of our coal power plants to gas as a more climate-friendly fuel and later to

hydrogen. The last nuclear power plant operated by EnBW will be disconnected from the grid by the end of 2022 at the latest. We are adapting our trading activities to the changes in our generation portfolio and the energy markets.

We want to use this portfolio to increase our **adjusted EBITDA** <sup>?</sup> to €3.2 billion by 2025. All three segments will contribute to the achievement of this target.

#### Sustainable growth Adjusted EBITDA in € billion



<sup>1</sup> The sum of the three segments does not correspond to the adjusted EBITDA for the EnBW Group. €-187.4 million is attributable to Other/Consolidation in the 2021 financial year.

EnBW is planning **net investment** of around €12 billion between 2021 and 2025. Some 80% of this investment is intended for growth projects. 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 HeDreht offshore wind farm, and further developments in the Smart Infrastructure for Customers segment: for example, in the areas of broadband, telecommunications and electromobility. We will use sustainability criteria as the benchmark for our future decisions even more resolutely than before and align our growth accordingly (p. 86<sup>↗</sup>). Since the 2021 financial year, we now also take sustainability aspects into account, alongside economic and strategic factors, when assessing our investment projects (p. 48<sup>↗</sup>).

### Anchoring sustainability as a strategic compass

Sustainability is closely linked to the core business at EnBW and has thus been resolutely and consistently taken into account in the development of the company for many years. The **EnBW sustainability program** comprises 25 measures and covers all areas of the Group. It addresses sustainability risks and strengthens or establishes higher level management processes, core operating processes and supporting processes in the business and functional units. We made some important **progress** with these measures in the 2021 financial year – here are some examples:

#### Management processes:

- We are aiming to achieve “**climate neutrality throughout the entire Group by 2035.**” The steps required to phase out coal power have now been planned and initiated, and the first measures have already been implemented (p. 44<sup>↗</sup>).
- “**Integration of sustainability evaluation into portfolio and investment decisions:**” We resolutely test and evaluate our decisions and investments against sustainability criteria. As a result, our future investments will make a contribution to sustainability (p. 48<sup>↗</sup>).
- “**Evaluation of the EnBW portfolio based on EU taxonomy** <sup>?</sup> :” Key performance indicators for our taxonomy-aligned business activities are published as part of our integrated reporting (p. 110ff.<sup>↗</sup> and p. 146ff.<sup>↗</sup>).

#### Core processes:

- Green electricity is making a contribution to “**sustainable sales.**” It has now become the standard in the product portfolio of EnBW and Yello. For example, the proportion of Yello’s total customer base that is supplied with green electricity continued to increase during the reporting year (p. 94<sup>↗</sup>).
- “**Sustainable Netze BW and rollout to further grid companies:**” Netze BW has been climate neutral since this reporting year (p. 44<sup>↗</sup>). The Smart Grid <sup>?</sup> competence center, in which the subsidiaries of EnBW are represented, is pushing forward key themes such as climate neutrality.
- As part of “**responsible raw materials procurement (including Gas/LNG** <sup>?</sup>),” the due diligence processes from the area of coal procurement have been transferred to the procurement of LNG/gas (p. 66<sup>↗</sup>).

Further information on our **experiences with applying the EU sustainable finance taxonomy** can be found here.

Online [↗](#)

### Supporting processes:

- As part of our **“Sustainable procurement,”** we introduced the Supplier Code of Conduct in July 2021. It includes minimum sustainability requirements and establishes a shared set of values that act as the binding framework for the cooperation with our suppliers (p. 63<sup>7</sup>).
- **“Sustainable real estate management”** is being achieved using specific targets (such as a 75% reduction in CO<sub>2</sub> emissions within the portfolio by 2030 compared to 2018) and initiatives (such as green electricity and biodiversity) (p. 102<sup>7</sup>).
- **“Paper reduction and recycling:”** We have set ourselves the goal of significantly reducing paper consumption. We have already implemented various digital initiatives for maintaining contact with customers (p. 102<sup>7</sup>).

## The next level of ambition: the EnBW sustainability agenda

The measures published in the fall of 2020 in our 25-point sustainability program were either implemented or pushed forward as a priority in 2021, and will in the next stage be transferred into our EnBW sustainability agenda that we will start to implement in our operating business in 2022. The aim is to anchor sustainability in our strategic business activities and thus strengthen our competitiveness. The flagship projects and measures developed as part of the EnBW sustainability agenda will make an important contribution to the long-term success of our business and integrate sustainability in our activities and solutions. They will thus make a clear contribution to value added and to minimizing risks. We developed the EnBW sustainability agenda in a multistage process that incorporated both relevant stakeholders and also our corporate values. The **EnBW sustainability agenda defines four key strategic themes:**

### Strategic themes of the EnBW sustainability agenda

<p><b>1</b> <b>New energy and climate neutrality</b></p> <p>EnBW is rethinking and redesigning energy generation to shape the path towards climate neutrality, without losing sight of the importance of the security of supply.</p> <p>Renewable energies   Climate neutrality   Hydrogen</p>	<p><b>2</b> <b>Infrastructure transition</b></p> <p>EnBW is making a significant contribution to shaping the living environments of the future using novel, networked mobility and supply solutions.</p> <p>E-mobility   Grids   Buildings</p>
<p><b>3</b> <b>Culture of sustainability</b></p> <p>EnBW is using its human resources and financing strategy to make ecological, social and economic responsibility the benchmark for its business activities.</p> <p>Corporate management   Human resources   Society</p>	<p><b>4</b> <b>Protecting the natural environment</b></p> <p>EnBW is making a contribution to conserving our shared home for present and future generations through its engagement for society and the environment.</p> <p>Human rights   Environmental protection   Health</p>

- The strategic theme **“New energy and climate neutrality”** addresses our measures to expand renewable energies and phase out coal-fired power generation in a socially responsible way in order to achieve our goal of climate neutrality. The use of green hydrogen will be gradually pushed forward in pilot projects, as will the construction of the necessary infrastructure.
- The strategic theme **“Infrastructure transition”** comprises our measures to develop climate-friendly mobility infrastructure, to develop the electricity and gas grids both for services for the public and to make them the backbone of the Energiewende, and to develop the broadband infrastructure<sup>7</sup> to provide citizens with access to the Internet, especially in rural areas. The modernization and new construction of our own real estate and the development of climate-friendly districts that focus on the needs of people are the other aspects covered by this theme.
- The **“Culture of sustainability”** will anchor all of the sustainability dimensions in our internal processes and corporate culture. Sustainable human resources management will lay the foundations for the successful development of the company. At the same time, the areas of sustainable finance<sup>7</sup> and sustainable bonds will be developed and expanded.
- For the strategic theme **“Protecting the natural environment,”** the measures in the sustainability agenda describe the specific negative ecological and environmental impacts that our business activities can have, which should be consistently and resolutely minimized. Human rights are not only guiding principles for all activities at EnBW but observance of them is also obligatory in our business relationships with our suppliers.

The EnBW sustainability agenda will be supported by a **comprehensive governance structure** that monitors the implementation of the agenda using clearly defined performance indicators. The measures can also be adjusted if necessary.

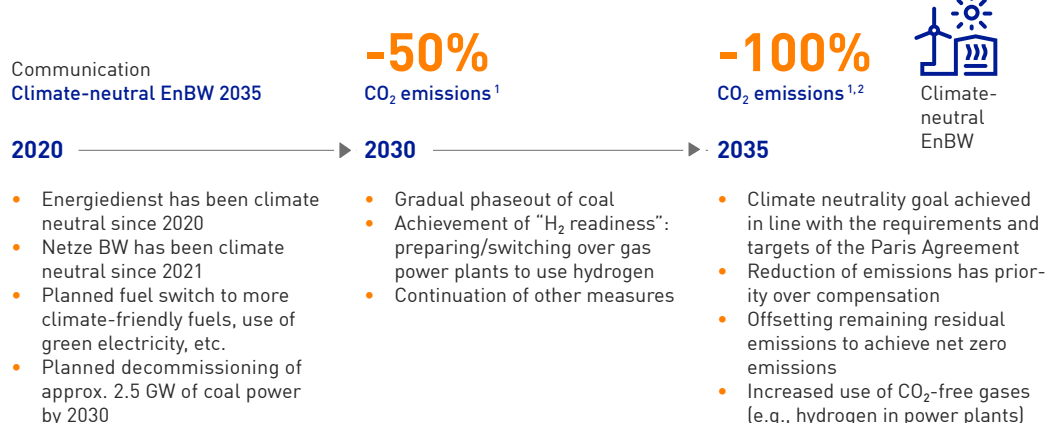
## Climate neutrality by 2035 as a driver of the transformation

**Climate neutrality is central to the EnBW sustainability agenda.** Our targets for greenhouse gas emissions <sup>7</sup> in emission categories 1 and 2 are set for 2035. Scope 1 and 2 <sup>7</sup> emissions include, in particular, the greenhouse gas emissions produced by our power plants as they generate electricity and heat and when energy is distributed in the grids operated by our subsidiaries. Our Scope 3 emissions are mainly influenced by the gas consumption of our customers (p. 100f. <sup>7</sup>). In the long term, 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. The new German government's plans for an earlier phaseout of coal power will have an important influence on our goal of climate neutrality. A close examination of the energy policy issues associated with an earlier phaseout could lead, in certain circumstances, to a reassessment of our climate neutrality goal.

In the 2021 financial year, we announced our intention to develop science based targets by **joining the Science Based Targets initiative (SBTi)**. We will thus be able to expand our target of climate neutrality with respect to Scope 1 and 2 emissions **to also include a target for the Scope 3 emission category**. Our commitment to developing sciencebased targets will enable us to define our target of climate neutrality much more specifically and allow us to examine, in our decision-making processes, whether our entire value added chain conforms with the goals of the Paris Agreement.

Once the science based targets have been developed, residual **greenhouse gas budgets for the Scope 1, 2 and 3 emissions at EnBW** will have been defined. Using these greenhouse gas budgets and the transparency they will bring, it will be possible to develop targeted measures to reduce our greenhouse gas emissions along the value added chain that will comply with the goals of the Paris Agreement. As an integrated energy company with its own generation portfolio – which is increasingly characterized by renewable energies – we can make an important contribution to decarbonization and thus to safeguarding the livelihoods of future generations.

### Climate-neutral EnBW 2035



<sup>1</sup> 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.

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

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 (2018) by around 2.5 GW by 2030. In parallel, we are examining the possibility of a fuel switch <sup>7</sup> from coal to more climate-friendly gas and then in a second stage to climate-neutral gases such as biogas or (green) hydrogen.

**Coal-based energy generation will be fully phased out by the end of 2035 at the latest.** 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 subsidiaries Energiedienst and Netze BW have already been climate neutral since 2020 and 2021, respectively.

Our approach to achieving climate neutrality by 2035, in relation to 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 Phaseout 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 are striving to implement a “just transition” <sup>8</sup> in which additional job losses caused by the transition to climate neutrality are avoided. EnBW currently has around 3,500 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.

## Sustainable financing

The use of **sustainable financing instruments** underpins our corporate strategy and makes a contribution to achieving national and international sustainability targets, above all the Paris climate targets and the UN Sustainable Development Goals (SDGs) <sup>9</sup> (p. 82f. <sup>7</sup>). Since 2018, we have issued several **green bonds** <sup>9</sup> on the capital market with a total volume of €2.5 billion. In accordance with our Green Financing Framework, the proceeds from our green bonds are exclusively used in the areas of renewable energies (offshore and onshore wind, photovoltaics) and clean transport (charging infrastructure for electromobility). We provide detailed information on the allocation of the funds every year in our Green Bond Impact Report, which is published at the same time as the Integrated Annual Report. The green bonds thus support our investment in sustainability and in turn the key non-financial performance indicators in the environment dimension. The financing conditions for the **sustainability-linked syndicated credit line** <sup>9</sup> are linked to selected non-financial key performance indicators. The proceeds from the **green promissory note loan of our subsidiary VNG** that was also issued in 2020 can only be used for environmentally sustainable projects: The focus in the medium to long term will be green gases, primarily biogas and sustainably produced hydrogen.

## 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 “International Reporting Framework.” This Integrated Annual Report 2021 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.

Information on how the funds from the green bonds are used can be found in the **Green Bond Impact Report** on our website.

Online <sup>7</sup>

TOP Financial and non-financial key performance indicators and targets

Goal dimension	Goal	Key performance indicator	2021	Target for 2025
 <b>Finance</b>	Securing profitability	Adjusted EBITDA in € billion	3.0	3.2
	Managing the financial profile	Debt repayment potential in %	20.3	≥ 12 <sup>1</sup>
	Increasing Group value	ROCE in %	7.0	– <sup>2</sup>
		Value spread in %	–	0.5 – 1.5 <sup>2</sup>
The EnBW Group, p. 78 ff. <sup>↗</sup>   Forecast, p. 123 f. <sup>↗</sup>   Report on opportunities and risks, p. 128 ff. <sup>↗</sup>   Multi-year overview, p. 288 <sup>↗</sup>				
 <b>Strategy<sup>3</sup></b>	Share of result accounted for by "Smart Infrastructure for Customers"	Share of overall adjusted EBITDA in € billion / in %	0.3/10.9	0.6/20.0
	Share of result accounted for by "System Critical Infrastructure"	Share of overall adjusted EBITDA in € billion / in %	1.3/43.5	1.3/40.0
	Share of result accounted for by "Sustainable Generation Infrastructure"	Share of overall adjusted EBITDA in € billion / in %	1.5/51.9	1.3/40.0
	The EnBW Group, p. 78 <sup>↗</sup>   Forecast, p. 123 <sup>↗</sup>   Report on opportunities and risks, p. 128 ff. <sup>↗</sup>   Multi-year overview, p. 288 <sup>↗</sup>			
 <b>Customers and society</b>	Reputation	Reputation Index	55	58–62
	Customer proximity	EnBW/Yello Customer Satisfaction Index	127/159	125 – 136/148 – 159
	Supply reliability	SAIDI Electricity in min./year	16	< 20
	The EnBW Group, p. 92 ff. <sup>↗</sup>   Forecast, p. 125 <sup>↗</sup>   Report on opportunities and risks, p. 132 <sup>↗</sup>   Multi-year overview, p. 289 <sup>↗</sup>			
 <b>Environment</b>	Expand renewable energies (RE)	Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	5.1/40.1	6.5 – 7.5 / > 50
	Climate protection	CO <sub>2</sub> intensity in g/kWh <sup>4</sup>	478	–15% – 30% <sup>5</sup> (reference year 2018)
	The EnBW Group, p. 97 ff. <sup>↗</sup>   Forecast, p. 126 <sup>↗</sup>   Report on opportunities and risks, p. 132 f. <sup>↗</sup>   Multi-year overview, p. 289 <sup>↗</sup>			
 <b>Employees</b>	Employee engagement	People Engagement Index (PEI) <sup>6</sup>	82	77 – 83 <sup>7</sup>
	Occupational safety	LTIF for companies controlled by the Group <sup>8,9</sup>	2.3	2.1
		LTIF overall <sup>8</sup>	3.3	3.5
	The EnBW Group, p. 104 ff. <sup>↗</sup>   Forecast, p. 127 <sup>↗</sup>   Report on opportunities and risks, p. 133 f. <sup>↗</sup>   Multi-year overview, p. 290 <sup>↗</sup>			

- Following the transition to the growth strategy, the internal financing capability was replaced by the new key performance indicator debt repayment potential from 2021 onwards. To achieve the unchanged goal of maintaining solid investment-grade ratings, EnBW regularly checks the 2025 target value for the debt repayment potential for managing its financial profile.
- We will use value spread to measure the increase in the value of the company from 2022 onwards. This performance indicator is more meaningful and is independent of external market influences making it easier to control. It will also improve the comparability of the data. ROCE will thus be replaced by the new key performance indicator value spread. Value spread stood at 2.1% in the 2021 reporting year (p. 90<sup>↗</sup>).
- The sum of the three segments does not correspond to the adjusted EBITDA for the EnBW Group. €-187.4 million (+5.2%) is attributable to Other/Consolidation in the 2021 financial year (p. 78 f.<sup>↗</sup>).
- The calculation method for the key performance indicator CO<sub>2</sub> intensity will be restricted in future to include only factors that can be controlled by the company. In contrast to previous years, the share related to redispatch that cannot be controlled by EnBW is no longer included. Using the previous calculation method, the CO<sub>2</sub> intensity for the 2021 financial year would have been 492 g/kWh. This performance indicator still excludes nuclear generation. The CO<sub>2</sub> intensity including nuclear generation for the reporting year was 386 g/kWh (previous year: 268 g/kWh).
- The reference year is 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).
- Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered [except ITOs]). Companies that were fully consolidated for the first time in the fourth quarter of 2021 were not included in the employee surveys for the PEI.
- 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 considered). Companies that were fully consolidated for the first time during the 2021 financial year were not included in the calculations for the LTIF performance indicators.
- Excluding companies in the area of waste management.

TOP

## Definition of the key performance indicators

We monitor 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 2021 financial year were unchanged in comparison with the previous year with one exception: The internal financing capability <sup>?</sup> was replaced by the debt repayment potential <sup>?</sup> as planned.



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 debt repayment potential and ROCE:

- The **adjusted EBITDA** <sup>?</sup> 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** [p. 78 f. <sup>7</sup> and 124 <sup>7</sup>], are derived from it.
- The key performance indicator **debt repayment potential** <sup>?</sup> describes the retained cash flow <sup>?</sup> in relation to net debt <sup>?</sup>. The debt repayment potential measures the ability of EnBW to repay its debts from its current earnings potential. This performance indicator should enable us to achieve a controlled growth in earnings within the scope of our financial targets, while maintaining a solid investment-grade rating <sup>?</sup> at the same time. To manage our financial profile, we regularly check whether the debt repayment potential complies with the latest requirements of the rating agencies. As it will not be possible to exclusively finance the growth envisioned in our EnBW 2025 strategy using funds from our internal financing capability, the debt repayment potential will replace the internal financing capability from 2021 onwards [p. 88 <sup>7</sup> and 125 <sup>7</sup>].
- **ROCE (return on capital employed)** <sup>?</sup> is the ratio of adjusted EBIT <sup>?</sup> including the adjusted investment result to the average capital employed. It is used for determining the value added, reflecting the development of the company's value from a financial point of view. We will use value spread <sup>?</sup> to measure the increase in the value of the company from the 2022 financial year onwards. This performance indicator is more meaningful and is independent of external market influences, making it easier to control. It will also improve the comparability of the data. ROCE will thus be replaced by the new key performance indicator value spread. The value spread measures the surplus return over the minimum return on capital employed before taxes in a reporting period. It is calculated by deducting the minimum return on capital employed before tax, defined by the weighted average cost of capital (WACC) <sup>?</sup>, from the return on capital employed before taxes that was actually achieved [p. 89 f. <sup>7</sup> and 125 f. <sup>7</sup>].

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) Electricity:

- 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. 92 <sup>7</sup> and 125 <sup>7</sup>].
- 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. 93 <sup>7</sup> and 126 <sup>7</sup>].
- **SAIDI Electricity** 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 Electricity 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. 96 <sup>7</sup> and 126 <sup>7</sup>]. 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. 97<sup>7</sup> and 126<sup>7</sup>].
- 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 [p. 99<sup>7</sup> and 127 f.<sup>7</sup>].

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. It is compiled at all companies with more than 100 employees (except for the Independent Transmission Operators [ITOs] <sup>8</sup>) 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 / a company 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. 104<sup>7</sup> and 127<sup>7</sup>].
- **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 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. 108<sup>7</sup> and 127<sup>7</sup>].

## Interdependencies

In order to give a comprehensive portrayal of the company, we are convinced that it is not only necessary to present economic, ecological and social aspects, but also to illustrate and provide an analysis of interdependencies between them. To further encourage the idea of a holistic corporate management approach within EnBW, we promote integrated thinking within all important company processes. In doing so, we anchor not only financial but also non-financial aspects into decision-making processes.

In the past few years, we have presented specific examples in this section to illustrate the interdependencies between the different goal dimensions. In the 2021 financial year, we will illustrate the progress we have made in anchoring integrated thinking in our company using the **investment approval process** as an example, and thus also highlight the increasingly important role played by non-financial aspects.

In the 2020 financial year, we evaluated our planned investments in the areas of generation, grids and sales using sustainability criteria as part of a comprehensive pilot project. The basis for this was the revision of our investment guidelines. Alongside economic and strategic factors, this type of sustainability evaluation has become a fixed component of the approval process followed by the EnBW investment committee and the EnBW Board of Management since the 2021 financial year, providing information relevant to the decision-making process.

The investment approval process is managed by the Board of Management. Individual projects are discussed and recommendations drawn up by the investment committee (InA). Alongside the Chief Financial Officer, the members of the InA include representatives from all remits of the EnBW Board



of Management and various specialist departments. The InA develops recommendations that are presented to the entire Board of Management together with the project documentation submitted by the specialist departments.

In the past, the main focus when evaluating individual investment projects was placed on the strategic alignment, funding requirements, profitability and impact of the project on the key financial performance indicators.

An investment project now undergoes additional steps to also evaluate its sustainability:

- **Company evaluation** (as part of an acquisition) with respect to its management of social and environmental sustainability. We check, for example, whether the company has guidelines for compliance with the core labor standards from the ILO (International Labour Organization), has an environmental/energy management system and publishes figures on accident and death rates.
- **Project evaluation:** Examining the planned project and/or project category with respect to sustainability. On the one hand, we evaluate the impact of the project category (e.g., wind power, solar, fuel switch, fiber-optic) on our relevant key performance indicators, and on the other hand, we check whether the project fulfills the EU taxonomy requirements and makes a contribution to selected themes from other sustainability standards (e.g., UN Sustainable Development Goals [UN SDGs], GRI and SASB).
- **Supplier evaluation:** Examining the suppliers involved in the project to assess their management of sustainability. For this purpose, we check whether the supplier has a management system for occupational safety and health protection and implements strategies or measures to develop a circular economy for the product or product components (e.g., wind power plants, solar modules).
- **Screening for controversies:** The company (from the company evaluation) and the main suppliers (from the supplier evaluation) are screened and evaluated to identify any controversies related to sustainability in the last five years with respect to corporate/compliance misconduct, labor law, human rights, environmental and product responsibility.

Investment approval process

