

Green Financing Framework



July 2024

Content

For further information about **Green Financing**, please see our Website.

[Online ↗](#)

1. Sustainability approach of EnBW	3
1.1 Energy transition and decarbonization is at the heart of our corporate strategy	3
1.2 Early phase-out of coal planned by 2028	3
1.3 Science-based emissions reduction pathway	4
1.4 Rationale for Green Financing	7
2. Green Financing Framework	8
2.1 Use of Proceeds	9
2.2 Project Evaluation and Selection	10
2.3 Management of Proceeds	11
2.4 Reporting	11
2.5 External Review	13
Important note	14

The Green Financing Framework may be updated from time to time.
All substantial changes will be documented below:

1. Sustainability approach of EnBW

For further information about our **sustainability approach**, please see our Website.

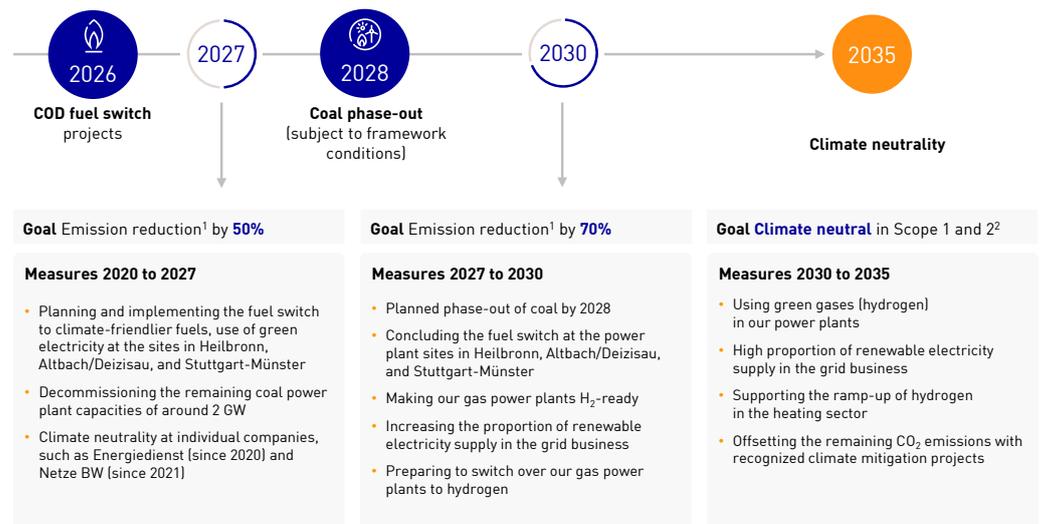
Online ↗

1.1 Energy transition and decarbonization are at the heart of our corporate strategy

As an integrated energy company with its own generation portfolio, which is increasingly characterized by renewable energies, we actively support the Paris Agreement and the resulting decarbonization targets set by the EU and Germany. Achieving Germany's climate protection targets will impact all stages of the value added chain for electricity and gas in which EnBW is active: from switching over generation from fossil fuels to renewable energies such as the wind and sun and expanding the grid infrastructure, through to areas such as energy efficiency, e-mobility and energy services for our customers.

Our sustainability approach should also strike a balance between the different expectations of our stakeholders, with whom we remain in constant dialogue. This includes above all the provision of affordable and climate-friendly energy and ensuring the security of supply.

EnBW's climate protection goals:



1.2 Early phase-out of coal planned by 2028

We started rigorously transforming and realigning our portfolio in 2013 with a corporate strategy that has increasingly focused on sustainability. Since then, we have not only increased the share of our generation plants accounted for by renewable energies from almost 19% to 46% – with an installed output of around 5.7 GW as of 31 December 2023 – but have also proactively shut down 2.7 GW of carbon-intensive generation. We are accelerating the restructuring of the generation portfolio. An important intermediate target: the planned phase-out of coal by 2028, ten years ahead of the

¹ Relative to 2018 base year

² Achievement of our climate protection targets in line with the 1.5-degree path of the Paris Agreement

deadline set by the German government. This will require the swift implementation of the energy transition targets set by the German government (e.g. Coal Phase-Out Act¹).

These cover the expansion of renewable energies, the transmission and distribution grids and the gas infrastructure in Germany. Pursuing clear milestones and in line with the 1.5°C pathway, the company is committed to fully phasing out merchant coal-based generation. By doing so, EnBW is significantly bringing forward the phase-out of coal, halving its carbon emissions by 2027 and cutting them by around 70% by 2030 (based on the reference year of 2018).

EnBW has also set itself further targets. We plan to expand renewable energies in our portfolio to 10 to 11.5 GW, which means a share of the generation capacity of 75 to 80% by 2030. In addition, we are planning a continuously high proportion of investments in sustainable activities. We measure this through the EU Taxonomy requirements by means of taxonomy-aligned CAPEX. By 2030, we plan to achieve a proportion of taxonomy-aligned expanded CAPEX for our fully consolidated companies and also entities accounted at equity of equal or more than 85%. We report regularly on the achievement of these targets in our integrated annual report.

1.3 Science-based emissions reduction pathway

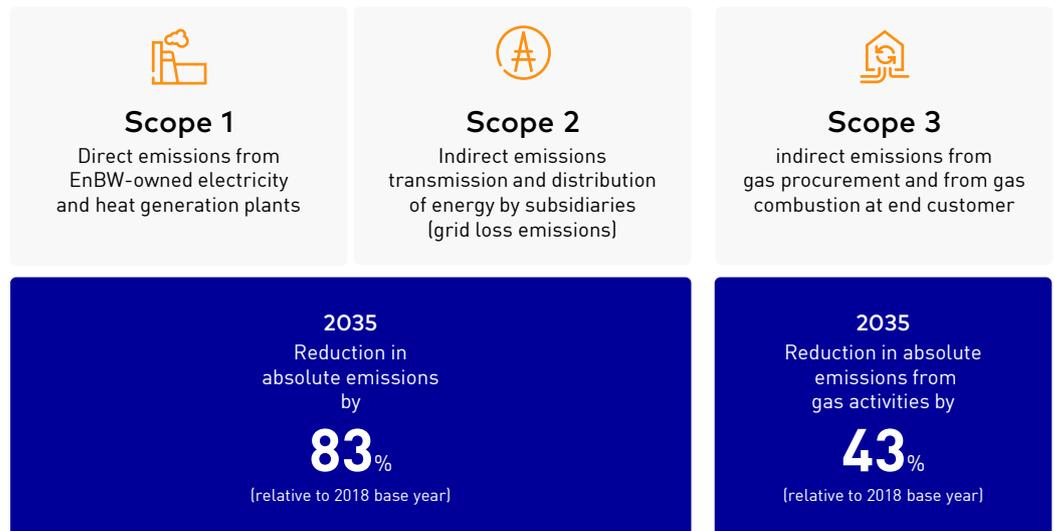
EnBW is transforming energy and heating generation to shape the path towards climate neutrality. Following the endorsement of our climate protection targets by the renowned Science Based Targets initiative (SBTi), the Board of Management and Supervisory Board have approved precisely defined, science-based emissions reduction paths for all Scopes (1 to 3).

In addition, our management of emissions and risks and opportunities related to the low-carbon transition in connection with our decarbonization pathway was classified as Level 4 ("Strategic Assessment") by the Transition Pathway Initiative (TPI). EnBW's climate protection targets and reduction targets are in line with the Paris Agreement and validated by SBTi². These follow a "1.5°C" pathway for direct and indirect (Scope 1 and 2) emissions and a "well below 2°C" pathway for Scope 3 emissions. In more concrete terms, our reduction targets in this context are as follows:

- We will reduce our Scope 1 and 2 carbon emissions by 83% by 2035 (based on the reference year of 2018).
- Our Scope 3 emissions will be reduced during the same period by 43% in comparison to the reference year of 2018.
- Along this path we have also defined various intermediate targets and milestones: We will reduce our Scope 1 and 2 emissions by 50% by 2027 and by 70% by 2030 (based on the reference year of 2018).
- We will offset any residual Scope 1 and 2 emissions after 2035 on a transitional basis by purchasing CO₂ certificates and thus supporting recognized climate change mitigation projects until the emissions have been completely reduced to zero.

¹ <https://www.gesetze-im-internet.de/kvbg/BJNR181810020.html> (only in German)

² [EnBW secures SBTi seal of approval for climate targets | EnBW](#)

EnBW reduction targets:

We already set ourselves the target in 2020 of becoming climate neutral with respect to Scope 1 and 2 emissions by 2035. Thanks to our commitment to phase out coal by 2028, we anticipate that we will achieve important milestones in our climate protection targets significantly earlier than previously planned. We will offset any non-reducible, residual greenhouse gas emissions by supporting climate change mitigation projects that are carried out according to the highest standards. Our subsidiaries the German-Swiss utility naturenergie and the grid operator Netze BW have already been climate neutral since 2020 and 2021, respectively.

Phase-out of coal/fuel switch

We intend to fully phase-out coal-fired power generation by 2028. As a replacement for several of our coal power plants, we already decided in 2022 to build gas power plants (fuel switch) that could also be operated using hydrogen in the future (H₂-ready). These projects are aligned with the EU Taxonomy.

As a result of the fuel switch from coal to more climate-friendly natural gas, we will be able to reduce specific carbon emissions from electricity generation by up to 60% and guarantee the security of the electricity and district heating supplies. In addition, these fuel switch projects will contribute significantly to preserving existing power plant sites and associated jobs.

Climate-neutral gases and hydrogen

While we are initially planning a fuel switch to more climate-friendly gases, we then aim to switch over in a second stage to climate-neutral gases such as biogas or hydrogen. We anticipate that the switch to these climate-neutral gases will be possible by the middle of the 2030s as they become widely available. Furthermore, we are adapting our trading activities to the changes in our generation portfolio and the energy markets.

Using green electricity

Using green electricity will be especially relevant for offsetting the line losses in Scope 2. These are physical energy losses in the electricity grid during the transmission and distribution of electricity. The CO₂ emissions from our general electricity mix will be reduced in the coming years by the expansion of renewable energies and the gradual phase-out of fossil fuel-fired generation. This will also lead to a reduction in our Scope 2 emissions. Furthermore, we plan to specifically utilize green electricity.

Offsetting

We fundamentally support the principle of reducing emissions rather than offsetting them. We plan to offset any unavoidable residual emissions with the support of climate change mitigation projects (excluding the supply chain) that are carried out according to the highest standards, such as those defined by the Gold Standard Foundation.

Other instruments

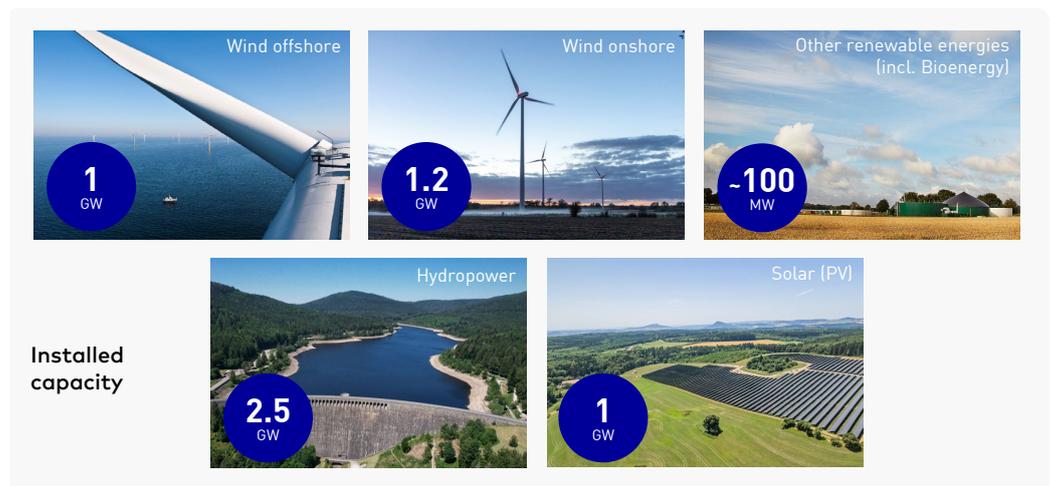
A series of measures to avoid smaller carbon emissions (e.g. in canteens, buildings) are also planned. However, these emissions only account for around 2% of the total emissions at EnBW.

Just Transition

The concept of just transition is important for EnBW, ensuring that no one is left behind or pushed behind in the transition to low-carbon and environmentally sustainable economies and societies. As an operator of systemically relevant infrastructure, we have a special responsibility and are required to shape the path to climate neutrality and the increased use of renewable energies in such a way that security of supply is guaranteed. We combine this with economic stability and good, secure jobs and the creation of new career prospects for our employees.

As stipulated in the German Coal Phase-Out Act, we reached an agreement with the responsible trade union Verdi and the works councils on the framework conditions for a socially responsible phase-out of coal-fired power generation. We have already begun to implement human resource measures such as an obligation to avoid compulsory redundancies, the offer of partial retirement schemes and severance payments as well as forward-looking and reliable personnel planning, including the possibility of retraining and finding another job within the EnBW Group for employees from the conventional power generation segments. Some employees from the area of conventional generation are already bringing their technical expertise to other areas of the company, such as at our offshore wind projects.

In our sustainable infrastructure projects, we attach great importance to dialogue with and feedback from affected communities. In this context, we organize events to involve and inform citizens, either directly on site at the project locations or virtually. We plan, build and operate both our wind farms and photovoltaic plants in direct partnership with or with the participation of local communities and citizens. Local citizens can also participate financially in regional renewable energy projects via the EnBW citizen participation platform.



1.4 Rationale for Green Financing

Decarbonisation calls for a comprehensive structural transformation cutting across all sectors of the economy. This also determines the way forward for us in our business activities. We are committed to actively supporting the Paris Climate Agreement and the resulting decarbonisation targets of the EU and Germany.

Since we have started our transformation in 2013, we have been repositioning our business profile from a traditional utility with the majority of earnings coming from conventional power generation towards a company where the organisation as a whole, strategically as well as operationally, is working towards becoming a sustainable infrastructure partner. Based on our integrated approach, we rigorously push forward the expansion of the energy infrastructure. Our main focus is placed on the accelerated expansion of renewable energies and the grid infrastructure, as well as the development of smart products and services for our customers that support the energy transition at home and on the move. Our operators for transmission and distribution grids connect renewable energy capacities to the grid as well as optimise the grid towards the needs of sustainable generation and e-mobility. We develop, build and operate both on- and offshore wind farms with a pipeline for future projects. Additionally, we focus on customer products in connection with sustainable transportation solutions, energy savings and smart cities.

We are transforming ourselves into a sustainable and innovative infrastructure partner with a focus on three key investment areas:

- Sustainable generation infrastructure: expansion of renewables and the development of low-carbon, dispatchable power generation.
- System-critical infrastructure: expansion of the grid infrastructure for electricity and gas including hydrogen.
- Smart infrastructure for customers: development of new, digital business models, launching them onto the market and scaling them up.

With our Green Financing Framework, we intend to not only work towards sustainability on the asset side, but also on the liabilities side of the balance sheet. We believe that bringing together sustainable financing and sustainable investment projects will be beneficial to all stakeholders.

The Green Activities eligible for support under the Green Financing Framework– renewable energy and clean transportation – support the achievement of the Paris Climate Agreement and other national and international target settings for climate change mitigation and the transition to a low-carbon sustainable economy. They notably support the United Nations' Sustainable Development Goals (SDGs) and contribute to the environmental objective of climate change mitigation of the EU Taxonomy for environmentally sustainable economic activities.



2. Green Financing Framework

The purpose of this framework is to define how Green Financing Instruments are set up within our Group.

This framework is valid for all Green Financing Instruments of the EnBW Group, including Green Bonds, Green Loans, Green Project Finance and any other financial instrument to which eligible assets or projects are allocated.

This framework is based on the existing international standards:

- ICMA Green Bond Principles 2021 (including the updated Appendix I of June 2022)¹
- LMA/APLAM/LSTA Green Loan Principles 2023²

The Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond and Green Loan market by clarifying the approach for Green Financing.

We own a number of operating subsidiaries that hold assets of their own (in whole or part). These subsidiaries can have minority shareholders and their own indebtedness. During the lifetime of assets in both subsidiaries and the Group, transfer of ownership or changes in the capital structure may occur. In any case, we will only consider the share that can be attributed to EnBW for Green Financing Instruments.

¹ <http://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

² <http://www.lma.eu.com/sustainable-lending>

2.1 Use of Proceeds

The net proceeds of our Green Financing Instruments (“the Proceeds”) will be used to finance or refinance in whole or in part any Eligible Green Projects as defined below. Eligible Green Projects are fully aligned with the EU Taxonomy for environmentally sustainable economic activities.

Eligible Green Activity	Project category	Contribution to the UN SDGs	EU taxonomy
Renewable energy	Solar (PV) energy generation	 	4.1 Electricity generation using solar photovoltaic technology (NACE: D35.1.1)
	Offshore/Onshore wind energy generation	 	4.3 Electricity generation from wind power (NACE: D35.1.1)
	Hydropower energy generation	 	4.5 Electricity generation from hydropower (NACE: D35.1.1)
	Electricity distribution and transmission infrastructure ¹	 	4.9 Transmission and distribution of electricity (NACE: D35.1.2, D35.1.3)
	Smart meters	 	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (NACE: D35.1.3)
Clean transportation	E-mobility charging infrastructure	 	6.15 Infrastructure enabling low-carbon road transport and public transport (NACE: D35.1.2, D35.1.3, F42.2.1)

¹ Eligible Projects exclude infrastructure dedicated to non-renewable energy assets.

2.2 Project Evaluation and Selection

EnBW has established a clear decision-making process to determine the eligibility of the selected Eligible Green Projects, in accordance with the description of the Eligibility Criteria mentioned in the Use of Proceeds section of this Framework.

Eligible Green Projects will be selected by a dedicated Green Financing Committee (hereinafter referred as to the “Committee”) set up within EnBW. The Committee is formed by representatives from the corporate finance department, the corporate sustainability department, the corporate controlling department and on case-by-case basis, with representatives from business units. The Committee will meet at least on an annual basis. The final decision on the selection of Eligible Green Projects can only be taken unanimously.

The Committee is responsible for:

- Reviewing the content of EnBW’s Green Financing Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis;
- Selecting expenditures that positively contribute to the EU environmental objective of climate change mitigation in accordance with the EU Taxonomy;
- Overseeing the allocation of the proceeds from Green Financing Instruments to the Eligible Green Projects;
- Review the need for updating external verifications such as the Second Party Opinion (SPO) and related documents from external consultants, if relevant;
- Evaluating and defining the Eligible Green Projects as set out in the Framework;
- Facilitate and oversee the post-issuance reporting (both allocation and impact reporting) on a timely basis;
- Reviewing / ensuring that internal processes to identify material risks of negative social and/or environmental impacts of EnBW’s activities have been applied to the Eligible Green Projects Portfolio and that the appropriate mitigation measures have been implemented where possible.

EnBW has also established processes for EU Taxonomy Reporting (Article 8). The process of preparing the EU Taxonomy Reporting is not part of the Committee’s responsibilities. This report applies the EU Taxonomy Regulation (including the EU Environmental Objectives, the Technical Screening Criteria (TSC), the Do No Significant Harm (DNSH) criteria and Minimum Social Safeguard requirements).

EnBW complies with international, national and local laws and regulations. Our projects are aligned with our sustainability approach (as outlined above) as well as national and international environmental and social standards.

EnBW has developed internal policies and guidelines that can mitigate any environmental/social risks potentially associated with Eligible Green Projects. For example:

- EnBW Code of Conduct¹
- EnBW Supplier Code of Conduct²
- Principles of Conduct for the Responsible Procurement of Coal and Other Raw Materials³
- EnBW Tax Policy⁴

¹ [code-of-conduct-of-the-enbw-group.pdf](#)

² [enbw-supplier-code-of-conduct.pdf](#)

³ [Principles of Conduct for the Responsible Procurement of Coal](#)

⁴ [EnBW Group tax strategy](#)

- EnBW Declaration of Human Rights¹
- EnBW policy statement (Including environmental, social and human rights policies)²

In order to guarantee only the issuer's share of a project is financed, the maximum Green Financing Proceeds to be allocated to a single eligible project are calculated as follows:

- $(\text{Total asset capex}^3 - \text{external debt associated with the project})$
x percentage of EnBW Group's ownership

2.3 Management of Proceeds

We have set up a register and have put internal systems in place to track the outstanding proceeds of Green Financing Instruments internally. This allows for comprehensive monitoring of allocated and to be allocated amounts.

Disbursements to be financed include operating expenditures (Opex), capital expenditures (Capex), expenditures related to research and development as well as expenditures for acquisitions of eligible projects or assets. The Proceeds can be applied to new projects with disbursement after the issuance of the Green Financing Instrument or existing projects with commercial operation (or acquisition closing) starting not earlier than three calendar years prior to the year of issuance⁴. We will fully allocate an amount equivalent to the Proceeds within 24 months after the issuance date of each Green Financing Instrument.

EnBW will, over time, achieve a level of allocation for the Eligible Green Projects which matches or exceeds the balance of net proceeds from its outstanding Green Financing Instruments. Projects will be added or removed to the extent required. Pending full allocation, any unallocated Green Financing net proceeds will be invested, managed or held by EnBW on a temporary basis, at its own discretion, in line with its general liquidity guidelines, e.g. in the form of cash, bank deposits, other form of available current financial assets or other cash management purposes, including to repay existing debt.

2.4 Reporting

EnBW will report on the allocation of the Green Use of Proceeds to the Eligible Green Projects as well as an impact report annually until full allocation or until maturity. The information may be provided on a portfolio basis for all of EnBW's Green Financing Instruments outstanding, or on a gradual (bond-by-bond) basis where feasible, useful or required.

We may provide aggregated data for Eligible Green Projects (at the Eligible Green Activity level) but may also provide data on an individual basis where feasible, useful or required.

EnBW strives to align its reporting with the approach described in the ICMA "Handbook – Harmonized Framework for Impact Reporting June 2024"⁵ on a best effort basis.

¹ [enbw_declaration-of-human-rights_version-1-1_en.pdf](#)

² [enbw-policy-statement.pdf](#)

³ In case of eligible projects owned by subsidiaries having their own external debt, a pro-rata calculation will be conducted to get estimates of external debt associated to that project.

⁴ For the avoidance of doubt, in case EnBW issues a multi-tranche loan where not all tranches are green, the green tranches will be clearly labelled.

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

Allocation Reporting

The allocation report will include the following information:

- The total amount of proceeds allocated to the Eligible Green Projects for each Eligible Green Activity
- The balance of unallocated proceeds, if any
- The amount or the percentage of new financing and refinancing
- The geographic location of the expenditures, where feasible
- The percentage of taxonomy alignment, where feasible

Impact Reporting

The impact report may include the following impact indicators where feasible and subject to data availability¹:

Eligible Green Activity	Reporting indicators
Renewable energy	<ul style="list-style-type: none"> • Annual energy produced (MWh per year) • Annual GHG emissions avoided (CO₂ in t) • Connected renewables capacity in MW and % increase vs. prior year • Renewable electricity fed into the grid in MWh • Physical indicator, e.g. smart meters (total and attributable number)
Clean transportation	<ul style="list-style-type: none"> • Physical indicator, e.g. number of charging locations, number of charging procedures (total and attributable number)

The reporting will be publicly disclosed on the EnBW website².

¹ List of impact indicators is not exhaustive and can be supplemented where feasible. Where relevant, EnBW will disclose the underlying methodology and assumptions used in quantitative determination of impact indicators.

² <https://www.enbw.com/company/investors/bonds/#green-financing>

2.5 External Review

Our Green Financing issuance is backed by two layers of external reviews to ensure maximum transparency and certainty for investors.

A) Layer one – Second Party Opinion

This Framework has been reviewed by ISS-Corporate who has issued an independent Second Party Opinion. The Second Party Opinion as well as this Framework will be accessible through the EnBW website.

B) Layer two – Assurance

EnBW will request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the proceeds to the Eligible Green Projects provided by an independent external verifier.



Important note

No offer or investment recommendation

This document is prepared for information purposes only. It does not constitute an offer, an invitation or a recommendation to purchase or sell securities and other financial instruments issued by EnBW AG, a company of the EnBW Group or any other company. Our document does not constitute a request, solicitation or recommendation to vote or give consent. All descriptions, examples and calculations in this document are for illustrative purposes only.

Forward-looking statements

This document, which has been prepared by EnBW, includes statements that are, or may be deemed to be, "forward-looking statements", which can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding EnBW's intentions, beliefs or current expectations. In so far as forecasts or expectations are expressed herein or where statements concern the future, these forecasts, expectations or statements may involve known or unknown risks and uncertainties.

Actual results or developments may vary, depending on changes in the operating environment. Any forward-looking statements in this document reflect EnBW's view with respect to future events as at the date of publication and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results or operations, growth strategy and liquidity. Neither EnBW nor its group companies nor any of their respective officers, employees or affiliates nor any other person shall assume an obligation to update the forecasts, expectations or statements contained in this document or to reflect new events or circumstances or to correct any inaccuracies which may become apparent subsequent to the date hereof. Neither EnBW nor its group companies nor any of their respective officers, employees or affiliates nor any other person shall assume or accept any responsibility, obligation or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or the statements contained herein as to any statements of future expectations and other forward-looking statements, or the fairness, accuracy, completeness or correctness of statements contained herein.

Intellectual Property Rights

The contents of this document, including but not limited to all designs, text, images, and charts, are the property of EnBW or its licensors and may be protected by copyright and other intellectual property laws. The unauthorized use, reproduction, or distribution of any material from this document without the prior written consent of EnBW is strictly prohibited.

EnBW Energie Baden-Württemberg AG

Investor Relations

✉ investor.relations@enbw.com

☎ +49 721 63-12060

Durlacher Allee 93

76131 Karlsruhe, Germany

Companies registered office: Karlsruhe, Germany

Local court Mannheim · HRB no. 107956

Chairman of the Supervisory Board: Lutz Feldmann

Board of management: Dr. Georg Stamatelopoulos (Chairman),

Thomas Kusterer (Deputy Chairman), Dirk Güsewell,

Peter Heydecker, Colette Rückert-Hennen