ISS-CORPORATE

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Energie Baden-Württemberg AG (EnBW)
14 November 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Green Financing Instruments
Relevant standards	▪ Green Bond Principles as administered by ICMA (as of June 2021 with June 2022 Appendix 1) ▪ Green Loan Principles as administered by LMA (as of February 2023) ▪ EU Taxonomy Delegated Acted (as of June 2023), Proposed EU Green Bond Standards (as of June 2021)
Scope of verification	▪ ENBW Green Finance Framework (as of October 31, 2023) ▪ ENBW Eligibility Criteria (as of October 31, 2023)
Lifecycle	▪ Pre-issuance verification ▪ 4th SPO Update as of as of August 26, 2022 (ISS-Corporate weblink)
Validity	▪ As long as there is no material change to the Framework

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SCOPE OF WORK

Energie Baden-Württemberg AG ("the Issuer", "the Company", or "EnBW") commissioned ISS-Corporate to assist with its Green Financing Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. EnBW's Green Finance Framework (as of October 31, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) as of June 2021 with June 2022 Appendix 1, Loan Market Association (LMA) Green Loan Principles (GLP) as of February 2023 and proposed European Green Bond Standards (EU GBS) as of June 2021.
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis[1] – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)[2].
4. Linking the transaction(s) to EnBW's overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

ENBW BUSINESS OVERVIEW

EnBW is classified in the Multi-Utilities industry, as per ISS ESG's sector classification.

EnBW engages in the provision of renewable energies, electricity networks, and infrastructure and solutions for electromobility. It operates through the following segments: System Critical Infrastructure, Sustainable Generation Infrastructure and Smart Infrastructure for Customers. The Smart Infrastructure for Customers segment comprises of sale of electricity and gas, energy industry services and energy solutions, provision and expansion of quick-charging infrastructure and digital solutions for electromobility, broadband activities. The System Critical Infrastructure segment refers to the transmission and distribution of electricity and gas. The Sustainable Generation Infrastructure segment encompasses the Company's activities in the areas of renewable energies and conventional generation, district heating and waste management/environmental services. The Company was founded in 1997 and is headquartered in Karlsruhe, Germany.

[1] Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

[2] Commission Delegated Regulation (EU) 2021/2139 of June 2021, URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[3]
Part 1: Alignment with GBP/GLP and the proposed EU GBS	The Issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is **in line** with the ICMA Green Bond Principles, LMA's Green Loan Principles and **in line** with the proposed EU GBS on best effort basis[4].	**Aligned**
Part 2: Sustainability quality of the Eligibility Criteria	The Green Financing Instruments will (re)finance eligible asset categories which include: Renewable Energy, Electricity Networks, Energy Efficiency and Clean Transportation. Product and/or service-related use of proceeds categories individually contribute to one or more of the following SDGs: 	**Positive**
Part 3: Alignment with EU Taxonomy	EnBW's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis[5]. The nominated project categories are considered to be: ▪ **Aligned** with the Climate Change Mitigation Criteria ▪ **Aligned** with the Do No Significant Harm Criteria ▪ **Aligned** with the Minimum Safeguards Requirements	
Part 4: Linking the transaction(s) to EnBW's ESG profile	The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.	**Consistent**

[3] The evaluation is based on the EnBW's Green Finance Framework (October 31, 2023), and on the ISS ESG Corporate Rating applicable at the SPO delivery date.
[4] "Best efforts basis" is due to the fact that the European GBS is currently a proposed Regulation.
[5] Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

	At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES, LMA GREEN LOAN PRINCIPLES AND PROPOSED EUROPEAN GREEN BOND STANDARDS

A. ALIGNMENT WITH THE GREEN BOND PRINCIPLES

This section evaluates the alignment of EnBW's Green Financing Framework (as of October 31, 2023) with the ICMA's Green Bond Principles, LMA's Green Loan Principles.

ICMA GREEN BOND PRINCIPLES AND LMA GREEN LOAN PRINCIPLES	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by EnBW's Green Financing Framework is **aligned** with ICMA Green Bond Principles and LMA Green Loan Principles. The Issuer's green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified. Disclosure of an allocation period and commitment to report by project category has been provided. The issuer defines a look-back period of 3 years, in line with best market practice.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by EnBW's Green Financing Framework is **aligned** with ICMA Green Bond Principles, LMA Green Loan Principles. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer. The Issuer identifies alignment of their Green Bond framework and their green projects with official or market-wide taxonomies, such as the EU Taxonomy as assessed in this report, as well as to reference any green standards, in line with best market practice.

3. Management of Proceeds	✓	The Management of Proceeds proposed by EnBW's Green Financing Framework is **aligned** with ICMA Green Bond Principles and LMA Green Loan Principles. The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. The Issuer has defined an expected allocation period of 24 months, in line with best market practice.
4. Reporting	✓	The allocation and impact reporting proposed by EnBW's Green Financing Framework is **aligned** with ICMA Green Bond Principles and LMA Green Loan Principles. The Issuer commits to disclose the allocation of proceeds transparently and to report annually, until the bond matures. EnBW explains the level of expected reporting and the type of information that will be reported. The Issuer is transparent on the level, information reported, frequency, scope and duration of impact reporting, in line with best market practice.

B. ALIGNMENT OF PROJECT CATEGORIES WITH THE PROPOSAL OF THE EU GBS[6]

The table below evaluates the alignment of the project categories with the proposal of European Green Bond Standards (EU GBS) on "best effort" basis.

PROPOSAL OF EU GBS	ALIGNMENT	OPINION
0. Strategy and rationale	✓	The strategy and rationale description provided by EnBW´s Green Bond Framework is **aligned** with the EU GBS on best effort basis. The rationale for issuance is stated and linked to the Company's overall strategy. The Issuer explains how the issuance contributes to specific EU Taxonomy environmental objectives as required by EU GBS.
1. Use of Proceeds	✓	The Use of Proceeds description provided is **aligned** with EU GBS on best effort basis. The issuer provides a statement showing that it voluntarily adheres to the requirements of the EU GBS. EnBW will, prior to any issuance of Green Financing Instruments that shall bear EuGB Designation, prepare a factsheet within the meaning of Art. 8(1) of EuGB Regulation. This factsheet will be verified by an external Reviewer.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by EnBW's Green Bond Framework is **aligned** with EU GBS on best effort basis. EnBW will publish annually a set of reporting indicators to describe the achieved benefits in terms of sustainability. Adverse impacts are addressed through the EU Taxonomy DNSH criteria and the identification in the CBI certificate. The Issuer has a comprehensive ESG risk assessment in place. EnBW confirms that it seeks alignment with technical screening criteria for the EU Taxonomy activities 4.1, 4.3, 4.9, 6.15 and 7.5. The Issuer commits to governance processes through third-party verification. On the one hand, EnBW seeks to have each bond pre- and post-issuance certified by the Climate Bond Initiative (CBI), on the other hand, EnBW verifies alignment with the EU Taxonomy in this SPO. The Issuer has not provided information on the methodology and assumptions to be used for the calculation of key impact metrics. The Issuer has stated that the

[6] On "best effort" basis

		development of impact reporting approach will follow at a later stage. The impact reporting will also include background on the methodologies and assumptions applied.
3. Management of Proceeds	✓	The Management of Proceeds provided by EnBW's Green Bond Framework is **aligned** with EU GBS on best effort basis. The Issuer discloses the temporary investment instruments for unallocated proceeds and commits to disclosing the portfolio balance of unallocated proceeds in its allocation report. The unallocated proceeds will be invested in short term Money Market products from Sovereigns, Supra nationals, Agencies, Development Banks and Financial Institutions which are rated 'Prime' by Institutional Shareholder Services (ISS) ESG. The Issuer has defined a full allocation period of 24-months after issuance.
4. Reporting	✓	The allocation and impact reporting description provided by EnBW's Green Bond Framework is **aligned** with EU GBS on best effort basis. The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. Moreover, the Issuer commits to report annually, until the bond matures. The Issuer commits to including in the allocation reports project-by-project information on amounts disbursed and the expected positive and negative environmental impacts. The Issuer commits to receive post-issuance review of the allocation report by an external reviewer.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs[7]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):

Obstruction	No Net Impact	Contribution

Each of the Green Financing Instruments Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy *Wind Power (onshore and offshore)* *Solar (photovoltaic) energy generation*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Electricity Networks *Electricity distribution infrastructure, in line with the Technical Screening Criteria for Climate Change Mitigation of the EU Taxonomy activity 4.9.*	**Contribution**	13 CLIMATE ACTION
Energy Efficiency *Smart meters*	**Contribution**	13 CLIMATE ACTION
Clean Transportation *e-mobility charging stations*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION

[7] The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of EnBW´s project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards Requirements of the EU Taxonomy Climate Delegated Act[8] (June 2023), based on information provided by EnBW. Where EnBW's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

EnBW's project selection criteria overlap with the following economic activities in the EU Taxonomy:

4.1 - Electricity generation using solar PV technology

4.3 - Electricity generation from wind power

4.9 - Transmission and distribution of electricity

6.15 - Infrastructure enabling low-carbon road transport and public transport

7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

All projects financed under the Green Financing Framework are located in Germany, France, United Kingdom and Sweden.

Note: In order to avoid repetition, the evaluation of the alignment of EnBW's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section B.2. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section B.3. They are applicable to all activities mentioned above.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following link.

[8]Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

a) 4.1 - Electricity generation using solar PV technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[9]	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*	
EnBW's portfolio includes solar PV installations located across Germany and France, which all meet the Climate Change Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.2	✓
3. WATER AND MARINE RESOURCES – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there are no EU Taxonomy criteria for this category	
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW states that its solar panels are durable over a lifetime of approximately 30 years. Based on comprehensive testing, one of its projects has an expected lifetime of 40 years. All the solar farms have plans for complete dismantling at the end of their lifetimes. Decommissioning plans are part of some local planning approvals. Solar panel manufacturers are obliged to take back the modules at the end of their service life. Other supporting equipment, such as ancillary metal components, can be resold or reused. Solar panels are modular and can easily be repaired by replacing individual non-functional components.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.3	✓

b) 4.3 - Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[10]	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*	

[9] This column is based on input provided by the issuer.
[10] Ibid.

EnBW's portfolio includes onshore wind installations located across Germany, France and Sweden as well as offshore wind facilities in the Irish and North Sea. They all meet the Climate Change Mitigation Criteria.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.2	✓
3. WATER AND MARINE RESOURCES – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW states that their offshore wind projects in the UK respect the applicable laws and regulations. At the current stage of the project, a Preliminary Environmental Information Report (PEIR) has been submitted to the competent authorities in April 2023 with the statutory section 42 consultation being held until June 2023. The reports are publicly available[11].	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW states that the wind turbine lifetime is expected to be between 20 to 25 years, with maintenance plans applied throughout. The decommissioning plans for the turbines are required as part of the planning approvals. Decommissioning involves a mixture of recycling and reusing the metal components and rotor blades.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.3 In addition, for specific criteria relating to offshore wind, the offshore wind farms in the portfolio are located in UK waters and are subject to the UK's Marine Strategy Regulations 2010, which as of 2021 and 2022, still had in it transposed the EU Marine Strategy Framework Directive 2008/56/EC as mentioned in the criteria. Therefore, the offshore wind farms are required to not hamper the good environmental status, such as by taking measures required to mitigate the impacts on biodiversity and seabed integrity. These impacts will be identified by the Environmental Impact Assessments (EIA) and the ensuing necessary measures developed as part of the resulting Environmental Management and Monitoring Plan.	✓

c) 4.9 - Transmission and Distribution of Electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[12]	ALIGNMENT WITH THE EU TAXONOMY

[11] EnBW Wind Projects, Marine Mammal technical report Vol 6, Annex 9.1, Report
[12] This column is based on input provided by the issuer.

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*	
EnBW states that more than 67% of the newly connected generation capacity of its distribution grids in the system is below the generation threshold of 100 gCO_2e/kWh, measured based on the product carbon footprint over a rolling five-year period. In the past 5 years, over 95% of newly connected generation capacity to the specific grid has been related to renewable energies, and therefore meets the threshold requirement. EnBW also expects that soon, this will continue to be the case. Also, EnBW's transmission and distribution networks are part of the interconnected European system.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.2	✓
3. WATER AND MARINE RESOURCES – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW confirms that it has a waste management plan in place and that it is reducing and minimizing its waste by recycling or re-selling components for further use for all applicable projects. EnBW has an oil regeneration plant to clean any contaminations and prepare the oil for further use. In addition to oil, other components used for distribution grids (mainly cables or metal components) are either recycled or sold for further use if possible or disposed professionally if recycling/reselling is not possible.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW follows the German government adopted the General Administrative Provision pertaining to the Ordinance on Electromagnetic Fields (26th BImSchVVwV) to guarantee no harm is caused by electromagnetic fields on human health. EnBW also confirms that it does not use polychlorinated biphenyls (PCBs) in new facilities, and that the PCBs in old facilities were fully switched in the early 1990s, and professionally disposed of.	✓
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.3	✓

d) 6.15 - Infrastructure enabling low-carbon road transport and public transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[13]	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*	

[13] Ibid.

EnBW's portfolio includes a network of EV charging points across Germany, which meets the Climate Change Mitigation Criteria.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.2	✓
3. WATER AND MARINE RESOURCES – *DO NO SIGNIFICANT HARM CRITERIA*	
All charging station are and will be in Germany. Charging stations are mostly built on car parks which already have appropriate drainage measures. Appropriate procedures would be followed in cases of new building sites to minimise impacts on local water resources. The Issuer also confirms all of its EV charging infrastructure complies with EU Water Framework Directive.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW confirms that its activities comply with the EU Waste Framework Directive and the EU Construction and Demolition Waste Management Protocol, and hence ensures 70% - 80% of the construction waste can be reused or otherwise recovered appropriately. This includes reusing concrete and asphalt surfaces as well as pavement slabs. More specifically, the Issuer confirms that it ensures fulfilment of these directives by having its contractors reuse any extracted soil on the site. If this is not possible, the soil is being tested. If uncontaminated, the soil will be reused on other construction sites, and if contaminated, the soil will be professionally disposed of by a specialist.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*	
The construction of the charging infrastructure is carried out by external service providers and mainly takes place on green spaces or existing parking areas. So far, there have been no construction activities that cause significant dust or pollutant emissions. Otherwise, measures are taken to observe the relevant noise regulations in Germany, where all of the Issuer's e-mobility infrastructure assets are being located (the Technical Instructions on Noise Abatement).	✓
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.3	✓

e) 7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[14]	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*	

[14] Ibid.

Smart meters meet the Climate Change Mitigation Criteria. The Issuer states that smart meters are required to be installed first for customers that consume more than 6000kWh of energy, which are mostly small and medium sized businesses and to a lesser extend private households. It is expected to be rolled out for more households over the coming years.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
See B.2	✓
3. WATER AND MARINE RESOURCES – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	
N/A: there is no EU Taxonomy criteria for the category	

B.2 Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[15]	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*	
EnBW has a group-wide risk management process to identify and minimize risks. EnBW confirms that it updates its risk management process regularly, hence also ensuring that adaptation solutions that reduce the most important identified physical climate risks for the activities are integrated at the time of design and construction, and are implemented before the start of operations. EnBW also confirms that the identified climate risks and adaptation plans are developed by internal experts. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities, are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible. However, for the time being, the assessment for smart meters is pending. EnBW has developed an internal screening of the activity categories for which this criterion is applicable (solar, wind, electricity grids, EV charging points) for any climate risks in the short-term (next 3 years) or long-term (10-30 years) perspective. EnBW's	✓

[15] Ibid.

climate projections and assessment of impacts analysis is based on Representative Concentration Pathway (RCP) 2.6 and 8.5 scenarios. These climate risks have been clustered into the categories of temperature, wind, water and ground.

EnBW has identified the main risks associated with each category and potential mitigation measures as follows:

- **Solar**: a potential decrease in efficiency through high temperature rises or damages to the solar panels caused by extreme weather events e.g., storms, floods or landslides.
- **Wind**: fluctuations in electricity generation through changing weather conditions and damages to the wind plants caused by extreme weather events e.g., storms, floods or landslides. EnBW constantly monitors potential physical damage to its wind turbines. Storm damage to offshore wind turbines can be mitigated by rotating the turbines.
- **Electricity grids**: resistance of the grid to high temperature rises, extreme weather conditions e.g., storms and floods. High temperatures could potentially harm the grid materials and worsen the grids' capacity to transport electricity. Storms or floods could endanger electricity poles. For overhead lines and above ground infrastructure, the Company has assessments on the resilience and stability of different segments of the grid.
- **EV charging points**: increases in temperature extremes, wet weather extremes and flooding. EnBW houses its charging points with shielding equipment and panels that can withstand a large temperature range and IP54 levels of water resistance.
- **Smart meters**: flooding in buildings where the smart meter(s) are installed.

EnBW has an internal risk map, which is a standard tool across the group, to regularly identify and classify risks including climate risks. The exposure of all its activities to climate risks is assessed annually in an internal process as part of the EU-taxonomy alignment exercise. The mitigation measures for impacts include the regular adaptation of financial forecasts to consider possible higher costs for repairs or lower revenues through a decrease in electricity generation. For each activity the relevant climate risks are identified and evaluated. A simplified version of the risk map is published in the risk and opportunity section of its annual report.

B.3 Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[16]	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*	

[16] Ibid.

EnBW confirms that Environmental Impact Assessments (EIA) are conducted for the wind and electricity grids project categories. EnBW confirms that its solar projects or EV charging points projects are not required by German law to conduct EIAs, but the Company commits to ensure these projects fulfil relevant biodiversity management practices.

Specific considerations relating to each of the category where this criterion is applicable are listed below:

Solar: German law does not require EIAs for certain small installations, such as smaller solar farms. Instead, they must follow the land-use planning process and regulations (BauGB)[17], which involve an environmental report on local biodiversity impacts, for example. However, when EIAs are mandated, they are conducted according to the national and European regulations. This is also confirmed through the EU taxonomy process since the DNSH criteria for the environmental objective "protection and restoration of biodiversity and ecosystems" also includes the responsible conduction of EIAs. EnBW confirms that its solar farms are not built in nature conservation areas. If any solar farms have an impact on the local biodiversity, management plans will be created, in accordance with regulatory requirements. The Issuer states that examples of biodiversity management plans include using minimal amount of space for solar farm per unit of electricity to limit the impact on the land, and also to keep the breeding habitats of certain species (such as skylarks) on site instead of moving these habitats elsewhere.

Wind: EIAs for wind power projects (wind onshore and offshore) are carried out in line with the EU legal requirement. For projects in Germany, there are two variants for the EU environmental impact assessment:

> (1) The "Environmental Impact Assessment", which is referred to as such and which is mandatory in principle (except for smaller plants). This is very complex and expensive (six-digit range). This Environmental Impact Assessment probably exceeds the EIA prescribed by EU law and referenced in the taxonomy criteria in scope and depth.
>
> (2) For the smaller plants, for which the extensive EIA is not prescribed under German law, the urban land use planning procedure according to BauGB must be passed through and an environmental report must be prepared ("EIA light").

In addition, EnBW states that the EIA of its offshore wind projects (mostly large-scale projects where an EIA is mandatory) will also take into account the provisions of the Marine Strategy Framework Directive and the EU Biodiversity Strategy. These directives will provide an assessment of potential impacts on biodiversity and seabed integrity. They also will study impacts relating to nearby marine protected areas, for example the Liverpool Bay Special Protection Area, West of Copeland Marine Conservation Zone (MCZ), West of Walney MCZ and North Anglesey Marine Special Area of Conservation. The EIAs will be followed by necessary and appropriate actions in accordance with regulatory requirements.

✓

[17] Germany's land-use planning process and regulations, http://www.gesetze-im-internet.de/bbaug/

Electricity Grids: EIAs for electricity grids are carried out in line with EU and German legal requirements. The EIA respectively comparable assessments are a key requirement for receiving approval for constructing and operating electricity grids in Germany and Europe. Grid activities that are not required to conduct an EIA have to present several documents about legal requirements to the local authorities. **EV Charging points:** EIAs are not required for the construction of charging infrastructure. Charging infrastructure will not be built in ecologically sensitive areas.	

Minimum Social Safeguards

ISS ESG assessed the alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation[18]. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES[19]	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
EnBW has embedded the Declaration of Human Rights into the Issuer's policies, covering procedures to uphold the commitment. The Declaration is based on the following frameworks: ▪ The Universal Declaration of Human Rights ▪ The International Covenant on Civil and Political Rights ▪ The International Covenant on Economic, Social and Cultural Rights ▪ The core labor standards of the International Labor Organization (ILO) ▪ The Guiding Principles on Business and Human Rights • OECD Guidelines on Multinational Enterprises The Declaration aims to bind the mother Company EnBW Energie Baden-Württemberg AG with all the companies controlled by the group, where usually the Company holds majority of shares or voting rights. Other companies where the Issuer has no majority control have been requested to apply the Declaration. The commitment is applicable to all employees of the Group. As part of the due diligence process on human rights, the Company conducts a comprehensive risk assessment on their own operations and its supply chain, identifying potential negative impact on human rights and take proactive or remedial measures. By monitoring the progress of such measures, the Issuer is able to adapt the measures on a case-by-case basis. On the supply chain, the Company has implemented the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) which provided an opportunity to revise its	✓

[18] Article 18 of the Taxonomy Regulation, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852
[19] This column is based on input provided by the issuer.

human rights structures and processes and apply improvement measures, notably on standardization and automation. The Board of Management has collective responsibility for compliance with the LkSG risk management requirements. In July 2023, the Issuer published their policy statement pursuant to the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The Issuer has a Supplier Code of Conduct in line with the UN Guiding Principles, the OECD Guidelines for Multinational Enterprises and ILO core conventions. Should a supplier fail to tackle a human rights identified risk and not apply remedial actions, EnBW has the right to suspend the business relationship. EnBW has established a Human Rights Steering Committee to ensure the development and implementation of measures to identify and manage human rights issues. The Company has been a member of the UN Global Compact since 2010 and is guided by the UN Guiding Principles on Business and Human Rights and is participative in sector councils and initiatives. EnBW communicates their Human Rights Approach in the Annual Report and in their Declaration of Human Rights[20].	

[20] EnBW's Declaration of Human Rights, https://www.enbw.com/media/nachhaltigkeit/enbw_declaration-of-human-rights_version-1-1_en.pdf

PART IV: LINKING THE TRANSACTION(S) TO ENBW'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH ENBW'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

EnBW has placed climate change and sustainability issues at the core of its strategic planning. Amongst its priorities is a commitment to decarbonisation and climate change mitigation. In 2013, EnBW launched its 2020 Strategy which involved substantial new investments in renewable energy generation and upgrading its grid to incorporate more renewable energy. Since then, the Company has a new 2025 Strategy, including a climate neutrality target (Scope 1 and 2) for by 2035, phasing out of all coal generation by 2028 (ahead of Germany's national target of 2038). The Company has already reduced its particularly carbon-intensive electricity generation portfolio by circa 2.7 GW since 2013 and plans to reduce the remaining 4 GW from operation by 2028. It is also expanding into new areas for decarbonisation, such as clean transportation, energy savings and smart meters.

EnBW is a member of the industry and collective alliances, such as the UN Global Compact, Better Coal, Task Force on Climate-related Financial Disclosures (TCFD), German Federal Government Sustainable Finance Committee, Econsense, WIN business sustainability initiative, KlimaWirtschaft Foundation.

Between 2015-2020, EnBW reduced the CO_2 intensity of its own electricity generation by 39%, compared to its original target of a 15-20% reduction. This accomplishment has been partly due to the Company's investments in solar and wind energy generation. It plans to have between 6.5GW and 7.5GW of installed capacity of solar and wind generation by 2025, which would comprise over half of the Company's total electricity generation capacity.

Together, these significant expansion and business strategy realignment plans will involve a total investment of EUR 14 billion between 2023 and 2025, 80% of which will be spent on growth projects (focusing on grid expansion, renewables, fuel switch and smart infrastructure). In October 2021, EnBW made a commitment to develop Science Based Targets by joining the Science Based Targets Initiative (SBTi) and in 2023, SBTi has validated EnBW's climate protection targets. Going forward, the Company states that it will focus on wind and solar installations, green power products, sustainable urban districts with advanced charging infrastructure for electric vehicles, distributed energy generation and energy storage. EnBW is also committing to realigning its workforce to adapt to the Company's new business lines and assets.

The integrated opportunity and risk management system of the Issuer allows for a transversal management of the ESG risks. The risk map is used to explicitly identify potential opportunities and risks that affect the sustainable orientation of the Company. As well as focusing on the fulfilment of the requirements for a nonfinancial declaration, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are also taken into account.

Ecological issues are discussed on all hierarchical levels, from the board of directors (including CEO, CFO and CTO), to the operational levels, such as the CSR Committee, the Environmental Steering Committee, which is headed by the CTO (Dr. Georg Stamatelopoulos) as well as the Corporate Environment Committee which brings together all responsible environment protection officers of all business units. The Environmental Steering Committee is headed by the CTO as well as the Corporate

Environment Committee which brings together all responsible environment protection officers of all business units.

The Issuer publishes an annual integrated report according to the reporting standards of TCFD and GRI. The sustainability reporting complies with the Communication on Progress (COP) requirements for the UN Global Compact and is based to an increasing extent on the UN Sustainable Development Goals. EnBW also reports according to the EU Taxonomy regulation and has a valid SBTi certification.

EnBW issued its first green bond in October 2018 and has since issued green bonds totalling EUR 3.5 billion[21].

Rationale for issuance

EnBW has issued multiple Green Financing Instruments with a total volume of EUR 3.5 billion, since it announced its first Green Financing Framework in 2018. It has used them to finance mostly a number of renewable energy projects, the acquisition of Valeco, a renewable energy developer, and infrastructure related to electric transportation. These are all key areas identified by EnBW which can directly contribute to the Company's climate strategy and decarbonisation goals. EnBW's intention with the issuance of Green Financing Instruments is to add sustainability onto the liabilities side of the Company's balance sheet, which would bring sustainable finance to a broader range of the Company's stakeholders.

Opinion: *The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

[21] EnBW Green Bond Impact Report 2022

B. ENBW'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed to through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Multi-Utilities, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note that this is not a company specific assessment, but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Environmentally safe operation of plants and infrastructure
Worker safety and accident prevention
Protection of human rights and community outreach
Accessibility and reliability of energy and water supply
Promotion of a sustainable energy system and resource efficiency

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: https://www.issgovernance.com/esg/iss-esg-gateway/.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE[22]	DIRECTION OF IMPACT	UN SDGS
Energy generation based on coal	7%	OBSTRUCTION	

[22] Percentages presented in this table are not cumulative.

Energy supply to residential customers	5%	CONTRIBUTION	7 AFFORDABLE AND CLEAN ENERGY
Energy generation based on hydropower (>10MW) and wind	5%	CONTRIBUTION	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Energy generation based on nuclear power	4%	CONTRIBUTION	13 CLIMATE ACTION
		OBSTRUCTION	7 AFFORDABLE AND CLEAN ENERGY; 15 LIFE ON LAND
Water and/or wastewater services for residential customers	1%	CONTRIBUTION	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Multi-Utilities industry are as follows: Anti-competitive behavior, Failure to prevent water pollution and Failure to mitigate climate change impacts.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit:

https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if EnBW's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by EnBW (e.g., Due Diligence Reports). Furthermore, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.
For more information, please visit:
https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf

ANNEX 3: Quality Management Processes

SCOPE

EnBW commissioned ISS-Corporate to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (as of June 2021 with June 2022 Appendix 1) and assessing the sustainability credentials of its Green Financing Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (as of June 2021 with June 2022 Appendix 1) as administered by ICMA
- Green Loan Principles (as of February 2023) as administered by LMA
- EU Taxonomy Delegated Act and EU Green Bond Standard (EU GBS)
- Proposed European Green Bond Standard

ISSUER'S RESPONSIBILITY

EnBW's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS-Corporate's VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by EnBW has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, LMA Green Loan Principles and the EU GBS.

The engagement with EnBW took place between August and November 2023.

ISS Corporate's BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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