SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

Energie Baden-Württemberg AG
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Overall Evaluation of the Green Bond

Energie Baden-Württemberg AG (EnBW) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. EnBW's Green Financing Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and the Loan Market Association's (LMA) Green Loan Principles (GLPs).
2. The asset pool – whether the projects are aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. EnBW's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[1]
Part 1: **Performance against the GBPs and GLPs**	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 GBPs and the LMA GLPs.	**Positive**
Part 2: **Sustainability quality of the asset pool**	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include onshore wind power plants and solar energy. All assets of the asset pool are located in France, a highly regulated and developed country. Legislative frameworks in this country set minimum standards, which reduce environmental and social risks.	**Positive**
Part 3: **Issuer sustainability performance**	The issuer itself shows a good sustainability performance and has been classified as 'Prime' within the methodology of the ISS ESG Corporate Rating. It is rated 3rd out of 60 companies within its sector as of 12.06.2020.	**Status:** *Prime* **Rating:** *B-* **Decile Rank:** *1*

[1] The ISS ESG's present evaluation will remain valid until any modification of the Green Financing Framework or addition of new assets into the asset pool by the issuer and as long as the issuer's Corporate Rating does not change (last modification on the 24.04.2020). The controversy check of the underlying assets has been conducted on the 10.06.2020.

CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of EnBW's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the green bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Onshore wind energy generation	**Significant contribution**	
Solar (photovoltaic) energy generation	**Significant contribution**	

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The net proceeds of the Green Financing instruments will be used to finance or refinance in whole or in part any Eligible Green Projects as defined below and may include new projects with disbursements after the issuance of the Green Financing instrument or existing projects with commercial operation (or acquisition closing) starting not earlier than 36 months before the issuance date of the respective instrument. 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.

Eligible Green Projects include projects or assets in the following eligible categories:

Renewable energy projects:

- Onshore wind energy generation
- Offshore wind energy generation
- Solar (photovoltaic) energy generation

Energy efficiency projects:

- Smart meters

Clean transportation projects:

- E-mobility infrastructure (charging stations)

EnBW's Green Bond will serve to refinance the acquisition of Valeco in June 2019:

ASSET CATEGORY	INCLUDED IN GREEN BOND PORTFOLIO	SHARE OF ASSET POOL
1. Renewable energy	✓ Yes	**100%**
2. Energy efficiency	**No**	**0%**
3. Clean transportation	**No**	**0%**

Opinion: *ISS ESG considers the Use of Proceeds description provided by EnBW as aligned with the GBPs and the GLPs. The project categories are aligned with the Use of Proceeds suggested by the GBPs and the sustainability strategy of EnBW. Additionally, EnBW has identified that the project categories contribute to climate change mitigation, which is among the objectives of the EU taxonomy for sustainable activities, reflecting best market practices.*

2. Process for Project Evaluation and Selection

To ensure a diligent project evaluation and selection process, EnBW has set up a two-step approach:

- The capex intensive growth projects of EnBW are aligned with EnBW's sustainability approach as well as national and international environmental and social standards.
- To ensure eligibility for green financing, EnBW has set up a Green Financing Committee with representatives from the corporate finance department, the corporate sustainability

department, and on case by case basis, with representatives from business units. Projects to be allocated with proceeds from Green Financing can be submitted by the business units or be chosen by the Green Financing Committee directly. The final decision on the selection of Eligible Green Projects can only be taken unanimously.

The Committee is responsible for verifying compliance of all projects with the eligibility criteria. Typical exclusion filters include but are not limited to material controversies, major concerns about impact on environment. In addition, selection criteria have been defined for prioritising projects. It will be examined whether the projects contribute to the following criteria:

1. Non-financial key performance indicators and targets of EnBW:

- Expand renewable energies (RE) – Installed output of RE in GW and the share of the generation capacity accounted for by RE in %;
- Climate protection – CO_2 intensity in g / kWh
- Customer proximity – EnBW Customer Satisfaction Index
- Reputation – Reputation Index

2. Relevant Sustainable Development Goals (SDGs) for EnBW:

- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy
- SDG 9: Build resilient infrastructure, further sustainable industrialization, foster innovation
- SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 13: Take immediate action to combat climate change and its impacts.

3. Relevant GRI-topics and –disclosures for EnBW:
Chosen GRI-topics and -disclosures in combination with environmental and economic aspects (GRI 203, 304, 305) as well as issues related to the supply chain (GRI 414).

The Green Financing Committee will select among the pool of eligible projects, the ones that contribute the most to the above indicators and will document the project assessment process.

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:

- *(Total asset capex[2] – associated project external debt) x percentage of EnBW Group's ownership)*

Opinion: *ISS ESG finds that the Project Evaluation and Selection is in line with the GBPs and the GLPs. Transparent eligibility criteria have been defined at the project category level and are publicly disclosed. The process for selection of projects is structured and defines responsibilities across a wide range of departments.*

3. Management of Proceeds

EnBW has set up a register and has 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.

[2] 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.

Prior to issuance of each Green Financing instrument, EnBW will disclose which projects are to be refinanced, and to what extent proceeds are to finance future investments.

EnBW intends to fully allocate the proceeds within 24 months after the issuance date of each Green Financing instrument.

Until full allocation, the Green Financing Committee will approve at least semi-annually the amount of net proceeds that has been allocated to Eligible Green Projects.

Net proceeds of Green Financing instruments will be allocated in different ways:

a) Refinancing of operational projects that qualify as Eligible Green Projects
b) Investments into projects under development that qualify as Eligible Green Projects.
c) Unallocated proceeds: Investments in any form of cash, bank deposit or other form of available current financial assets.

To ensure the maximum transparency and prevent double-counting, the following describes general guidelines on how allocation of funds is to be done:

- The proceeds of each of the Green Financing instruments can be allocated to one or several Eligible Green Projects within the EnBW Group. EnBW will ensure, through the implementation of a control system, that all proceeds and flows are tracked thoroughly inside EnBW to ensure transparency.
- In case the above stated prerequisite is not fulfilled due to changed conditions, such as changes in ownership or capital structure, EnBW is obliged to reallocate the resulting excess proceeds to other Eligible Green Projects. These changes would be tracked and included in reporting.
- In case a project or asset where proceeds of green financing have been allocated no longer meets the eligible criteria, EnBW is committed to re-allocate proceeds into alternative Eligible Green Projects.
- In case an asset with proceeds from green financing has reached the end of its lifetime and has been fully decommissioned, proceeds will be re-allocated to other Eligible Green Projects. These changes would be tracked and included in reporting.
- In case a project with allocated proceeds has been stopped or abandoned, EnBW is committed to re-allocate the funds to other Eligible Green Projects. These changes would be tracked and included in reporting.

To facilitate the tracking process and to increase transparency and investor comfort, EnBW can select investments fully or largely disbursed when selecting Eligible Green Projects.

Opinion: *ISS ESG finds that the management of proceeds is aligned with the GBPs and the GLPs. The proceeds are adequately earmarked, and the framework discloses the intended types of temporary investments for unallocated proceeds and the procedure in case of divestment of the investments.*

4. Reporting

Green Finance standards encourage reporting on both the use of Green Financing proceeds and the expected environmental impacts at least on an annual basis with the first reporting published within a year after the launch of the Green Financing instrument.

EnBW seeks to provide data on each Green Financing project on an individual basis but might also choose to aggregate certain classes of projects. EnBW is committed to report annually and publish a separate EnBW Green Bond Impact Report next to its regular Integrated Annual Report, and until the maturity date on:

A) Use of the Green Financing proceeds

a) List of projects with some individual information.
b) Total funds allocation (with breakdown per type of project and breakdown of the allocation of proceeds between new financing and refinancing).
c) The amount of unallocated proceeds.

B) Benefits in terms of sustainability

The company will publish annually a set of reporting indicators to describe the achieved benefits in terms of sustainability. The type of indicators will depend on the type of asset or activity financed by the green instrument. The table below includes a description of the reporting indicators per asset category.

TYPE OF PROJECT	BENEFITS	REPORTING INDICATORS
Renewable energy projects	Climate Change Mitigation (energy generation)	• Per Project: - Name - Type of project - Country - Installed capacity (MW) [attributable to the financing instrument] • For each category: - Invested capital attributable to the financing instrument - [Expected] Annual energy produced (MWh per year) attributable to the financing instrument - [Expected] Annual GHG emissions avoided (CO_2 in t) attributable to the financing instrument
Energy efficiency projects	Climate Change Mitigation / Security of Supply	• For each category: - Type of project - Country - Physical indicator i.e. Smart meters (total and attributable number) - Invested capital attributable to the financing instrument

Clean transportation projects	Climate Change Mitigation	• For each category - Type of project - Country/location - Physical indicator, i.e. number of charging stations, number of charging procedures (total and attributable number) - Invested capital attributable to the financing instrument

Furthermore, EnBW intends to report with regard to qualitative impacts. For example:

- mitigation of negative impact (e.g. biodiversity, noise level)
- management of social aspects of projects (e.g. human rights impacts/ working and living conditions)

C) Assurance of compliance of selected projects with the Framework for Green Financing

EnBW will annually assess the compliance with this Framework, including a description of material exceptions, controversies, and mitigating action.

The reporting will be publicly disclosed on EnBW's website. The company intends to include the reporting within its Integrated Annual Report.

Opinion: *ISS ESG finds that reporting is aligned with the GBPs and the GLPs. The level, content, frequency, scope and duration of the allocation reporting is transparent and aligned with market best practices.*

External review

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

A) Second Party Opinion

Prior to the issuance, EnBW commissioned ISS ESG to obtain an external review of its Green Financing Framework. ISS ESG will issue a second opinion confirming the alignment of EnBW's Green Financing Framework with the Green Bond and Green Loan Principles and the framework's strong environmental credentials. Under this framework, the issuance of multiple Green Financing instruments is possible. Prior to issuance of each instrument, EnBW will disclose for which projects or assets proceeds are to be used.

B) Verification

EnBW is expected to receive a pre-issuance certification by the CBI, as it has for previous issuances, and intends to receive a post-issuance certification by the CBI. In case a reallocation of proceeds will be necessary, EnBW will request an additional external review.

PART II: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL

Wind energy generation (onshore)

As Use of Proceeds categories, onshore wind has significant contributions to SDGs 7 “Affordable and clean energy” and 13 “Climate action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPIS
Site selection
✓ 100% of the assets are not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV). Additionally, strong policies are in place in France to reduce potential impact on biodiversity attached to wind onshore.
✓ 100% of assets underwent environmental impact assessments at the planning stage, as it is required by national legislation.
Community dialogue
✓ 100% of assets feature community dialogue as an integral part of the planning process according to national legislation (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms and others).
Environmental aspects of construction and operation
✓ 100% of assets meet high environmental standards during the construction phase according to national legislation (e.g. noise mitigation, minimisation of environmental impact).
✓ 100% of assets provide for adequate measures to protect habitat and wildlife during operation of the power plant according to national legislation (e.g. turbine turn-off times, monitoring of bats, consideration of birds’ flight paths).
Working conditions during construction and maintenance work
✓ 100% of assets provide for high labour and health safety standards for construction and maintenance work according to national legislation.
Controversy assessment
A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to EnBW or Valeco.

Solar energy generation (photovoltaic)

As a Use of Proceeds category, Solar PV has a significant contribution to SDGs 7 “Affordable and clean energy” and 13 “Climate action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI
Site selection
✓ 100% of the assets are not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV).
Supply chain standards
✓ 59% of the assets provide for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions). For the remaining assets, no information is available.
Environmental aspects of solar power plants
✓ Over 70% of the assets contain solar panels with a conversion efficiency of at least 15%. For the remaining assets, no information is available.
✓ 100% of the assets provide for high environmental standards regarding take-back options, as the eligible asset itself is a member of the photovoltaic waste management initiative PV Cycle. Additionally, the treatments and recycling of photovoltaic panels in France is compulsory.
✓ 50% of the assets are in line with the European Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS Directive). For the remaining assets, no information is available.
Working conditions during construction and maintenance work
✓ 100% of the assets provide for high labour and health safety standards for construction and maintenance work according to national legislation.
Controversy assessment
A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to EnBW and Valeco.

The methodology for the asset evaluation can be found in Annex 2.

PART III: ASSESSMENT OF ENBW'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime[3]' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
EnBW	PRIME	B-	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG.

As of 12.06.2020, this rating places EnBW 3rd out of 60 companies rated by ISS ESG in the Utilities / Multi-Utilities sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Facilitation of the energy transition and resource efficiency
- Environmentally safe operation of plants and infrastructure
- Accessibility and reliability of energy and water supply
- Business ethics and government relations
- Worker safety and accident prevention

In all of these key issues, EnBW performs above the average for the sector. A very significant outperformance was achieved in "Accessibility and reliability of energy and water supply".

The company does not face any controversies.

Details on the rating of the issuer can be found in Annex 1.

[3] Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For EnBW's first green issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this SPO, the information provided in it and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from EnBW's 2020 ISS ESG Corporate Rating.

ISS ESG

ESG Corporate Rating

EnBW Energie Baden-Württemberg AG

Industry	**Utilities/Multi Utilities**	**Status**	**Prime**
Country	**Germany**	**Rating**	**B-**
ISIN	**DE0005220008**	**Prime Threshold**	**B-**
		Decile Rank	**1**

Corporate ESG Performance
Prime
RATED BY ISS ESG

Absolute Rating

D-	D	D+	C-	C	C+	B-	B	B+	A-	A	A+
	poor			medium			good			excellent	

The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

Decile Rank

10	9	8	7	6	5	4	3	2	1

Low relative performance **High relative performance**

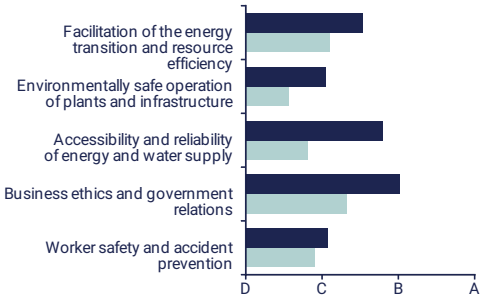
Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

Industry Leaders

Company name (in alphabetical order)	Country	Grade
EnBW Energie Baden-Württemberg AG	DE	B-
Naturgy Energy Group S.A.	ES	B-
Veolia Environnement S.A.	FR	B

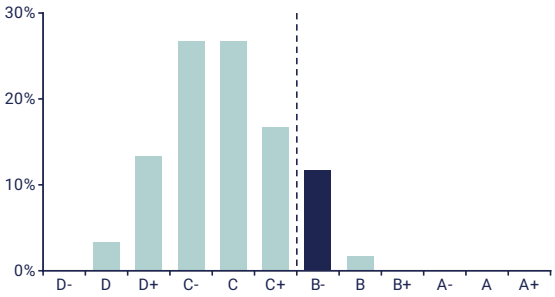
Legend: Industry Company --- Prime

Key Issue Performance

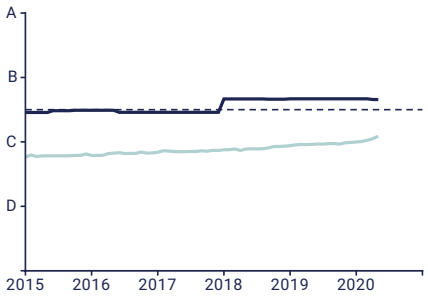


Distribution of Ratings

60 companies in the industry



Rating History



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Analyst Opinion

Sustainability Opportunities

In 2018, EnBW's energy generation mix was dominated by nuclear power (38.6%), coal (24.1%), (11.3%) and hydropower (11.0%). Natural gas contributed 6.6%, wind power 4.2%, other renewables 0.6% and unspecified sources and pumped storage 3.6% to the company's energy generation. The overall carbon intensity of energy generation was 340 g/kWh in 2018. However, this value is expected to increase against the backdrop of Germany's energy transition which stipulates the shutdown of all nuclear power plants by 2022. In 2018, the renewable energy share of net electricity generation was still comparatively low and amounted to 15.7% (excluding pumped storage), but EnBW has set itself the goal to ramp up the share of renewable energy sources to more than 40% of the total generation capacity by 2020 by placing particular emphasis on the expansion of wind power and hydropower. Nevertheless, the envisaged share of renewable energy sources of net electricity production remains unclear. There is also only limited evidence of procedures designed to ensure the continuous supply of energy and water for vulnerable customers.

Sustainability Risks

EnBW has set itself the goal to reduce the carbon intensity of its own electricity generation by 15% to 20% by 2020 compared to 2015 levels. Yet, as the targeted carbon intensity is still relatively high, it does not seem to be in line with emission reductions required to reach the 2 degree goal. EnBW has implemented comprehensive procedures to ensure the safe operation of its nuclear power plants, including adequate emergency response measures. By contrast, only limited evidence is available of measures to guarantee the sustainable operation of hydropower plants and limit adverse impacts on the environment.
EnBW has established group-wide health and safety management systems, and its accident rate for own employees has decreased. However, the frequency of accidents among contractors is unknown and several fatalities were reported in recent years. The company is making considerable investments to ensure the reliability of the power grid. The average interruption time of EnBW's power supply is quite low and amounted to 17 minutes per customer in 2018.
EnBW has a comprehensive code of business conduct that covers relevant issues such as corruption, anti-competitive behaviour and insider trading. To promote ethical and responsible decision-making, the company has implemented a wide range of compliance procedures, including compliance trainings, risk assessments and audits.

Governance Opinion

NECKARPRI Beteiligungsgesellschaft and OEW Energie-Beteiligungs GmbH each own 46.75% of EnBW's total share capital (as at September 30, 2019). NECKARPRI-Beteiligungsgesellschaft is a 100% subsidiary of NECKARPRI GmbH, which in turn belongs to the federal state of Baden-Württemberg. EnBW has a two-tier governance structure with an independent chair heading the supervisory board (Lutz Feldmann, as at March 1, 2020). In addition, the majority of the board members can be considered independent. The company has set up audit, remuneration and nomination committees but their independence is limited. EnBW publicly discloses its remuneration policy for executives which includes variable, long-term components that can incentivise sustainable value creation.
No board committee appears to be in place for sustainability matters. However, sustainability performance targets have, to some degree, been integrated into the executive team's remuneration schemes. EnBW has a comprehensive code of business conduct that covers relevant issues such as corruption, anti-competitive behaviour and insider trading. To promote ethical and responsible decision-making, the company has implemented a wide range of compliance procedures, including compliance trainings, risk assessments and audits.

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Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:
(1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
(2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
(3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:
- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

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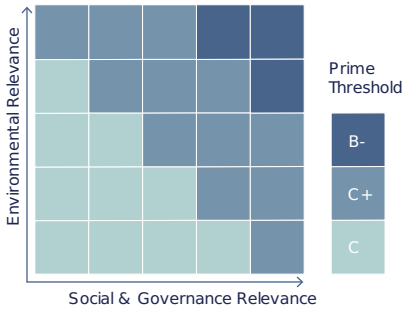
EnBW Energie Baden-Württemberg AG

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.
Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:
A+: the company shows excellent performance.
D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).
Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

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ANNEX 2: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of EnBW's Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details above) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by EnBW (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which EnBW's Green Bond contributes to or obstruct against related SDGs.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For Information about SPO services, and this Green Bond, contact:

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