

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Financing Framework  
Energie Baden-Württemberg AG (EnBW)  
05 August 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Financing Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles (2021), as administered by ICMA, Green Loan Principles (2021), as administered by LMA, EU Taxonomy Delegated Act (June 2021), proposed European Green Bond Standard (EU GBS, July 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• EnBW Green Financing Framework (August 2021)</li><li>• EnBW Asset Pool (as of 7 July 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• For a single issuance after SPO publication</li></ul>

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## Scope of work

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

1. Green Bond link to EnBW’s sustainability strategy – drawing on EnBW’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. EnBW’s Green Financing Framework (July 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (2021), the Loan Management Association (LMA) Green Loan Principles (2021), the EU Taxonomy Delegated Act (June 2021), and the proposed European Green Bond Standard (EU GBS, July 2021).
3. The Green Asset Pool and eligible project categories – whether they contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Green Financing Instruments' link to issuer's sustainability strategy</b></p>	<p>According to the ISS ESG Corporate Rating published on 07.08.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Multi-Utilities sector. The issuer is rated 5<sup>th</sup> out of 60 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with GBPs, GLPs and proposed EU GBS</b></p>	<p>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 GBPs, GLPs and proposed EU GBS.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Green Financing Instruments</b></p>	<p>The overall sustainability quality of the Green Financing Instruments in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Financing Instruments will (re-)finance eligible asset categories which include: renewable energy, energy efficiency, and clean transportation.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'.</p> <p>ISS ESG assessed the alignment of EnBW's projects and assets against the requirements of the EU Taxonomy (Delegated Act of June 2021). Based on robust processes for selection, the nominated project categories are considered to be aligned, on a best efforts basis, with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, including the Climate Change Mitigation Criteria, the Do No Significant Harm Criteria and the Minimum Social Safeguards requirements.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on the EnBW's Green Financing Framework (June 2021 version), on the analysed Green Financing Instruments as received on 5 July 2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 07.08.2020).

## ISS ESG SPO ASSESSMENT

### PART I: GREEN FINANCING INSTRUMENTS' LINK TO EnBW'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF EnBW'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>EnBW</b>	<b>Multi-Utilities</b>	<b>1</b>	<b>VERY HIGH</b>

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Multi-Utilities sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

#### ESG performance

As of 23.07.2021, this Rating places EnBW 5<sup>th</sup> out of 60 companies rated by ISS ESG in the Multi-Utilities sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



### *Sustainability Opportunities*

In 2020, EnBW's energy generation mix was dominated by nuclear power (29.9%), coal and lignite (25%), wind power (15.3%), and hydropower (15%). Natural gas contributed 12.8%, other renewables 1.5% and unspecified sources 0.5% to the company's energy generation. The overall carbon intensity of energy generation was 268 g/kWh in 2020. 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 2020, the renewable energy share of net electricity generation has increased from 12% in 2014 to 31.8% and EnBW has set itself the goal to ramp up the share of renewable energy sources to more than 50% of the total generation capacity by 2025 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 30% by 2025 compared to 2018 levels. The company's carbon intensity of electricity generation in 2018 was 340 g/kWh; therefore the targets for 2025 are between 289 g/kWh (15% reduction) and 238 g/kWh (30% reduction), which are still not among the lowest carbon intensities in the industry. 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 some 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 15 minutes per customer in 2019. EnBW has a comprehensive code of business conduct that covers relevant issues such as corruption, anti-competitive behavior 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*

EnBW has a two-tier governance structure with an independent chair heading the supervisory board (Lutz Feldmann, as at July 1, 2021). Half of the board members can be considered independent. The company has set up audit, remuneration and nomination committees but their independence in terms of their composition 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.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of EnBW's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along EnBW's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
<b>Water Services</b>	1%	CONTRIBUTION	 
<b>Provision of energy and water to private customers</b>	6%	CONTRIBUTION	 
<b>Others</b>	N/A	NO NET IMPACT	N/A

### *Breaches of international norms and ESG controversies*

The company is not facing any controversy / is facing severe controversies.

## B. 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 net zero (Scope 1 and 2) emissions target by 2035, phasing out of all coal generation by 2035 (ahead of Germany's national target of 2038). It is also expanding into new areas for decarbonisation, such as clean transportation, energy savings and smart cities.

Between 2015-2020, EnBW reduced the CO<sub>2</sub> 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 12 billion. EnBW is also committing to realigning its workforce to adapt to the company's new business lines and assets.

### *Rationale for issuance*

EnBW has issued multiple Green Financing Instruments with a total volume of EUR 2 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.

### *Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed with these Green Financing Instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Multi-Utilities sector.

Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.



USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

## PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP), GREEN LOAN PRINCIPLES (GLP) AND PROPOSED EUROPEAN GREEN BOND STANDARD (EU GBS)

### 1. Strategy and Rationale (EU GBS)

Decarbonisation calls for a comprehensive structural transformation cutting across all sectors of the economy. This also determines the way forward for EnBW in its business activities. The issuer is committed to actively support the Paris Climate Agreement and the resulting decarbonisation targets of the EU and Germany.

Since EnBW began its transformation in 2013, it has been repositioning its 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 renewable energies generator and infrastructure provider. Its grid operators for transmission and distribution grids connect renewable energy capacities to the grid as well as optimise it towards the needs of sustainable generation and e-mobility. EnBW develops, builds and operates both on- and offshore wind farms with a pipeline for future projects. Additionally, it focuses on customer products in connection with sustainable transportation solutions, energy savings and smart cities.

EnBW is transforming itself into a sustainable and innovative infrastructure partner with a focus on three key investment areas:

- Sustainable generation infrastructure: expansion of low - carbon electricity generation, decarbonisation activities in relation to coal-based generation and phasing out of nuclear energy.
- System-critical infrastructure: expansion and operation of transmission grids and upgrading of distribution grids as well as grid-related services.
- Smart infrastructure for customers: development of new, digital business models, launching them onto the market and scaling them up.

With the Green Financing Framework, EnBW intends to not only work towards sustainability on the asset side, but also on the liabilities side of the balance sheet. It believes that bringing together sustainable financing and sustainable investment projects will be beneficial to all stakeholders.

The eligible project categories under the Green Financing Framework – renewable energy, energy efficiency and clean transportation – support the achievement of the Paris climate agreement and other national and international targets for climate change mitigation and the transition to a low-carbon sustainable economy. They notably support the United Nations' Sustainable Development Goals (SDGs), the EU Taxonomy for environmentally sustainable economic activities as well as the issuer's internal key performance indicators of its 2025 Strategy.

**Opinion:** ISS ESG considers the Strategy and Rationale description provided by the Green Financing Framework as aligned with the proposed EU GBS. The rationale for issuance is clearly stated and linked to the company's overall strategy, which prioritises decarbonisation and sustainability.

## **2. Process for Selection of Green Projects (EU GBS) – Process for Evaluation and Selection (GBPs)**

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

- The capex intensive growth projects 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 a 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 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 and 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 at least one of the criteria of each category:

### **1. Non-financial/ sustainability 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<sub>2</sub> intensity in g / kWh
- Customer proximity - EnBW Customer Satisfaction Index
- Reputation - Reputation Index

### **2. EU Taxonomy Regulation**

- Environmental objectives:
  - Climate change mitigation
  - Climate change adaptation
  - Sustainable use and protection of water and marine resources
  - Transition to a circular economy
  - Pollution prevention and control
  - Protection and restoration of biodiversity and ecosystems
- and fulfilment of the minimum safeguards criteria

### **3. Relevant Sustainable Development Goals (SDGs) for EnBW:**

- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy
- SDG 9: Build resilient infrastructure, promote sustainable industrialisation and 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.

#### 4. 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.

The Green Financing Committee 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:

- $(\text{Total asset capex}^2 - \text{external debt associated with the project}) \times \text{percentage of EnBW Group's ownership}$

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by EnBW's Green Financing Framework as aligned with the GBPs and GLPs. There is a good amount of detail on the various aspects of the process. A Committee is involved, with defined responsibilities across different departments. Eligibility criteria is explained clearly. The commitment on the exclusion filters is best market practice. The process is also aligned with the proposed EU GBS, as it involves the EU Taxonomy (a full assessment of the Framework's alignment with the EU Taxonomy is provided in Part III).

### 3. Green Projects (EU GBS) - Use of Proceeds (GBPs)

The net proceeds of the Green Financing instruments ("the Proceeds") 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. All financed assets and expenditures align with the four criteria for environmentally sustainable economic activities, as stated in Art. 3 in the Taxonomy Regulation. 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.

EnBW will continue to use the net proceeds for allocation unless otherwise required for the EUGB Designation. 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

<sup>2</sup> 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.

- smart meters

Clean transportation projects

- e-mobility infrastructure (charging stations)

**Opinion:** ISS ESG considers the Use of Proceeds description provided by EnBW's Green Financing Framework as aligned with the GBPs and GLPs. The project categories are aligned with the Use of Proceeds categories suggested by the GBPs and the sustainability strategy of EnBW. The 36 month look-back period for refinancing expenditures is best market practice and aligns with the requirements of the proposed EU GBS. ISS ESG's assessment of the alignment of the projects and assets with the EU Taxonomy is provided in Part III.

#### 4. Management of Proceeds

EnBW has set up a register and 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. Prior to the 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 an amount equivalent to 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 assets or projects within the Group. EnBW will ensure, through the implementation of a control system, that all Proceeds and flows are tracked thoroughly inside the company 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 will 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 description proposed by EnBW's Green Financing Framework are aligned with the GBPs, GLPs, as well as proposed EU GBS. The disclosure about the financing vs refinancing follows the recommendation of the GBPs. In particular, the descriptions of the situations where re-allocations of proceeds will be necessary and the 24 month timeline for allocation of proceeds are best market practice.

## 5. Reporting

Green finance standards encourage reporting on both the use of proceeds of Green Financing Instruments and the expected environmental impacts at least on an annual basis with the first reporting published within a year after the Issuance of the Green Financing Instrument. As outlined above, in case for a specific issuance the EuGB Designation is pursued, EnBW will appoint once available, a Reviewer that provides confirmation of full allocation of the Proceeds and additional verification of requirements for the allocation report laid out in the draft EuGB Regulation.

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 the regular Integrated Annual Report, and until the maturity date on:

### A) Use of the Green Financing Instrument Proceeds

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

### B) Benefits in terms of sustainability

EnBW 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 instruments.

The following tables include a description of the reporting indicators per asset category.

TYPE OF PROJECT	BENEFITS	REPORTING INDICATORS
Renewable energy projects	Climate Change Mitigation (generation)	Per Project: - Name - Type of project - Country

		<p>- Installed capacity (MW) [attributable to the respective Green Financing Instrument]</p> <p>For each category:</p> <ul style="list-style-type: none"> <li>- Invested capital [attributable to the respective Green Financing Instrument]</li> <li>- [Expected] Annual energy produced (MWh per year) [attributable to the respective Green Financing Instrument]</li> <li>- [Expected] Annual GHG emissions avoided (CO<sub>2</sub> in t) [attributable to the respective Green Financing Instrument]</li> </ul>
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TYPE OF PROJECT	BENEFITS	REPORTING INDICATORS
Energy efficiency projects	Climate Change Mitigation/Security of Supply	<p>For each category:</p> <ul style="list-style-type: none"> <li>- Type of project</li> <li>- Country</li> <li>- Physical indicator i.e. Smart meters [total and attributable number]</li> <li>- Invested capital [attributable to the respective Green Financing Instrument]</li> </ul>

TYPE OF PROJECT	BENEFITS	REPORTING INDICATORS
Clean transportation projects	Climate Change Mitigation	<p>For each category:</p> <ul style="list-style-type: none"> <li>- Type of project</li> <li>- Country/location</li> <li>- Physical indicator, i.e. number of charging stations, number of charging procedures [total and attributable number]</li> <li>- Invested capital attributable to the respective Green Financing Instrument</li> </ul>

**Table 1: reporting indicators per asset category**

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. In case, an issuance is provided with the EuGB Designation, in addition to above metrics, EnBW will publish information that is required for the impact report in the final EuGB Regulation.

**Opinion:** ISS ESG finds that the reporting proposed by EnBW's Green Financing Framework is aligned with the GBPs and GLPs. There will be annual and detailed allocation reporting at least at the project category level, or project by project where possible. Unallocated amounts of proceeds will be reported. Impact indicators to be reported are included. The annual allocation and impact reporting commitments, including details such as the project country location are aligned with the requirements of the proposed EU GBS.

## External review

The 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

Prior to an issuance, EnBW intends to commission ISS ESG to obtain an external review of its Green Financing Framework. ISS ESG will issue a second opinion confirming the alignment of its 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.

In case, EnBW seeks the EuGB Designation for a specific issuance of Green Financing Instruments, upon full allocation, the allocation report will be reviewed by an external Reviewer (once available) that verifies alignment with the requirements of the final EuGB Regulation.

### B) Layer two – Verification

EnBW intends to receive a pre- and post-issuance certification by CBI. In case a reallocation of proceeds will be necessary, EnBW will request an additional external review.

## External Reviewer and EuGB Factsheet

Following the entry into force of a regulation implementing the Proposal for a regulation of the European Parliament and of the Council on European green bonds of 6 July 2021 (2021/0191 (COD)) (the "EuGB Regulation") EnBW Group will, prior to any issuance of Green Financing Instruments that shall bear EUGB Designation, prepare a factsheet (the "Factsheet") within the meaning of Art. 8 (1) of EuGB Regulation.

EnBW group will ask a registered reviewer ("Reviewer") to act as external Reviewer to conduct a review of the Factsheet based on the requirements stipulated in Art. 8 (3) of the draft EuGB Regulation (the "Review").

**Opinion:** ISS ESG finds that the External Reviews proposed by EnBW's Green Financing Framework are aligned with the GBPs and GLPs. The External Review of the pre issuance factsheet as well as the external review of the full allocation report are aligned with the requirements of the proposed EU GBS.



## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE








### A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Financing Instruments and using a proprietary methodology, ISS ESG assessed the contribution of the EnBW's Green Financing Instruments 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):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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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	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Onshore wind energy generation	Significant contribution	 
Solar (photovoltaic) energy generation	Significant contribution	 
Smart Meters <sup>3</sup>	Significant contribution	
Electric Vehicle Charging Station	Limited contribution	 

<sup>3</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested.

## B. ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of EnBW’s project selection process and company policies for the nominated UoP project categories, with the relevant Climate Change Mitigation, and Do No Significant Harm Criteria and Minimum Social Safeguards requirements of the EU Taxonomy Delegated Acts<sup>4</sup> (June 2021), based on information provided by EnBW. The results of the assessment are shown below. Where EnBW’s projects and policies fully meet the Criteria requirements, a tick is shown in the table, for the ISS ESG assessment against the Criteria requirements.

EnBW’s nominated project categories overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation. Simplified versions of the EU Taxonomy Criteria are included.

- 4.1 - Electricity generation using solar PV technology
- 4.3 - Electricity generation from wind power
- 6.15 - Infrastructure enabling low-carbon road transport and public transport
- 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings
- 7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

### B.1 Electricity generation from solar PV (4.1)

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
The activity generates electricity using solar PV technology.	Solar PV meet the Mitigation criteria	✓
<b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
A robust climate risk and vulnerability assessment has been performed. Appropriate adaptation solutions are implemented both for new and existing physical assets.	EnBW has a Group-wide risk management process to identify and minimise risks. The process includes climate change risks such as extreme weather events. For identified climate risks, adaptation plans are developed by internal experts.	✓
<b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>		

<sup>4</sup>[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

N/A	N/A	N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>EnBW is confident that its solar panels are durable over a long lifetime of approximately 30 years. In particular, one of its projects has an expected lifetime of 40 years, based on comprehensive testing.</p> <p>All the solar farms have plans for complete dismantling at the end of their lifetimes. Decommissioning plans are part of some local planning approvals.</p> <p>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 be easily repaired by replacing individual non-functional components.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
An EIA has been completed. Required measures to mitigate impacts on the local biodiversity, especially for sites in or near biodiversity sensitive areas, have been implemented.	<p>German law does not require EIA's for certain small installations, such as smaller solar farms. Instead, they must follow the land-use planning process and regulations (BauGB<sup>5</sup>), which involve an environmental report on local biodiversity impacts, for example.</p> <p>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.</p>	✓

## B.2 Electricity generation from wind power (4.3)

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		

<sup>5</sup> <http://www.gesetze-im-internet.de/bbaug/>

Installation, maintenance and repair of wind turbines and the ancillary technical equipment	Wind Power meet the Mitigation criteria	✓
<b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
A robust climate risk and vulnerability assessment has been performed. Appropriate adaptation solutions are implemented both for new and existing physical assets.	<p>EnBW has a Group-wide risk management process to identify and minimise risks. The process includes climate change risks such as extreme weather events and changes in wind patterns leading to changes in wind generation.</p> <p>For identified climate risks, adaptation plans are developed by internal experts. These also include wind assessments and possible changes to equipment downtime patterns.</p>	✓
<b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>		
In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status.	For a new offshore wind project in the UK <sup>6</sup> , the Environmental and Social Impact Assessments (ESIA) are being conducted. The information will be reviewed and appropriate measures, within an Environmental Management and Monitoring Plan, will be enacted to mitigate any environmental impacts.	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>EnBW is confident that the wind turbine lifetimes are expected to be between 20 to 25 years, with good maintenance plans throughout.</p> <p>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.</p>	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
An EIA has been completed. Required measures to mitigate impacts on the local	For smaller onshore project, EIAs are not required by German regulations. Instead, they must follow the land-use planning process and	✓

<sup>6</sup> <https://www.enbw-bp.com/>

<p>biodiversity, especially for sites in or near biodiversity sensitive areas, have been implemented.</p>	<p>regulations (BauGB<sup>7</sup>), which involve an environmental report on local biodiversity impacts, for example.</p> <p>Onshore wind farms are not built in nature conservation areas. If any wind farms have an impact on the local biodiversity, management plans will be created, in accordance with regulatory requirements.</p> <p>The offshore wind farms require the ESIA's, which will take into account the provisions of the Marine Strategy Framework Directive and the the EU Biodiversity Strategy. They 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.</p> <p>The ESIA's will be followed by necessary and appropriate actions in accordance with regulatory requirements.</p>	
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### B.3 Infrastructure enabling low-carbon road transport and public transport (6.15)

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, electricity grid connection upgrades.</p>	<p>EV charging points meet the Mitigation Criteria.</p>	<p style="text-align: center;">✓</p>
<b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>		

<sup>7</sup> <http://www.gesetze-im-internet.de/bbaug/>

<p>A robust climate risk and vulnerability assessment has been performed. Appropriate adaptation solutions are implemented both for new and existing physical assets.</p>	<p>Potential climate risks to charging infrastructure include increases in temperature extremes, wet weather extremes and flooding.</p> <p>The charging stations are designed for large temperature variations as well as intense precipitation. Operational data from equipment in southern Spain show its reliability in temperature extremes for 10 years.</p>	<p>✓</p>
<p><b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>Preserving water quality and avoiding water stress.</p>	<p>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.</p>	<p>✓</p>
<p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>At least 70% of construction waste is recycled and recovered in accordance with the EU Construction and Demolition Waste Management Protocol.</p>	<p>EnBW has provided information on how 70% - 80% of the construction waste can be reused or otherwise recovered appropriately. This includes reusing concrete and asphalt surfaces and pavement slabs.</p>	<p>✓</p>
<p><b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>Where relevant, noise and vibrations from use of infrastructure are mitigated by introducing open trenches, wall barriers or other measures and comply with Directive 2002/49/EC.</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>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 (the Technical Instructions on Noise Abatement).</p>	<p>✓</p>
<p><b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>An EIA has been completed. Required measures to mitigate impacts on the local biodiversity, especially for sites in or near biodiversity</p>	<p>EIAs are not required for the construction of charging infrastructure.</p> <p>Charging infrastructure will not be built in ecologically sensitive areas.</p>	<p>✓</p>

sensitive areas, have been implemented.		
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**B.3 Installation, maintenance and repair of charging stations for electric vehicles in buildings (7.4.)**

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
Installation, maintenance or repair of charging stations for electric vehicles.	EV charging points meet the Mitigation Criteria.	✓
<b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
A robust climate risk and vulnerability assessment has been performed. Appropriate adaptation solutions are implemented both for new and existing physical assets.	<p>Potential climate risks to charging infrastructure include increases in temperature extremes, wet weather extremes and flooding.</p> <p>The charging stations are designed for large temperature variations as well as intense precipitation. Operational data from equipment in southern Spain show its reliability in temperature extremes for 10 years.</p>	✓
<b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A

**B.3 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (7.5.)**

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
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1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Installation, maintenance and repair of smart meters for gas, heat, cool and electricity	Smart meters meet the Mitigation Criteria.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
A robust climate risk and vulnerability assessment has been performed. Appropriate adaptation solutions are implemented both for new and existing physical assets.	EnBW has a Group-wide risk management process to identify and minimise risks. The process includes climate change risks such as extreme weather events and flooding in buildings with installed smart meters.  For identified climate risks, adaptation plans are developed by internal experts.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A

## Minimum Social Safeguards

ISS ESG assessed the alignment of EnBW’s due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every project category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
OECD Guidelines on Multinational Enterprises	EnBW has guidelines and policies which apply throughout its workforce. The policies are based on the OECD Guidelines on Multinational Enterprises, UN Guiding Principles on Business and Human Rights and ILO Core Labor Conventions. These policies	✓
UN Guiding Principles on Business and Human Rights		✓



<p>ILO Core Labor Conventions</p>	<p>also apply to the company's suppliers. Suppliers who don't comply with the policies may be suspended.</p> <p>Germany is an OECD country which is obliged to ensure that companies operating in Germany observe the OECD Guidelines on Multinational Enterprises.</p>	<p></p>
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## DISCLAIMER

1. Validity of the SPO: For EnBW's first 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 these SPO, the information provided in them 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.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### 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 Financing Instruments contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

# EnBW Energie Baden Wuerttemberg AG

## 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.

**Norm-Based Research - Severity Indicator** - 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.

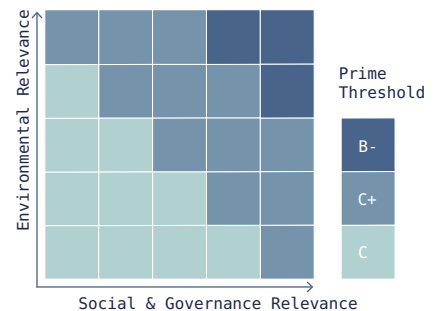
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# EnBW Energie Baden Wuerttemberg 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.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**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.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 3: Quality management processes

### SCOPE

Energie Baden-Württemberg AG (EnBW) commissioned ISS ESG to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the GBP, GLP and proposed EU GBS and to assess the sustainability credentials of its Green Financing Instruments, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (GBP)
- LMA Green Loan Principles (GLP)
- Proposed European Green Bond Standard (GBS)

### ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

ISS ESG has conducted this independent Second Party Opinion of the Green Financing Instruments to be issued by EnBW based on ISS ESG methodology and in line with the ICMA GBP, LMA GLP and proposed EU GBS.

The engagement with EnBW took place in July 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour 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 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/>

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