

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

Energie Baden-Württemberg AG (EnBW)

22 July 2019

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Overall Evaluation of the Green Bond

EnBW commissioned ISS-oekom to assist with its Green Bond/Programme by assessing three core elements to determine the sustainability quality of the Bond:

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

ISS-oekom ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Performance against the GBPs	The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	<p>The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS-oekom Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include onshore and offshore wind power plants and solar energy.</p> <p>All assets of the asset pool are located in highly regulated and developed countries. Legislative frameworks in those countries set minimum standards, which reduce environmental and social risks.</p>	Positive
Part 3: Issuer sustainability performance	<p>The issuer itself shows a good sustainability performance and has been classified as 'Prime' within the methodology of the ISS-oekom Corporate Rating.</p> <p>It is rated 3rd out of 44 companies within its sector as of 21.12.2018.</p>	Status: <i>Prime</i> Rating: <i>B-</i> Prime threshold: <i>B-</i>

¹ The ISS-oekom's present evaluation will remain valid until any modification of the Green Bond 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 21.12.2018). The controversy check of the underlying assets has been conducted on the 17.07.2019.







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-oekom assessed the contribution of the EnBW's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

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

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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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
Offshore wind power plants	Significant contribution	 
Onshore wind power plants	Significant contribution	 
Solar PV	Significant contribution	 

The issuer's green bond significantly contributes to SDGs 7 and 13 thanks to its Use of Proceeds categories promoting wind power (offshore and onshore) and solar PV.

ISS-oekom SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The net proceeds of 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 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 Green Projects.

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)

ASSET CATEGORY	INCLUDED IN GREEN BOND PORTFOLIO	SHARE OF ASSET POOL
1. Renewable energy	✓ Yes	100%
1.1 Onshore wind energy generation	✓ Yes	0-20%
1.2 Offshore wind energy generation	✓ Yes	80-100%
1.3 Solar (photovoltaic) energy generation	✓ Yes	0-20%
2. Energy efficiency	✗ No	0%
2.1 Smart meters	✗ No	0%
3. Clean transportation	✗ No	0%
3.1 E-mobility infrastructure (charging stations)	✗ No	0%

Opinion: ISS-oekom considers the Use of Proceeds description provided by EnBW as aligned with the GBPs. The project categories are aligned with the Use of Proceeds suggested by the GBPs and the sustainability strategy of EnBW. Furthermore, the distribution of proceeds by project category is disclosed: the contemplated green bond issuance will be used for (re-) financing wind and/or solar assets.

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 – CO₂ 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:

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

Opinion: ISS-oekom finds that the Project Evaluation and Selection is in line with the GBPs. 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.

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.

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.

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-oekom finds that the management of proceeds is aligned with the GBPs. 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 green instrument. The charts below include a description of the reporting indicators per asset category.

Type of Project	Benefits	Reporting indicators
Renewable energy projects	Climate Change Mitigation (generation)	<ul style="list-style-type: none"> • Per Project: <ul style="list-style-type: none"> - Name - Type of project - Country - Installed capacity (MW) [attributable to the financing instrument] • For each category: <ul style="list-style-type: none"> - Invested capital attributable to the financing instrument - [Expected] Annual energy produced (MWh per year) attributable to the financing instrument - [Expected] Annual GHG emissions avoided (CO₂ in t) attributable to the financing instrument

Type of Project	Benefits	Reporting indicators
Energy efficiency projects	Climate Change mitigation/ Security of Supply	<ul style="list-style-type: none"> • For each category: <ul style="list-style-type: none"> - Type of project - Country - Physical indicator i.e. Smart meters (total and attributable number) - Invested capital attributable to the financing instrument

Type of Project	Benefits	Reporting indicators
Clean transportation projects	Climate Change mitigation	<ul style="list-style-type: none"> • For each category <ul style="list-style-type: none"> - 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

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.

EnBW is committed to report annually and publish a separate EnBW Green Bond Impact Report next to its regular Integrated Annual Report.

Opinion: *ISS-oekom finds that reporting is aligned with the GBPs. 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) Layer one – Second Party Opinion

Prior to an issuance, EnBW commissioned ISS-oekom to obtain an external review of its Green Financing Framework. ISS-oekom 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.







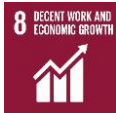
B) Layer two – Verification

EnBW received a pre-issuance certification by the CBI 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 (offshore and onshore)

As Use of Proceeds categories, offshore and onshore wind have significant contributions to SDGs 7 “Affordable and clean energy” and 13 “Climate action”. Additionally, when considering the deeper ESG management, offshore and onshore wind can be associated with other SDGs. The table below presents the findings of an ISS-oekom assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS-OEKOM ESG KPI	ASSOCIATION WITH SDGs
Site selection	
<ul style="list-style-type: none"> ✓ 100% of the assets are not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV). 	
<ul style="list-style-type: none"> ✓ 100% of assets underwent environmental impact assessments at the planning stage. 	
Community dialogue	
<ul style="list-style-type: none"> ✓ 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	
<ul style="list-style-type: none"> ✓ 100% of assets meet high environmental standards during the construction phase according to national legislation (e.g. noise mitigation, minimisation of environmental impact). 	
<ul style="list-style-type: none"> ✓ 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	
<ul style="list-style-type: none"> ✓ 100% of assets provide for high labour and health safety standards for construction and maintenance work according to national legislation. 	
Controversy assessment	
<ul style="list-style-type: none"> ✓ A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to EnBW. 	

Solar PV

As a Use of Proceeds category, solar power has a significant contribution to SDGs 7 “Affordable and clean energy” and 13 “Climate action”. Additionally, when considering the deeper ESG management, solar power can be associated to other SDGs. The table below presents the findings of an ISS-oekom assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS-OEKOM ESG KPI	ASSOCIATION WITH THE SDGS
Site selection	
<ul style="list-style-type: none"> ✓ 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	
<ul style="list-style-type: none"> ✓ Over 50% of assets provide for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions). 	
Environmental aspects of solar power plants	
<ul style="list-style-type: none"> ✓ Over 50% of the assets contain solar panels with a conversion efficiency of at least 15%. 	
<ul style="list-style-type: none"> ✓ Over 50% of assets provide for high environmental standards regarding take-back options. All debtors are required to either submit a take-back guarantee by the solar module manufacturer or to use solar modules by manufacturers that are member of the photovoltaic waste management initiative PV Cycle. For the remaining assets, no information is available. 	
<ul style="list-style-type: none"> ○ No information is available on the percentage of projects in line with the European Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS Directive). 	
Working conditions during construction and maintenance work	
<ul style="list-style-type: none"> ✓ 100% of assets provide for high labour and health safety standards for construction and maintenance work according to national legislation. 	
Controversy assessment	
<ul style="list-style-type: none"> ✓ A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to the EnBW. 	

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

PART III: ASSESSMENT OF EnBW'S ESG PERFORMANCE

The ISS-oekom Corporate Rating comprises a rating scale from A+ (excellent) to D- (poor).

COMPANY	RATING	STATUS
EnBW	B -	PRIME

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-oekom. In ISS-oekom's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 21.12.2018, this rating places EnBW 3rd out of 44 companies rated by ISS-oekom 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 has a moderate controversy level:

- Electricity and energy generation from fossil fuel and nuclear sources are responsible for the moderate controversy faced by EnBW.
- In comparison to the sector, EnBW's controversy level is comparatively low.

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



Robert Hassler, Head of ISS-oekom
London/Munich/Rockville/Zurich

DISCLAIMER

1. Validity of the SPO: For EnBW's first issuance following the SPO release date.
2. ISS-oekom 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-oekom 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: ISS-oekom Corporate Rating

The following pages contain extracts from EnBW'S latest ISS-oekom Corporate Rating.

ISS-oekom Corporate Rating

EnBW Energie Baden-Württemberg AG

Industry	Utilities/Multi Utilities	Status	Prime	 Corporate Responsibility Prime rated by ISS-oekom
Country	Germany	Rating	B-	
ISIN	DE0005220008	Prime Threshold	B-	



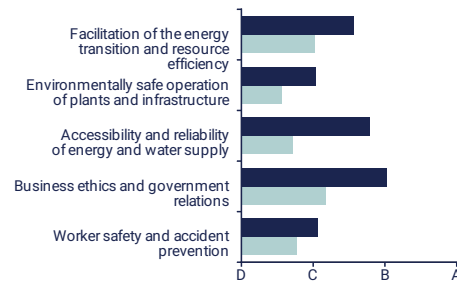
The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Industry Leaders

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

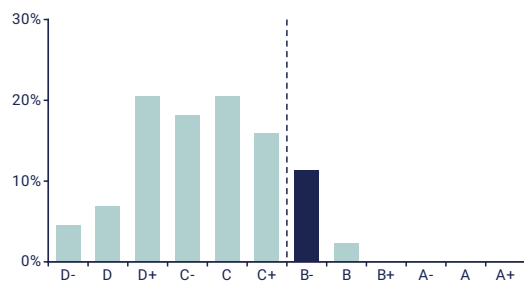
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

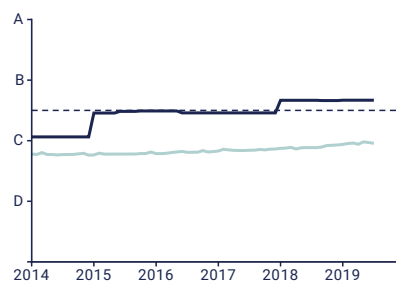


Distribution of Ratings

44 companies in the industry

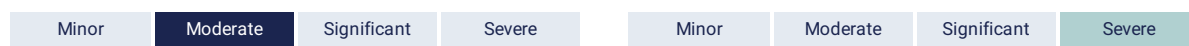


Rating History



Controversy Monitor

Company		Industry	
Controversy Score	-8	Maximum Controversy Score	-35
Controversy Level	Moderate	Controversy Risk	Severe



EnBW Energie Baden-Württemberg AG

Analyst Opinion

Susanne Marttila
Sector specialist



Sustainability Opportunities

In 2017, EnBW's energy generation mix was dominated by nuclear power (34.9%), coal (25.9%), hydropower and pumped storage (15.3%) and lignite (12%). Natural gas contributed 6.8%, wind power 4.1%, other renewables 0.5% and unspecified sources 0.4% to the company's energy generation. The overall carbon intensity of energy generation was 362 g/kWh in 2017. 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 2017, the renewable energy share of net electricity generation was still comparatively low and amounted to 16.5% (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 19 minutes per customer in 2017.

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 December 21, 2018). NECKARPRI-Beteiligungsgesellschaft is a 100% subsidiary of NECKARPRI GmbH, which in turn belongs to the federal state of Baden-Württemberg. Overall, the far majority of the company's shareholders can be considered to have a long-term investment horizon. EnBW has a two-tier governance structure with an independent chair heading the supervisory board (Lutz Feldmann, as at April 2018). 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 due to the presence of employee representatives and representatives of relevant shareholders. 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.

EnBW Energie Baden-Württemberg AG

Methodology - Overview

ISS-oekom Corporate Rating - The ISS-oekom Universe comprises more than 3,900 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded 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 itself as well as information from 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.

An external rating committee assists the analysts at ISS-oekom with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

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 and Areas - In addition to the rating, ISS-oekom undertakes a comprehensive analysis of relevant controversies with respect to numerous business practices and areas for each company. Thereby, our clients have the possibility to consider, either separately or in addition to the rating, the behaviour and the activities of a company in areas they view as especially critical.

With regard to business practices, each controversial case is examined and categorised based on whether it can be clearly attributed to the company. Additionally, the extent of the company's responsibility and the severity of the case are assessed. For the classification of the severity of the misconduct, the concrete negative effects are systematically evaluated. In addition, it is considered whether, to what extent and with what success the company has taken steps to mitigate the impact, to compensate it and to prevent similar incidents from occurring in the future.

To account for the varying levels of severity of the controversies, these are classified into the following three categories: moderate controversies, severe controversies and very severe controversies. Additionally, potential controversies are presented. These constitute issues which could be reclassified into one of the three controversy categories in case new information is reported. The classification follows a clear and uniform methodology for which ISS-oekom has defined specific evaluation parameters and their possible manifestations along a scale, based on international norms and standards and its own understanding of sustainability.

In the Business Practices section, the number of relevant and active cases is displayed in the respective cells. For each criterion, the sum of all corresponding cases for each sub-category is shown in the first line. In the Business Areas section, the activity is marked "x" and summarised as "yes" or "no". The percentage thresholds in the column headers generally refer to the Net Sales of the assessed company. As Net Sales are not an adequate reference value for all companies, these thresholds can refer to other values in individual cases (e.g. for different financial service providers).

Current cases are summarised in the "Comments" field. Irrespective of active cases, criteria marked as "Risk Exposure" indicate the company's risk exposure to controversies based on its business activities.

For the assessment of cases only those sources that have been classified by ISS-oekom as reliable are used. In addition to proven misconduct or activities of companies, alleged misconduct or activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. This applies not only to alleged practices, but also to the alleged serious negative effects of such practices.

EnBW Energie Baden-Württemberg AG

Methodology - Overview

Controversy Monitor - The Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

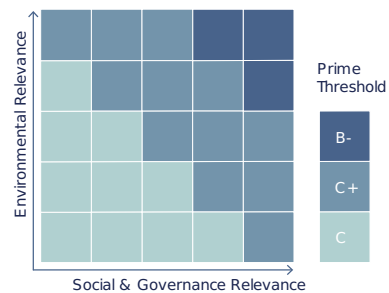
For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ISS-oekom Universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analysed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ISS-oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS-oekom 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 ISS-oekom 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 categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by ISS-oekom for a specific industry (absolute best-in-class approach) in the ISS-oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.

ANNEX 2: Methodology

ISS-oekom Green Bond KPIs

The ISS-oekom Green Bond KPIs serves 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 Programme.

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-oekom 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-oekom or that the information provided did not fulfil the requirements of the ISS-oekom Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS-oekom 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-oekom identifies the extent to which EnBW's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

About ISS-oekom SPO

ISS-oekom 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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