

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Energie Baden-Württemberg AG (EnBW)

26 August 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Green Financing Instrument
Relevant standards	Green Bond Principles (June 2022), as administered by ICMA, Green Loan Principles (March 2022), as administered by LMA, EU Taxonomy Delegated Act (June 2021), proposed EU Green Bond Standards (June 2021)
Scope of verification	EnBW Green Financing Framework (26 August 2022) EnBW Selection Criteria (as of 26 August 2022)
Lifecycle	<ul style="list-style-type: none"> • Pre-issuance verification
Validity	<ul style="list-style-type: none"> • As long as there is no material change to the Framework

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Scope of work

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

1. EnBW Green Financing Framework (26 August 2022) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Loan Market Association's (LMA) Green Loan Principles (GLP) and proposed European Green Bond Standards (EU GBS).
2. The selection criteria – whether the nominated project categories contribute positively to the UN SDGs and how they perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories 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 as included in the EU Taxonomy Climate Delegated Act (June 2021).
4. Green Financing Instrument link to EnBW's sustainability strategy – drawing on EnBW's overall sustainability profile and issuance-specific Use of Proceeds categories.

EnBW BUSINESS OVERVIEW

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

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a “best efforts basis”.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Alignment with ICMA GBP, LMA GLP and proposed EU GBS	<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 ICMA Green Bond Principles, LMA Green Loan Principles and proposed EU Green Bond Standards.</p>	Aligned
Part 2: Sustainability quality of the Selection Criteria	<p>The Green Financing Instrument will (re-)finance eligible asset categories which include: Solar, Wind, and Electricity Distribution Infrastructure, Smart Meters and E-mobility Charging Stations.</p> <p>Solar, Wind, and Electricity Distribution Infrastructure use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'. Smart Meters has a significant contribution to SDG 13. E-mobility Charging Stations have a significant contribution to SDG 13 'Climate action' and limited contribution to SDG 7 'Affordable and clean energy'.</p>	Positive
Part 3: Alignment with EU Taxonomy	<p>ISS ESG assessed the alignment of EnBW's project characteristics, due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis³. Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> • Aligned with the Climate Change Mitigation Criteria • Aligned with the Do No Significant Harm Criteria • Aligned with the Minimum Social Safeguards requirements 	
Part 4: Green Financing Instrument link to issuer's sustainability strategy	<p>The Use of Proceeds financed through this Green Financing Instrument are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Financing Instrument is clearly described by the issuer.</p> <p>At the date of publication of the report, the issuer is not exposed to any controversies.</p>	Consistent with the issuer's strategy

² ISS ESG's evaluation is based on the EnBW's Green Finance Framework (26.August 2022), on the analysed Selection Criteria as received on the 26.08.2022, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 26.08.2022).

³ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

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

This section describes ISS ESG's assessment of the alignment of the EnBW's Green Financing Framework (dated 26 August 2022) with the ICMA Green Bond Principles, LMA Green Loan Principles and proposed European Green Bond Standards.

ICMA GREEN BOND PRINCIPLES AND LMA GREEN LOAN PRINCIPLES	ALIGNMENT	ISS ESG'S OPINION
<p>Use of Proceeds</p>	<p>✓</p>	<p>ISS ESG considers the Use of Proceeds description provided by EnBW's Green Financing Framework as aligned with ICMA Green Bond Principles, LMA Green Loan Principles and proposed European Green Bond Standards.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified.</p> <p>The issuer provides a qualitative and/or quantitative analysis of the environmental benefits of the projects categories, in line with best market practice.</p> <p>The issuer defines a look-back period of 3 years, in line with best market practice and with the requirements of the proposed EU GBS.</p> <p>The issuer is committed to actively support the Paris Climate Agreement and the resulting decarbonisation targets of the EU and Germany.</p> <p>The rationale for issuance is clearly stated and linked to the company's overall strategy, which prioritises decarbonisation and sustainability</p>
<p>Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>ISS ESG considers the Process for Project Evaluation and Selection description provided by EnBW's Green Financing Framework as aligned with ICMA Green Bond Principles, LMA Green Loan Principles, as well as proposed EU Green Bond Standards.</p>

		<p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The issuer involves various stakeholders in this process, in line with best marked practice.</p> <p>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).</p>
<p>Management of Proceeds</p>	<p>✓</p>	<p>ISS ESG finds that the Management of Proceeds proposed by EnBW's Green Financing Framework as aligned with ICMA Green Bond Principles and LMA Green Loan Principles.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer transparently discloses how it will manage temporarily unallocated proceeds The issuer has defined an expected allocation period of 24 months.</p>
<p>Reporting</p>	<p>✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by EnBW's Green Financing Framework as aligned with ICMA Green Bond Principles and LMA Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. EnBW explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The issuer is transparent on the level, information reported, frequency, scope and duration of impact reporting, in line with best market practice.</p>

		<p>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.</p> <p>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.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENT TO THE UN SDGs





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




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

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Financing Instrument's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Offshore Wind Energy Generation	Significant contribution	
Onshore Wind Energy Generation	Significant contribution	
Solar (photo-voltaic) Energy Generation	Significant contribution	
Electricity Distribution Infrastructure	Significant contribution	

Smart Meters	Significant contribution ⁴		
E-mobility Charging Stations	Limited contribution		
	Significant contribution ⁵		

⁴ 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. This is due to the fact that the issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

⁵ Ibid.

PART III: ALIGNMENT OF THE ASSET POOL WITH THE EU TAXONOMY CLIMATE DELEGATED ACTS

ISS ESG assessed the alignment of EnBW's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act⁶ (June 2021), based on information provided by EnBW. Where EnBW's projects and policies fully meets the EU Taxonomy Criteria requirements, a tick is shown in the table below.

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

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

Note: In order to avoid repetition, the evaluation of the alignment of EnBW's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section B.6. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section B.7. They are applicable to all of the above activities.

Furthermore, ISS ESG only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, ISS ESG does not show the original text of the EU Taxonomy criteria in this analysis. Readers can recover the original criteria at the following [link](#).

⁶European Union, "Implementing and delegated acts", https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

B.1 4.1 - Electricity generation using solar PV technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁷	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
EnBW's portfolio includes solar PV installations located across Germany, which all meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See B.6	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>EnBW states that its solar panels are durable over a 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>	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See B.7	✓

⁷ This column is based on input provided by the issuer.

B.2 4.3 - Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁸	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
EnBW's portfolio includes onshore wind installations located across Germany as well as offshore wind facilities in the Irish and North Sea. They all meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See B.6	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
EnBW states that for its 2 new offshore wind projects in the UK ⁹ , the Environmental Impact Assessments (EIA) 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 relating to underwater noise. This is as required by the UK's Marine Strategy Regulations 2010, which as of 2021 and 2022, still had in it transposed the EU Marine Strategy Framework Directive 2008/56/EC as mentioned in the criteria.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
EnBW states that it is confident that the wind turbine lifetimes are expected to be between 20 to 25 years, with good maintenance plans throughout.	✓
The decommissioning plans for the turbines are required as part of the planning approvals. Decommissioning involves a mixture of recycling and reusing the metal components and rotor blades.	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See B.7	✓
In addition, for specific criteria relating to offshore wind, the offshore wind farms in the portfolio are located in UK waters and are subject to the UK's Marine Strategy Regulations 2010, which as of 2021 and 2022, still had in it transposed the EU Marine Strategy Framework Directive 2008/56/EC as mentioned in the criteria. Therefore, the offshore wind farms are required to not hamper the good environmental status, such as by taking measures required to mitigate the impacts on biodiversity and seabed integrity. These impacts will be identified by the Environmental Impact Assessments	

⁸ Ibid.

⁹ EnBW Wind Projects, <https://www.enbw-bp.com/>

(EIA) and the ensuing necessary measures developed as part of the resulting Environmental Management and Monitoring Plan.

B.3 4.9 Transmission and Distribution of Electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁰	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
<p>EnBW states that more than 67% of the newly connected generation capacity of its grids in the system is below the generation threshold of 100 gCO₂e/kWh, measured on the basis of the product carbon footprint over a rolling five-year period. In the past 5 years, over 95% of newly connected generation capacity to the specific grid has been related to renewable energies, and therefore meets the threshold requirement. EnBW also expects that in the near future, this will continue to be the case.</p> <p>Also, EnBW’s transmission and distribution networks are part of the interconnected European system.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See B.6	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>EnBW confirms that it has a waste management plan in place and that it is reducing and minimizing its waste by recycling or re-selling components for further use for all applicable projects. EnBW has a oil regeneration plant to clean any contaminations and prepare the oil for further use. In addition to oil, other components used for distribution grids (mainly cables or metal components) are either recycled or sold for further if possible, or disposed professionally if recycling/reselling is not possible.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>EnBW is in compliance with the German government adopted the General Administrative Provision pertaining to the Ordinance on Electromagnetic Fields (26th BImSchVVwV) to guarantee no harm is caused by electromagnetic fields on human health. EnBW also confirms that it does not use PCBs polychlorinated biphenyls in new facilities, and that the PCBs in old facilities were fully switched in the early 1990s, and the PCB were professionally disposed.</p>	✓

¹⁰ This column is based on input provided by the issuer.

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See B.7	✓

B.4 6.15 - Infrastructure enabling low-carbon road transport and public transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹¹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
EnBW's portfolio includes a network of EV charging points across Germany, which meets the Mitigation Criteria	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See B.6	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
Charging stations are mostly built on car parks which already have appropriate drainage measures. Appropriate procedures would be followed in cases of new building sites to minimise impacts on local water resources. The issuer also confirms all of its EV charging infrastructure complies with EU Water Framework Directive.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
EnBW confirms that its activities comply with the EU Waste Framework Directive and the EU Construction and Demolition Waste Management Protocol, and hence ensures 70% - 80% of the construction waste can be reused or otherwise recovered appropriately. This includes reusing concrete and asphalt surfaces and pavement slabs. More specifically, the issuer confirms that it ensures fulfilment of these directives by having its contractors reuse any extracted soil on the site. If this is not possible, then the soil is being tested. If uncontaminated, the soil will be reused on other construction sites, and if contaminated, the soil will be professionally disposed by a specialist.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The construction of the charging infrastructure is carried out by external service providers and mainly takes place on green spaces or existing parking areas. So far, there have been no construction activities that cause significant dust or pollutant emissions. Otherwise, measures are taken to observe the relevant noise regulations in Germany, where all of the issuer's e-mobility infrastructure assets are being located (the Technical Instructions on Noise Abatement).	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See B.7	✓

¹¹ Ibid.

B.5 7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹²	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
Smart meters meet the Mitigation Criteria. The issuer states that smart meters are required to be installed first for customers that consume more than 6000kWh of energy, which are mostly small and medium sized businesses and to a lesser extend private households. It is expected to be rolled out for more households over the coming years.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See B.6	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

B.6 Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹³	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>EnBW has a Group-wide risk management process to identify and minimise risks.</p> <p>EnBW confirms that it updates its risk management process regularly, hence also ensuring that adaptation solutions that reduce the most important identified physical climate risks for the activities are integrated at the time of design and construction, and are implemented before the start of operations. EnBW also confirms that the identified climate risks and adaptation plans are developed by internal experts. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural</p>	✓

¹² Ibid.

¹³ Ibid.

heritage, of assets and of other economic activities, are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible. However, for the time being, the assessment for smart meters is pending.


EnBW has developed an internal screening of the activity categories for which this criterion is applicable (solar, wind, electricity grids, EV charging points,) for any climate risks in the short-term (next 3 years) or long-term (10-30 years) perspective. EnBW's climate projections and assessment of impacts analysis is based on Representative Concentration Pathway (RCP) 2.6 and 8.5 scenarios. These climate risks have been clustered into the categories of temperature, wind, water and ground.

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

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

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

B.7 Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁴	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
<p>EnBW confirms that Environmental impact assessments (EIA) are conducted for the wind and electricity grids project categories. EnBW confirms that its solar projects or EV charging points projects are not required by German law to conduct EIAs, but the company commits to ensure these projects fulfil relevant biodiversity management practices.</p> <p>Specific considerations relating to each of the category where this criterion is applicable are listed below:</p> <p>Solar: German law does not require EIAs for certain small installations, such as smaller solar farms. Instead, they must follow the land-use planning process and regulations (BauGB)¹⁵, which involve an environmental report on local biodiversity impacts, for example. However, when EIAs are mandated they are conducted according to the national and European regulations. This is also confirmed through the EU taxonomy process since the DNSH criteria for the environmental objective "protection and restoration of biodiversity and ecosystems" also includes the responsible conduction of EIAs. EnBW confirms that its solar farms are not built in nature conservation areas. If any solar farms have an impact on the local biodiversity, management plans will be created, in accordance with regulatory requirements. The issuer states that examples of biodiversity management plans include using minimal amount of space for solar farm per unit of electricity to limit the impact on the land, and also to keep the breeding habitats of certain species (such as skylarks) on site instead of moving these habitats elsewhere.</p> <p>Wind: EIAs for wind power projects (wind onshore and offshore) are carried out in line with the EU legal requirement. For projects in Germany, there are two variants for the EU environmental impact assessment:</p> <ol style="list-style-type: none"> (1) The "Environmental Impact Assessment", which is actually referred to as such and which is mandatory in principle (except for smaller plants). This is very complex and expensive (six-digit range). This environmental impact assessment probably exceeds in scope and depth the EIA pre-scribed by EU law and referenced in the taxonomy criteria. (2) For the smaller plants, for which the extensive EIA is not prescribed under German law, the urban land use planning procedure according to BauGB must be passed through and an environmental report must be prepared ("EIA light"). <p>In addition, EnBW states that the EIA of its offshore wind projects (mostly large scale projects where an EIA is mandatory) will also take into account the provisions of the Marine Strategy Framework Directive and the EU Biodiversity Strategy. These directives</p>	

¹⁴ Ibid.

¹⁵ Germany's land-use planning process and regulations, <http://www.gesetze-im-internet.de/bbaug/>

will provide an assessment of potential impacts on biodiversity and seabed integrity. They also will study impacts relating to nearby marine protected areas, for example the Liverpool Bay Special Protection Area, West of Copeland Marine Conservation Zone (MCZ), West of Walney MCZ and North Anglesey Marine Special Area of Conservation. The EIAs will be followed by necessary and appropriate actions in accordance with regulatory requirements.

Electricity Grids: EIAs for electricity grids are carried out in line with EU and German legal requirements. The EIA respectively comparable assessments are a key requirement for receiving approval for constructing and operating electricity grids in Germany and Europe. Grid activities that are not required to conduct an EIA have to present several documents about legal requirements to the local authorities.

EV Charging points: EIAs are not required for the construction of charging infrastructure. Charging infrastructure will not be built in ecologically sensitive areas.

Minimum Social Safeguards

ISS ESG assessed the alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation¹⁶. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁷	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
OECD GUIDELINES FOR MULTINATIONAL ENTREPRISES AND UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS – MSS REQUIREMENTS	
EnBW has guidelines and policies which apply throughout its workforce. The policies are based on the OECD Guidelines on Multinational Enterprises. Germany is an OECD country which is obliged to ensure that companies operating in Germany observe the OECD Guidelines on Multinational Enterprises.	✓
INTERNATIONAL LABOUR ORGANIZATION’S (ILO) CORE CONVENTIONS AND THE INTERNATIONAL BILL OF HUMAN RIGHTS – MSS REQUIREMENTS	
EnBW has guidelines and policies which apply throughout its workforce, which are based on UN Guiding Principles on Business and Human Rights and ILO Core Labor Conventions. These policies also apply to the company’s suppliers. Suppliers who don’t comply with them are required to give a commitment to effect remedial action or improvements within a certain amount of time, otherwise they may be suspended. However, the issuer does not indicate the exact amount of time gives to suppliers to take remedial actions or improvements.	✓

¹⁶ Article 18 of the Taxonomy Regulation, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

¹⁷ This column is based on input provided by the issuer.

The process of complying with minimum safeguards takes a risk-based approach. EnBW's system particularly focusses on the aspects of the business activity where there is a greater risk of breaches. In selected product groups where EnBW sees an increased social risk within the supply chain, further measures are taken in addition to the standard processes to ensure compliance with human rights and occupational health and safety standards. For example, for major wind turbine projects, extensive questionnaires are sent to suppliers for self-assessment or, in the case of PV projects, on-site audits are also carried out by EnBW, so to ensure the occupational safety on the sites for these projects. If not all conceivable negative social effects can be directly mitigated or rectified, these effects are prioritized based on the severity and likelihood of occurrence and then addressed by both EnBW and its suppliers, in order of priority.

PART IV: GREEN FINANCING INSTRUMENT LINK TO EnBW'S SUSTAINABILITY STRATEGY

A. EnBW'S BUSINESS EXPOSURE TO ESG RISKS

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

ESG risks associated with the Issuer's industry

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

ESG KEY ISSUES IN THE INDUSTRY

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













ESG performance of the Issuer

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

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

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer'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 the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹⁸	DIRECTION OF IMPACT	UN SDGS
Energy generation based on nuclear power	5.1%	CONTRIBUTION	
		OBSTRUCTION	 
Energy supply to residential customers	5%	CONTRIBUTION	
Energy generation based on coal	4.3%	OBSTRUCTION	 
Energy generation based on hydropower (>10MW)	3%	CONTRIBUTION	 
Energy generation based on wind	2.6%	CONTRIBUTION	 
Water and/or wastewater services for residential customers	1%	CONTRIBUTION	 

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Multi-Utilities industry are as follows: Anti-competitive behaviour, Failure to respect the right to just and favourable conditions of work, and Failure to respect consumer health and safety.

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

¹⁸ Percentages presented in this table are not cumulative.

B. CONSISTENCY OF GREEN FINANCING INSTRUMENT 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). The company has already reduced its particularly carbon-intensive electricity generation portfolio by circa 2.7 GW since 2013, and plans to reduce a further 2.5 GW from operation by 2030. It is also expanding into new areas for decarbonisation, such as clean transportation, energy savings and smart cities.

Between 2015-2020, EnBW reduced the CO₂ 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, 80% of which will be spent on growth projects (focusing on grid expansion, renewables, fuel switch and smart infrastructure). In October 2021, EnBW made a commitment to develop Science Based Targets by joining the Science Based Targets Initiative (SBTi). Going forward, the company states that it will focus on wind and solar installations, green power products, sustainable urban districts with advanced charging infrastructure for electric vehicles, distributed energy generation and energy storage. EnBW is also committing to realigning its workforce to adapt to the company's new business lines and assets.

Rationale for issuance

EnBW has issued multiple Green Financing Instruments with a total volume of EUR 2.5 billion, since it announced its first Green Financing Framework in 2018. It has used them to finance mostly a number of renewable energy projects, the acquisition of Valeco, a renewable energy developer, and infrastructure related to electric transportation. These are all key areas identified by EnBW which can directly contribute to the company's climate strategy and decarbonisation goals. EnBW's intention with the issuance of Green Financing Instruments is to add sustainability onto the liabilities side of the company's balance sheet, which would bring sustainable finance to a broader range of the company's stakeholders.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the Use of Proceeds categories financed under this Green Financing Instrument 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 industry. 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 industry. 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
Offshore Wind Energy Generation	✓	✓	Contribution to a material objective
Onshore Wind Energy Generation	✓	✓	Contribution to a material objective
Solar (photo-voltaic) Energy Generation	✓	✓	Contribution to a material objective
Electricity Distribution Infrastructure	✓	✓	Contribution to a material objective
Smart Meters	✓	✓	Contribution to a material objective
e-mobility Charging Stations	✓	✓	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.

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
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

EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021)

The evaluation shows if EnBW's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

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

Assessment of the contribution and association to the SDG

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

ANNEX 2: ISS ESG Corporate Rating Methodology

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

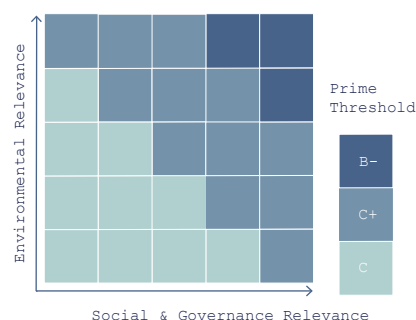
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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).

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

EnBW commissioned ISS ESG to compile a Green Financing Instrument SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the ICMA Green Bond Principles and LMA Green Loan Principles and proposed EU Green Bond Standards and to assess the sustainability credentials of its Green Financing Instrument, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2022)
- LMA Green Loan Principles (March 2022)
- EU Taxonomy Climate Delegated Act (June 2021)
- Proposed EU Green Bond Standards (June 2021)

ISSUER'S RESPONSIBILITY

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

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

ISS 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 Instrument to be issued by EnBW based on ISS ESG methodology and in line with the ICMA Green Bond Principles, LMA Green Loan Principles and proposed EU Green Bond Standards.

The engagement with EnBW took place in August 2022.

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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