

POST-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Post-Issuance Certification
for the Green Bond Issued by Energie Baden-Württemberg AG



SCOPE

Energie Baden-Württemberg AG (EnBW) commissioned ISS ESG to compile a Verifier's Report for Post-Issuance Certification of its Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 2.1)
- Marine Renewable Energy Sector Eligibility Criteria (status 10/2017)
- Wind Sector Eligibility Criteria (Version 1.1)
- Solar Sector Eligibility Criteria (Version 2.1)

ISSUER'S RESPONSIBILITY

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

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

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 been conducted this independent Post-Issuance Verification Process of the green bond (program) issued by EnBW based on the Climate Bond Standards 2.1. and in line with the limited assurance procedure defined by the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

ISS ESG's approach to assess whether the issuer's Green Bond meets the criteria of the Climate Bond Standards 2.1. is as follows:

- The issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS ESG.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard 2.1.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS ESG carried out an assessment of the CBI criteria. In case any answers were unclear, ISS ESG contacted the issuer for more details and clarification.

The engagement with EnBW took place in July 2020.

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 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.

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of EnBW and the Climate Bonds Standard Board. The present document may be published by EnBW, CBI and ISS ESG. CBI and ISS ESG agree to publish the report with the consent EnBW.

OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2019 Green Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements.



ROBERT HÄBLER
ISS ESG
Munich, 13 July 2020

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About ISS ESG

Since March 2018, ISS-oekom has been a member of the ISS family, sitting within the ISS ESG business unit, which also includes ISS-ethix and ISS-Climate. ISS ESG provides high quality solutions for sustainable and responsible investment and corporate governance. The External Review team, covering Second Party Opinions (SPOs) and Climate Bond Certifications is made up of colleagues across ISS ESG, from ISS-oekom and ISS-Climate.

Originally founded in 1993 and formerly known as oekom research, ISS ESG is one of the world’s leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition. ISS ESG analyzes businesses and countries with respect to their environmental social and governance performance. As an experienced partner of institutional investors and financial service providers, we analyse the level of responsibility exercised by equity and bond issuers towards society and the environment. Under the new ownership, ISS ESG completes the ESG research and RI services offerings of ISS, making it a worldwide pure-player in the area of RI Research & Solutions. ISS ESG is headed by Robert Haßler, former CEO and co-founder of oekom research. More information: www.oekom-research.com and www.issgovernance.com.

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ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Marine Renewable Energy Standards (offshore wind)

Annex 3: Detailed Findings Solar Power

Annex 4: Detailed Findings Wind Power (onshore)

ANNEX 1: DETAILED FINDINGS

4. NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Decision-making process to determine the continuing eligibility of nominated projects and assets	EnBW has defined an environmental objective and has implemented processes to determine the eligibility of nominated assets.	✓
4.2	Conformance with the Bond's documented objectives and requirements of Part B of the CBI Standard	The full amount of the net proceeds is distributed to Eligible assets related to renewable energy and that conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓
4.3	No double nomination of projects and assets	EnBW's selection method is designed to ensure that assets are not nominated twice. This is shown in the reporting.	✓

5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Allocation of net proceeds to nominated projects and assets	All proceeds have been allocated or are to be allocated to nominated projects and assets.	✓
5.2	Allocation of funds within 24 months of issuance of the bond	91% of the proceeds have been allocated to nominated Eligible Assets. The remaining 9% is scheduled to be allocated by 31 December 2020 to nominated Eligible Assets.	✓
5.3	Share of financing and refinancing	91% of the proceeds have been allocated, or will be allocated for financing, while 9% are for refinancing.	✓

5.4	Tracking of proceeds	The net proceeds of the bond are moved to a Green Bond portfolio and are tracked by the organisation.	✓
5.5	Net proceeds of the loan and investment to nominated projects and assets	To ensure that the bond proceeds can be directed in full to the Eligible Assets, the total capex of the Eligible Projects are in many cases greater than the allocated capex.	✓

6. NON-CONTAMINATION OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	Tracking of proceeds	EnBW's internal accounting system allows to track and control at any point in time the amount of funds that have been allocated to an individual project.	✓
6.2	Non-contamination of proceeds	Unallocated proceeds will only be held in Investments in any form of cash, bank deposit or other form of available current financial assets.	✓
6.3	Cases of force majeure	Not applicable for EnBW.	✓

7. CONFIDENTIALITY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	Description of the projects	The full amount of the net proceeds is distributed to Eligible Assets related to wind energy (onshore and offshore) and solar energy and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓
7.2	Disclosure of information to the market	EnBW publishes a separate EnBW Green Bond Impact Report next to its regular Integrated Annual Report. Both documents are publicly available on EnBW's website (https://www.enbw.com/company/investo)	✓

[rs/bonds/enbw-green-bond-impact-report.html/\)](https://www.enbw.com/company/investors/bonds/enbw-green-bond-impact-report.html/)

8. REPORTING

REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
<p>8.1 Description of reporting</p>	<p>EnBW publishes a separate EnBW Green Bond Impact Report next to its regular Integrated Annual Report. Both documents are publicly available on EnBW's website:</p> <ul style="list-style-type: none"> - Green Bond Impact Reporting 2019: https://www.enbw.com/company/investors/bonds/enbw-green-bond-impact-report.html - Integrated Annual Report 2019: https://www.enbw.com/media/bericht/bericht_2019/downloads/integrated-annual-report-2019.pdf. 	<p>✓</p>

9. CLIMATE BOND TAXONOMY

REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
<p>9.1 Matching of Climate Bond category</p>	<p>The full amount of the net proceeds is distributed to Eligible Assets related to wind energy (offshore and onshore) and solar energy and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.</p>	<p>✓</p>

10. TECHNICAL CRITERIA

REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
<p>10.1 Sector-specific eligibility criteria</p>	<p>The full amount of the net proceeds is distributed to Eligible Assets related to wind energy (offshore and onshore) and</p>	<p>✓</p>

		solar energy and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	
10.2	Bonds covering several sector-specific criteria	Not applicable.	–

11. PROJECT HOLDING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
11.1	Holding of assets with a fair market value at least of the original amount at time of issuance	<p>The value of assets selected is equal to principal amount of bond issuance as external reporting of allocation.</p> <p>Additional Nominated Projects and Assets will always meet the eligibility criteria.</p>	✓

12. SETTLEMENT PERIOD

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
12.1	Description of the process and timeline of distribution of proceeds	More than 90% of the amount of the net proceeds has been allocated to nominated Eligible Assets. The remaining amount of net proceeds is scheduled to be allocated by 31 December 2020.	✓
12.2	Description of process regarding unallocated proceeds after 24 months	The remaining amount of the net proceeds will be allocated by 31 December 2020.	✓

13. EARMARKING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
13.1	Description of internal earmarking process	EnBW has set up a register and has put internal systems in place to track the outstanding proceeds of Green Financing instruments internally. The earmarking of use of proceeds is reflected in the management of the project list	✓

and published in the EnBW Green Impact Report
2019.

ANNEX 2: DETAILED FINDINGS MARINE RENEWABLE ENERGY STANDARD

1. DISCLOSURE COMPONENT

	REQUIREMENT	DISCLOSURE EVIDENCE (information publicly available)	FULFILLS THE REQUIREMENTS
1	Project location and size, including description of marine coastal ecosystem in proximity to planned installations, noting for example whether located in marine protected areas or vulnerable marine ecosystems.	<p>Project 1: North Sea, Germany, 71 turbines.</p> <p>Project 2: North Sea, Germany, 16 turbines.</p>	✓
2	Projected lifespan of the asset/project.	<p>Project 1: 25 years.</p> <p>Project 2: 25 years.</p>	✓
3	Key stakeholders involved, including other users of the area and surrounding area (sea, land or air depending on what is applicable) of the facility (ies).	<p>Projects 1 & 2: Relevant government bodies; environmental nature conservation authorities and organisations; fishermen organisations; shipping and aviation authorities; local public authorities; the public; and the Government of the Netherlands for potential transboundary impacts have been involved.</p>	✓
4	Description of the project activities including details on installation, operation and decommissioning activities.	<p>Projects 1 & 2: Description of the project activities is available on the project's developer website.</p>	✓
5	Expected/current facility capacity and generation during and after the life of the bond.	<p>Project 1: 497 MW</p> <p>Project 2: 112 MW</p>	✓
6	Details of where the energy generated is being fed into, and estimated impact of the grid mix.	<p>Project 1: Hohe See will be connected to BorWin 3 which is connected via a 130km long cable to the coast, that is transported a further 30km to Emden/east.</p> <p>Project 2: Albatros will be connected to BorWin 2 which is connected via a 125km</p>	✓

		long cable to the coast, that is transported a further 75km to Diele.	
7	Projected avoided GHG emissions compared to fossil fuel counterfactual (in kgCO ₂ e) using recognised conversion factors.	Projects 1 & 2: 1.9 million tonnes of CO ₂ saved.	✓
8	The planning standards, environmental regulations and other regulations that the project has been required to comply with.	<p>Projects 1 & 2: The construction and operation of an offshore wind farm in the German EEZ, the area between 12 and 200 nautical miles from the German coast, requires a planning licence or approval decision (BSH Licence) and ‘releases’ (BSH Releases) from the Federal Maritime and Hydrographic Agency of Germany based on the Act on Marine Facilities.</p> <p>A BSH License covers in principle all planning consents required for an offshore wind farm (a ‘one stop shop’ approach to permitting), except for those consents required for the construction and operation of the grid connection.</p>	✓

2. Mitigation Component

The issuer’s Green Bond Asset Pool is in line with the Mitigation Component of the Climate Bonds Initiative as it is entirely dedicated to renewable energy.


3. Adaptation & Resilience Requirements

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1	Processes are in place to assess key risks to the assets from a changing climate and its impact on marine conditions.	Both projects underwent an EIA which takes into consideration risks and impacts.	✓
2	Processes are in place to assess improvements and impacts the	Impacts on the resilience of stakeholders are subject to existing regulatory requirements (Environmental Permits and EIAs) covered by national law	✓


	assets have on the resilience of other stakeholders.	(Germany) for both projects, accounting for 100% of the offshore wind asset pool.	
3	An adaptation plan has been designed and is being implemented to address the risks identified in assessments outlined above.	For two projects, accounting for 100% of the offshore wind asset pool, monitoring, implementation, prevention, and response measures are in place to address identified risks.	✓
3.1	Inspections are carried out regularly and there is a maintenance regime for future inspection.	For two projects, accounting for 100% of the offshore wind asset pool, maintenance is provided by a specialised O&M Contractor.	✓
4	Involvement in stakeholder engagement and collaboration	Two projects, accounting for 100% of the offshore wind asset pool, have carried out close collaborations with stakeholders in order to promote resilience and adaptation.	✓
5	The assets do not put at risk or endangered species or habitats or unduly impact ecosystem services. If so, mitigation measures have been implemented.	Two projects, accounting for 100% of the offshore wind asset pool, have avifauna monitoring plans and other mitigation measures in place to minimise impact on endangered species and the ecosystem, or are subject to existing regulatory requirements (Environmental Permits / EIAs) covered by national law (Germany).	✓
5.1	Waste is responsibly dealt with. Recycling is in place where possible.	Two projects, accounting for 100% of the offshore wind asset pool, include waste disposal measures, or are subject to regulatory requirements (Environmental Permits and EIAs) covered by national law (Germany).	✓
5.2	Potential risks for accidental site contamination have been recognised. Steps have been taken to minimise these risks.	Two projects, accounting for 100% of the offshore wind asset pool, include measures to minimise risks for accidental site contamination, or are subject to regulatory requirements (Environmental Permits and EIAs) covered by national law (Germany and Netherlands).	✓
5.3	Decommissioning of the plant is planned in a way that considers the environmental impacts.	Two projects, accounting for 100% of the offshore wind asset pool, include measures for responsible decommissioning.	✓
5.4	Plans and processes are in place to effectively manage and minimise conflicts with	Two projects, accounting for 100% of the offshore wind asset pool, include	✓

other users of the marine and coastal space.	measures to minimise navigational risks to maritime traffic and aviation.	
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ANNEX 3: DETAILED FINDINGS SOLAR POWER

	<p>The Green Bond Asset Pool complies with the Solar Power criteria of the Climate Bonds Initiative.</p> <p>All onshore solar parks are eligible for the Climate Bonds Certification.</p>
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ANNEX 4: DETAILED FINDINGS WIND POWER (ONSHORE)

	<p>The Green Bond Asset Pool complies with the Wind Power criteria of the Climate Bonds Initiative.</p> <p>All onshore wind farms are automatically eligible for the Climate Bonds Certification.</p>
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