SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

EWE AG
4 May 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green Finance Instruments, including Green Bonds
Relevant standards	• ICMA Green Bond Principles, LMA Green Loan Principles, and the EU Taxonomy Delegated Act (April 2021).
Scope of verification	• EWE Green Finance Framework (as of May 2021)
Lifecycle	• Pre-issuance verification
Validity	• As long as the Green Finance Framework remains unchanged

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Scope of work

EWE AG ("EWE" or "the issuer") commissioned ISS ESG to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Finance Instruments' link to EWE's sustainability strategy – drawing on EWE's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. EWE's Green Finance Framework (May 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and Loan Market Association Green Loan Principles (GLPs).
3. The eligible project categories – whether the projects contribute positively to the UN SDGs and align with the Final Report on EU Taxonomy and associated Technical Annex[1] (EU Taxonomy – Delegated Act 2021) on a best effort basis.

[1] Delegated Acts: Technical Annex
https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf
ISS ESG reviewed the alignment of the due diligence processes of EWE for each project category to be (re-)financed under this instrument against the Delegated Act (April 2021) provisional version of the Taxonomy Report.
The EU Commission released a Delegated Act on the EU Taxonomy in April 2021. The Draft has been approved in principle by the European Commission on 21 April 2021. The first company report and investor disclosures using the EU Taxonomy are due at the start of 2022, covering the financial year 2021. Thus, as of the date of publication of this SPO report, it is not possible to conclude to any definite alignment with the EU Taxonomy, which is not yet finalized and implemented, and the Delegated Act 2021 version of the Technical Annex was used as reference point.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[2]
Part 1: **Green Bond's link to issuer's sustainability strategy**	EWE AG is a German multi-utility company providing services in the areas of electricity, natural gas supply and telecommunication, as well as, to a smaller extent, water, heat, waste, and information technology. The Use of Proceeds financed through Green Finance Instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.	**Consistent with issuer's sustainability strategy**
Part 2: **Alignment with GBPs and GLPs**	The issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs and LMA GLPs.	**Aligned**
Part 3: **Alignment of the asset pool with the EU Taxonomy**	The inaugural Green Bond will (re-)finance eligible projects under the categories Renewable Energy, Energy Efficiency and Clean Transportation. Those use of proceeds categories have a positive contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'. ISS ESG assessed the alignment of EWE's due diligence processes against the requirements of the EU Taxonomy (Delegated Act version of April 2021), on a best effort basis. Based on robust processes for selection, the green eligible projects are considered to be aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.	**Positive for Electricity Generation, Distribution and Transmission** **Alignment on a best effort basis for the Fiber Optic network[3]**

[2] ISS ESG's evaluation is based on EWE's Green Finance Framework (May 2021 version), on the eligible green project pool and on the ISS ESG Indicative Assessment available at the SPO delivery date.
[3] EWE's green projects fully align with the Delegated Act of the EU Taxonomy (April 2021), except for the optical fiber. The optical fiber is in line with the March 2020 version of the EU Taxonomy, but not with the Delegated Acts of November 2020 and April 2021. Read more on page 19.

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCE INSTRUMENTS' LINK TO EWE SUSTAINABILITY STRATEGY

A. EWE'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: ***Please note that EWE is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Multi-Utilities sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.***

Industry classification: Multi-Utilities[4]

Key Issues of the industry:

1. Facilitation of the energy transition and resource efficiency
2. Environmentally safe operation of plants and infrastructure
3. Worker safety and accident prevention
4. Accessibility and reliability of energy supply
5. Business ethics and government relations

Indicative ESG risk and performance assessment:

EWE AG is a German multi-utility company providing services in the areas of electricity and natural gas supply, telecommunications and, to a lesser extent, water, heat, waste, and information technology. The company's power generation segment currently relies on renewable and non-renewable generation, with renewables such as wind and solar, accounting for 46.7% of total generation followed by 20.7% coal, 16.4% natural gas & oil and 16.2% from Waste to Energy in 2020. In its path to carbon-neutrality by 2035, the company plans to invest EUR 4 bn into renewable energy until 2030 through its Alterric joint venture active in project management and operation of onshore wind energy power plants. Plus, EWE assumes it will succeed in stopping to produce energy from coal by mid-2020s ensuring the company will have a greater share of power generation from renewable sources. In terms of pollution, procedures are in place to mitigate air emissions from thermal power generation. EWE AG also has defined a climate change mitigation strategy, including targets and measures. Certified environmental management systems such as ISO 14001 or ISO 50001 are implemented in company segments with high relevance in terms of emissions. In addition, the company is involved in the promotion of innovative technologies such as e-mobility and initiatives to increase energy efficiency.

[4] As per ISS ESG industry classification.

Health and safety management systems are in place and EWE AG's safety performance is disclosed. In 2020 the company's lost time incident frequency rate stood at 3.2, a slightly above-average industry performance when compared to peers. Lastly, codes of conduct for the own workforce and suppliers have been implemented to ensure responsible and ethical decision-making. EWE AG is committed to the protection of human rights both internally and within its sphere of influence. This commitment is supported by the implementation of some relevant due diligence procedures that ensure compliance with the company's human rights policy.

Indicative product portfolio assessment:

- **Social impact of the product portfolio**:

EWE AG provides electricity and gas, as well as, to a smaller extent, telecommunication and water to a variety of customers. The company's services for private households positively contribute to the provision of basic services, and the supply of drinking water contributes to ensuring health, but these activities presumably do not account for a major revenue share.

- **Environmental impact of the product portfolio:**

EWE AG's energy generation mix derives from a mix of renewable and non-renewable energy sources. Energy generation based on renewable energies outweighed energy generation from coal for the first time in 2020. This trend is expected to continuously increase until coal is completely phased out by mid-2020s.
The revenue share of water services and its associated positive environmental contribution is low.

- **Controversy risk assessment**:

Based on a review of controversies in the period of 1 January 2019 – 14 April 2021, the greatest risk reported against companies operating in the multi-utilities industry relate to activities that may have adverse impacts on the environment and human rights. This is closely followed by activities related to business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to assess environmental impacts, failure to respect the right to an adequate standard of living, poor stakeholder consultation. This is closely followed by the alleged failure to prevent water pollution, failure to mitigate climate change impacts and failure to respect consumers' rights.

The analyst in charge of producing this report, conducted a high-level controversy assessment on the company, which did not reveal any controversy that can be attributed to the issuer.

B. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH EWE'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

EWE supports climate protection measures like the European Green Deal or the Paris Agreement on Climate Change – to which EWE commits itself expressly by signing a declaration.

Based on the Greenhouse Gas Protocol, EWE compiled retrospectively its climate data for the year 2018. The issuer aims at making the scope 1 and 2 emissions climate-neutral by 2035. As for scope 3 emissions, EWE aims to procure 50 percent of its purchasing volume in a climate-neutral manner for the upstream value chain, and reduce 65 percent of the emissions caused by its products and services for customers in the downstream value chain. EWE has committed to phasing out coal-fired power generation by 2030. The Issuer has shut down two of three coal blocks and aims at completely phasing out coal by mid-2020s.

Rationale for establishing the Green Finance Framework and inaugural issuance

In line with EWE's objective of providing a sustainable and secure supply of electricity and telecommunications to society, EWE has established its Green Finance Framework under which the Company intends to issue Green Finance Instruments, which may include bonds (including private placements), loans, promissory notes (Schuldscheindarlehen) and any other green finance instrument, to finance and/or refinance assets with a positive environmental benefit.

EWE believes that Green Finance Instruments are an effective tool to channel investments to assets and projects that have demonstrated climate benefits and thereby contribute to the achievement of the Company' sustainability objectives as well as external standards, such as the UN SDGs. The Issuer sees the decarbonisation of the economy as a sustainability priority. This is in line with the ambition of the EU Commission, which, as part of the European Green Deal, has proposed to raise the 2030 greenhouse gas emission reduction target to at least 55% compared to 1990.

By issuing Green Finance Instruments, EWE intends to align its funding strategy with its mission, corporate strategy and objectives. Moreover, EWE aims to contribute to the development of the Green Bond/Loan market and to the growth of SRI and dark green investing. Green Finance Instruments will help to diversify EWE Group's investor base and broaden the dialogue with existing investors.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Finance Framework 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 Multi-Utilities sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. electricity generation through wind power. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy (Electricity generation via Solar PV, Wind Power, Electricity Storage and Distribution, and Hydrogen Manufacture, Storage and Distribution)	✓	✓	Contribution to a material objective

Energy Efficiency (Modernization of broadband network)	✓	✓	Contribution to a material objective
Clean Transportation (Electric vehicles' charging stations)	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through EWE Green Finance Instruments are consistent with EWE's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described. Moreover, EWE has set clear environmental targets for the future decades.*

PART II: ALIGNMENT WITH THE GBPs AND GLPs

1. Use of Proceeds

The net proceeds of Green Finance Instruments will be exclusively used to finance and/or refinance in whole or in part projects that meet the Eligibility Criteria ("Eligible Green Projects"), including related partnerships and joint ventures, in the following eligible categories, together forming the "Eligible Green Project Portfolio".

ELIGIBLE CATEGORY	ELIGIBILITY CRITERIA	EU ACTIVITIES AND ENVIRONMENTAL OBJECTIVES
Renewable Energy	▪ Renewable energy generation: Construction or operation of electricity generation facilities that produce electricity from wind power (on-shore and off-shore) and solar PV[5] power ▪ Electricity storage: Construction and operation of facilities that store electricity and return it at a later time in the form of electricity ▪ Electricity distribution infrastructure and equipment[6] in accordance with the following criteria[7]: - over 67% of newly connected generation assets comply with the 100gCO2/kWh threshold (over a rolling 5-year period), or - the grid's average emissions factor is less than 100gCO2/kWh ▪ Hydrogen manufacture, storage and distribution infrastructure[8]	**EU Environmental Objective:** Climate Change Mitigation (sub-goal 1.a) **EU Economic Activities:** - Electricity generation from renewable energy sources (wind and solar PV) - Storage of Electricity - Transmission and Distribution of Electricity - Manufacture of Hydrogen - Storage of Hydrogen - Transmission and distribution networks for renewable and low-carbon gases

[5] In accordance with the EU Taxonomy, wind and solar power facilities are derogated from the requirement to conduct PCFs assessments on the basis that these technologies currently perform significantly below the emissions intensity threshold of 100gCO2/kWh.
[6] Including Smart Technologies, such as Smart Grids and Smart Meters.
[7] If one or both of the Eligibility Criteria are met, the entire electricity grid book-value will be included within the Eligible Green Project Portfolio.
[8] Production, storage and distribution of hydrogen that meets the criteria for manufacture of hydrogen: 1) direct CO2 emissions from manufacturing of hydrogen with threshold of 2.256 tCO2eq/tH2, 2) electricity use for hydrogen produced by electrolysis is at or lower than 58 MWh/t Hydrogen, 3) average carbon intensity of the electricity used for hydrogen manufacturing is at or below 100 gCO2e/kWh; 4) Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low carbon gases or the conversion/repurposing of existing natural gas networks to 100 % hydrogen and retrofit of gas transmission and distribution networks to integrate hydrogen and other low-carbon gases.

Energy Efficiency	▪ Telecommunication network transformation that increases energy efficiency, via the modernization of broadband network from copper cable to optical fiber	**EU Environmental Objective:** Climate Change Mitigation (sub-goals 1.b and 1.g) **EU Economic Activities:** - Partially covered in: Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use where these activities are predominantly aimed at the provision of data and analytics for decision making
Clean Transportation	▪ Development and construction of electric vehicle charging stations and related infrastructure for the electrification of transport	**EU Environmental Objective:** Climate Change Mitigation (sub-goal 1.c) **EU Economic Activities:** - Low-carbon transport infrastructure

Opinion: *ISS ESG finds that this section aligns with the requirements outlined in the ICMA GBPs and LMA GLPs regarding Use of Proceeds. Environmental benefits are clearly defined. Moreover, EWE has described its overall strategy and environmental targets of the company as well as the rationale for issuing Green Finance Instruments.*

2. Process for Project Evaluation and Selection

Eligible Projects financed and/or refinanced through the green finance instrument issued under the Green Finance Framework are evaluated and selected by EWE's Green Finance Committee, formed by representatives from Corporate Treasury, Sustainability and other parties to be nominated as subject matter experts.

Projects are evaluated and selected based on compliance with the Green Eligibility Criteria mentioned above. The Green Finance Committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories and changes in the Green Bond/Loan Standards and the EU Taxonomy, on a best effort basis, and oversee its implementation.

The Green Finance Committee meets at least on an annual basis to perform the project evaluation, selection and discuss reporting requirements.

The Eligible Green Project Portfolio consists of Eligible Projects which are green assets (tangible and intangible), green capital expenditures and/or R&D expenditures (double counting of capital expenditures on the same asset is not allowed). Eligible green assets qualify for refinancing without a specific look-back period, provided that at the time of issuance they follow the relevant Eligibility Criteria. Assets will be included in the portfolio at their current IFRS balance sheet value, which will be

updated annually to reflect new investment and depreciation. In case green capital expenditures and R&D expenditures are included within the scope of the Eligible Green Project Portfolio, they qualify with a two-year look-back period.

EWE is aware of potential environmental and/or social risks associated with the Eligible Projects. Project evaluation and selection comply with EWE's corporate objectives as well as with applicable National, European and International environmental standards and regulations, to ensure a stringent management of any potential negative environmental and/or social impacts. Furthermore, the EU Environmental Objectives, the availability of relevant impact metrics and the steps to be taken in order to calculate the impact, as well as the EU Taxonomy, on a best effort basis. EWE's policies define the framework and minimum standards for the business processes, including those financed with the proceeds of Green Finance Instruments issued under this Green Finance Framework.

Opinion: *ISS ESG finds that this section is aligned with the requirements outlined in the ICMA GBPs and LMA GLPs regarding process for project evaluation and selection. EWE has described the criteria for project evaluation and selection. Moreover, EWE has a documented process to identify and manage potential ESG risks associated with the projects. Its Green Finance Committee is composed of various stakeholders, in line with best market practices.*

3. Management of Proceeds

EWE intends to allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio, selected in accordance with the Eligibility Criteria and evaluation and selection process presented above. The description of the type of Eligible Projects that can be included in the Eligible Green Project Portfolio is explained in the Use of Proceeds and Process for Project Evaluation and Selection section.

EWE will strive to maintain a level of allocation for the Eligible Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, divestments, matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments. EWE aims to allocate the Green Finance Instrument net proceeds within a timeframe of 24 months after issuance, in accordance with market practice.

The balance of net proceeds that remain unallocated will be managed following EWE's liquidity and cash management policies.

Opinion: *ISS ESG finds that this section aligns with the requirements outlined in the ICMA GBPs and LMA GLPs regarding process for management of proceeds. An amount at least equal to the Green Bond Proceeds will be allocated to green projects. Moreover, EWE defines the expected allocation period for Green Bond Proceeds. EWE has selected an initial Eligible Green Project Portfolio.*

4. Reporting

The Green Bond Principles (GBP) require Green Bond issuers to provide information on the allocation of proceeds and recommend communicating on the expected impact of the projects.

EWE will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio and wherever feasible reporting on the impact of the Eligible Green Project

Portfolio, at least at the category level, within one year from the issuance of the applicable Green Finance Instruments to be renewed annually until full allocation, or until maturity, of the Green Finance Instruments.

EWE intends to provide aggregated reporting for all of EWE's Green Finance Instruments outstanding.

Allocation Reporting

The allocation report will provide:

- the total amount of projects in the Eligible Green Projects Portfolio;
- the total amount of Green Finance Instruments outstanding;
- the amount and/or percentage of financing versus refinancing[9];
- the balance of unallocated proceeds (if any);
- the geographic location of the projects (at country level).

Impact Reporting

Where feasible, EWE intends to report on the environmental impacts of the projects funded with the Green Finance Instrument, by way of its existing non-financial report, and /or specific impact reports. These may be supplemented by case-study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies, to increase transparency.

EWE intends to align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (December 2020)[10]".

An illustrative overview of the anticipated list of potential impact indicators that may be provided is included in the table below:

ELIGIBLE CATEGORY	POTENTIAL IMPACT INDICATORS
Renewable Energy	• Capacity of renewables connected to the grid (MW) • Feed-in of renewables into the grid (MWh) • Capacity of EWE Group renewables (MW) • Feed-in of EWE Group renewables (MWh) • Estimated annual CO2 emissions avoided (in tCO2eq./year) • Electricity Storage Capacity (MW and MWh) • Hydrogen Storage Capacity (m3) • Hydrogen production "green" (MWh)
Energy Efficiency	• Length of fiber installed (km) • Energy consumption per peak data inbound (kWh p.a./Gbits/s)

[9] To complement such information, EWE may include information around the evolution of capital expenditures in the Eligible Project Portfolio.

[10] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf

Clean Transportation	• Number of EV's charging points (#)

External Review

EWE may seek to obtain a limited assurance report from an independent party, which will be issued annually until all the proceeds of the bonds have been fully allocated, confirming that an amount equal to the net proceeds of the bonds has been allocated in compliance with all material respects of the Eligible Green Projects criteria set forth in the Green Finance Framework.

Opinion: *ISS ESG finds that this section aligns with the requirements outlined in the ICMA GBPs and LMA GLPs regarding reporting. EWE shows transparency on the type, scope and frequency of information that will report, as well as on the duration. Moreover, EWE includes information on the level of impact reporting and indicators, following best market practices.*

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE ELIGIBLE PROJECT CATEGORIES TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Framework and using a proprietary methodology[11], ISS ESG assessed the contribution of EWE's Green Finance Instruments asset pool to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

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

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy Solar photovoltaics	Significant contribution	
Wind Power	Significant contribution	
Electricity Storage and Distribution	Significant contribution	
Hydrogen manufacture, storage and distribution	Significant contribution	
Energy Efficiency Modernization of broadband network	Limited contribution	
Clean Transportation Electric vehicles' charging stations and other relevant infrastructures	Limited contribution	

[11] ISS ESG proprietary methodology differs from the one used by EWE in its Framework.

B. ALIGNMENT OF THE ASSET POOL WITH THE EU TAXONOMY

ISS ESG analyzed in this section the alignment of EWE current Eligible Green Project Portfolio (as of 31/12/2020) with the Delegated Acts of the EU Taxonomy. The Green Projects of the asset pool include: production of electricity from wind power, electricity distribution infrastructure, installation of optical fiber to replace copper network and development and construction of electric vehicle charging stations.

B.1 Production of Electricity from Wind Power (4.1.)

ISS ESG assessed the alignment of the Eligible Green Projects ("Green Projects") included in the Eligible Green Project Portfolio and the due diligence and selection processes in place with the EU Taxonomy. Green Projects are located in Europe. The results of the assessment related to wind power electricity generation are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
Facilities operating at life cycle emissions lower than 100gCO_2e/kWh, declining to net-0gCO_2e/kWh by 2050, are eligible.	Wind Power activities are currently deemed to be taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*		
Reducing material physical climate risks	EWE's wind projects are aligned with both European and German legislation requiring an extensive Environmental Impact Assessment (compliant with the Federal Immission control Act and the Offshore Wind Energy Act). Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	EWE's wind projects do not increase the risks of adverse climate impact on other stakeholders (or on nature) and align with national adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Managing water quality risks	The Environmental Impact Assessment conducted at the planning stage of green	✓

	projects includes water considerations, as per conformity with national legislation.	
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
High durability, easy dismantling, refurbishment, and recycling ensured by PV panels design and manufacture	As part of the due diligence process, it is verified whether the equipment meets the necessary contractual and regulatory requirements based on national and European legislation. Requirements include relevant information on the dismantling, refurbishment and recycling of the equipment.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Not applicable		-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	The Environmental Impact Assessments have been prepared in accordance with European and German environmental laws and regulation in order to be granted the necessary permits to build and operate.	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
EWE has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green project pool.		

B.2 Transmission and distribution of electricity, including electric vehicles charging stations (4.9.)

ISS ESG assessed the alignment of the Green Projects included in the Eligible Green Project Portfolio l and the due diligence and selection processes in place with the EU Taxonomy. Green Projects are located exclusively in Germany. The results of the assessment related to electricity distribution infrastructure and electric vehicles charging stations (and related infrastructure) are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
A System is deemed to be on a trajectory to full decarbonisation if either: • more than 67% of newly connected generation capacity in the System is below the generation threshold value of 100 gCO2e/kWh measured on a PCF basis, over a rolling five-year period; or • the average System grid emissions factor is below the threshold value of 100 gCO2e/kWh measured on a PCF basis, over a rolling five-year average period.	Electricity distribution infrastructure and electric vehicles charging stations are developed in accordance with the EU Taxonomy threshold.	✓
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*		
Reducing material physical climate risks	The Green Projects are aligned with national and regional standards.	✓
Supporting system adaptation	EWE ensures compliance with European and German adaptation efforts, reflected in the relevant regulation. Moreover, EWE is compliant with the Federal Building Code (BauEG), that includes marine and terrestrial risk assessments as part of the wider environmental risk assessment.	✓
Monitoring adaptation results	EWE ensures compliance with European and German adaptation efforts, also during operations.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		

Not applicable		-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
Transition to a circular economy	As part of the due diligence process, it is verified whether the equipment meets the necessary contractual and regulatory requirements based on national and European legislation. Requirements include relevant information on the dismantling, refurbishment and recycling of the equipment.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Pollution prevention and control	Not applicable as EWE operates underground low-voltage lines.	-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
Protection and restoration of biodiversity and ecosystems	An Environmental Impact Assessment (EIA) has been completed in accordance with the German implemented EU Directives and complies with EU regulations.	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
EWE has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green project pool.		

B.3 Data-driven solutions for GHG emissions reductions[12] (8.2.)

ISS ESG assessed the alignment of the Green Projects included in the Eligible Green Project Portfolio and the due diligence and selection processes in place with the EU Taxonomy. Green Projects are located exclusively in Germany. The results of the assessment related to the optical fiber network are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
• The ICT solutions demonstrate substantial lifecycle GHG emission savings compared to the best performing alternative technology/ solution available on the market. Lifecycle GHG emissions are calculated using the Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the ITU Recommendation L.1450. • Quantified lifecycle GHG emission reductions are verified by an independent third party.	As the optical fiber network replaces copper cables and has lower power requirements, the activity contributes to a higher energy efficiency standard and, consequently, to GHG emission reductions. Moreover, EWE green projects are in line with national and European requirements. Yet, the EU Taxonomy does not directly cover the installation of optical fibers. ISS-ESG has matched this Category with the closest EU Taxonomy macro-category (ICT solutions). It includes additional requirements that are not tailored to the installation of the optical fiber, but to broader ICT solutions aimed at collecting, transmitting and storing data. Therefore, even though EWE complies with a comprehensive set of regulation, it does not fulfill the EU Taxonomy Technical Screening Criteria.	-
2. CLIMATE CHANGE ADAPTATION – *DO NO SIGNIFICANT HARM CRITERIA*		
Reducing material physical climate risks	All Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Moreover, required mitigation measures for protection biodiversity/eco-systems have been implemented.	✓
Supporting system adaptation	The green projects do not increase the risks of adverse climate impact on other stakeholders	✓

[12] Scalability in network technology (from copper cables to fiber optics) led to continuous increases in necessary bandwidth (the actual driver for innovation), which helps for the achievement of the ICT solutions listed in this EU Taxonomy category. This is why ISS-ESG decided to match the EU category with the modernization of the broadband network carried out by EWE. As the optical fiber network replaces copper cables and has lower power requirements, the activity contributes to GHG emission reductions.

	and align with national and international adaptation efforts.	
Monitoring adaptation results	EWE ensures compliance with European and German adaptation efforts, also during operations.	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Not applicable		-
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
End-of-life waste management and decommissioning	EWE ensures compliance with German regulation, integrating the revised Ecodesign Directive 2009/125/EC through the Energieverbrauchsrelevante-Produkte-Gesetz (EVPG). The Elektro- und Elektronikgeräte-Stoff-Verordnung was also created to implement Directive 2011/65 / EU into German law. In case material is defective, EWE tries to have it returned to the material flow and reused. If material cannot be repaired, it is scrapped in a certified manner. Material that is no longer required (end of life) is also sent to certified scrapping. EWE also sorts by material with or without customer data. Material which may still contain possible customer data is processed through certified disposal.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Not applicable		-
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
EWE has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green project pool.		

Minimum Social Safeguards

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

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	EWE has multiple policies in place addressing social safeguards (human rights, labour rights, health & safety standards and other social standards). EWE's sustainability principles are inspired from the UN Global Compact and other relevant international standards. In addition to this, the company complies with national and European regulation. However, EWE does not officially endorse the OECD Guidelines on Multinational Enterprises.	-
UN Guiding Principles on Business and Human Rights	EWE has multiple policies in place addressing social safeguards (human rights, labour rights, health & safety standards and other social standards). EWE's sustainability principles are inspired from the UN Global Compact and other relevant international standards. In addition to this, the company complies with national and European regulation. However, EWE does not officially endorse the UN Guiding Principles on Business and Human Rights.	-
ILO Core Labor Conventions	EWE has multiple policies in place addressing social safeguards (human rights, labour rights, health & safety standards and other social standards). EWE's sustainability principles are inspired from the UN Global Compact and other relevant international standards. In addition to this, the company complies with national and European regulation. However, EWE does not officially endorse the ILO Core Labor Conventions.	-

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1. Validity of the SPO: As long as the Green Finance Framework remains unchanged
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ANNEX 1: Methodology

Assessment of the contribution and association to the SDG

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

ANNEX 2: Quality management processes

SCOPE

EWE commissioned ISS ESG to compile a Green Finance Framework 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. Moreover, the assessment included whether the green project categories align with the EU Taxonomy and associated technical annex, on a best effort basis.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- LMA GLPs
- EU Taxonomy and associated technical annex.

ISSUER'S RESPONSIBILITY

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

- Framework
- Selection process
- Documentation of ESG risks management at the asset level for EU taxonomy

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 Finance Framework to be issued by EWE based on ISS ESG methodology and in line with the ICMA GBPs and LMA GLPs.

The engagement with EWE took place in March-April 2021.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

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

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

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For Information about SPO services, contact:

Federico Pezzolato
SPO Business Manager EMEA/APAC
Federico.Pezzolato@isscorporatesolutions.com
+44.20.3192.5760

Miguel Cunha
SPO Business Manager Americas
Miguel.Cunha@isscorporatesolutions.com
+1.917.689.8272

For Information about this Green Bond SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead	Project support	Project supervision
Giorgio Teresi	Damaso Zagaglia	Viola Lutz
Analyst	Associate	Associate Director
ESG Consultant	ESG Consultant	Deputy Head of Climate Services