

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer, Green Bond Framework and Green Bond Asset Pool

BKW AG
01 April 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (as of June 2021), administered by the International Capital Markets Association (ICMA)
Scope of verification	<ul style="list-style-type: none">• BKW Green Bond Framework (as of 31.03.2022)• BKW Green Asset Pool (as of 14.03.2022)
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

CONTENTS

SCOPE OF WORK	3
BKW BUSINESS OVERVIEW	3
ISS ESG ASSESSMENT SUMMARY	4
ISS ESG SPO ASSESSMENT	5
PART I: GREEN BOND LINK TO BKW'S SUSTAINABILITY STRATEGY	5
A. ASSESSMENT OF BKW'S ESG PERFORMANCE	5
B. CONSISTENCY OF GREEN BOND WITH BKW'S SUSTAINABILITY STRATEGY	7
PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES	9
PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE	15
A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs	15
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL	16
ANNEX 1: Methodology	19
ANNEX 2: ISS ESG Corporate Rating Methodology	20
ANNEX 3: Quality management processes	22
About ISS ESG SPO	23

SCOPE OF WORK

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

1. Green Bond link to BKW’s sustainability strategy – drawing on BKW’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. BKW’s Green Bond Framework (31.03.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
3. The Asset Pool – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

BKW BUSINESS OVERVIEW

BKW plans, builds, and operates infrastructure to produce and supply energy for businesses, households, and the public sector in Switzerland, Germany, Italy, France, and internationally. It operates through three segments: Energy, Grid, and Services. The Energy segment builds, operates, and maintains power plants, such as hydroelectric, wind, nuclear, fossil-fuel, and other renewable energy power plants. It also sells energy, as well as trades in electricity, certificates, and commodities. The Grid segment builds, operates, and maintains the distribution grid. The Services segment engages in the provision of planning and engineering consultancy services for energy; infrastructure and environmental projects; and integrated services in the area of building technology, as well as the construction, servicing, and maintenance of energy, telecommunication, transport, and water grids. The company is headquartered in Bern, Switzerland.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green Bond link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 16.03.2022, the issuer shows a moderate sustainability performance against the industry peer group on key ESG issues faced by the Electric Utilities industry. The Issuer ranks 51st out of 128 companies within its sector.</p> <p>The Use of Proceeds financed through this Green Bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bond is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Asset Pool</p>	<p>The overall sustainability quality of the Asset Pool in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset categories which include renewable energy².</p> <p>Those use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the BKW's Green Bond Framework (as of 31.03.2022) and on the ISS ESG Corporate Rating updated on 16.03.2022 and applicable at the SPO delivery date.

² It is noted that the current issuance only concerns the financing of an asset pool comprising wind power and solar PV projects. Therefore, the Use of Proceeds category Renewable Energy is the sole focus of this assessment.

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO BKW'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BKW'S ESG PERFORMANCE

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

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
BKW	ELECTRIC UTILITIES	4	HIGH

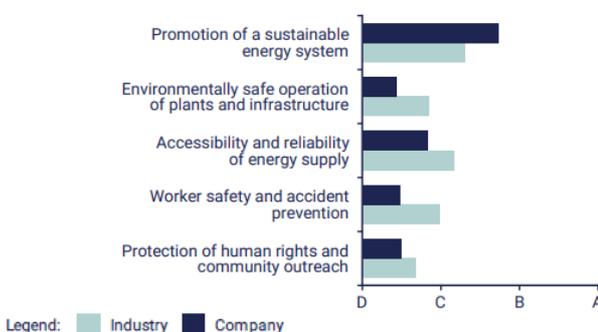
This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Electric Utilities industry as it obtains a Decile Rank relative to its industry group of 4, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 29.03.2022, this rating places BKW 51st out of 128 companies rated by ISS ESG in the Electric Utilities industry.

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

Key Issue Performance



Sustainability Opportunities

BKW is primarily engaged in energy generation, but increasingly also focuses on the provision of energy- and infrastructure-related services. In 2021, 52.2% of the company's energy generation was based on hydropower followed by wind (25.8%), unspecified renewable energy sources (14.8%), natural gas (5.9%), biomass (0.8%) and solar power (0.5%). The overall share of renewables in energy generation is high. Given the company's strong reliance on renewables, the carbon intensity of energy generation is estimated to be very low at only 24 g/kWh in 2021. BKW makes further investments in wind and hydropower plants, and aims to concentrate increasingly on the provision of energy-related services. The company has some programs in place to ensure access to energy for vulnerable and economically disadvantaged customers.

Sustainability Risks³

BKW's carbon footprint is rather low, which reduces the company's exposure to regulatory risks related to climate change. Still, the company fails to outline a strategy in terms of climate change risk management and mitigation. In addition, no targets appear to be in place to further cut the company's greenhouse gas emissions. While several relevant environmental aspects related to the operation of hydropower stations (e.g., effective fish facilities, environmental flow management) are addressed and some sites are certified to the 'nature made star' label, which implies high ecological standards, it remains unclear if similar standards are in place for all hydropower plants. Only single measures designed to help mitigate environmental impacts from electricity distribution are mentioned. There is only limited evidence of measures to ensure the reliability of the power grid in the future (e.g., investment programs, risk assessments). BKW has established group-wide health and safety management systems, with OHSAS 18001 certifications covering at least some operations. There is no available information on the recent accident rates among the company's employees, and no reference is made to fatal accidents and safety performance data for contractors. With regard to business ethics, the company's code of conduct covers relevant issues such as corruption and conflicts of interest, but only on a general basis. Some corresponding compliance measures are in place.

Governance opinion

More than 57% of the company's board members are independent and the chair of the company's board of directors (Roger Baillod, as of May 7th, 2021) does meet independence requirements. The company has set up a fully independent audit committee. By contrast, only a third of the members of the remuneration and nomination committees are considered independent. BKW discloses its remuneration policy, including variable and longterm components, for the CEO individually and the remaining executives as a whole. There is no evidence that the company has established a sustainability committee at board level. The company's remuneration policy does not specify whether sustainability performance objectives form part of executive remuneration schemes. With regard to business ethics, the company's code of conduct covers relevant issues such as corruption and conflicts of interest, but only on a general basis. Some corresponding compliance measures are in place.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of BKW'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 BKW's production process.

³ It is noted that the assessment provided below is based on the information from the company's Sustainability Report 2020 and does not yet reflect potential updates from the most recent Sustainability Report 2021.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁴	DIRECTION OF IMPACT	UN SDGS
Provision of energy to private customers	20%	CONTRIBUTION	
Energy generation based on large-scale hydropower, energy generation based on renewables, energy efficiency services	14.6%	CONTRIBUTION	 
Energy generation based on nuclear power	6.3%	CONTRIBUTION	
		OBSTRUCTION	

Breaches of international norms and ESG controversies

As of March 23rd, 2022, the company is not facing any severe controversy.

B. CONSISTENCY OF GREEN BOND WITH BKW'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

BKW considers the avoidance of massive climate change in combination with mitigating the effects of an already existing climate change as one of the biggest challenges today. Therefore:

- BKW states to continue to invest in renewable energy capacities in Europe to support a low carbon supply of electricity and heat. In the coming years, BKW plans to expand its production capacity exclusively in the renewable energy space. BKW grew the share of renewable energy by 2022 to 75 % of BKW's production portfolio. BKW plans to grow the installed new renewables capacity comprising of onshore wind, small hydro and solar photovoltaic power plants to more than 1 GW by 2026 (against a 0.7 GW baseline of 2021).
- BKW provides solutions for energy efficiency in buildings, electro mobility and helps customers reduce their carbon footprint. In 2021 for instance, combined heat and power plants fired with wood chips allowed BKW's customers avoid 80'000 tonnes of CO₂ emissions.
- Furthermore, BKW operates an international network of local engineering specialists that offer engineering services to support the necessary investments in infrastructure in Europe. With

⁴ This is based on an assessment carried out by ISS ESG Corporate Rating allocating the environmental and social impact of the product portfolio to the UN SDG based on the share of net sales FY 2019.

this, BKW intends to support resource-efficient infrastructures and to increase the resilience of living spaces when it comes to adaptation to and mitigation of climate change.

Rationale for issuance

In its history, BKW considers itself a pioneer of renewable energy with the construction of hydro power plants by the end of the 19th century and the first Swiss solar power plant Mont-Soleil 1992, which was at that time the largest in Europe. BKW intends to continue by this pathway and, through its operations provide answers to the need for renewable energy and climate-friendly energy solutions.

By means of its Green Bond Framework, the company aims to provide transparency to its investors and give insights into considerations for the projects financed by the Green Bonds issued.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond 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 Electric 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 sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

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

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 a Green Bond is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

An amount equal to the net proceeds from the issuance of the Green Bonds will be used to finance and/or refinance, in part or in full, Eligible Green Projects, as defined below.

Green Bond Category	Description of Eligible Green Projects
Renewable Energy	<p>Projects aimed at increasing the production, connection and distribution of renewable energies and related infrastructure.</p> <p>Renewable energies may include:</p> <ul style="list-style-type: none"> ▪ Wind projects; ▪ Small hydro power plants less than 20 MW of generation capacity; ▪ Medium to large hydro power plants subject to the conformity with recognised international standard, including Climate Bonds Initiative, UNFCCC Clean Development Mechanism, IFC Reference Standards for hydro projects or equivalent; ▪ Solar photovoltaic; ▪ Biomass plants.
Energy Efficiency	<ul style="list-style-type: none"> ▪ Investments in smart grid/meters for energy demand management; ▪ Grid infrastructure improvements that allow higher transmission efficiency and reduce energy loss; ▪ Storage systems development.
Green Buildings	<p>New, existing, or refurbished buildings which meet at least one of the following criteria:</p> <p>For new builds:</p> <ul style="list-style-type: none"> ▪ Minergie®-P/-A/-ECO- Standard; or ▪ SNBS/DGNB – Standard Gold/Platinum; or ▪ Compatibility with “SIA-Effizienzpfad Energie” <p>For renovation/refurbishments:</p> <ul style="list-style-type: none"> ▪ Minergie®-P/-A/-ECO- Standard refurbishments; or ▪ SNBS/DGNB – Standard Gold/Platinum; or ▪ Reduction of 25% compared to SIA requirements for refurbishments (QH,li/SIA 308/1); or ▪ Energy or environmental-friendly improvements such as thermal insulation, climate-friendly heat generation (thermic solar systems, heat pumps, regenerative energy sources, heat recovery...), PV

	<p>installations, LED lighting, water-saving technologies, green roof garden, etc...; or</p> <ul style="list-style-type: none"> Ecological measures such as resource-saving development through the reuse of existing infrastructure, use of resource-saving construction methods or use of recycled material (concrete, wood, insulation materials).
Terrestrial biodiversity conservation	Land preservation and grid improvement through (i) the replacement of overhead power lines with efficient underground cable or (ii) installation of underground cables instead of overhead power lines.

Eligible Green Projects may include capital expenditures, operating expenditures related to improvement and maintenance of Eligible Green Projects, research, and development, as well as acquisitions of companies specialized in any of the above Green Bond Categories⁵.

Projects related to any of the following aspects will be excluded:

1. Nuclear power
2. Fossil fuel
3. Production facilities within protected areas, e.g., to Ramsar or International Union for Conservation of Nature I-IV⁶.

ASSET CATEGORY	INCLUDED IN CURRENT GREEN BOND PORTFOLIO	SHARE OF ASSET POOL
1. Renewable energy	✓ Yes	100%
1.1 Onshore wind	✓ Yes	90%
1.2 Solar PV	✓ Yes	10%
1.3 Small Hydropower	✗ No	-
2. Energy efficiency	✗ No	-
3. Green Buildings	✗ No	-
4. Terrestrial biodiversity conservation	✗ No	-

Opinion: ISS ESG considers the Use of Proceeds description provided by BKW's Green Bond Framework as aligned with the ICMA's Green Bond Principles. The Eligible Green Projects Categories and Sub-Categories defined by BKW AG are transparent, clear, and aligned with categories defined by the principles. Even though harmful projects are excluded from the Eligible Projects, scrutiny on the potential adverse effects will be needed in the case biomass

⁵ At least 90% of the revenue of the company acquired derives from activities falling in any of the above Green Bond Category

⁶ IUCN: <https://www.iucn.org/theme/protected-areas/about/protected-area-categories>"

plants and large-hydro power plants would be allocated in further Green Bond issuances under this Green Bond Framework.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

BKW has further strengthened the integration of sustainability into their business model by setting up a dedicated cross-departmental Green Bond Committee (GBC) to identify and select Eligible Green Projects. The GBC is comprised of members from the following teams:

- Treasury
- Sustainability
- Investor relations
- Business development
- Other functional teams (as needed)

The GBC's role is to:

1. Review, select and validate the pool of Eligible Green Projects, based on the Green Bond Framework;
2. Validate annual reporting for investors;
3. Monitor the ongoing evolution related to the Sustainable Capital Markets (i.e., GBPs) in terms of disclosure/reporting in order to be in line with market best practices;
4. Monitor and assess potential social and environmental risks of/for the pool of Eligible Green Projects; and
5. Review the Framework to reflect any changes with regards to the Company's sustainability strategies and initiatives and to be in line with market best practices.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by BKW's Green Bond Framework as aligned with the ICMA's Green Bond Principles. The process is structured and documented, engages with internal expertise, and defines clearly the responsibilities and accountability which is aligned with market good practices. In addition, the issuer also has a commitment and process in place to ensure transparency in case of controversy or potential identifications of ESG risks.*

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

An amount equal to the net proceeds of the Green Bonds will be credited to the general account owned by a BKW Group company⁷.

If the net proceeds from BKW's Green Bonds are used to finance new projects selected by the GBC, the funds will be transferred to the corporate entities in charge of the project in the form of intercompany loans or equity capital, with the purpose to finance the disbursements in connection with the Eligible Green Projects. The above-mentioned process will be monitored until full allocation of the net proceeds. BKW intends to fully allocate the proceeds within 24 months after the Green Bond issuance date.

If the net proceeds from BKW's Green Bonds are used to refinance existing projects, an amount equal to the net proceeds will be allocated to the Eligible Green Projects as selected by the GBC in accordance with BKW's Green Bond Framework. Net proceeds can refinance Eligible Green Projects with a commissioning date up to 36 months before the issuance of a Green Bond. Depending on the lifetime of Eligible Green Projects, the lookback period could be longer (i.e., hydropower projects). This will be reviewed on a case-by-case basis and deviations from the lookback period of 36 months will be transparently disclosed in the annual Green Bond report.

All relevant information regarding the issuance of Green Bonds and Eligible Green Projects (re)financed will be monitored and kept in BKW's ERP/Treasury system.

BKW will use its best effort to substitute any projects no longer eligible, as soon as practical once an appropriate substitution option has been identified. Under the scenario where there is a change of ownership or a change in the capital structure, such as BKW's ownership falling to a proportion that leads to an under commitment of Eligible Green Projects, BKW will find additional projects to make up for the shortfall.

The payment of principal and interest on any bond issued by BKW under the Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Project.

Unallocated Proceeds

Pending the allocation or reallocation, as the case may be, of the net proceeds, BKW will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalents (money market instruments, bank accounts) and/or other liquid marketable instruments, as per the company's investment management policy.

Maximum Allocation Amount

The BKW Group consists of various operating companies that may have their own debt. Therefore, for every Eligible Green Project, the following condition must be fulfilled for the allocation of Green Bond proceeds:

⁷ BKW AG or BKW Energie AG

Maximum allocated proceeds for Eligible Green Projects = (Total eligible expenditure⁸ – External debt⁹) * BKW’s share of the project.

Hence only the pro-rata shares of the total results, (i.e. a percentage of the issuing operating company’s share of the total financing of the project), would be (re)financed by the Green Bond as a maximum. Impact metrics in the Green Bond impact report will also be reported pro-rata of BKW’s share in the Eligible Green Projects.

Opinion: ISS ESG finds that the Management of Proceeds proposed by BKW’s Green Bond Framework as aligned with the ICMA’s Green Bond Principles. BKW adopts a good practice of explicitly stating the lookback period for its investments, and capital and operational expenditures. Deviations from the lookback period of 36 months will be transparently disclosed in the annual Green Bond report. BKW AG specified that any unallocated proceeds will be managed as per its investment management policy.

4. Reporting

FROM ISSUER’S FRAMEWORK

BKW will report on the allocation of net proceeds and associated impact metrics annually until the maturity of the respective Green Bond, and as necessary in the event of material development. This report will be published in March every year as part of BKW Group’s annual report.

Allocation Reporting

- The list of Eligible Green Projects (re)financed with a description;
- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects;
- The proportion of net proceeds used for financing versus refinancing; and,
- The balance of any unallocated proceeds invested in cash and/or cash equivalents.

Example Impact Reporting

Where feasible, BKW will report on a number of impact metrics associated with the Eligible Green Projects funded with the net proceeds of the Green Bonds.

Green Bond Category	Impact Measurement Metrics Examples (not exhaustive)
Renewable energy	<ul style="list-style-type: none"> ▪ Installed power capacity (MW) ▪ Generated annual electricity quantity (MWh)

⁸ Capital expenditure or operational expenditure

⁹ External debt which is specifically financing the Eligible Green Project

	<ul style="list-style-type: none"> CO₂ avoided (tonnes of CO₂ equivalent per year)
Energy efficiency	<ul style="list-style-type: none"> Expected energy savings from grid infrastructure improvements, such as energy demand management CO₂ avoided (tonnes of CO₂ equivalent per year)
Green Buildings	<ul style="list-style-type: none"> Annual reduction of energy consumption in % and in kWh/m² Annual average energy consumption in kWh/m² Minergie®/SNBS/DGNB certification level Annual reduction of CO₂ emissions (kg CO₂ equivalent per m² per year) Annual CO₂ emissions (kg/m²)
Terrestrial biodiversity conservation	<ul style="list-style-type: none"> Restitution of area occupied by overhead lines in m² Construction of underground cables (km)

Opinion: ISS ESG finds that the reporting proposed by BKW’s Green Bond Framework as aligned with the ICMA’s Green Bond Principles. The level, information reported, frequency, scope and duration of the issuer’s allocation reporting is clearly defined. In addition, the information reported, frequency and duration of the issuer’s impact reporting are clearly defined that are aligned with market good practices.

External review

FROM ISSUER’S FRAMEWORK

Second Party Opinion

The SPO will be made available on BKW’s website.

Annual Audit/Limited Assurance

The allocation of Green Bond proceeds and impact measurement metrics will be reviewed by an auditor. A confirmation letter (called “Limited Assurance”) will be made available on BKW’s website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Asset Pool and using a proprietary methodology, ISS ESG assessed the contribution of the BKW's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

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

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------

Each of the Green Bond's Use of Proceed sub-categories included in the current portfolio has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable energy <i>Wind power</i>	Significant contribution	 
Renewable energy <i>Solar PV</i>	Significant contribution	 

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

Solar PV & Wind

As a use of proceeds' category, solar PV and wind power have a significant contribution to SDG 7, affordable and clean energy, and SDG 13, climate action. The table below presents the findings of an ISS ESG assessment of the asset pool¹⁰ against KPIs from ISS ESG.

ASSESSMENT AGAINST ISS ESG KPIS

KPIs - Power generation from Solar PV and Wind

Community dialogue



The planning process for wind power projects was compliant with EU regulation regarding the implementation of a community dialogue for all projects. The solar PV projects are so far compliant with regulations regarding community dialogue.

Site selection



All wind power projects were subject to a comprehensive environmental impact assessment at the planning stage, in line with EU regulation. The solar PV project is subject to a preliminary environmental impact assessment procedure which is currently ongoing.



The wind power projects Julie and Coquelicot (ca. 25%) are located in the same area and are close to an identified key biodiversity area (ZNIEFF). Nevertheless, the projects are covered by an EIA¹¹.

None of the solar PV projects are located in, or close to a key biodiversity area.

Environmental aspects of construction and operation



All projects financed provide for measures to protect habitat and wildlife during operation of the power plant (e.g., measures to protect birds and bats) covered by the EIA.



Being subject to an EIA, the underlying projects meet high environmental standards during the construction phase (e.g., noise mitigation, minimisation of environmental impact during construction work).

¹⁰ It is noted that the risk assessment has been conducted based on whether company policies and national legislations are in place to mitigate ESG risks associated with the Use of Proceeds category "Renewable energy". This assessment is considered to be valid for both, the underlying asset pool as well as future assets to be financed under this Green Bond Framework. The SPO remains valid as long as there is no material change to the Green Bond Framework.

¹¹ [EIA Directive \(85/337/EEC\)](#)

KPIs - Power generation from Solar PV

Supply chain standards

- ✓ All projects ensure high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions) ensured through the issuer's supplier code of conduct.

Environmental aspects of solar power plants

- ✓ In line with national legislation, solar plants/panels provide for high environmental standards regarding take-back and recycling of solar modules at the end-of-life stage. More particularly, the industrial operator must guarantee the complete end-of-life management of PV modules by adhering to a consortium that ensures their proper disposal.

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Green Bond 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. 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 judgments 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 creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, certain images, text, and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG (DB) owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (Genstar) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2022 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BKW’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the number of assets within one category (e.g., wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfill the requirements of the ISS ESG Green Bond KPIs.

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

Assessment of the contribution and association to the SDG

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

ANNEX 2: ISS ESG Corporate Rating Methodology

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

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

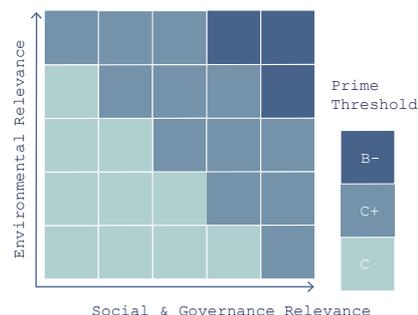
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

BKW commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

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

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

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by BKW based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with BKW took place from February to April 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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Bond SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Rafael Heim
Associate
ESG Consultant

Project support

Johanna-Charlotte Flemming
Associate Vice President
SPO Operations

Project supervision

Viola Lutz
Executive Director
Head of ISS ESG Climate Services