

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Bond Pool

Axpo Holding AG  
7 July 2020

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## Overall Evaluation of the Green Bond

Axpo Holding AG (Axpo) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

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

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b> <b>Performance against GBPs</b>	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 ICMA GBPs.	<b>Positive</b>
<b>Part 2:</b> <b>Sustainability quality of the green asset pool</b>	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of the financed asset categories which include solar and wind power.  All assets of the asset pool are located in France, Spain and Italy, highly regulated and developed countries. Legislative frameworks in these countries set minimum standards, which reduce environmental and social risks.	<b>Positive</b>
<b>Part 3:</b> <b>Issuer sustainability performance</b>	The issuer itself shows a medium sustainability performance and has been given a rating of 'C+', which classifies it as 'Not Prime' by the methodology of the ISS ESG Corporate Rating.  It is rated 18 <sup>th</sup> out of 125 companies within its sector as of 07.07.2020. This equates to a good relative performance, with a Decile Rank <sup>2</sup> of 2.	<b>Status: Not Prime</b>  <b>Rating: C+</b>  <b>Decile Ranking: 2</b>

<sup>1</sup> The ISS ESG's present evaluation will remain valid until any modification of the Green Bond Framework (version from June 2020) or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 06.02.2020). ISS ESG underwent a controversy screening of the asset pool on the 24.06.2020.

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.





## 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 Axpo's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

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

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the bond'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
<b>Solar Power</b>	<b>Significant contribution</b>	 
<b>Wind Power</b>	<b>Significant contribution</b>	 

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

An amount equal to the net proceeds from the issuance of green bonds will be used to partially or fully re/finance Axpo's green projects, as defined below.

ELIGIBLE GREEN PROJECT CATEGORIES	ELIGIBILITY CRITERIA FOR GREEN CATEGORIES
<p><b>Renewable energy</b></p>	<p>Projects for the expansion and maintenance of renewable energies and the associated infrastructure as well as for the connection and distribution of the energy. Renewable energy sources include:</p> <ul style="list-style-type: none"> <li>• <b>Photovoltaics:</b> <ul style="list-style-type: none"> <li>• Open space systems</li> <li>• Roof systems</li> <li>• Infrastructure systems (e.g. ski lifts, dams, noise barriers etc.)</li> <li>• Special systems (e.g. systems on greenhouses)</li> </ul> </li> <li>• <b>Wind power:</b> <ul style="list-style-type: none"> <li>• Onshore wind turbines</li> </ul> </li> <li>• <b>Hydropower:</b> <ul style="list-style-type: none"> <li>• Small hydropower plants with less than 20 MW generation capacity</li> <li>• Large hydropower plants that meet the requirements of recognized international environmental standards. This includes the requirements of the Climate Bond Initiative, the UNFCCC Clean Development Mechanism, IFC reference standards for hydropower projects or equivalent requirements.</li> </ul> </li> <li>• <b>Biomass:</b> <ul style="list-style-type: none"> <li>• Plants for recycling biomass, e.g. fermentation plants</li> <li>• Plants for the thermal utilization of biomass, e.g. wood power plants</li> </ul> </li> </ul>
<p><b>Biodiversity conservation</b></p>	<p>Projects to protect and improve local biodiversity in the vicinity of renewable energy production facilities and the associated infrastructure, as well as infrastructure for connecting and distributing renewable energies.</p> <p>Biodiversity conservation projects can include the following categories:</p> <ul style="list-style-type: none"> <li>• Projects to protect terrestrial biodiversity</li> <li>• Projects to protect aquatic biodiversity</li> </ul>

<p><b>Energy efficiency</b></p>	<p>The increase in energy efficiency and the associated reduction in energy consumption is an essential element in creating an ecologically sustainable energy system. Energy efficiency projects can include the following categories:</p> <ul style="list-style-type: none"> <li>• Transmission: Improvement of the infrastructure for the transmission and distribution of electricity with a view to increasing the transmission efficiency and reducing transmission losses</li> <li>• Production: Energy efficiency measures to increase electricity production in renewable energy production plants</li> <li>• Services: Increasing customers' energy efficiency</li> </ul>
<p><b>Conversion of energy systems</b></p>	<p>The energy system is changing across Europe. The decentralized elements are increasing, the passive consumer is turning into a demanding customer and «prosumer», digital intelligence is becoming central, and renewable energies are being added. Its volatile electricity production must be able to match demand, which is why technologies for electricity storage will continue to gain importance.</p> <p>Projects that contribute to the realignment towards a sustainable and future-proof energy system can include the following categories:</p> <ul style="list-style-type: none"> <li>• Storage systems (e.g. battery storage, green hydrogen)</li> <li>• Smart grid applications</li> <li>• Smart meter applications</li> <li>• Intelligent control (e.g. Demand Side Management)</li> <li>• Green building technology</li> <li>• Electric mobility</li> <li>• Sector coupling (e.g. coupling of electricity-heat-gas 'mobility')</li> </ul>

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Axpo's Green Bond Framework as aligned with the Green Bond Principles. The eligible green categories are transparently defined and in line with the examples of project categories provided by the GBPs and with the issuer's sustainability strategy.

## 2. Process for Project Evaluation and Selection

In order to identify and select projects that meet the Axpo Green Bond criteria, Axpo has established a cross-departmental Green Bond Committee (GBC).

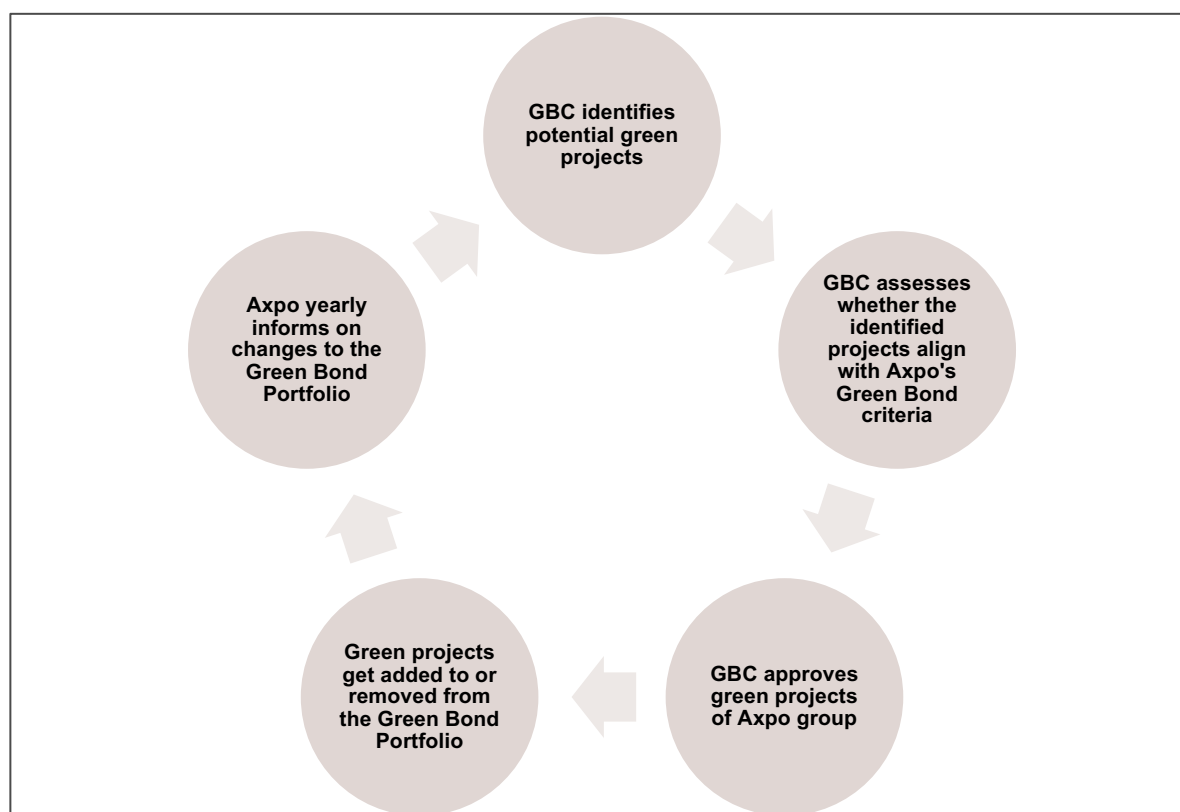
The GBC meets at least once a year and is made up of members from the following departments within the Axpo organization:

- Sustainability management
- Group Treasury
- Financial communication
- Renewable energies business units
- Other functional teams (join the GBC as needed)

The GBC performs the following tasks:

1. The main task of the GBC is project selection. Potential green projects are checked for sustainability and environmental compatibility according to the criteria defined in the Green Bond Framework and added to a Green Bond project portfolio if they qualify (see process overview).
2. Validation of the annual investor report on the use of net proceeds from issuances.
3. Regular review of trends in the Sustainable Capital Markets to continuously ensure green bond reporting in accordance with the best market practices.
4. Review and update of the Green Bond Framework in the event of changes to Axpo's sustainability strategy.

The GBC's process is summarized below:



**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Axpo's Green Bond Framework as aligned with the Green Bond Principles. The evaluation and selection criteria are credible and transparently displayed. Responsibilities and steps of the Evaluation and Selection process are clearly defined.

### 3. Management of Proceeds

Net proceeds from green bond issues are added to liquid assets of Axpo Holding AG and used to fully finance and/or refinance green projects in the Green Bond Portfolio. Net proceeds from green bond issuances are allocated using a green bond register. In this register, the projects in the Green Bond

Portfolio are matched to the net proceeds from Green Bond issues. Group Treasury is responsible for the full allocation of these proceeds.

Axpo intends that the net proceeds from green bond issues be allocated to the projects in the Green Bond Portfolio within three years. In principle, the net proceeds are to be used to finance green projects that will be put into operation within the next 3 years, or to refinance projects that were commissioned no longer than three years ago. If the use of funds differs in individual cases from the financing periods mentioned above, this will be reported in a transparent manner as part of the annual reporting.

In the event that net proceeds from green bond issuances have already been allocated to projects that no longer meet the green bond asset criteria of this framework, the funds available for financing and/or refinancing green projects in the green bond register will be increased and, if necessary, allocated to projects that continue to qualify for funding in accordance with the framework guidelines.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Axpo's Green Bond Framework as aligned with the Green Bond Principles. Proceeds are appropriately earmarked and allocation options described. Regarding the allocation period however, Axpo envisages an expected allocation period towards eligible projects within 3 years, which differs from best market practices of maximum one year.

## 4. Reporting

### Allocation Reporting

Axpo will report annually on the use of the net proceeds from green bond issues until maturity of respective green bonds. These regular reports will be published in December as part of Axpo's annual reporting. The first publication is expected to take place in December 2020.

The report will include the following information:

- The total amount of the net proceeds from green bond issuances already allocated to the project portfolio
- The breakdown of the allocated net proceeds from green bond issuances in regard to use for new financing, refinancing and amounts not yet allocated
- A list of the green projects that were (re)financed in the year under review, including project descriptions
- Reporting on any allocation adjustments in the Green Bond Portfolio if projects no longer meet the Green Bond asset criteria of Axpo's framework

### Impact Reporting

When possible, Axpo will provide impact reporting on the expected environmental impacts of the (re)financed green projects. The following table shows a selection of relevant key indicators for impact measurement:



GREEN PROJECTS CATEGORIES	EXAMPLES OF GREEN KPIS
<b>Solar Power</b>	<ul style="list-style-type: none"> <li>• Installed power [MW]</li> <li>• Energy produced [MWh]</li> <li>• Avoided greenhouse gas emissions [t CO<sub>2</sub> equivalents]</li> </ul>
<b>Wind Power</b>	<ul style="list-style-type: none"> <li>• Installed power [MW]</li> <li>• Energy produced [MWh]</li> <li>• Avoided greenhouse gas emissions [t CO<sub>2</sub> equivalents]</li> </ul>
<b>Hydropower</b>	<ul style="list-style-type: none"> <li>• Installed power [MW]</li> <li>• Energy produced [MWh]</li> <li>• Avoided greenhouse gas emissions [t CO<sub>2</sub> equivalents]</li> </ul>
<b>Biomass</b>	<ul style="list-style-type: none"> <li>• Amount of processed biomass [t]</li> <li>• Installed power [MW]</li> <li>• Energy produced [MWh]</li> <li>• Quantity of biogas produced [MWh]</li> <li>• Amount of substances returned to the environment [t]</li> <li>• Avoided greenhouse gas emissions [t CO<sub>2</sub> equivalents]</li> </ul>
<b>Biodiversity conservation</b>	<ul style="list-style-type: none"> <li>• Protected species on the Red List</li> <li>• Revalued area [m<sup>2</sup>]</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Increase in energy efficiency [MWhel]</li> <li>• Increase in thermal energy efficiency [MWhth]</li> </ul>
<b>Conversion of energy systems</b>	<ul style="list-style-type: none"> <li>• Installed power [MW]</li> <li>• Stored energy [MWh]</li> <li>• Newly installed, “intelligent” components [number]</li> <li>• Charging stations for electric mobility [number]</li> <li>• Avoided greenhouse gas emissions [t CO<sub>2</sub> equivalents]</li> </ul>

**Opinion:** ISS ESG finds that the reporting proposed by Axpo’s Green Bond Framework is aligned with the Green Bond Principles. The level, frequency and scope of reporting is transparently defined, and examples of potential impact indicators are provided.

## External review

### Second Party Opinion

The Second Party Opinion (SPO) was provided by ISS ESG. ISS ESG has reviewed Axpo’s Green Bond Framework and confirmed that it complies with ICMA’s Green Bond Principles (GBPs).

The SPO will be published on Axpo’s website.

### External Verification

The allocation of the net proceeds from green bond issuances will be checked annually by KPMG.

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### Solar Power

As a Use of Proceeds category, solar power has a significant contribution to the SDG 7 “Affordable and clean energy” and the SDG 13 “Climate action”. The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Site selection

- ✓ 100% of assets are not located in key biodiversity areas (Ramsar sites; IUCN protected areas I-IV).

##### Supply chain standards

- 24.4% of assets provide for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions). For the rest of the assets, no information is yet available, as the solar parks are not yet constructed.

##### Environmental aspects of solar power plants

- 24.4% of assets feature a conversion efficiency of at least 15%. For the rest of the assets, no information is yet available, as the solar parks are not yet constructed.
- ✓ 100% of assets meet high environmental standards regarding take-back and recycling of PV modules at end-of-life stage, as Urbasolar is part of the PV Cycle program.
- 24.4% of assets provide for high standards regarding the reduction or elimination of toxic substances within solar panels (e.g. in line with RoHS requirements of other relevant standards). For the rest of the assets, no information is yet available, as the solar parks are not yet constructed.

##### Working conditions during construction and maintenance work

- ✓ 100% of assets provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

##### Controversy assessment

Since all proceeds go towards the financing of future solar project constructions, ISS ESG did not conduct a controversy search at the project level. However, a controversy check was conducted on the Urbasolar entity and did not reveal any controversies.

## Wind Power

As a Use of Proceeds category, Wind Power has a significant contribution to SDGs 7 “Affordable and clean energy” and 13 “Climate action”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

### ASSESSMENT AGAINST ISS ESG KPIs

#### Site selection

- ✓ 100% of assets are not located in key biodiversity areas (Ramsar sites, UNESCO World Heritage Natural Sites, IUCN protected areas I-IV).
- ✓ 100% of assets underwent an environmental impact assessment at the planning stage.

#### Community dialogue

- ✓ 100% of assets feature community dialogue as an integral part of the planning process, according to legislation (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms and others).

#### Environmental aspects of construction and operation

- ✓ 100% of assets meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact).
- ✓ 100% of assets provide for adequate measures to protect habitat and wildlife during operation of the power plant (e.g. turbine turn-off times, monitoring of bats, consideration of birds’ flight paths).

#### Working conditions during construction and maintenance work

- ✓ 100% of assets provide for high labour and health safety standards for construction and maintenance work (e.g. ILO core conventions).

#### Controversy assessment

A controversy assessment on the project did not reveal any controversial activities or practices that could be attributed to AXPO.

## PART III: ASSESSMENT OF AXPO'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>3</sup>' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
AXPO	NOT PRIME	C+	2

This means that in terms of industry-specific sustainability requirements the company performed in a moderate way. However, compared to others in the industry, Axpo performs well.

As of 07.07.2020, this rating places Axpo 18<sup>th</sup> out of 125 companies rated by ISS ESG in the Utilities/Electric Utilities sector.

Key challenges facing companies in term of sustainability management in this sector are:

- Facilitation of the energy transition and resource efficiency
- Environmentally safe operation of plants and infrastructure
- Accessibility and reliability of energy and water supply
- Business ethics and government relations
- Worker safety and accident prevention

In all of the key issues, Axpo rates above the average for the sector. It achieves a significant outperformance in the "Environmentally safe operation of plants and infrastructure" and "Business ethics and government relations" key issues.

The company does not face any controversies.

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

<sup>3</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

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1. Validity of the SPO: the SPO is valid for Axpo's first issuance following this SPO.
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.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Axpø's 2020 ISS ESG Corporate Rating.

# ESG Corporate Rating

## Axpo Holding AG

Industry	Utilities/Electric Utilities	Status	<b>Not Prime</b>
Country	Switzerland	Rating	<b>C+</b>
ISIN	CH0109674488	Prime Threshold	<b>B-</b>
		Decile Rank	<b>2</b>

### Absolute Rating



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

### Decile Rank



Low relative performance

High relative performance

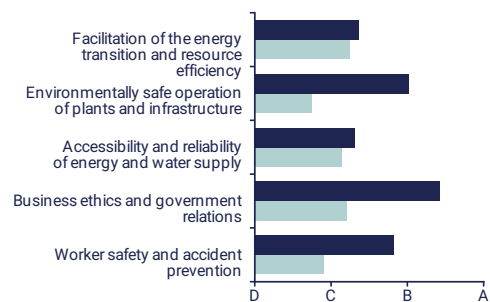
Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

### Industry Leaders

Company name (in alphabetical order)	Country	Grade
ERG S.p.A.	IT	B
VERBUND AG	AT	B
Ørsted A/S	DK	B+

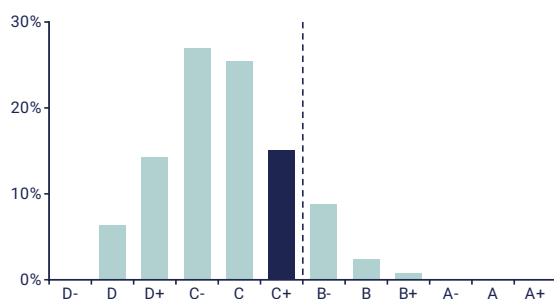
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

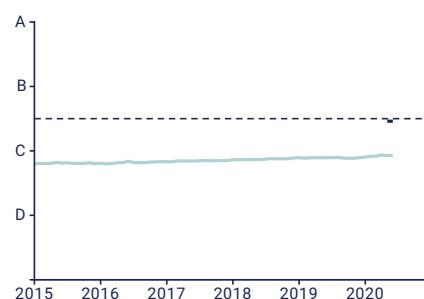


### Distribution of Ratings

126 companies in the industry



### Rating History



# Axpo Holding AG

## Analyst Opinion

### Sustainability Opportunities

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Axpo Holdings owns and operates power plants and distribution grids. The company also engages in international energy trading. In the financial year ending in 2019, Axpo derived its energy generation from nuclear power (50.3%), natural gas (21.7%), hydropower (24.7%) and other renewable energy sources such as solar power, wind power and biomass (combined 3.4%). In view of Axpo's significant reliance on emission-free energy sources, the carbon intensity of energy generation amounted to a mere 97 g/kWh in 2019, which is comparatively low. The company has implemented only single measures to help ensure access to energy for vulnerable and economically disadvantaged customers.

### Sustainability Risks

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Axpo Holdings does not appear to have a specific greenhouse gas emissions reduction target. However, the carbon intensity of energy generation is already comparatively low and the company is making significant investments in further renewable energy projects. The safety, radioactive waste management and emergency response planning of the company's nuclear power plants are addressed in a comprehensive fashion. Questions remain as for the final disposal of highly radioactive waste as a suitable storage site is yet to be identified in Switzerland. Axpo has also implemented sound measures to ensure the environmentally friendly and safe operation of its hydropower plants and wind turbines. The company has a group-wide health and safety management system and the accident rate among staff has decreased over the past few years. In addition, there were no fatalities in recent years. Still, the accident rate of contract workers remains unclear. Axpo has a comprehensive code of business conduct that covers the most pertinent issues, including corruption, antitrust violations and conflicts of interest. The company has also implemented relevant compliance procedures designed to help enforce the code of conduct. They include trainings and awareness-raising measures, risk assessments and the facilitation of non-compliance reporting.

### Governance Opinion

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Axpo's governance structure is characterized by a high degree of board member independence. However, the chairman of the board of directors, Thomas Sieber, is not considered independent as he previously served as the company's CEO, albeit only on an interim basis until the election of the new CEO (as at 2 June 2020). The board has established audit, nomination and remuneration committees that are either entirely or predominantly composed of independent members (as at April 2020). Compensation is publicly disclosed for members of the executive management team as a whole and the CEO individually. It is further sub-divided according to fixed amounts and variable performance-related components.

There are no indications of a board-level committee tasked with overseeing the company's sustainability strategy. While the company states that sustainability targets are considered for executive remuneration, it remains unclear how exactly specific targets influence executive compensation schemes. Axpo has a comprehensive code of business conduct that covers the most pertinent issues, including corruption, antitrust violations and conflicts of interest. The company has also implemented relevant compliance procedures designed to help enforce the code of conduct. They include trainings and awareness-raising measures, risk assessments and the facilitation of non-compliance reporting.



# Axpo Holding AG

## 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.

**Controversial Business Practices** - 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.

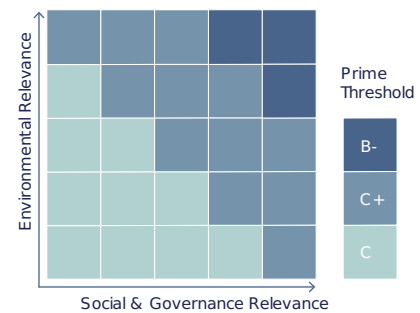
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# Axpo Holding AG

## Methodology - Overview

**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.

**Major Shareholders & Ownership Summary** - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are 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.

## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Axpo'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.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Asset evaluation 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 amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” represented by a red circle, either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs. ISS ESG requires a minimum of 50% of the asset pool to positively qualify against the KPIs, represented by a green tick.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Axpo (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 Axpo's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

## 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, and this Green Bond, contact:

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