E.ON’s strategy for a sustainable future

E.ON’s sustainability strategy provides a common framework for sustainability across the company. It articulates our focus dimensions: climate action, people, and good corporate governance. As a company, we have the clear commitment to be a climate leader and have set ambitious climate targets. We do not compromise regarding health and safety and strive to build a diverse and inclusive corporate culture. We understand good governance as the steering and management of sustainability through established processes. The strategy also covers how the business activities and company policies support the Sustainable Development Goals (SDGs), in particular SDG 7 (affordable and clean energy), SDG 11 (sustainable cities and communities), and SDG 13 (climate action).

In short, it explains that E.ON’s primary mission is to provide solutions that decarbonise the energy world, improve people’s lives, and create a better tomorrow. E.ON’s sustainability strategy and targets are described in more detail in the Sustainability section of the E.ON corporate website as well as in the annual Sustainability Report. Through our commitment to the ten principles of the UN Global Compact, we commit ourselves to compliance with human rights, labour- and environmental standards and participate in the fight against corruption. Beyond measures closely connected to achieving our climate targets, E.ON strives to minimise its negative impact on the environment. Regarding waste, we always try to avoid creating waste and, when this is not feasible, to recover as much of it as we can. If neither avoidance nor recovery is possible, we ensure that waste is disposed of correctly and responsibly. We also foster biodiversity, for example by managing the land below our overhead power lines in an environmentally friendly way. Beyond that, smaller measures also contribute to biodiversity, such as keeping around half a million bees on our property. To reduce E.ON’s own wood and water consumption, the entire company began to switch from standard paper to certified recycled paper in 2019. Furthermore, water protection measures are in place and based on local regulations.

E.ON’s action plan towards carbon neutrality

To support the achievement of the Paris Agreement on climate change and Europe’s corresponding climate targets, we intend to dramatically reduce the GHG emissions we can influence directly and to become carbon-neutral by 2040:

• We will reduce our Scope 1 and 2 emissions by 75% by 2030 and by 100% by 2040 (vs. 2019).
• We aim to reduce our Scope 3 emissions by 50% by 2030 and by 100% by 2050 (vs. 2019).

We have already taken steps towards reducing our direct emissions. Emissions from power and heat generation are mainly attributed to our combined heat and power (CHP) plants. With customer solutions for heat and power generation, we already enable our customers to become more climate-friendly and reduce CO2 emissions. As innovative and more climate-friendly plants will replace old assets going forward, we will see positive effects in this category as well. Fugitive emissions contribute significantly to our direct emissions and we intend to reduce them by modernising and improving our gas networks as well as the monitoring of leakages. By updating our company car policy, we place greater emphasis on climate protection and environmental friendliness by encouraging electric cars and including the option of choosing an annual pass for the German Federal Railway. We also strive to make our buildings carbon neutral by reducing emissions from fuel combustion for heating. E.ON’s Scope 2 emissions are primarily related to unavoidable technical grid losses in our distribution grid. We invest in maintaining and optimising our grid as it is the critical enabler and backbone of the energy transition. The maintenance and optimisation process also helps to reduce technical grid losses. As the energy mix is becoming increasingly green, we will see decreasing emissions related to grid losses going forward. The expected decreasing carbon intensity of purchased power will also contribute to reduce our indirect Scope 3 emissions. Combustion of natural gas sold to customers is, besides emissions from purchased power, the other main contributor to our Scope 3 emissions. While natural gas will continue to play a role over the next decades, reduction potential results from greater shares of green gas.
Our climate targets are well in line with the Paris Agreement’s ambition to limit the global temperature rise to 1.5°C. It is only by working together that we will be able to take the actions necessary to make the energy world sustainable. E.ON also welcomes the tightened EU Climate Target Plan (reduction of greenhouse gas emissions to at least 55% below 1990 levels by 2030) demonstrating the clear commitment to the Paris Agreement.

Rationale for Issuing a Green Bond

The transition to a sustainable economy is in full swing. Sustainable energy is not only the basis for economic and social development but also a key factor in environmental- and climate protection.

By delivering solutions for the decarbonisation of the energy world, E.ON’s core businesses Energy Networks and Customer Solutions contribute to climate change mitigation. Our networks serve as the central platform for the energy transition and the Customer Solutions business offers customers of all sizes – households, companies, cities – technologies for the transition to climate neutrality. Consequently, sustainability is a key principle of E.ON’s strategy, which fosters value creation and provides benefits for people and the environment. We pursue a holistic approach: climate action, health and safety, diversity and inclusion as well as sustainable management and good corporate governance are the focus dimensions of our sustainability strategy. Explicitly including the management and governance perspective is the logical step and serves as the basis to deliver on our sustainability and climate commitments. It enhances E.ON’s ability to create sustainable value, mitigate risks, access capital markets and proactively shape the perception of E.ON as central enabler of a cleaner, smarter, and more sustainable energy system.

The ongoing decentralisation, digitalisation and decarbonisation of the energy world requires large investments. To finance or refinance activities that enable climate change mitigation, E.ON issues green bonds, making the link between its sustainability, business and financing strategies explicit. It manifests our ambition to include sustainability in our company’s core processes.

Recognising the importance of a common definition of sustainable activities, E.ON has updated its Green Bond Framework and use of proceeds categories to be aligned as much as possible with the current version of the proposed EU Green Bond Standard and EU taxonomy for sustainable activities, in addition to the ICMA Green Bond Principles.

Green Projects

The net proceeds will finance or refinance Green Projects in the following categories:

- **Green Activities**
  - Eligible Green-Assets and Capital Expenditures and related eligibility criteria
  - UN SDGs
  - EU Economic Activities

- **Electricity Networks**
  - Electricity by distribution infrastructure and equipment that meets the following criteria:
    - over 87% of newly connected generation assets comply with the 100g CO₂/kWh threshold (over a 5-year period), or
    - the grid’s average emissions factor is less than 100g CO₂/kWh
    
- **Renewable Energy**
  - Renewable energy production and storage units including:
    - Wind power
    - Solar PV
    - Bioenergy (biogas, bagasse and biofuel)
    - Hydrogen production, storage and distribution infrastructure

- **Energy Efficiency**
  - Integrated on-site business and city energy solutions, composed of EU taxonomy-aligned technologies, including but not limited to the following:
    - District heating
    - Production of heating / cooling from waste heat
    - Cogeneration of heating/cooling and electricity from biomass, and geothermal energy

- **Clean Transportation**
  - Electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport

- **UN SDGs**
  - 7.2 By 2030, substantially increase the share of renewable energy in the global energy mix

- **EU Economic Activities**
  - Transmission and Distribution of Electricity
    - Electricity Generation using Solar PV, Wind Power, and Bioenergy
    - Transmission and distribution networks for renewable and low-carbon gases
    - District Heating/Cooling Distribution
    - Production of Heat/Cool using Waste Heat
    - Cogeneration of Heat/Cool and Power from Bioenergy and Geothermal among others

1 The eligibility criteria consist of the definition, metrics and thresholds included in this table as well as the applicable Do No Significant Harm criteria and minimum safeguards
2 The asset value of all eligible electricity distribution infrastructure and equipment will be in the Eligible Green Portfolio
3 For Bioenergy: 1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive
4 The GHG emissions from the use of biomass in cogeneration installations are at least 80% in relation to their GHG emission saving methodology and fossil fuel comparator set out in Annex V to Directive (EU) 2018/2001.
5 Production, storage and distribution of hydrogen that meets the criteria for manufacture of hydrogen: (a) direct CO₂ emissions from manufacturing of hydrogen with threshold of 2.566 t CO₂/t H₂, (b) electricity use for hydrogen produced by electrolysis is at or lower than 100 kWh/t H₂, (c) average carbon intensity of the electricity used for hydrogen manufacturing is at or below 100 g CO₂/kWh. 6 Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases or the conversion/reconversion of existing natural gas networks to 100% hydrogen and retrofits of gas transmission and distribution networks to integrate hydrogen and other low-carbon gases.
6 Construction, operation and refurbishment of pipelines and associated infrastructure for distributing heating and cooling where the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41 of Directive 2012/27/EU. (refurbishment to start < 3 yrs GR) The activity is the following: (a) modification to lower temperature regimes; (b) advanced plant systems (control and energy management systems, Internet of Things)
Process for Selection of Green Projects

The net proceeds of Green Bonds will be exclusively used to finance and/or refinance in whole or in part eligible green assets and capital expenditures related to Electricity Networks, Renewable Energy, Energy Efficiency and Clean Transportation including partnerships and joint ventures, together forming the "Eligible Green Portfolio".

The eligibility criteria comply with the EU classification system for sustainable economic activities (the "EU Taxonomy") as published in the draft Delegated Act for climate change mitigation and climate change adaptation activities of November 2020 in particular the Electricity Networks category is subject to a narrow eligibility definition:

- While under the EU Taxonomy the entire European Interconnected System (to which all of EON’s fully consolidated grids belong) is eligible, E.ON applies the EU Taxonomy’s general thresholds, applicable for any grid outside the European Interconnected System
- E.ON has chosen to exclude any direct grid connections of energy production above 100gCO2/kWh

The Eligible Green Portfolio can include green assets (tangible or intangible) and green capital expenditures shall 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 investment and depreciation under IFRS. Capital expenditures will be included in the portfolio for the amount of the initial expenditure, subject to annual depreciation on a straight-line basis in accordance with the expected useful life of the investment.

Compliance with "do no significant harm" criteria and "minimum safeguards"

The Eligible Green Portfolio financed and/or refinanced through the Green Bond proceeds under this framework are evaluated and selected based on compliance with the Green Bond eligibility criteria, E.ON’s strategic sustainability objectives, the EU environmental objectives, the relevant metrics, thresholds and do no significant harm (DNSH) criteria of the EU Taxonomy and in compliance with applicable national, European and international environmental and social standards and regulations (including, amongst others, the ILO core labour conventions), to ensure a stringent management of any potential negative environmental and social impacts.

Besides E.ON’s policies and guidelines, this is mainly addressed by maintaining an HSE Management System according to the standards ISO 45001 (Health & Safety), ISO 14001 or EMAS (Environment) and/or ISO 50001 (Energy Management). A group-wide HSE Risk Management Standard defines the minimum requirements in relation to the identification, analysis, evaluation, treatment and monitoring of HSE risks and opportunities as well as roles and responsibilities. Risks and opportunities are classified into five severity levels. Besides environmental consequences, regulatory, reputational and financial ramifications are also considered. Risks are listed in the business risk register, which is reviewed on a regular basis. Risk evaluation provides the basis for deciding on the treatment (course of action) required.

E.ON conducts various measures that promote the protection of the environment, biodiversity and human rights. In cases of considerable public or ecological impact, E.ON conducts an environmental impact assessment during the development stage of new power lines, gas pipelines, and other large industrial equipment we intend to build. Since grid infrastructure can especially pose a hazard to birds, E.ON installs guards and nesting platforms to protect birds and promote nature conservation.
Management of Use-of-Proceeds

E.ON intends to allocate the proceeds from the Green Bonds to an Eligible Green Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. The portfolio consists of new and/or existing projects.

E.ON will strive to maintain a level of allocation for the Eligible Green 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 Bonds within a timeframe of 24 months after issuance. Further eligible green assets and/or capital expenditures will be added to the Issuer’s Eligible Green Portfolio to the extent required to ensure that an amount equal to the net proceeds from outstanding Green Bonds will be allocated to eligible green assets and/or capital expenditures until the maturity of the Bonds. Pending the full allocation to the Eligible Green Portfolio, E.ON will hold and/or invest the balance of net proceeds not yet allocated, at its own discretion, in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc).

The E.ON Green Bond Committee monitors the Eligible Green Portfolio and will exclude green assets or capital expenditures that no longer comply with the applicable eligibility criteria or have been disposed of, replacing them as soon as reasonably practicable.

The allocation of the net proceeds of issued Green Bonds to the Eligible Green Portfolio will be reviewed and approved by the E.ON Green Bond Committee on at least an annual basis. This framework completes and replaces the E.ON Green Bond Framework (April 2019) and innogy Green Bond Framework (October 2017). The pool of assets allocated to existing E.ON and innogy Green Bonds (XS2047500769, XS2047500926, XS2102899584, XS2303044921, XS702789275, XS2177680508) will be included in a global E.ON Eligible Green Portfolio. E.ON will report on this portfolio going forward. The framework may be amended from time to time to reflect market developments, in particular related to the EU Taxonomy or EU GBS. Any new issuance will be aligned with the latest version of the framework. Assets will only be added to the portfolio if they fulfill the then current eligibility criteria.

In terms of the overall allocation of proceeds, E.ON will include the following in its reporting:

• the total amount of assets and capital expenditures in the Eligible Green Portfolio, specified on category and subcategory level;
• mapping of the EU Environmental Objectives pursued by the assets and capital expenditures in the Eligible Green Portfolio;
• the amount and/or percentage of new and existing projects (share of financing and refinancing);
• the geographical distribution of assets and capital expenditures included in the Eligible Green Portfolio;
• breakdown of the Eligible Green Portfolio by nature of what is being financed (assets, capital expenditures);
• the balance of unallocated proceeds (if any)

In terms of the environmental impacts of the Eligible Green Portfolio, E.ON intends to align the reporting, on a best effort basis, with the portfolio approach described in “Green Bonds - working towards a Harmonized Framework for Impact Reporting (April 2020)”3. An illustrative overview of the anticipated list of potential impact indicators is included in the table below:

<table>
<thead>
<tr>
<th>Eligible Green bond Category</th>
<th>Potential impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Networks</td>
<td>• Renewable capacity connected to the grid (in GW and relative share of total capacity in %)</td>
</tr>
<tr>
<td></td>
<td>• Annual output (GWh, split renewable and conventional electricity in %)</td>
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<td></td>
<td>• Efficiency improvements (%)</td>
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<tr>
<td></td>
<td>• Avoided emissions p.a. (t CO₂e)</td>
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<td></td>
<td>• Smart grid components installed, e.g. as smart meters, smart stations (in meters/customers served)</td>
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<tr>
<td>Renewable Energy</td>
<td>• Added renewable capacity (in previous year) (MW)</td>
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<tr>
<td></td>
<td>• Avoided emissions p.a. (t CO₂e)</td>
</tr>
<tr>
<td></td>
<td>• Hydrogen production, split between “blue” and “green” hydrogen</td>
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<tr>
<td></td>
<td>• Hydrogen storage capacity</td>
</tr>
<tr>
<td></td>
<td>• Capacity of hydrogen connections / distribution systems</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>• Annual energy consumption savings by clients, indirect impact</td>
</tr>
<tr>
<td></td>
<td>• Efficiency improvements (%)</td>
</tr>
<tr>
<td></td>
<td>• Avoided emissions p.a. (t CO₂e)</td>
</tr>
<tr>
<td>Clean Transportation</td>
<td>• Number of EV charging points (kW)</td>
</tr>
</tbody>
</table>

The indicators listed above may be supplemented by qualitative and/or case-study reports on outcomes and impacts of selected projects funded. Where relevant, information will be provided on data reporting and impact assessment methodologies, to increase transparency.

3 New projects refer to the projects that have been disbursed in the year of the issuance or later
External Review

The Issuer intends to appoint one or more external verifiers that are asked to provide a pre-issuance verification and a post-issuance verification. The pre-issuance verification verifies alignment of the Green Bonds with one or more of the appropriate standards in the green bonds market (such as the Green Bond Principles, the EU Green Bond Standard or other similar standards, as applicable and as selected by the Issuer).

The post-issuance verification verifies the relevant Allocation Report when net proceeds from an issuance of Green Bonds have been allocated in full towards the global portfolio of Eligible Green Projects.

EO.N will appoint an independent verifier to provide a post-issuance review addressing the allocation of an amount equivalent to the net proceeds of issued green bonds on an annual basis until full allocation, or in case of significant changes in the allocation of proceeds.

These reports will be made available to Green Bond investors on www.eon.com/greenbond.

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