Second-Party Opinion

E.ON Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the E.ON Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in renewable energy, energy efficiency, and clean transportation will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

PROJECT EVALUATION / SELECTION E.ON's internal process in evaluating and selecting projects is in line with market practice. The evaluation and selection will be carried out by the Green Bond Committee, which includes representatives from Sustainability, Energy Networks, Customer Solutions and Group Finance. The Green Bond Committee is also responsible for determining which projects are no longer eligible.

MANAGEMENT OF PROCEEDS E.ON intends to allocate proceeds using a portfolio approach. E.ON will strive to maintain a level of allocation for the Eligible Green Project Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds, and will add additional eligible projects to the portfolio as needed. Pending full allocation of proceeds, E.ON will hold and/or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio.

REPORTING E.ON intends to report on allocation and impact on an annual basis until full allocation. The allocation reporting will include the total amount of investments and expenditures in the Green Projects Portfolio, the amount of proceeds used for new and/or existing projects and the balance of the unallocated proceeds. In addition, E.ON is committed to impact reporting using quantitative metrics, to be made available in the company's annual sustainability report and/or in a specific impact report. Sustainalytics views E.ON's allocation and impact reporting as aligned with market practice.

Evaluation date	April 2, 2019
Issuer Location	Essen, Germany

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Introduction

E.ON SE ("E.ON", the "Issuer" or the "Company") is an energy company and utility based in Essen, Germany, focused on providing energy networks and customers solutions. In March 2018, E.ON and RWE AG reached an agreement under which E.ON will acquire RWE's 76.8-percent stake in innogy SE ("innogy") as part of an extensive asset swap. E.ON will receive innogy's grid- and customer solutions businesses while i.a. substantially all of E.ON's and innogy's renewables businesses will be transferred to RWE. Closing of the transaction is expected not before the second half of 2019.[1] Today E.ON operates approximately 980,000 km of electrical grids and 96,000 km of natural gas distribution grids, comprising a regulated asset base of approximately €20 billion.

E.ON has developed the E.ON Green Bond Framework (the "Framework") under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects that advance E.ON's ability to enable a sustainable energy future. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
    a. Investments to directly connect renewable energy and storage units to the grid
    b. Investments in renewable energy generation and storage units
2. Energy Efficiency
    a. Investments for energy efficient grid replacements as well as energy efficient street lighting
    b. Smart meters
    c. Integrated on-site business and city energy solutions
3. Clean Transportation
    a. Electric vehicle charging stations and related infrastructure

E.ON engaged Sustainalytics to review the E.ON Green Bond Framework, dated April 2019, and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).[2] This Framework has been published in a separate document.[3]

As part of this engagement, Sustainalytics held conversations with various members of E.ON's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Issuer's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the E.ON Green Bond Framework and should be read in conjunction with that Framework.

[1] The transaction agreement was signed in March 2018, with regulatory approval and closing expected by mid-2019. More information is available at: https://www.energyfortomorrow.de/websites/1007_ma/English/0/home.html
[2] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[3] The E.ON Green Bond Framework is available on E.ON's website at: https://www.eon.com/en/investor-relations.html

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the E.ON Green Bond Framework

Summary

Sustainalytics is of the opinion that the E.ON Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP). Sustainalytics highlights the following elements of the Issuer's green bond framework:

- Use of Proceeds:
  - The use of proceeds categories – renewable energy, energy efficiency and clean transportation – are recognized as impactful by the GBP.
  - Sustainalytics is of the opinion that E.ON's planned investments in renewable energy, namely the interconnection of renewables and the acquisition or development of renewable energy or energy storage systems, will provide environmental benefits.
    - Specifically, Sustainalytics notes the importance of energy storage in addressing challenges faced in integrating variable and intermittent renewables and coping with peak demands.
    - E.ON has limited eligible renewable energy technologies for its acquisition or development to wind, solar, biomass/biomethane, and "power-to-x"[4]; while for interconnection, hydro[5] and landfill & sewage gas are also included.[6] The Framework specifies that all biomass feedstock be derived from sources that do not compete with food sources or deplete carbon pools, in line with E.ON's Procurement Policy.[7] Sustainalytics views these definitions as helping to limit associated environmental and social risks. With regard to lifecycle GHG emissions from biomass facilities, E.ON has confirmed that its intention is to finance only facilities that are no older than three years. According to the IPCC, the majority of lifecycle GHG emissions for electricity from newer biomass facilities range from 16 to 74 gCO2e/kWh, and therefore the facilities financed by E.ON's green bond are very likely to be below the threshold of 100 gCO2e/kWh established by the CBI.[8] Sustainalytics acknowledges and views positively E.ON's intention, and encourages E.ON to report the age and emissions intensity of each biomass facility financed.
  - E.ON will invest proceeds in upgrades and refurbishments to its electrical grids, including smart grid investments, energy efficient replacements, the deployment of smart meters, and the installation of energy efficient streetlights.
    - These investments will provide environmental benefits related both to the decrease in grid losses, as well as supporting the integration of variable renewable energy sources. Refer to Section 3 for further discussion of the impact of grid modernization projects.
    - The Framework specifies that, to determine the amount of eligible investment in grid replacements, E.ON will calculate a renewable energy feed-in ratio[9] and apply this factor to its grid replacement expenditures. Sustainalytics views favourably this

[4] "Power-to-x" is defined as various technologies for energy storage which involve the conversion of excess electricity to other forms of energy, such as the creation of hydrogen by electrolysis.
[5] Sustainalytics acknowledges that large hydro is not formally excluded, however, notes that E.ON does not anticipate any new large hydro projects.
[6] Sustainalytics considers landfill and sewage gas, when developed responsibly, to be environmentally beneficial technologies, as it results in avoided methane emissions.
[7] Biomass Purchasing Amendment to the E.ON Responsible Procurement Policy, https://www.eon.com/content/dam/eon/eon-com/Documents/en/compliance-and-integrity/documents-guidelines/EON_Biomass_Procurement_Amendment.pdf.
[8] In line with the Climate Bonds Initiative's Draft Bioenergy Criteria, Sustainalytics considers a lifecycle emissions intensity of <100 gCO_2/kWh to be in line with a 2-degree warming scenario.
https://www.climatebonds.net/files/files/Bioenergy%20Criteria%20Document%20for%20public%20consultation_25April18.pdf.
[9] This ratio is calculated as the feed-in from renewable energy as compared to all decentralized energy feed-in. Sustainalytics notes that in this context renewable energy may be defined more broadly than for renewable energy technologies in which E.ON will directly invests; this is not viewed as a limitation as the investments made in this category are directed to the energy grid.

methodology, and considers it to directly link the green bond proceeds to positive environmental impacts.
  - The Framework specifies that investments in energy efficiency may be related to on-site business and city energy solutions. These products include on-site energy generation and storage,[10] as well as energy efficiency upgrades for municipal and large commercial clients. Energy from fossil fuels is specifically excluded.
    - Sustainalytics notes that these projects have the potential to deliver significant energy savings, and contribute to overall environmental and climate goals.[11] Furthermore, the specific exclusion of fossil fuel power generation strengthens this eligibility criterion.
  - E.ON may invest in electric vehicle charging infrastructure, which Sustainalytics considers will support a transition to clean transportation systems.
- Project Evaluation and Selection:
  - E.ON has established a Green Bond Committee, consisting of representatives from Sustainability, Energy Networks, Customer Solutions and Group Finance, as well as other relevant subject matter experts. The Committee will meet on at least an annual basis to assess project eligibility in accordance with the Framework. The Committee will also be charged with removing projects which no longer comply with the Framework and, on a best effort basis, replacing them with other assets.
  - As green bonds mature, an equivalent amount of the oldest assets will be removed from the portfolio; E.ON intends that the initial portfolio will consist of project no older than three years. Sustainalytics views positively this ongoing update of the portfolio, as it prevents double counting of green bond assets by ensuring that newly issued bonds fund new projects; furthermore this increases the additionality of the projects funded.
  - Based on the establishment of a Green Bond Committee, and the commitment to ongoing review, replacement, and retirement of allocation, Sustainalytics considers this evaluation and selection approach to be in line with market practice.
- Management of Proceeds:
  - E.ON will manage the proceeds of the green bond(s) on a portfolio basis, and strive to maintain a level of allocation to the portfolio that matches or exceeds the balance of net proceeds of outstanding bonds. Pending full allocation, proceeds will be held in its treasury liquidity portfolio in cash, cash equivalents, money market funds, or equivalent.
  - Based on the disclosure the management approach and of temporary investments, Sustainalytics considers this to be in line with market practice.
- Reporting:
  - E.ON will provide allocation and, where feasible, impact reporting on an annual basis in the company's annual sustainability report and/or in a specific impact report, made available on their corporate website, as well as ongoing updates related to major developments in a timely manner. Furthermore, Sustainalytics views positively that E.ON will seek to obtain limited assurance from an independent auditor of the allocation on an annual basis, until net proceeds have been allocated.
  - Allocation reporting will include the total amounts invested to each category, the year of investments, the share of financing and refinancing, and the balance of unallocated proceeds. Impact reporting may include quantitative indicators as defined in the Framework, such as capacity of renewable energy connected, CO_2 emissions avoided, number of smart grid components installed, and number of electric-vehicle charging stations.

[10] Sustainalytics notes that geothermal projects may be included within this category, and views best practice for this technology as including only those projects with direct emissions of less than 100 gCO_2/kWh. The Framework commits to only including projects that are small-scale or heat-generating only, or that are combined with other renewable technologies such as solar thermal, which Sustainalytics considers to adequately mitigate climate risks. Sustainalytics also notes that biomass projects may be included within this category; while commitments to responsible feedstock sourcing as helping to limit associated environmental and social risks, Sustainalytics views as a limitation that quantitative thresholds for lifecycle emissions from biomass power generation have not been established,

[11] Examples of projects undertaken by E.ON include providing energy efficiency upgrades to a large commercial client that upgraded HVAC and lighting systems as well as installing electrical sub-meters resulting in a 34% energy savings, a combined heat and power plant in Sweden fueled by non-recyclable solid waste with an annual renewable energy output of 650 GWh, and a residential district which enables 100% of local heating needs to be met by ground-source heat pumps and solar with peak needs being met by electric and/or bio-oil boilers. Sustainalytics considers these projects to be representative of the potential environmental benefits that investments in this use of proceeds category may provide.

- Based on the commitment to allocation reporting and the intention to provide impact reporting, including quantitative KPIs, Sustainalytics considers this to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that E.ON's green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

E.ON has a strong commitment to sustainability that is rooted in its corporate strategy and organizational culture. In 2018 the Board of Management signed a self-commitment to the SDGs, in which it is stated that at E.ON, "We believe that good corporate governance accompanies and substantially contributes to our long-term business success".[12] The statement goes on to outline the company's specific goals, which are related to SDGs 7: Affordable and Clean Energy, 11: Sustainable Cities and Communities and 13: Climate Action.[12] To put this commitment in place, the Company has adopted several plans and targets. For example, the company has adopted a "Clean 2025" strategy for its Swedish production facility, which aims to transition to 100% recycled or renewable energy.[13] The company has also set quantitative targets to reduce their CO_2 emissions by 30% by 2030 compared to 2016 and to reduce the customers' carbon intensity by 50%.[14] E.ON has a robust commitment to transparency and reporting, which is demonstrated in their public sustainability reports.[15]

E.ON has disclosed that it has two primary focus areas for its green bond programme: Energy Networks and Customer Solutions.[16] Energy Networks focuses on improving connectivity for renewables, including constructing powerlines and substations, as well facilitating the proliferation of smart grids and smart metering, which can be used to mitigate variable renewable energy output and increase overall grid efficiency.[16] As of 2018, the company had installed approximately 3.4 million smart meters and has the target to roll out a total of roughly 14.5 million in all its markets by year-end 2026. Customer Solutions is geared towards increasing building energy efficiency for business and residential properties through the use of energy storage and combined heat-power (CHP).[16] The company is also committed to increasing the availability of plug-in charging stations for electric vehicles, and has installed over 2,700 charging points across Europe.[17] Sustainalytics views the Use of Proceeds for this Green Bond Framework to be well aligned with E.ON's sustainability strategy and the broader UN SDGs. For example, the introduction of additional smart grid capacity and interconnections for renewable will support carbon reduction and renewable energy goals, while the customer solutions and electric vehicle investments will support their internal goals for improving customers' environmental performance. The company is therefore considered well-positioned to issue green bonds.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics is of the opinion that the activities being financed by the Green Bond, namely renewable energy projects, renewable energy interconnections, grid investments, smart meters, on-site energy solutions and electric vehicle charging infrastructure, will have an overall positive impact and will contribute to global climate goals. Nevertheless, as with any infrastructure projects, it is important to ensure that there are strong mitigation measures in place to address any environmental and social risks that may arise. For example, the construction of the various projects funded by the bond(s) can pose challenges to worker health and safety, have an adverse impact on land use and biodiversity, and affect community relations.

[12] E.ON SDG Board Commitment (2018) accessed (28.2.19) at: https://www.eon.com/content/dam/eon/eon-com/Documents/en/leitlinien-nachhaltigkeit/Boardcommitment_June_2018.pdf
[13] E.ON Recycling plant in Hogbytorp (2017) accessed (28.2.19) at: https://www.eon.se/content/dam/eon-se/swe-documents/swe-broschyr-hogbytorp-eng.pdf
[14] E.ON Sustainability (2019) accessed (28.2.19) at: https://www.eon.com/en/about-us/sustainability.html
[15] E.ON Sustainability Report (2017) accessed (28.2.19) at: https://www.eon.com/content/dam/eon/eon-com/Documents/en/sustainability-report/EON_Sustainability_Report_2017.pdf
[16] E.ON Framework Presentation (2019), not publicly accessible.
[17] E.ON Sustainability Report (2018) accessed (28.3.19) at: https://www.eon.com/content/dam/eon/eon-com/Documents/en/sustainability-report/EON_Sustainability_Report_2018.pdf

E.ON has policies, procedures and certifications in place to mitigate associated risks.[15] Regarding environmental management, most units (including all operational units) of the group are certified to ISO 14001 (Environmental Management standard). The company publicly reports all environment-related incidents and has had no "major impact" incident occur over the past three years and only one "serious" incident.[1819] In order to build up a strong health and safety culture, the company initiated specialized training for senior managers to better assess potential safety hazards.[15] In 2017, the company reported a 96.6% health rate for employees, which reflects the number of days worked in relation to the agreed working time.[15] Additionally, the company publicly reports on Total Recordable Injury Frequency and Lost Time Injury Frequency. The low overall rate of injuries, combines with the fact that the frequency of these metrics has remained stable over the past three years (+/- 0.3)[19], demonstrates E.ON's ongoing commitment to safe work environments. It should be noted that the company has experienced an uptick in the number of fatal accidents with a total of five in 2018 compared to five in 2017 and four in 2016.[15] The company has acknowledged this increase and, in response, started an engagement process with its senior managers in 2017 to identify areas for improving worker health and safety.[15] Furthermore, E.ON started a new safety culture initiative "How We Care" to raise awareness for safe working conditions and behaviors in order to avoid major incidents.

E.ON recognizes the importance of stakeholder engagement and community involvement as part of its risk management strategy. They actively engage relevant affected parties.[15] Stakeholders are invited to participate throughout the development process and E.ON strives to account for short- and long-term impacts on stakeholder groups. The Sustainability Council advises the Management Board on the involvement of external stakeholders and analyzes the trends and expectations of these groups. The company customizes stakeholder engagement approaches to the specific needs of their regional units and provides a publicly-accessible overview of the internal guidelines, policies and procedures in their annual sustainability report. E.ON is also committed to be an active community member.

Based on the policies, procedures and certification described above, Sustainalytics views E.ON as having robust risk mitigation procedures in place and considers E.ON to be well-placed to mitigate relevant environmental and social risks associated with the projects funded by the green bond(s). The company has demonstrated a clear commitment to transparency in their annual sustainability report, providing detailed information on each of these issues.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of grid investments for the integration of renewables
The development of renewable energy production requires grid access. In Europe, the electricity sector was developed nationally and centralized with large power plants being situated near large-scale industrial areas and metropolitan hubs.[20] Renewable electricity plants generally have a smaller scale of generation and a more diverse geographical spread.[20] As stated in EC Directive 2009/28/EC, "There is a need to support the integration of energy from renewable sources into the transmission and distribution grid and the use of energy storage systems for integrated intermittent production of energy from renewable sources."[21]

Grid connection has been identified as a barrier to investment in utility-scale renewable energy projects, and represents one of the significant costs in the development of renewable energy projects, presenting a potential barrier to investment.[22] By financing the connection of renewable energy production units to the grid, including powerlines, substations and other infrastructure, and developing new renewable energy capacity, E.ON's green bonds will help reduce technical bottlenecks for the European renewable energy market.

[18] E.ON's incident management system classifies environmental events on a 0-to-4 scale, with 0 being no damage and 4 being major. A major impact event is considered to have, for example, "irreparable damage to protected habitats".
[19] E.ON Sustainability Facts & Figures (2017) accessed (28.2.19) at: https://www.eon.com/en/about-us/sustainability/facts-and-figures.html
[20] Ecorys (2008), "Assessment of non-cost barriers to renewable energy growth in EU Member States", accessed (27.2.19) at: https://ec.europa.eu/energy/sites/ener/files/documents/2010_non_cost_barriers.pdf
[21] Directive 2009/28/EC of the European Parliament and of the Council, accessed (27.2.19) at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0028&from=EN
[22] Hu, J. et al. (2018) "Barriers to investment in utility-scale variable renewable electricity (VRE) generation projects" accessed (27.2.19) at: https://dspace.library.uu.nl/bitstream/handle/1874/362463/Barriers.pdf?sequence=1&isAllowed=y

In addition to physical interconnection, renewable energy sources such as wind and solar are unable to provide a consistent source of energy due to natural variability in weather conditions, which can be characterized as an intermittent generation profile.[23,24] One of the important technologies for addressing this challenge is smart grid.[25] Smart grids actively monitor energy flows and adjust to changes in supply and demand, through increased communication, more efficient transmission routing, improved demand management, and other technologies.[25] Smart grids can assist in the integration of renewable energy, and the EU has set a target of replacing 80% of electricity meters with smart meters by 2020.[25] E.ON has access to approximately 50 million customers across Europe, the company has demonstrated its ability to improve energy networks and has a vision for decentralizing the energy sector. By investing in grid modernization, E.ON's green bonds will support the greater adoption of renewable energy in the markets it serves.

Impact of energy storage

Energy storage has been a historical impediment to increasing the capacity and efficiency of renewable energy systems.[26] In response to an intermittent generation profile, energy storage can mitigate volatility in demand and generation by storing excess energy for periods of peak usage.[27] Today, the technology exists for energy storage,[26] but technical hurdles and cost-effectiveness have been cited as two major barriers in the deployment of energy storage systems in Germany and France – the two European countries with the greatest installed storage capacity currently in place.[28] In spite of these barriers, energy storage will play an important role in reaching EU climate targets.[27]

To address these issues, the EU implemented project stoRE, which was aimed at assessing the technical, market and regulatory barriers to energy storage and developing recommendations for adaptations of the energy framework and policies in Europe.[29] One of the lessons learned from the project was that, even with a super-grid, there is need for new energy storage capacity in Europe.[29] As such, there is a clear need for additional support from the market and, as a network operator, E.ON has the knowledge and capacity to help deliver greater energy storage capacity.

Importance of clean transportation in mitigating CO_2 emissions

It is estimated that passenger vehicles are responsible for approximately 12% of total EU CO_2 emissions.[30] European electric vehicles sales increase every year, electric car "sales soared by more than 40% in the first half of [2018]" compared to 2017.[31] However, in order to handle the increase of plug-in cars, the European Automobile Manufacturers Association estimates that the current number of 100,000 charging stations across Europe will need to increase at least 20x to 2 million by 2025.[32] Currently, about 76% of charging stations in Europe are located in just four countries: Netherlands, Germany, France and the UK.[32] A 2018 report published by the European Environment Agency noted that investments into vehicle recharging infrastructure are severely lacking and there are not enough EU member states providing economic incentives.[33] Given this landscape, by using proceeds of green bond(s) to finance the development of new charging stations, E.ON can have a clear and tangible impact on the access and availability of charging stations for plug-in vehicles. Furthermore, if E.ON strategically locates new charging stations in areas of need, they will likely have an even greater impact and can help reduce the disproportionate distribution that currently exists.

[23]Union of Concerned Scientists (2015) "How Energy Storage Works" accessed (27.2.19) at: https://www.ucsusa.org/clean-energy/how-energy-storage-works
[24] Fares, Robert (2015) "Renewable Energy Intermittency Explained: Challenges, Solutions, and Opportunities" accessed (27.2.19) at: https://blogs.scientificamerican.com/plugged-in/renewable-energy-intermittency-explained-challenges-solutions-and-opportunities/
[25] European Commission (2018) "Smart grids and meters" accessed (28.2.19) at: https://ec.europa.eu/energy/en/topics/market-and-consumers/smart-grids-and-meters
[26] Gibson, P. et al. (2018) "Energy Storage Changes the Playing Field for Renewable Energy" accessed (27.2.19) at: https://www.renewableenergyworld.com/ugc/articles/2018/09/24/energy-storage-changes-the-playing-field-for-renewable-energy.html
[27] European Commission (2018) "Energy Storage" accessed (27.2.19) at: https://ec.europa.eu/energy/en/topics/technology-and-innovation/energy-storage
[28] Olsthoorn, M. et al. (2018) "Fast-improving energy storage technologies wait for EU market reforms" accessed (27.2.19) at: https://theconversation.com/fast-improving-energy-storage-technologies-wait-for-eu-market-reforms-105187
[29] European Comission (2014) "Facilitating energy storage to allow high penetration of intermittent renewable energy (stoRE)" accessed (27.2.19) at: https://ec.europa.eu/energy/intelligent/projects/en/projects/store
[30] European Commission (2018) "Reducing CO2 emissions from passenger cars" accessed (27.2.19) at: https://ec.europa.eu/clima/policies/transport/vehicles/cars_en
[31] Vaughan, A. (2018) "Electric cars exceed 1m in Europe as sales soar by more than 40%" accessed (27.2.19) at: https://www.theguardian.com/environment/2018/aug/26/electric-cars-exceed-1m-in-europe-as-sales-soar-by-more-than-40-per-cent
[32] Kane, M. (2018) "76% of Charing Points in Europe are Concentrated in just 4 countries" accessed (27.2.19) at: https://insideevs.com/charging-points-europe-concentrated-4-countries/
[33] ACEA (2018) "Insufficient support for electric vehicle charging infrastructure hampers uptake, new report shows" accessed (27.2.19) at: https://www.acea.be/press-releases/article/insufficient-support-for-electric-vehicle-charging-infrastructure-hampers-u

Alignment with/contribution to SDGs
The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

E.ON SE has developed the E.ON Green Bond Framework, under which it intends to issue Green Bonds, and use the proceeds to fund investments in renewable energy, energy efficiency, and clean transportation. Specifically, E.ON may finance expenditures related to acquisition or development of renewable energy technologies, the connection of these technologies to the grid, replacement and upgrade of the electrical grid, smart meters, integrated on-site business and city energy solutions, and electric vehicle charging infrastructure.

The use of proceeds categories specified in the Framework are aligned with those of the Green Bond Principles 2018. E.ON has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the investments funded by the Green Bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular Goals 7, 9, and 11.

Based on the above, Sustainalytics is confident that E.ON is well-positioned to issue Green Bonds, and that the E.ON Green Bond Framework is robust, transparent, and in alignment with the Green Bond Principles 2018.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form
Section 1. Basic Information

Issuer name:	E.ON
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *[specify as appropriate]*	E.ON Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 2, 2019
Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW ***(if applicable)***

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in renewable energy, energy efficiency, and clean transportation will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

☒	Renewable energy	☒	Energy efficiency
☐	Pollution prevention and control	☐	Environmentally sustainable management of living natural resources and land use
☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation
☐	Sustainable water and wastewater management	☐	Climate change adaptation
☐	Eco-efficient and/or circular economy adapted products, production technologies and processes	☐	Green buildings
☐	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	☐	Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

E.ON's internal process in evaluating and selecting projects is in line with market practice. The evaluation and selection will be carried out by the Green Bond Committee, which includes representatives from Sustainability, Energy Networks, Customer Solutions and Group Finance. The Green Bond Committee is also responsible for determining which projects are no longer eligible.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives

☒ Defined and transparent criteria for projects eligible for Green Bond proceeds

☐ Summary criteria for project evaluation and selection publicly available

☒ Documented process to determine that projects fit within defined categories

☒ Documented process to identify and manage potential ESG risks associated with the project

☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

E.ON intends to allocate proceeds using a portfolio approach. E.ON will strive to maintain a level of allocation for the Eligible Green Project Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds, and will add additional eligible projects to the portfolio as needed. Pending full allocation of proceeds, E.ON will hold and/or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☐ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

E.ON intends to report on allocation and impact on an annual basis until full allocation. The allocation reporting will include the total amount of investments and expenditures in the Green Projects Portfolio, the amount of proceeds used for new and/or existing projects and the balance of the unallocated proceeds. In addition, E.ON is committed to impact reporting using quantitative metrics, to be made available in the company's annual sustainability report and/or in a specific impact report. Sustainalytics views E.ON's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project
☐ On a project portfolio basis
☐ Linkage to individual bond(s)
☒ Other *(please specify):* At category level

Information reported:

☒ Allocated amounts
☐ Green Bond financed share of total investment
☐ Other *(please specify):*

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Impact reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other (please specify):

Frequency:

☒ Annual
☐ Semi-annual
☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☐ Energy Savings
☐ Decrease in water use
☐ Other ESG indicators (please specify): number of components installed

Means of Disclosure

☐ Information published in financial report
☒ Information published in sustainability report

☐ Information published in ad hoc documents
☐ Other (please specify):
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify):*

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

v.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

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