ISS-CORPORATE

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

BKW AG

2 July 2025[1]

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Green bond
Relevant standards	▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
Scope of verification	▪ BKW AG's Green Bond Framework (as of June 30, 2025)[2] ▪ BKW AG's asset pool (as of June 20, 2024)
Lifecycle	▪ Pre-issuance verification ▪ First update of SPO as of Aug. 8, 2024 (ISS-Corporate weblink)
Validity	▪ Valid as long as the cited Framework remains unchanged

[1] BKW initially published its Green Bond Framework in June 2024. A new version of the Framework has been published in June 2025, substituting the previous one. No modification occurred regarding the core elements of the Framework [use of proceeds, processes for project evaluation and selection, management of proceeds, reporting] based on which ISS-Corporate performed its analysis in August 2024.

[2] Ibid.

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SCOPE OF WORK

BKW AG ("the Issuer," "the Company" or "BKW") commissioned ISS-Corporate to assist with its green bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. BKW's Green Bond Framework (as of June 30, 2025), benchmarked against the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1).
2. The asset pool (as of June 20, 2024) — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
3. Consistency of the green bonds with BKW's sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

BKW OVERVIEW

BKW AG engages in the production and sale of electricity, transmission of electricity and related engineering services. It operates through the following segments: Energy, Grid, Services, and Other. The Energy segment focuses on generation and sale of electricity to its end consumers, distribution partners, and on the wholesale market, while it also supplies energy for heat production. The Grid segment encompasses all grid-related activities and generates income through grid usage fees. The Services segment provides engineering planning and consulting services for energy, infrastructure and environmental projects; integrated services in the area of building technology; and the construction, servicing and maintenance of energy, telecommunication, transport and water networks. The Other segment focuses on the activities that are centrally managed within the Group, largely consisting of Group financing, real estate, fleet management, procurement, financial assets and tax. The company was founded in 1898 and is headquartered in Bern, Switzerland.

ESG risks associated with the Issuer's industry

BKW is classified in the electric utilities industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies[3] in this industry are promotion of a sustainable energy system, accessibility and reliability of energy supply, worker safety and accident prevention, environmentally safe operation of plants and infrastructure, and protection of human rights and community outreach.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

[3] Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[4]
Part I: **Alignment with GBP**	The Issuer has defined a formal concept for its green bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP.	**Aligned**
Part II: **Sustainability quality of the asset pool**	The green bonds will (re)finance the following eligible asset category: Green category: Renewable Energy The product and/or service-related use of proceeds category[5] individually contributes to one or more of the following SDGs: The environmental and social risks associated with the use of proceeds category are managed.	**Positive**
Part III: **Consistency of green bond with BKW's sustainability strategy**	The key sustainability objectives and the rationale for issuing the green bond are clearly described by the Issuer. The project category financed is in line with the Issuer's sustainability objectives.	**Consistent with Issuer's sustainability strategy**

[4] The evaluation is based on BKW's Green Bond Framework (June 30, 2025, version), on the analyzed asset pool as received on June 20, 2024. The assessment remains unchanged and is based on the analysis delivered on Aug. 8, 2024.
[5] Renewable Energy.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP[6]

This section evaluates the alignment of BKW's Green Bond Framework (as of June 30, 2025) with the GBP.

GBP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by BKW's Green Bond Framework is **aligned** with the GBP. The Issuer's green categories align with the project categories as proposed by the GBP, and criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by BKW's Green Bond Framework is **aligned** with the GBP. The project selection process is defined. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer's sustainability strategy. The Issuer defines exclusion criteria for harmful project categories and involves various stakeholders in this process, in line with best market practice.
3. Management of Proceeds	✓	The Management of Proceeds description provided by BKW's Green Bond Framework is **aligned** with the GBP. The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds

[6] The assessment is based on the analysis that was delivered on Aug. 8, 2024, following an engagement period from June to August 2024. The Issuer made one change on an element reflecting best market practice; no modification was made to the core elements for the alignment with ICMA's GBP, hence the alignment assessment remains unchanged.

		are tracked appropriately and managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. The Issuer has defined an expected allocation period of 24 months and discloses information regarding the allocation to individual or portfolio disbursements.
4. Reporting	✓	The Allocation and Impact Reporting description provided by BKW's Green Bond Framework is **aligned** with the GBP. The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer's website. BKW has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the portfolio level. Moreover, the Issuer commits to report annually until the bond matures. The Issuer discloses roles and responsibilities in the monitoring and reporting process, in line with best market practice. Furthermore, the Issuer is transparent on the level of impact reporting and the information reported and further defines the duration, scope and frequency of the impact reporting. The Issuer commits to have the allocation report audited by an external party, in line with best market practice.

PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

A. CONTRIBUTION OF THE GREEN BONDS TO THE U.N. SDGs[7] [8]

Companies can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale:

Obstruction	No Net Impact	Contribution

Each of the green bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy *Wind project*	Contribution	
Renewable Energy *Small hydro power plant with 3.7 MW of generation capacity*	Contribution	

[7] The impact of the assets on U.N. Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.
[8] The assessment remains unchanged and is based on the analysis that was delivered on Aug. 8, 2024, following an engagement period from June to August 2024.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL[9]

Small hydropower

The table below evaluates the asset pool against issuance-specific KPIs. The asset is located in Switzerland.

ASSESSMENT AGAINST KPIs	
Conservation and biodiversity management	
✓	The Issuer has confirmed that the asset underwent an environmental impact assessment in the planning stage.
Community dialogue	
✓	The Issuer confirmed that community dialogue is an integral part of the asset's planning process. This includes usage agreements with affected landowners, tours with authorities during execution, an open construction site day for landowners and residents, and an inauguration ceremony for all project participants and the local population. Additionally, the Issuer engages with the general public through press releases, media events, social media, event presentations, specialist papers and its website.[10] Additionally, the Issuer holds an annual management meeting with the representatives of the most important NGOs (e.g., WWF and Pro Natura). The process to ensure all parties are heard involves multiple steps. First, a concession application is submitted to the responsible cantonal authority and made public. Stakeholders, such as the WWF and a local fishing association, can file complaints that are discussed by stakeholders and the company, leading to joint applications to the authority. In this case, the objectors were satisfied and did not pursue further objections. After receiving the concession, the Issuer prepares the planning application, which includes plans, technical reports, EIAs, clearing applications and usage agreements. Usage agreements cover rights of passage on private roads, temporary parking spaces, and permanent rights of passage for pressure pipes and power lines. Woodland clearing agreements require owner consent and compensation, along with reforestation plans, with inspections confirming compliance. Without these agreements, the planning application does not

[9] The assessment remains unchanged and is based on the analysis that was delivered on Aug. 8, 2024, following an engagement period from June to August 2024.
[10] As outlined on Pages 10-11 of BKW's 2023 Sustainability Report.

proceed, illustrating how the Issuer cannot build hydropower power plant without stakeholder consent.

Environmental aspects of construction (or production)	
✓	The asset includes measures in accordance with the Federal Act on the Protection of Nature and Cultural Heritage to protect habitat and wildlife during the operation of the power plant. Additionally, the Issuer implemented various ecological improvements, such as a fish ladder that allows animals to pass the plant upstream. Descending fish are guided downstream via the regulating or weir flap or through the wash-off channels. The effectiveness of these fish migration measures is currently being tested. Furthermore, the Issuer has added a block ramp to an existing flood barrier, ensuring that fish can continue to ascend above the dam.
✓	The Issuer confirmed that the asset met high environmental standards and requirements during the construction phase, complying with environmental regulations for both the construction and operation of the plant. Measures were taken to minimize noise and dust (air pollution) during the construction of the asset. These measures include ensuring construction machinery complies with Luftreinhalte-Verordnung (LRV) regulations, certifying that the particle filter system used meets legal requirements, and performing regular maintenance to minimize air pollution. Additionally, careful acoustic design of the machine foundation and building shell, installation of insulated metal gates, separation of the foundation from the concrete walls, and incorporation of sound-absorbing surfaces in the machine shaft reduces noise emissions.
Labor, health and safety	
✓	All the assets are located in Switzerland, where high labor, health and safety standards are in place (i.e., the International Labor Organization's core conventions) for construction, maintenance and operations work.

Wind power

The table below evaluates the asset pool against issuance-specific KPIs. The assets will be located in Sweden and Italy.

ASSESSMENT AGAINST KPIs	
Conservation and biodiversity management	
✓	The assets have measures in place to protect habitat and wildlife during the operation of the power plant. Mitigating actions that have been proposed in

the environmental impact assessments for all wind farms are considered common for the project. Some of the more specific mitigating actions have been passed down to the permit conditions. Moreover, the EIAs show that several mitigating actions have already been implemented when designing the layout of the project to reduce the impact on the surrounding area and interests. Mitigating actions include restricting construction works and temporarily storing machinery and materials within designated zones near identified wetlands, limiting trench depth to existing levels in specific locations, establishing buffer zones between new road construction and identified swamp forests, and conducting follow-up studies on the potential impact on nightjars.

Additionally, the assets are located in Italy and not in a key biodiversity area. The Issuer confirmed that environmental monitoring plans are foreseen for construction and operational phases and that there will be environmental monitoring and impact reports. To mitigate environmental impact, the following measures will be implemented: construction times will be limited, wind turbines with tubular towers and low blade rotation speeds will be used without tie rods, and the blades will be colored to enhance bird visibility and reduce collision risks. Additionally, vegetation removed during construction will be restored, and areas no longer needed for operations will be returned to their original condition.

✓ The Issuer confirmed that all the assets underwent an environmental impact assessment in the planning stage.

Community dialogue

✓ The assets located in Sweden feature community dialogue as an integral part of the planning process. Consultation with the County Administrative Board, the municipality and nearby residents is a crucial part of the application process. This consultation must be thoroughly documented before submitting the application. The documentation should include details of the consultation process, received comments/statements, and descriptions of how these have influenced the proposed operation. Additionally, a public information meeting was held before the construction started to inform the community about the upcoming construction period and to gather local input. Eolus has established a whistleblowing channel open to anyone wishing to report irregularities or misconduct. This system, managed by an independent third party, guarantees anonymity and is accessible via Eolus' website. On the same website, the operations department's on-call phone number and email address are available for anyone who needs to contact the company regarding a specific

wind farm. Complaints reported through this channel are logged in Eolus' incident reporting system and are followed up on with the appropriate party.

For the assets in Italy, the Issuer has established measures for engaging with the community throughout the Authorization, Construction, and Operation phases. In the authorization phase, the project secured the 'Autorizzazione Unica' (single authorization) following a conference that brought together all relevant stakeholders, including local community representatives. These representatives received detailed project information, which is also publicly accessible on the region's website. Additionally, project details are shared through national and local newspapers. During the construction phase, signage is installed at the site to keep the local community informed about the project and its progress. In the operational phase, the Issuer will organize open days to continue engaging and updating the community. Additionally, the Issuer has confirmed that a dedicated team is in place to ensure proper quality management and project oversight. The project managers and on-site staff are responsible for maintaining relations with the local population and stakeholders. An agreement with the local municipality outlines general principles of community care, with a primary focus on compensation measures aimed at environmental improvements. The Issuer has also confirmed that an expropriation procedure for local landowners will soon be initiated to secure easement rights for the project, including access roads and cable ducts.

Environmental aspects of construction (or production)

✓

The Issuer confirmed that the asset meets high environmental standards and requirements during the plant's construction phase. None of the noise receptors within the area exceeded the 40 dB(A) noise level. In the energy yield assessment, the sunshine probability was taken into consideration for shadow flickering, leading to a 0.04% to 0.2% curtailment level and thus a minimal loss of production. For the assets located in Sweden, the measures that were taken during the construction phase included scheduling noisy activities during daytime hours to reduce disturbance to nearby residents. Dust and air pollution were controlled through water spraying and the use of dust suppressants on construction sites and access roads, while loose materials were covered during transportation and storage to prevent dust dispersion. Vibration levels were continuously monitored, and construction techniques were adjusted to keep vibrations within acceptable limits. Regular updates and information letters were sent to the local community to keep residents informed about construction activities, and clear signage, barriers and safety devices were installed around the site to ensure public safety. Ongoing supervision and monitoring were carried out to ensure adherence to safety measures and prevent environmental harm.

Additionally, the assets located in Italy will adhere to Italian and EU standards regarding noise emissions, vibrations, pollution and safety. There are measures in place to minimize noise and vibrations during the construction phase, such as protection of the wind turbine in case of fire through the use of portable devices (fire extinguishers). Additionally, prior to starting work, the proposer must submit results of excavated earth and rock activities to the Ministero dell'Ambiente e della Tutela del Territorio e del Mare (Ministry of the Environment and Protection of Land and Sea) and the Environmental Protection Agency, and an environmental monitoring plan including avifauna monitoring must be provided both during the construction and operational phases. A Soil Component Monitoring Plan, to be approved by regional environmental protection agencies before construction begins, will outline data return frequencies and potential additional mitigation measures. Noise and vibration monitoring will be conducted according to regional guidelines, every two months during construction and every six months during operation, with adjustments made if limits are exceeded. Additionally, requirements for constructing cable ducts, lay-bys, site roads and temporary road adjustments will be addressed before and during construction.

Labor, health and safety

✓ All the assets are located in Sweden and Italy, where high labor, health and safety standards are in place (i.e., the International Labor Organization's core conventions) for construction, maintenance and operations work. Additionally, the projects will follow Swedish and Italian standards and regulations.

PART III: CONSISTENCY OF GREEN BONDS WITH BKW'S SUSTAINABILITY STRATEGY[11]

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	BKW's sustainability strategy is based on the SUCCESS Framework (society, use of resources, climate neutrality, corporate governance, employees, secure products, and secure data). These sustainability pillars have been defined through materiality analysis.[12]
ESG goals/targets	To achieve its strategic ESG topics, the Issuer has set the following targets: ▪ Society: Increase its sustainable investments and sustainable turnover (according to EU taxonomy) ▪ Use of resources: Protect natural resources and make an active contribution to the protection of biodiversity ▪ Climate neutrality: Reduce its emissions in the energy business to net zero by 2040, increase the installed capacity of new renewable energies to 1,000 MW by 2026 and electrify its entire fleet of cars and light-duty commercial vehicles by 2030 ▪ Corporate governance: Increase the sense of responsibility for compliance throughout the company ▪ Employees: Foster occupational health and safety and health awareness ▪ Secure products: Operate its power plants and grids safely and reliably ▪ Secure data: Increase cyber security, develop and establish data compliance throughout the Group

[11] The assessment remains unchanged and is based on the analysis that was delivered on Aug. 8, 2024, following an engagement period from June to August 2024.
[12] As outlined on Pages 7-8 of BKW's 2023 Sustainability Report.

	These targets are public and monitored annually. However, the Issuer has not set its GHG emissions target, according to the SBTi.
Action plan	In 2024, BKW will introduce a software tool for greenhouse gas management and improve related processes and data. The Issuer will also advance its governance structure and integrate additional compliance topics. Additionally, it began rolling out smart meters to basic supply customers, aiming for completion by 2028. Digitalization will support the expansion of the distribution grid, crucial for the energy transition. BKW doesn't disclose the relevant financial budget to achieve its strategic ESG targets.
Climate transition strategy	In 2023, the Issuer focused on decarbonizing its energy business and began its effort to reduce emissions across its business divisions by electrifying its fleet of over 3,500 vehicles. BKW aims to electrify at least 500 vehicles by the end of 2026. To support this, the company introduced new vehicle procurement guidelines and plans to reduce emissions from its commercial buildings by converting all heating systems in its commercial and residential properties to lower-emission technologies by 2030. Furthermore, training was provided to employees. BKW is also expanding the installed capacity of new renewable energies. For 2024, the Issuer plans to intensify the climate-related opportunity and risk analysis, following TCFD recommendations, and carry out a scenario analysis. BKW is also preparing a climate transition plan, which will be disclosed as part of its 2024 TCFD reporting.
ESG risk and sustainability strategy management	The Issuer has a risk management process in place to identify and manage ESG risks. Its Executive Board monitors a wide range of risks, both external (cybersecurity, regulatory changes and climate and environmental issues) and those related to the company's operations and strategy. The risk management team, reporting directly to the CFO, prepares guidelines and tools for systematic risk management, coordinates the risk management

	process across the Group, and supports management in assessing and handling risk. For sustainability, the ultimate responsibility lies with the Board of Directors. The Group Executive Board is responsible for the development and implementation of the sustainability strategy and makes strategic decisions for the Group.
Top three areas of breaches of international norms and ESG controversies in the industry[13]	Failure to prevent radioactive pollution, failure to prevent water pollution, and anti-competitive behavior.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.
Sustainability reporting	The Issuer's sustainability report complies with the requirements of the Swiss Code of Obligations, the Swiss Ordinance on Climate Disclosures and the EU's Corporate Sustainability Reporting Directive.
Industry associations, collective commitments	The Issuer is a participant in the U.N. Global Compact, a partner of Sustainable Switzerland and a member of öbu.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	The Issuer issued its second green bond at the beginning of 2022. The amount allocated is CHF 300 million for small hydro and wind projects.[14]

Rationale for issuance

BKW aims to address the demand for renewable and climate-friendly energy solutions through its operations. The Green Bond Framework is established to offer transparency to BKW's investors and provide insights on the projects financed by the green bonds issued. Additionally, BKW aims to contribute to environmental objectives, including climate change mitigation and adaptation.

Opinion: *The key sustainability objectives and the rationale for issuing the green bonds are clearly described by the Issuer. The project category financed is in line with the Issuer's sustainability objectives.*

[13] Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the electric utilities industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.
[14] As outlined on Pages 196 and 199 of BKW's 2023 Annual Report.

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

BKW AG commissioned ISS-Corporate to compile a green bond SPO. The second-party opinion process includes verifying whether the Green Bond Framework aligns with the GBP and assessing the sustainability credentials of its green bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this second-party opinion:

- ICMA's Green Bond Principles

ISSUER'S RESPONSIBILITY

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

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

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the green bonds to be issued by BKW has been conducted based on proprietary methodology and in line with the Green Bond Principles (as of June 2021 with June 2022 Appendix 1).

The engagement with BKW AG took place from June 2024 to August 2024.

The engagement on the updated part I took place in June and July 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

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

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

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