

SECOND PARTY OPINION (SPO)

Re-verification of the Sustainability Quality of the Issuer and Green Bond Asset Pool

BayWa AG
22 May 2019

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ISS-oekom Evaluation of the Green Bond

BayWa commissioned ISS-oekom to assist with its Green Bond verification by assessing three core elements:

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

ISS-oekom Assessment Summary

SPO	SUMMARY	EVALUATION
Part 1: Performance against the Green Bond Principles	BayWa has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is positive based upon the ISS-oekom Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which consist of Solar (Photovoltaic) and Wind (Onshore). A better selection criteria around the solar modules would be recommended.	Positive
Part 3: Issuer sustainability performance	BayWa shows a medium sustainability performance at the company level with a Corporate Rating of C- on a scale from A+ (excellent) to D- (poor). The company does not disclose information on a systematic approach for the management of potential social and environmental risk areas related to its operations and its supply chain. It is rated 13 th out of 94 companies within its sector as of 22.05.2019	Status: Not Prime Rating: C- Prime threshold: C+

ISS-oekom SPO Assessment

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The proceeds of the Green Bonds to be issued by BayWa will be exclusively used for financing and refinancing of renewable energy projects. These projects aim at increasing the production, connection and distribution of renewable energies, including solar (photovoltaic) and wind (onshore).

Eligible Green Projects include new projects, projects under construction or in BayWa's portfolio.

Eligible Green Projects exclude any projects related to fossil fuel and hydro energy production, transmission and distribution.

If for any reason a project were no longer eligible, BayWa will use its best efforts to substitute any assets that are no longer eligible, as soon as practical once an appropriate substitution option has been identified.

Opinion: ISS-oekom considers the Use of Proceeds description provided by BayWa as aligned with the GBPs.

2. Process for Project Evaluation and Selection

Project financed and/or refinanced through the proceeds of the Green notes are evaluated and selected by a working group of representatives with the required level of expertise and seniority from BayWa and BayWa r.e.

This team will be constituted of representatives from:

- Members of the Board,
- the Treasury team,
- the CSR team,
- Finance team of BayWa r.e.
- the Project team

The Project team will evaluate the nominated projects and assets and report the information to this working group, who will then be responsible to select the Eligible Green Projects that are compliant with the eligible categories described in the previous section. The working group's role will be to:

1. Review, select and validate the list of Eligible Green Projects, based on the Green Bond Framework;
2. Validate annual reporting for investors;
3. Review the Framework to reflect any changes with regards to the Company's sustainability strategies and initiatives.

Opinion: ISS-oekom considers the Process for Project Evaluation and Selection description provided by BayWa as aligned with the GBPs.

3. Management of Proceeds

The net proceeds from BayWa's Green Bonds will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects of BayWa r.e., in accordance with BayWa's Green Bond Framework.

All relevant information regarding the issuance of Green bonds and projects (re)financed will be monitored and kept in its accounting systems. The balance of the tracked proceeds should be periodically adjusted on a quarterly basis, in order to match allocations to Eligible Green Projects (re)financed during this period.

BayWa will use its best efforts to substitute any projects that are no longer eligible, as soon as practical once an appropriate substitution option has been identified. The payment of principal and interest on any bond issued by BayWa under the Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Project.

Pending the allocation or reallocation of the net proceeds, BayWa will invest the balance of the net proceeds, at its own discretion, in cash or cash equivalent, or in other liquid marketable instruments, as per the company's liquidity management policy. BayWa intends to allocate the full amount of proceeds within the next 12 months following the issuance of the Green Notes.

Opinion: ISS-oekom considers the Management of Proceeds proposed by BayWa as aligned with the GBPs.

4. Reporting

BayWa will report on the allocation of net proceeds and associated impact metrics of the Green bond within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development. This report will be published as a standalone green bond report on BayWa's website.

Allocation report

The report will include:

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

Impact report

Where possible, BayWa will report on impact metrics associated with the Green Eligible Projects funded with the net proceeds of the Green Bond. Impact Measurement Metrics examples include estimated installed capacity (MW), estimated production (GWh), and estimated tCO₂ eq. avoided.

Opinion: ISS-oekom considers the reporting proposed by BayWa is in line with the GBPs.

External review

BayWa has commissioned ISS-oekom to provide an SPO to verify the sustainability quality of the projects to be financed through the issuance of green debt instruments. The issuer will also seek an independent auditor's limited assurance which will be made available on its website.

PART II: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL

Evaluation of the assets

A. SOLAR (PHOTOVOLTAIC)

A.1. Site Selection (not applicable for PV roof systems):

- ✓ 79% of the assets are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV). For one project accounting for about 21% of the asset pool, no information on specific location is available.

A.2. Supply chain standards

- Less than 50% of assets provide for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions).

A.3. Environmental aspects of solar power plants

- ✓ More than 50% of modules in the asset pool feature a conversion efficiency of at least 15%.
- Less than 50% of assets provide for high environmental standards regarding take-back and recycling of solar modules at end-of-life stage (e.g. in line with WEEE requirements).
- Less than 50% of assets provide for high standards regarding the reduction or elimination of toxic substances within solar panels (e.g. in line with RoHS requirements or other relevant standards).

A.4. Working conditions during construction and maintenance work

- ✓ 97% of assets provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions). One project, accounting for 3% of the asset pool, is located in a country that does not provide for these high standards.

Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to BayWa.

B. WIND (ONSHORE)

B.1. Site selection

✓	100% of the assets are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV)
✓	73% of assets underwent environmental impact assessments at the planning stage. The remaining 27% of assets just underwent basic environmental screenings.

B.2. Community dialogue

✓	73% of assets feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes). No information is available for the remaining 27% of assets.
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B.3. Environmental aspects of construction and operation

✓	82% of assets meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). No information is available for the remaining 18% of assets.
✓	82% of assets provide for measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats).

B.4. Working conditions during construction and maintenance work

✓	100% of assets provide for high labour and health safety standards for construction and maintenance work
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Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to BayWa.

PART III: SUSTAINABILITY QUALITY OF THE ISSUER

The ISS-oekom Corporate Rating comprises a rating scale from A+ (excellent) to D- (poor).

COMPANY	RATING	STATUS
BayWa AG	C-	NOT PRIME

This rating means that the company performed overall medium in terms of sustainability.

As of 22 May 2019, this rating puts BayWa in place 13 out of 94 companies rated by ISS-oekom in the Trading Companies & Distribution sector.

This rating reflects a good management of various ESG issues and outperformance of the peer average with regard to three key issues, including:

- Sustainable product portfolio
- Safe and efficient transport and distribution
- Product safety

No information is available on “Supply chain management” in comparison to the industry.

The company does not disclose information on a systematic approach for the management of potential social and environmental risk areas related to its operations and its supply chain.

The company hasn’t been involved in any controversy and has a “minor” controversy level, which is better than the average level of “significant” for the Trading Companies & Distribution sector.

Details on the rating of the issuer can be found in Annex 3.



Robert Hassler, Head of ISS-oekom
London/Munich/Rockville/Zurich

DISCLAIMER

1. Validity of the SPO: For BayWa's Green Bond issuances occurring between May 2019 and May 2020.
2. ISS-oekom uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS-oekom in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS-oekom Green Bond KPIs

The ISS-oekom Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BayWa’s Green Bond.

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

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details in Annex 3) who will send them directly to you.

ANNEX 2: Asset evaluation methodology

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

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

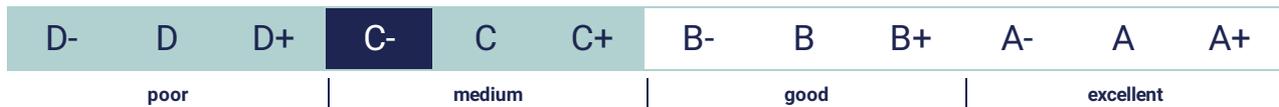
The evaluation was carried out using information and documents provided to ISS-oekom on a confidential basis by BayWa (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

ANNEX 3: ISS-oekom corporate ESG rating

ISS-oekom Corporate Rating

BayWa AG

Industry	Trading Companies & Distributors	Status	Not Prime
Country	Germany	Rating	C-
ISIN	DE0005194062	Prime Threshold	C+



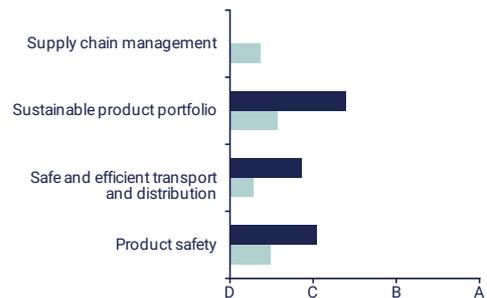
The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Industry Leaders

Company name (in alphabetical order)	Country	Grade
Dustin Group AB	SE	C
Metro AG	DE	C+
Univar Inc.	US	C

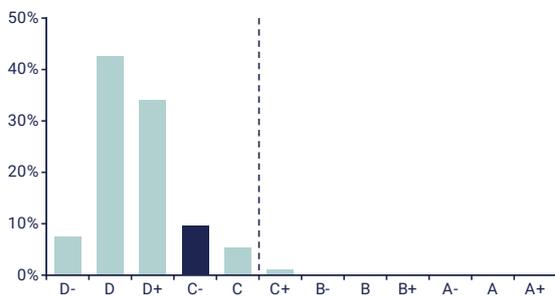
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance



Distribution of Ratings

94 companies in the industry



Rating History



Controversy Monitor

Company		Industry	
Controversy Score	0	Maximum Controversy Score	-32
Controversy Level	Minor	Controversy Risk	Significant



BayWa AG

Analyst Opinion

Kira Kim Daubertshaeuser
Sector specialist



Sustainability Opportunities

According to BayWa, shifting energy production from fossil to renewable sources is an integral part of the company's strategy. Besides its conventional energy business, BayWa operates a renewable energy segment, which is a service provider active in project development, the construction of wind, solar, biomass and geothermal power plants, photovoltaic trading as well as technical and commercial services. In 2017, BayWa r.e. renewable energy generated 8.5% of the group's revenue. In addition, a minor share of BayWa's sales comes from certified raw materials such as organically grown pome fruit. However, the revenue generated from conventional products and services still seems to outweigh the revenue from renewable energies and organic produce.

Sustainability Risks

BayWa has implemented several measures to improve transport efficiency, such as route planning, demand and supply planning, and eco-efficient driving training. In addition, in 2017, nine per cent of the parent company's shipments were transported by rail. Regarding its responsibility for clients and products, the company demonstrates reasonable measures to support and protect customers, e.g. through the provision of safety sheets. In addition, BayWa's Agricultural Trade business unit has implemented a certified quality management system, which also comprises relevant elements of product safety management. BayWa has enforced a reasonable code of business conduct and ethics, including some relevant compliance procedures, but faces price-fixing allegations in Germany. Other than that, the company does not disclose information on a systematic approach for the management of potential social and environmental risk areas related to its operations and its supply chain. For a company operating in trading and distribution, these mainly include supply chain management of labour- and environment-related aspects, management of energy efficiency as well as of resource use and emissions.

Governance Opinion

The majority of BayWa's shareholders can be described as having a long-term investment horizon, with Bayerische-Raiffeisen-Beteiligungs-AG (34.9%) and Raiffeisen Agrar Invest GmbH (25%) each owning more than 20% of BayWa's total share capital (as at 31 July 2018). The company's governance structure does not seem to ensure the supervisory power of the board: the board chair, Mr Manfred Nüssel, is also the chairman of Bayerische-Raiffeisen-Beteiligungs-AG, one of the company's significant shareholders, and thus not independent. The majority of board members must be classified as non-independent as well. The same holds true for the board committees the company has put in place for audit, remuneration as well as nomination. BayWa discloses its remuneration policy for members of the executive management team as a whole, which includes long-term components that could incentivise long-term value creation.

The company's governance of sustainability seems equally weak. There is no indication that a committee in charge of sustainability has been established and that ESG targets are integrated into the variable remuneration of the executive management team. However, BayWa has implemented a reasonable code of conduct that covers some relevant issues in varying degree of detail, such as anti-competitive practices and corruption, yet does not deal with some further relevant topics. Some compliance procedures (e.g. trainings and confidential reporting channels) are in place, but the company faces price-fixing allegations in Germany.

BayWa AG

Methodology - Overview

ISS-oekom Corporate Rating - The ISS-oekom Universe comprises more than 3,900 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company itself as well as information from independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

An external rating committee assists the analysts at ISS-oekom with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices and Areas - In addition to the rating, ISS-oekom undertakes a comprehensive analysis of relevant controversies with respect to numerous business practices and areas for each company. Thereby, our clients have the possibility to consider, either separately or in addition to the rating, the behaviour and the activities of a company in areas they view as especially critical.

With regard to business practices, each controversial case is examined and categorised based on whether it can be clearly attributed to the company. Additionally, the extent of the company's responsibility and the severity of the case are assessed. For the classification of the severity of the misconduct, the concrete negative effects are systematically evaluated. In addition, it is considered whether, to what extent and with what success the company has taken steps to mitigate the impact, to compensate it and to prevent similar incidents from occurring in the future.

To account for the varying levels of severity of the controversies, these are classified into the following three categories: moderate controversies, severe controversies and very severe controversies. Additionally, potential controversies are presented. These constitute issues which could be reclassified into one of the three controversy categories in case new information is reported. The classification follows a clear and uniform methodology for which ISS-oekom has defined specific evaluation parameters and their possible manifestations along a scale, based on international norms and standards and its own understanding of sustainability.

In the Business Practices section, the number of relevant and active cases is displayed in the respective cells. For each criterion, the sum of all corresponding cases for each sub-category is shown in the first line. In the Business Areas section, the activity is marked "x" and summarised as "yes" or "no". The percentage thresholds in the column headers generally refer to the Net Sales of the assessed company. As Net Sales are not an adequate reference value for all companies, these thresholds can refer to other values in individual cases (e.g. for different financial service providers).

Current cases are summarised in the "Comments" field. Irrespective of active cases, criteria marked as "Risk Exposure" indicate the company's risk exposure to controversies based on its business activities.

For the assessment of cases only those sources that have been classified by ISS-oekom as reliable are used. In addition to proven misconduct or activities of companies, alleged misconduct or activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. This applies not only to alleged practices, but also to the alleged serious negative effects of such practices.

BayWa AG

Methodology - Overview

Controversy Monitor - The Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

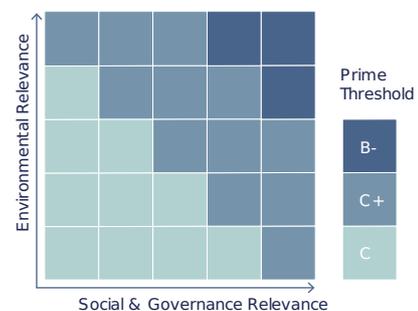
For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ISS-oekom Universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analysed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ISS-oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS-oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ISS-oekom Universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

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

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

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

A+: the company shows excellent performance.

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

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

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

Status & Prime Threshold - Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by ISS-oekom for a specific industry (absolute best-in-class approach) in the ISS-oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.

About ISS-oekom

ISS-oekom is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Green Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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