

GUIDELINES FOR SUPPLIER ASSESSMENT AND MONITORING

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Preamble

EUROFIMA's commitment to sustainability is a core element of our public mission. Supporting the growth and development of passenger rail transport is key to addressing the problem of CO₂ emissions attributable to the transportation sector. As countries across Europe work to meet the sustainability targets outlined by Europe 2020 and by the COP21 agreement, EUROFIMA is determined to serve as partner to its Contracting States in fulfilling their environmental objectives. We have the unique opportunity to make a significant contribution to the urgent global ambition of limiting the effects of climate change through our financings of railroad passenger transport, one of the most sustainable modes of transportation. This way, we help in shaping the future of mobility and fostering green and affordable public transportation in Europe.

EUROFIMA is dedicated to ensure sustainable and responsible behaviour across all aspects of its operations. This involves the practices of the internal human resources, governance structures, and offices. However, it also expects its partners, investees and suppliers to follow internationally recognized environmental, social and corporate ("ESG") standards. A detailed of ESG-related practices, laws, rules and regulations which are expected to be adhered by its suppliers are described in EUROFIMA'S **SUPPLIER CODE OF CONDUCT**.

Supplier Structure

EUROFIMA's supply chain (due to the nature of its operations which are primarily in the financial sector) is mainly composed of service providers, e.g., consulting services, rating agencies, auditors, law firms, marketing agencies, etc., and to a lesser extend goods.

Supplier Assessment and Monitoring

As of 2023, EUROFIMA is introducing Supplier Sustainability Assessment and Monitoring process.

The purpose of the Supplier Assessment process is to:

- Ensure that core suppliers are meeting ESG-related expectations
- Increase supplier transparency against a set of recognized global standards
- Provide a systematic approach toward improving sustainability in the supply chain

This document provides Guidelines for the selection of the suppliers who need to undergo through the supplier monitoring and/or assessment process as well as a description on the execution process.

Supplier Monitoring

Aiming to have wider impact, EUROFIMA intends to monitor the sustainability performance of its core suppliers, once every three years. The supplier monitoring process is composed of the following steps:

- Selection of core suppliers in accordance to predefined criteria
- Execution of the supplier sustainability monitoring
- Evaluation of the results based on predefined criteria

Selection of suppliers for ESG monitoring

As per these guidelines, core suppliers are companies which constitute 80% of the annual purchasing volume of EUROFIMA. As supplier sustainability monitoring is conducted every three years, EUROFIMA commits to monitor its core suppliers as per its purchasing activities in the predeceasing 3 years.

Execution of the supplier monitoring

EUROFIMA may choose to conduct the supplier monitoring utilising a third-data provider or collecting data directly from the supplier, depending on whether the company is or is not rated by Sustainalytics.

- 1) For suppliers which are rated by Sustainalytics, we assess the following:
 - Supplier's compliance with the principles of the UN Global Compact, as per the Global Standards Screening by Sustainalytics, and/or
 - Suppliers ESG rating score by Sustainalytics.
- 2) For companies which are not rated by Sustainalytics, EUROFIMA conducts assessment against a set of pre-defined criteria. A questionnaire is sent to the company with the purpose of collecting information on ESG-related matters. The purpose of the questionnaires is to enable EUROFIMA to assess the ESG performance of the company based on the UN Global Compact principles, across four main categories: labour; health and safety; environment; and ethics.
- 3) If a company is not able to fill in the questionnaire EUROFIMA can decide to conduct autonomous research to assess the sustainability performance of the firm (e.g., using supplier's publicly available information or third-party information) and make its own assessment using the same criteria as for the other suppliers.

EUROFIMA can decide to execute its right not to consider a company as a supplier in the consecutive year if:

- A supplier is rated by Sustainalytics and there is evidence that that supplier is not compliant with one or more principles of the UN Global Compact, or
- A supplier is rated by Sustainalytics the supplier's ESG rating score is HIGH, or
- The supplier does not satisfy 50% of EUROFIMA's criteria defining sustainability performance expectations¹, and/or
- There is clear and robust evidence of ESG violations of one or more of the UN Global Compact principles by the supplier², and/or
- There is clear and robust evidence that the company violates EUROFIMA's Supplier Code of Conduct.²

Supplier sustainability monitoring 2023

In January 2023, EUROFIMA conducted its first sustainability monitoring process. Core suppliers were selected considering the purchasing orders in the three predeceasing years, i.e., 2020, 2021 and 2022. In total, 19 suppliers were selected for sustainability performance monitoring.

Out of those 19 suppliers:

- 3 had a Sustainalytics ESG score. All of these suppliers were classified within a Low ESG Rating category.
- Questionnaires were distributed to the remaining 16 suppliers.
- Out of those, 13 suppliers filled in the questionnaire.
- The remaining 3 were evaluated based on publicly available data and their sustainability reports.
- All of the 16 suppliers satisfied at least 50% of EUROFIMA's sustainability criteria.

Supplier Assessment

Before engaging in purchasing activities with new suppliers, EUROFIMA commits to conduct supplier ESG assessment. The supplier assessment process is composed of the following steps:

- Selection of suppliers for ESG Assessment based on pre-defined criteria.
- Execution of the supplier assessment
- Transparency and reporting

¹ EUROFIMA defines a separate evaluation approach depending on the size of the company, i.e., for companies with less than 100 employees and more than 100 employees

² Potential sources of information include, but are not limited to publications by news outlets, company re-orting/press releases, research publications conducted by third parties, etc.

Selection of suppliers for ESG assessment

The supplier assessment is conducted to suppliers which based on the purchasing size are expected to be classified as core suppliers and have not been evaluated in the monitoring phase. At the beginning of each year, a threshold for a minimum purchasing volume per company that will go through an assessment process will be defined through a spend analysis of the purchasing orders of the preceding three years. The selection of supplier assessment for the consecutive year will be set estimated based on the smallest individual purchasing spend of the suppliers accounting for 80% of the total annual purchasing volume in the past three years. To account for variabilities in the purchasing orders in the consecutive year, we reduce this value by 20%, thereby setting the purchasing volume threshold for a company's assessment.³

Execution of supplier assessment and eligibility thresholds

EUROFIMA may choose to conduct the assessment of new suppliers utilising a third-data provider or collecting data directly from the supplier, depending on whether the company is or is not rated by Sustainalytics.

- 1) For companies which are rated by Sustainalytics, we apply the following eligibility criteria:
 - The company should not violate one of more of the principles of the UN Global Compact, as per the Global Standards Screening by Sustainalytics, and/or
 - The company should not have a "Severe" ESG rating by Sustainalytics.
- 2) For companies which are not rated by Sustainalytics, EUROFIMA conducts assessment against a set of pre-defined criteria.

A questionnaire is sent to the company with the purpose of collecting information on ESG-related matters from the potential supplier. The purpose of the questionnaires is to enable EUROFIMA to assess the ESG performance of the company based on the UN Global Compact principles, across four main categories: labour; health and safety; environment; and ethics. EUROFIMA commits not to engage in any purchasing activities if:

- Based on EUROFIMA's assessment, the assessed company does not satisfy 50% of the ESG-related expectations⁴, and/or

³ For example, assuming that among the suppliers that realize 80% of the purchasing volume, the supplier with the smallest purchasing spend stands at EUR 50'000. In this case the threshold for supplier assessment for the next year will be set at $EUR 50'000 - (50'000 * 20\%) = EUR 40'000$.

⁴ EUROFIMA defines a separate evaluation approach depending on the size of the company, i.e., for companies with less than 100 employees and more than 100 employees.

- There is clear and robust evidence of ESG violations of one or more of the UN Global Compact principles by the supplier⁵, and/or
- There is clear and robust evidence that the company violates EUROFIMA's Supplier Code of Conduct⁵

3) If a company is not able to fill in the questionnaire, EUROFIMA can decide to:

- Conduct autonomous research to assess the sustainability performance of the firm (e.g., using supplier's publicly available information or third-party information) and make its own assessment using the same criteria as for the other suppliers, or
- Execute its right not to engage in purchasing relationship with that company.

Reporting

Following the transparency purpose of these Guidelines, we intend to provide details on the supplier sustainability assessment as part of our annual GRI report.

provide an annual publication that will summarize the following information:

- Supplier structure:
 - a. Number of suppliers for goods and services
 - b. % purchasing volume on goods and services
 - c. Number suppliers with an annual purchasing volume of over the supplier assessment threshold
 - d. % purchasing volume of suppliers with an annual purchasing volume of over the supplier assessment threshold
 - e. Supplier assessment threshold for the subsequent year
- Supplier assessment
 - a. Number of assessed companies;
 - b. % companies assessed using Sustainalytics rating and out of those % of companies who did not comply with the eligibility criteria based on Sustainalytics;
 - c. % of companies assessed using EUROFIMA's questionnaire; and out of those, % of companies who were evaluated with less than 50% as per EUROFIMA's supplier assessment; and % of companies for which there is evidence of violation of the UN Global Compact principles

⁵ Potential sources of information would be publications by news outlets, company re-ports/press releases, research publications conducted by third parties, etc