

ENVIRONMENTAL AND SOCIAL POLICY

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EUROFIMA
European Company for the Financing of Railroad Rolling Stock
Rittergasse 20
4051 Basel

1 EUROFIMA overview

EUROFIMA European Company for the Financing of Railroad Rolling Stock is a supranational organization located in Basel, Switzerland. It was established in 1956 based on an international treaty signed by 25 European sovereign States so far. EUROFIMA fulfils a non-profit maximizing mission to support the development of rail transportation in Europe. It supports its shareholder railways as well as other railway bodies in renewing and modernizing their equipment.

2 EUROFIMA's mission and ownership structure

EUROFIMA's mission is to support the development of rail transport in its 25 Member States. As such, the shareholders of EUROFIMA include mainly national railway operators of its Member States.

The three largest shareholders of EUROFIMA, Deutsche Bahn AG, SNCF Mobilités, and Ferrovie dello Stato Italiane S.p.A., holding more than 50 pct of the equity of the company, are also the three largest national railway operators in Europe.

The full list of EUROFIMA shareholders is published on the EUROFIMA website and in the annual reports of the company.

3 EUROFIMA's activities

EUROFIMA focuses solely on financing railway equipment through borrowings or equity capital. EUROFIMA secures title to or obtains security interests deemed equivalent (in particular pledges) on or in respect of rolling stock. The general principles of EUROFIMA's activity are defined in an agreement (the "Basic Agreement") between the shareholder railways and EUROFIMA. The Basic Agreement remains valid for the entire duration of EUROFIMA's existence and can only be altered with the consent of all the railways and EUROFIMA. EUROFIMA's equity is primarily used for investments in liquid assets and, to a limited extent, for equipment financing contracts.

4 EUROFIMA's role in promoting sustainable transportation

Establishing a low-carbon future has become an increasing point of geopolitical focus. The COP21 conference in Paris in 2015 marked a milestone of international cooperation in which 196 representatives in attendance reached an agreement on the reduction of climate change. The center of the agreement focused on reducing global warming to less than two degrees Celsius compared to pre-industrial levels and for zero net greenhouse gas emissions to be reached during the second half of the 21st century. On 22 April 2016, 174 countries signed this agreement and began to take steps to implement these measures into their own legal systems.

The goal of promoting sustainability is at the core of EUROFIMA's 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 and to reducing overall energy consumption. 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 Member States in fulfilling their objectives.

5 Governing principles of the sustainability policy

This Policy covers the environmental and social dimensions of sustainable development. EUROFIMA recognises that sustainability ranks high among the priorities of its activities. By following its Environmental and Social Policy and its Green Bond Framework, EUROFIMA improves the predictability, transparency and accountability of its actions. EUROFIMA recognises that taking environmental and social aspects into account is part of good business and leads to sustainable development. EUROFIMA believes that with this approach economic growth and a healthy environment go hand in hand.

EUROFIMA is committed to the respect for human rights in projects financed by EUROFIMA. EUROFIMA will require its clients, in their business activities, to respect human rights, avoid infringement on the human rights of others, and address adverse human rights risks and impacts caused by the business activities of clients.

EUROFIMA believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business.

EUROFIMA believes that gender equality is a fundamental aspect of a modern, well-functioning market economy and democratic society, and is committed to preventing gender discrimination and to promoting gender equality within its mandate. In addition, EUROFIMA does not accept discrimination based on race, nationality, ethnic origin, skin colour, marital status, religion, disability, age or sexual orientation and does not tolerate any mental, physical or sexual harassment or any other infringement that violates employee's right to dignity and respect in the workplace.

Transparency, accountability and integrity are key principles for achieving sustainable development. EUROFIMA is committed to promoting openness and good governance in all its operations and to maintaining an open dialogue with its stakeholders. EUROFIMA is further committed to its business ethics and to fight fraud and corruption in all its activities. EUROFIMA will not knowingly finance projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements, as identified during project appraisal. Details of our commitments are captured in separate policy documents.

EUROFIMA also commits itself to act as a good corporate citizen and will pursue improvements on a permanent basis in its operations and in applying best practices in environmental management in its internal operations (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, work/life balance, health and safety). EUROFIMA actively and continuously works to improve its environmental management system and to improve the environmental qualities of the projects which it finances.

6 Credit and Loan standards

In its core lending process, EUROFIMA respects the following principles in terms of the selection of financing projects and its pricing.

Equipment eligibility

Rolling stock collateral serves as one pillar of EUROFIMA's security mechanism. As such EUROFIMA retains title or has direct or indirect security interests deemed equivalent (in particular pledges) in the financed equipment during the entire life of the underlying Equipment Financing Contract. Therefore, it is important to have clear rules concerning the eligibility of rolling stock collateral. EUROFIMA will finance rolling stock used:

- To fulfil public service obligations;
- For passenger transportation (Locomotives, Coaches, Multiple-unit trains) and infrastructure services;

In its selection process, EUROFIMA clearly focuses on green projects. Its Green Bond Framework outlines further criteria when a project is considered as being green (i.e. only electrically powered rolling stock with a certain age limit).

Loan pricing

The pricing of loans granted to customers basically consists of two elements. First element is the interest rate that mirrors EUROFIMA's funding in the capital markets. Second element of the pricing is the administration fee to cover the general operational costs as well as the costs of risk of the specific financing. In case of preferential conditions for the funding of green projects in the capital markets, EUROFIMA may decide to pass this advantage on to its customers.

Governance

On a yearly basis, the General Assembly of EUROFIMA approves a maximum amount of borrowings for the purpose of financing rolling stock projects. The Board of Directors sets the parameters for the Lending & Pricing Policy. Within this given frame the Management Committee of EUROFIMA decides the disbursement of funds on a project by project basis.

7 EUROFIMA's footprint

EUROFIMA will allocate the appropriate resources and conduct in-house training in order to ensure the effective implementation of the Sustainability Policy and Guidelines.

EUROFIMA will include a section on sustainability in its Annual Report with information on impacts related to EUROFIMA's project portfolio as well as on impacts from its internal operations.

8 Continuous development of the Policy and Guidelines

EUROFIMA's Sustainability Policy and Guidelines will be subject to periodic review by the Management Committee of EUROFIMA.

9 References to other EUROFIMA policies and regulations

EUROFIMA's Green Bond Framework forms an integral part of the capital market documentation for certain bond issuances of the company. Promoting green financing EUROFIMA offers long-term investment opportunities to green investors.

EUROFIMA's Personnel Regulations govern the rules for EUROFIMA as an employer and the EUROFIMA staff as employees of the company. Fairness, transparency and long-term well-being are the guiding principles these rules.

EUROFIMA's Code of Conduct defines the rules for each individual employee of EUROFIMA for all internal and external activities. The EUROFIMA Code of Conduct is based on the ethical culture of the company.

EUROFIMA's Compliance Policy lays down clear rules for the establishment of fair and respectful working conditions, the compliance with all legal provisions, and the responsible handling of insider information.

EUROFIMA's Anti-Money Laundering & Anti-Bribery and Corruption Policy lays down clear rules for preventing all activities that could encourage or constitute activities of money laundering, bribery or corruption. EUROFIMA and its staff members are guided by the highest ethical standards.

EUROFIMA's Supplier Code of Conduct defines the principles and standards applicable for the procurement process. EUROFIMA expects its suppliers to live up and adhere to these principles and standards as well.