

# Second-Party Opinion

## EUROFIMA Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the EUROFIMA Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2018 and the EU Taxonomy. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Clean Transportation, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9 and 11.



**PROJECT EVALUATION / SELECTION** EUROFIMA's internal process for evaluating and selecting projects uses a three-step approach. The Capital Markets Department that will identify, select, and allocate eligible green assets for each project. The Sustainability Committee (the "Committee") will present the identified projects to the Management Committee for final approval. Upon approval of eligible projects, the Board of Directors is notified. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** EUROFIMA's process for management of proceeds is tracked and allocated through its internal information systems. This process is overseen by the Committee. EUROFIMA intends to define a Green Pool of eligible loans and rolling stock assets to which all proceeds will be allocated within a year of Green Bond issuance. Pending allocation, proceeds will be temporarily invested according to EUROFIMA's liquidity management policy. This is in line with market practice.



**REPORTING** EUROFIMA intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, EUROFIMA is committed to reporting on relevant impact metrics. Sustainalytics views EUROFIMA's allocation and impact reporting as aligned with market practice.

### Alignment with the EU Taxonomy

Sustainalytics has assessed EUROFIMA's Green Bond Framework for alignment with the EU Taxonomy and is of the opinion that, of the Framework's eligibility category, which maps to one EU activity, aligns with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and aligns with the Do No Significant Harm ("DNSH") Criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

<b>Evaluation Date</b>	April 21, 2021
<b>Issuer Location</b>	Basel, Switzerland

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## Introduction

The European Company for the Financing of Railroad Rolling Stock (“EUROFIMA”, the “Issuer” or, the “Company”) is a supranational organization whose mission is to support the development of rail transportation in Europe by supporting the railways operators, which are also its shareholders, in renewing and modernizing their rolling stock. The company finances equipment in various European countries with most of its lending contracts to date being in Switzerland (25.3%), Belgium (19.4%), Spain (15.8%), Austria (16.0%) and Italy (12.8%).<sup>1</sup> EUROFIMA is located in Basel, Switzerland.

EUROFIMA has developed the EUROFIMA Green Bond Framework (the “Framework”) under which it intends to issue green bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that in whole or in part, existing and/or future projects that support the development of interurban passenger rail transport. The Framework defines eligibility criteria in one area:

- Clean Transportation

EUROFIMA engaged Sustainalytics to review the EUROFIMA Green Bond Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>2</sup> and the relevant criteria in the EU Taxonomy.<sup>3</sup> This Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The Framework’s alignment with the EU Taxonomy;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds; and

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of EUROFIMA’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 Framework. EUROFIMA representatives have confirmed (1) they understand it is the sole responsibility of EUROFIMA to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EUROFIMA.

<sup>1</sup> EUROFIMA, “Our Services”, (2021), at: <https://www.eurofima.org/our-services/>

<sup>2</sup> 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/>.

<sup>3</sup> The Technical Annex of the EU Taxonomy is available at: [https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en](https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en)

<sup>4</sup> The EUROFIMA - Green Bond Framework is available on The European Company for the Financing of Railroad Rolling Stock’s website at: <https://www.eurofima.org/sustainability/green-bonds/#text>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that EUROFIMA has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the EUROFIMA Green Bond Framework

Sustainalytics is of the opinion that the EUROFIMA Green Bond Framework is credible and impactful and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of EUROFIMA's Green Bond Framework:

- Use of Proceeds:
  - The eligible category, Clean Transportation, is aligned with those recognized by the GBP.
  - Eligible assets under the framework will be operated by EUROFIMA's shareholder railways including the national railways of Switzerland, Italy, Spain, Belgium, Netherlands, Germany, France, and other European countries. EUROFIMA intends to make two types of investments:
    - Financing of newly manufactured rolling stock and equipment;
    - Financing of existing rolling stock where the equipment was delivered to the railway operator no earlier than January 1, 2000 or where the equipment upgrade was carried out no earlier than January 1, 2000.
  - Under the Clean transportation category, EUROFIMA intends to finance or refinance investments purchases, modernization and refurbishment of assets related to passenger rail transportation rolling stock such as locomotives and coaches. EUROFIMA intends to only finance or refinance eligible green assets that use propulsion systems that Sustainalytics considers to be in line with market practice including electric, battery, and hybrid.<sup>6</sup> Sustainalytics notes that EUROFIMA's investment in rail transport are expected to have emission threshold of 0gCO<sub>2</sub>e/p-km, which is in line with market practice.
- Project Evaluation and Selection:
  - EUROFIMA intends to evaluate and select eligible projects using a three-step approach. Evaluation of eligible investments is the responsibility of the Capital Markets Department that will identify, select, and allocate eligible green assets for each project. The Sustainability Committee (the "Committee") will present the identified projects to the Management Committee for approval. Upon approval of eligible projects, the Board of Directors is notified.
  - Eligibility will be assessed using three criteria that ensure that the use is for passenger transport only, the age of the rolling stock must not be older than January 1, 2000 and the type of power intended.
  - Based on the detailed evaluation approach, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - EUROFIMA's process for management of proceeds is tracked and allocated through its internal information systems. This process is overseen by the Committee. EUROFIMA intends to define a Green Pool of eligible loans and rolling assets, to which all proceeds will be allocated within a year of Green Bond issuance. Pending allocation, proceeds will be temporarily invested according to EUROFIMA's liquidity management policy.

<sup>6</sup> EUROFIMA's hybrid train is powered by electricity through the overhead catenary system, and a battery when the catenary system is not available.

- Based on EUROFIMA’s management of proceeds process, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - EUROFIMA intends to report on allocation of proceeds on an annual basis until the maturity of the Green Bonds. The allocation report will be published on EUROFIMA’s website and made available to the public. The allocation report may contain indicators such as total amount outstanding, summary of allocation of proceeds raised, summary of assets financed, and the amount or the percentage of new financing and refinancing. In addition, EUROFIMA intends to annually report on relevant impact metrics. The impact report will include a summary of projects, and indicators such as estimated annual CO<sub>2</sub> emissions reduced/avoided.
  - Based on EUROFIMA’s reporting commitments, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Principles 2018 and the EU Taxonomy

Sustainalytics has determined that the EUROFIMA Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form. Additionally, Sustainalytics has assessed each the Framework’s eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria (“TSC”)
  - The eligible green criteria outlined in the Framework, which are associated with one activity within the EU Taxonomy, were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm (“DNSH”) Criteria
  - The activity assessed aligns with the applicable DNSH criteria.
  - The activity assessed has a total of 4 individual DNSH criteria (across all environmental objectives) applicable to it and is aligned with all of the individual DNSH criteria.
3. Minimum Safeguards
  - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
  - For Sustainalytics’ assessment of alignment with the Minimum Safeguard see Section 2 below.

The table below provides an overview of the alignment EUROFIMA’s Framework with the TSC and DNSH criteria for the corresponding NACE<sup>7</sup> activity in the EU Taxonomy.

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Passenger transport (rail)	■	■	■	■	–	■	■	–

Legend	
Aligned	■
Partially aligned	▣
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	–
Grey shading indicates the primary EU Environmental Objective	

The EU Taxonomy has not yet defined TSC for EU Environmental Objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

<sup>7</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy lists 72 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

## Section 2: Sustainability Strategy of EUROFIMA

### Contribution of framework to EUROFIMA's sustainability strategy

Sustainalytics is of the opinion that EUROFIMA demonstrates a commitment to sustainability with a focus on two key environmental areas: (i) greenhouse gas emissions and (ii) energy efficiency.

EUROFIMA's Environmental and Social Policy states that promoting sustainability is at the core of its public mission, including addressing CO2 emissions in the transportation sector.<sup>8</sup> EUROFIMA's mission is to support the development of rail transportation in Europe by supporting railway operators, which are also its shareholders, in renewing and modernizing their rolling stock.<sup>9</sup> As such, EUROFIMA's investments allow European railway operators to comply with the International Union of Railways Declaration on Sustainable Mobility and Transport.

Additionally, EUROFIMA has developed internal measures that ensure its business practices are aligned with its commitment to a low-carbon future and social integration through the signing of the United Nations-supported Principles for Responsible Investment (PRI) in January 2020.<sup>10</sup>

Sustainalytics notes that by virtue of its investments in rolling stock with limited environmental impact, EUROFIMA is a sustainable company, however we encourage the Company to set and communicate time-bound, quantitative targets to minimize environmental impact of its assets and enhance its sustainability performance. Sustainalytics is of the opinion that the EUROFIMA Green Bond Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety and community/stakeholder relations issue as well as carbon emissions and air quality issues from EUROFIMA's trains and rolling stock.

Sustainalytics is of the opinion that EUROFIMA is able to manage and/or mitigate potential risks through implementation of the following:

- Principles for Responsible Investment (PRI) - As signatories to the PRI, EUROFIMA has committed to investing in assets responsibly, and has aligned its investment strategy to the 6 principles of the PRI.<sup>11</sup> Notably, EUROFIMA has committed to incorporating ESG analysis into the investment and decision-making process.
- United Nations Global Compact (UNGC) - All investments are expected to fulfill the principles of the UNGC that focus on human rights, labour, environment and anti-corruption.<sup>12</sup> By applying this investment lens, EUROFIMA is avoiding ESG risks.
- EUROFIMA has developed a Supplier Code of Conduct to protect against risks that may occur in the supply chain such as non-compliance of applicable laws, child labour or forced labour, conflict of interest, and bribery.<sup>13</sup>
- EUROFIMA finances railway equipment only and not the construction of rail infrastructure. In addition, the company's revenues are mainly derived from countries where environmental regulation

<sup>8</sup> EUROFIMA, "Environmental and Social Policy", (2020), at: [https://www.eurofima.org/sites/default/assets/File/20\\_%20Environmental%20and%20Social%20Policy\\_2020.pdf](https://www.eurofima.org/sites/default/assets/File/20_%20Environmental%20and%20Social%20Policy_2020.pdf)

<sup>9</sup> EUROFIMA, "Environmental and Social Policy", (2020), at: [https://www.eurofima.org/sites/default/assets/File/20\\_%20Environmental%20and%20Social%20Policy\\_2020.pdf](https://www.eurofima.org/sites/default/assets/File/20_%20Environmental%20and%20Social%20Policy_2020.pdf)

<sup>10</sup> EUROFIMA, "EUROFIMA becomes an official signatory of the Principles for Responsible Investment", (2020), at: <https://www.eurofima.org/sustainability/treasury-asset-management-activities/sustainable-and-responsible-investment-management/#text>

<sup>11</sup> EUROFIMA, "Sustainable and Responsible Investment Management", (2020), at: <https://www.eurofima.org/sustainability/treasury-asset-management-activities/sustainable-and-responsible-investment-management/#text>

<sup>12</sup> EUROFIMA, "Sustainable and Responsible Investment Management", (2020), at: <https://www.eurofima.org/sustainability/treasury-asset-management-activities/sustainable-and-responsible-investment-management/#text>

<sup>13</sup> EUROFIMA, "Supplier Code of Conduct", at: [https://www.eurofima.org/sites/default/assets/File/2\\_3\\_%20Supplier%20code%20of%20conduct.pdf](https://www.eurofima.org/sites/default/assets/File/2_3_%20Supplier%20code%20of%20conduct.pdf)

requires environmental impact assessments for railway infrastructure projects.<sup>14</sup> Thus, Sustainalytics considers related risks to be significantly reduced.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EUROFIMA has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### **Alignment with the EU Taxonomy's Minimum Safeguards**

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

#### *Human Rights*

EUROFIMA has implemented the following policies and procedures aimed at ensuring human rights:

- EUROFIMA's Code of Conduct, to which EUROFIMA is subject, is governed by the Swiss Labor/Employment Law and Swiss Code of Obligations, which regulates the protection of employees under public law. Both employers and employees must comply with the law. EUROFIMA has a Code of Conduct and Staff regulations, which follow these rules and guidelines, and which are reviewed on a regular basis.
- 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.

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the framework.

#### *Labour Rights*

EUROFIMA has implemented the following policies and procedures aimed at ensuring labour rights:

- EUROFIMA's operations take place within Europe and its labour rights policies are governed by Switzerland. Switzerland is a founding member of the International Labour Organization (ILO) and has ratified 60 Conventions, including the eight fundamental and three governance conventions.<sup>15</sup>
- EUROFIMA is dedicated to ensuring labour rights are followed throughout the supply chain and demonstrates this commitment through its Supplier Code of Conduct, which governs mandatory requirements for and supplier that EUROFIMA engages with. In addition to the ILO, the Supplier Code of Conduct requires compliance with laws, rules and regulations established by the UN Global Compact Principles, the UN Universal Declaration of Human

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard minimum standards on labour rights in relation to the activities of the framework.

#### *Anti-bribery and anti-corruption*

EUROFIMA has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- EUROFIMA has implemented an Anti-Money Laundering (AML) & Anti-Bribery and Corruption (ABC) policy for all employees, underlining a zero-tolerance for anti-bribery and corruption. The Policy is underpinned by a robust due diligence procedure to ensure that EUROFIMA does not

<sup>14</sup> According to the EU 'Environmental Impact Assessment Directive', environmental impact assessments need to be conducted for long-distance railway lines: <http://ec.europa.eu/environment/eia/eia-legalcontext.htm>; In Switzerland environmental

<sup>15</sup> ILO, "Core Conventions and Recommendations", (2021), at: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm#:~:text=The%20ILO%20Governing%20Body%20has,forced%20or%20compulsory%20labour%3B%20the>



enter into a relationship if it cannot form a reasonable and documented belief that it knows the true identity of the counterparty, the nature of its business or cannot complete formal requirements concerning the identification of the business partner.

- EUROFIMA's ABC program involves inter alia staff training, monitoring and testing, special requirements for dealings with public officials, or regulations for gifts, entertainments, donations and business courtesies. EUROFIMA has implemented anti-fraud measures to ensure that the company is not misused for purposes of or that employees do not commit or contribute to any fraudulent activity.

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that EUROFIMA's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP. Sustainalytics has focused on clean transportation below where the impact is specifically relevant in the European context.

#### Importance of clean transport in Europe

The European Commission (EC) notes that clean transport systems are an integral part of the *EU 2020 strategy* for sustainable and inclusive growth. Under the EU 2020 strategy, the EC aims to reduce 80-95% of GHG emissions in transport by 2050.<sup>16</sup> Transport accounts for approximately 25% of GHG emissions in the EU region, of which railways account for 0.5%.<sup>17</sup> Under current EU country policy, emissions from the transportation sector are expected to increase 32% by 2030 based on 1990 levels.<sup>18</sup> Over the period of 1990 to 2018, emissions from transport increased by 20%, reaching a total of 951 926ktCO<sub>2e</sub>.<sup>19</sup> Transportation is the only major economic sector in which emissions are substantially higher than they were in 1990.<sup>20</sup> The small amount of GHG emissions from railways is mainly since approximately 60% of the rail network in Europe is already electrified. Compared to 1990, the EU Member States have improved the energy efficiency for both passenger and freight rail transport and therefore reducing the GHG emissions from trains.<sup>21</sup> Despite a small share of its emissions, rail transport is expected to play an important role as more freight is expected to be transported by rail to meet the ambitious 2050 target.<sup>17</sup> In order to meet this expectation, the capacity of rail transport should be extended and managed better.<sup>22</sup> Additionally, the EC notes the limited financing capacity of public investment for electrified rail infrastructure in the EU countries.<sup>21</sup>

Based on the above, Sustainalytics recognises the importance of financing clean rail transport in Europe, and its impacts on reducing carbon emissions from the rail transport. EUROFIMA's investments in clean transportation projects are expected to contribute to reducing GHG emission from railways in Europe, thereby facilitating the transit to a decarbonised economy.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the EUROFIMA Green Bond Framework advances the following SDGs and targets:

<sup>16</sup> European Commission, "Europe 2020 Strategy", at: [https://ec.europa.eu/regional\\_policy/en/policy/what/glossary/e/europe-2020-strategy](https://ec.europa.eu/regional_policy/en/policy/what/glossary/e/europe-2020-strategy)

<sup>17</sup> European Commission, "Sustainable mobility: the European Green Deal", (2019), at: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_19\\_6726](https://ec.europa.eu/commission/presscorner/detail/en/fs_19_6726)

<sup>18</sup> European Energy Agency, "Greenhouse gas emissions from transport in Europe", (2020), at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

<sup>19</sup> European Environmental Agency, "Annual European Union greenhouse gas inventory 1990–2018 and inventory report 2020 Submission to the UNFCCC Secretariat", (2020), at: <https://www.eea.europa.eu/publications/european-union-greenhouse-gas-inventory-2020>

<sup>20</sup> European Energy Agency, "Greenhouse gas emissions from transport in Europe", (2020), at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

<sup>21</sup> European Commission, "Electrification of the Transport System", (2017), at: [https://ec.europa.eu/newsroom/horizon2020/document.cfm?doc\\_id=46368](https://ec.europa.eu/newsroom/horizon2020/document.cfm?doc_id=46368)

<sup>22</sup> European Commission, "Sustainable Transport", at: [https://ec.europa.eu/transport/themes/sustainable\\_en](https://ec.europa.eu/transport/themes/sustainable_en)

Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	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

EUROFIMA has developed the EUROFIMA Green Bond Framework under which it may issue green bonds and use proceeds to finance passenger rail transportation. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The EUROFIMA Green Bond Framework outlines 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 EUROFIMA Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed category will contribute to the advancement of the UN Sustainable Development Goal 9 and 11. Additionally, Sustainalytics is of the opinion that EUROFIMA has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed the EUROFIMA Green Bond Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's use of proceeds criteria which maps to one EU activity, which aligns with the applicable Technical Screening Criteria in the EU Taxonomy and aligns with the applicable Do No Significant Harm Criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that EUROFIMA is well-positioned to issue green bonds and that the EUROFIMA Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and the EU Taxonomy.



# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE<sup>23</sup> activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for EUROFIMA's Framework is shown below.

### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Clean Transportation	Passenger transport (rail)	Passenger interurban rail transport	H49.10	Mitigation	Table 1

<sup>23</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer's Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant NACE activity.

Table 3

<b>Framework Activity assessed</b>	Clean Transportation		
<b>EU Activity</b>	Passenger Rail (Interurban)		
<b>NACE Code</b>	H49.10		
<b><i>EU Technical Screening Criteria</i></b>		<b><i>Alignment with Technical Screening Criteria</i></b>	
Mitigation	The activity complies with one or both of the following criteria: (a) the trains and passenger coaches have zero direct (tailpipe) CO2 emissions; (b) the trains and passenger coaches have zero direct tailpipe CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).	All locomotives are fully electric with zero tailpipe emissions	Aligned
<b><i>DNSH Criteria</i></b>		<b><i>Alignment with DNSH Criteria</i></b>	
Climate Change	Refer to the assessment set out in Appendix 3, Table 4		
Transition to a circular economy	Measures are in place to manage waste in accordance with the waste hierarchy, in particular during maintenance.	EUROFIMA relies on the compliance of the railway operator with their national legislation, with the EU latest directives and their public commitments to become more sustainable on waste management. EUROFIMA assesses, on a best effort basis, compliance of railways with national and/or EU legislation on hazardous waste generation, management and treatment. First during the use phase, EUROFIMA ensures proper maintenance plan/follow-up, second at the end of the life cycle of the rolling stock, it checks that the railways have policies in place on the re-use or recycle of parts checking their respective website.	Aligned
Pollution prevention and control	Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) comply with emission limits set out in Annex II to Regulation (EU) 2016/1628 of the European Parliament and of the Council.	Eligible assets are fully electric and therefore comply with emissions limits set out in Annex 2 Regulation (EU) 2016/1628 of the European Parliament and of the Council.	Aligned

## Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation

Table 4

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>24</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	<p>Lifespan of a financing project of eligible assets is typically long: rolling stock items may run up to 40 years, which might open up for efficiency risk.</p> <p>Throughout the lifespan of eligible projects, railways operators provide EUROFIMA with a specific maintenance plan for the assets under the loan. The maintenance is a mitigating factor for climate risk (here only efficiency risk as CO2 emissions remain at 0).</p>	<p>Aligned</p>

<sup>24</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	The European Company for the Financing of Railroad Rolling Stock
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	EUROFIMA Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 21, 2021
Publication date of review publication:	

### 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 GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

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 category for the use of proceeds – Clean Transportation – is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9 and 11.

**Use of proceeds categories as per GBP:**

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

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

EUROFIMA’s internal process for evaluating and selecting projects uses a three-step approach. The Capital Markets Department that will identify, select, and allocate eligible green assets for each project. The Sustainability Committee (the “Committee”) will present the identified projects to the Management Committee for final approval. Upon approval of eligible projects, the Board of Directors is notified. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other <i>(please specify)</i> :   |

**Information on Responsibilities and Accountability**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

EUROFIMA's process for management of proceeds is tracked and allocated through its internal information systems. This process is overseen by the Committee. EUROFIMA intends to define a Green Pool of eligible loans and rolling stock assets to which all proceeds will be allocated within a year of Green Bond issuance. Pending allocation, proceeds will be temporarily invested according to EUROFIMA's liquidity management policy. This is in line with market practice.

#### 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:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

### 4. REPORTING

Overall comment on section (if applicable):

EUROFIMA intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, The European Company for the Financing of Railroad Rolling Stock is committed to reporting on relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
|---|--|



- Other (please specify): total amount outstanding, amount or percentage of new financing and refinancing

**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):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify):

**Frequency**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify): website  
 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. 2<sup>nd</sup> 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**

- **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.
- **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.
- **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.
- **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.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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