

EUROFIMA

Shareholders & Borrowers Engagement Guidelines

Capital Markets, Treasury & Asset Management

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EUROFIMA
European Company for
the Financing of Railroad
Rolling Stock

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1 Introduction

Shareholder and borrower engagement is an essential part of responsible business practice and is key to capturing opinions and insights from our strategic partners, who are for the most part also our borrowers.

The guidelines apply to all existing shareholders with whom we also have outstanding lending business and more broadly to all our borrowers responsible for the use of proceeds.

The SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES specify the engagement objectives, scope and principles, as well as individual responsibilities and practical aspects. Terminology in this document is highlighted in *italics* and defined in the Definitions section. EUROFIMA's documents are emphasised in CAPITAL LETTERS.

The current version of the SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES is effective as of 1 January 2025 and should be read in conjunction with THE ENVIRONMENTAL AND SOCIAL POLICY, THE GREEN BOND FRAMEWORK, THE EQUIPMENT FINANCING POLICY, THE LENDING PRICING POLICY AND THE CAPITAL MARKET POLICY to obtain a holistic overview of its approach.

2 Definitions

Engagement: interactions between EUROFIMA and current shareholders and borrowers, in order to share practice on an ESG process to align our business strategy with holistic sustainable financial practices.

Inside information: information: a) of a precise nature; b) which has not been made public; c) relating, directly or indirectly, to one or more shareholder; and d) which, under fiduciary duty to their shareholders needs to be treated confidentially.

Shareholders: A company providing share capital to EUROFIMA and taking funding from EUROFIMA either directly or indirectly through an SPV or other set-ups. Shareholders are also typically borrowers of EUROFIMA.

Borrowers: This can be railway companies, SPVs (Special Purpose Vehicles), regions, leasing companies, cooperatives or any public or private structure and related third parties to which EUROFIMA is lending funds. Borrowers as EUROFIMA's funds receivers are also responsible for the use of proceeds.

Sustainability: Our commitment to supporting the transition to a more sustainable, low-carbon, and efficient rail transportation system in Europe through holistic integration of environmental, social, and governance considerations into our operations, financing practices, and corporate strategy.

3 Engagement objectives

All *engagement* activities carried out by the Front Office and Middle Office units follow objectives mentioned below in accordance with EUROFIMA's non-profit maximising mission and align with EUROFIMA's commitment to promote *sustainability* in financial markets. Due to our business model and financing of our *shareholders* we are bound by our fiduciary duties to act in their best interest. Our relationship needs to be a long term one and engagements offer suitable means to incorporate sustainability into our work. We identified 2 axes, which will serve our shareholders, more broadly our *borrowers*, our organisation and our investors.

Improving ESG performance and Promoting Sustainability Practices:

Have a **sensitizing dialogue** on sustainability with our shareholders and borrowers, to understand, discuss progress and concerns on ESG practices, and performance. Exchange on **best practice** to improve ESG standing through mutual understanding of regulatory and reporting requirements in sustainability. Through our **on-going support** build inclusive, trustful and systematic exchanges to engage constructively on best-practices in sustainability in the railway sector. **Communicate expectations** regarding ESG performance and disclosures. Ensure alignment between engagement on ESG with our shareholders and borrowers and our lending practice including certain ESG related information undertakings within the bond terms in particular reporting on specific ESG metrics. Any improvement on shareholder's and borrower's side should support directly improvement for EUROFIMA and its stakeholders.

Aligning Stakeholder Interests and Building Trust:

Maintain coherence with our sustainable public mission and **accountability to all our stakeholders**, applying due diligence to mitigate risks related to environmental impact, social responsibility, and governance practices, ensure consistent ESG data reporting, building trust, and finally promoting continuous learning and improvement of our processes for financing sustainable mobility.

4 Scope

The principles, as well as the responsibilities and processes, described in this document should provide clear guidelines to the EUROFIMA Front Office and Middle Office units about when and how to engage with shareholders and borrowers.

Due to the operational burden and the practical aspects of the engagement process, a certain set of rules for selecting companies is set and described in the “Responsibilities and process” part of these Guidelines.

The principles cover any engagement on the following non-exclusive topics relating to product or project governance:

- **Environmental matters/concerns** on climate change mainly environmental impact, climate related hazards, transition to a circular economy and pollution and prevention control
- **Social matters/concerns** on safety & security management as well as customer and employee well-being
- **Corporate Governance** on corporate behaviour as well as ESG governance and reporting

All are an integral part of EUROFIMA’s ESG ASSESSMENT FRAMEWORK, which is based on to EU taxonomy delegated act 2021-2800¹ and/or ESRS² (European Sustainability Reporting Standards).

Any discussions with shareholders should not constitute an intervention into their daily business activities but rather be of the “reflect and suggest” nature.

Front Office or Middle Office members may become a possessor of material non-public information during the engagement process. The latter ones are bound by their fiduciary duty and confidentiality on *Inside information*. EUROFIMA has policies in place to ensure shareholder confidential information and non-public information is treated with utmost discretion (see MARKET ABUSE POLICY and CODE OF CONDUCT for more information).

¹ [EU Taxonomy delegated act 2021-2800 June 2023 p.133-134 and Appendix A and B](#)

² [ESRS \(European Sustainability Reporting Standards\) E1, E2, E5](#)

5 Principles

Principle 1 “Inclusivity & Ethics”: all shareholders and borrowers, regardless of the size, location and ownership share, will be treated equally and with respect at all times

We will engage with our shareholders and borrowers on sustainability topics in a manner that upholds both inclusive and ethical principles, ensuring that all voices are heard, respected, and considered, while conducting our interactions with integrity and fairness.

Principle 2 “Consistency”: We will be consistent in communication, achievements of actions or reporting to our shareholders and borrowers on ESG topics.

We encourage steady, reliable, and coherent ESG practices and communications across our shareholders and borrowers by advocating for **consistent**, application of policies & standards, communication, and long-term commitment on ESG best practices.

Principle 3 “Materiality”: We are focusing on evaluating materiality in ESG.

We help identify and prioritize the most **significant** ESG issues for our shareholders and borrowers to support sustainable business practices for all stakeholders.

Principle 4 “Strategic Alignment”: We will ensure that collaboration with shareholders and borrowers on Sustainability topics achieve goals that are aligned for all stakeholders.

We ensure that ESG considerations are holistically integrated into EUROFIMA's **strategy**, operations, and decision-making processes focusing on continuous improvement and adaptation.

Principle 5 “Continuity”: We aim to have ESG practices and commitments that are sustained over time and practices.

We build trust and momentum with our shareholders and borrowers to support their **long term** ESG goals and commitments. ESG is embedded in our corporate culture and governance, through regular dialogues and feedback leading to resilience to external changes in financing sustainable rail mobility.

6 Responsibilities and process

Core engagement activities are carried out by the respective Client Relationship Manager. The guidelines are set in accordance with the Head of the Capital Markets, Treasury & Asset Management unit and approved by the Management Committee as outlined below.

Client Relationship Manager (RM)/ Middle Office (MO)	Head of Capital Markets, Treasury & Asset Management unit	Management Committee
<ul style="list-style-type: none"> Monitoring shareholder and borrowers with regard to ESG risks (MO) Short-listing shareholders and borrowers for engagement (RM) Initiating and actively participating in the engagement process (RM) Applying the SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES throughout the engagement process (RM) Reporting engagement results (RM, MO) 	<ul style="list-style-type: none"> Revising the SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES Approving a list of selected shareholders and borrowers Reviewing engagement results Participating in the engagement process (if deemed necessary) Participating in any escalation process (if required) 	<ul style="list-style-type: none"> Approving the SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES Approving the SUSTAINABILITY REPORT and the IMPACT REPORT Participating in the engagement process (if deemed necessary) Participating in any escalation process (if required)

6.1 Materiality and Prioritization

In line with the Objectives and following the principles all information gathered through the engagements with our shareholders and borrowers are fully incorporated in EUROFIMA internal process to gauge ESG risks faced through loans exposure.

Where available we first conduct pre-engagement monitoring according to our ESG ASSESSMENT FRAMEWORK.

Additionally, we establish a priority list of shareholders and borrowers to engage with according to the following criteria:

1. Loans backed by non-zero tailpipe emissions collateral > 10% of loans outstanding
2. Size of the outstanding loans \geq EUR 200 million and/or share of the lending included as Green assets is \geq 5%
3. Uncollateralised loans defined by a use of proceeds

6.2 Engagement Mechanisms and Forms of engagement

The engagement is to establish **a direct dialogue/discussion** of relevant matters, such as questioning the implementation of ESG concepts and practices.

The goal of such open discussions is to establish long-standing relationships with a focus on ESG topics. Through the trusted relationship we hope to 1) communicate EUROFIMA or investors' ESG focus points, 2) help to identify the material ESG risks, 3) share and exchange best practices, 4) acquire relevant data points to improve the risk measures.

Open communication with shareholders and borrowers will mainly be through active individual engagement. Information gathered may also serve peers shareholders and borrowers for knowledge sharing with the consent that any such information acquired through the engagement might be shared.

Active individual engagement include:

- a) establishing a one-on-one dialogue, which contribute to a desirable long-term relationship
- b) having a chance to discuss the most relevant issue(s), and
- c) being able to share feedback in a timely manner

The engagement process will always be initiated with a formal email/letter sent based on a gaps/issues analysis on sustainability strategy/activities/approach conducted internally using our ESG ASSESSMENT FRAMEWORK. Following the acceptance of the invitation for an exchange, further means of communication can be chosen, i.e., via phone, face-to-face or online meetings, and/or any combination of those. The most appropriate, flexible and convenient mode of communication for both parties involved should always be chosen. Engagement should always start with the Rolling Stock management team and/or with the Head of the Funding team of the shareholder company.

6.3 Gauging engagement process

Gauging the engagement process with shareholders and borrowers will be assessed on qualitative as well as quantitative metrics.

Qualitative: the relevance of the information provided, and the effectiveness of the communication and direct feedback during or after meetings and calls, level of engagement and depth of discussions around ESG topics, level of internal support and resource allocation towards ESG initiatives, evolution of behaviour and sentiment.

Quantitative: Engagement participation (number of shareholders and borrowers actively participating), or request for meetings/information (frequency and nature of follow up), outcome-driven indicators (measure the adoption or rejection of ESG initiatives, policy changes).

Criteria for completion: The engagement process will be considered complete when one or more of the following conditions are met:

- Key objectives outlined at the start of the engagement are achieved (e.g., mutual understanding of ESG priorities, resolution of concerns, or description of proposed initiatives).
- A predefined period for engagement has elapsed, and feedback indicates further interaction would not be more valuable.
- Shareholders and borrowers explicitly indicate satisfaction or a lack of interest in continued engagement on specific issues.
- The organization has gathered sufficient data to inform decisions or adapt its ESG strategies.

6.4 Engagement results

Engagement results will on a high level appear in the ANNUAL SUSTAINABILITY REPORT as well as where relevant in the ANNUAL ALLOCATION & IMPACT REPORT FOR GREEN BONDS as part of the integration of the shareholder and borrower engagement process.

6.5 Sharing experience with peer shareholders and borrowers

Principle 5 of the Guidelines encourages EUROFIMA's Front Office unit, to share their engagement experience amongst shareholders and borrowers to potentially help to improve the pragmatic aspects of any future engagements. Any best practices identified through such exchanges could potentially be considered as amendments to the existing latest version of the SHAREHOLDER AND BORROWER ENGAGEMENT GUIDELINES.

7 Conclusion

Our commitment to shareholder and borrower engagement is integral to our Sustainability strategy. We believe that by fostering open communication, encouraging active participation, and aligning interests, we can achieve our ESG goals more effectively and sustainably. This involves promoting investments in environmentally friendly rolling stock, adhering to responsible financial practices, and fostering economic and social benefits for all stakeholders. Together with our shareholders and borrowers, we are committed to building a resilient, inclusive, and sustainable future for railway transportation.