

Akiem

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT SECTOR CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: July 2020

Approved verifier: Sustainalytics

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Scope and Objectives

In August 2019, Akiem issued green bonds to finance and refinance, in whole or in part, its existing and future fleet of electric rolling stock. In 2020, Akiem engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include:

- Refinancing of “Traxx MS2” Electric Locomotives

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibility

Akiem is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Akiem’s green bond, issued to finance and refinance investments in its fleet of electric rolling stock, and provided an independent opinion informing Akiem as to the conformance of the green bonds with the Post-Issuance requirements and Low Carbon Transportation criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Akiem with respect to the Nominated Assets. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Akiem.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant Akiem employees and review of relevant documentation to confirm the conformance of Akiem's green bonds with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Low Carbon Transportation criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of EUR 360 million from the Akiem green bond, issued to fund Eligible Green Assets, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of the Eligible Green Assets (84 electric locomotives) funded by the green bonds in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All Green Assets reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of the Eligible Green Assets (84 electric locomotives) funded by the green bonds in 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Transportation technical criteria.	All Green Assets fall under the Low Carbon Transportation criteria and meet the Low Carbon Transportation technical requirements.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance and refinance investments in Akiem's fleet of electric rolling stock.</p> <p>4.2 Akiem's management confirms that the nominated assets meet the Eligibility Criteria.</p> <p>4.3 Akiem's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the Eligible Green Assets (84 electric locomotives).</p> <p>5.2 Akiem's management has confirmed that funds have been allocated to Eligible Green Assets within at the date of the bond issuance.</p> <p>5.3 Akiem's management has confirmed that all Net Proceeds of the bond were used for refinancing only.</p> <p>5.4 Akiem's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 Akiem's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Assets or the Total Development Cost of the Nominated Assets.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 Akiem's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Assets.</p> <p>6.2 Akiem's management confirms that proceeds were fully allocated at the date of the bond issuance.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 Akiem's management confirms that all relevant information about the Nominated Assets has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 Akiem's management confirms that all relevant information about the bond and the Nominated Assets has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 Akiem's management has provided a report containing the list of Nominated Assets to which proceeds of the bond have been allocated (See Schedule 1).</p>	None

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Sustainalytics

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