

ALPHA TRAINS

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: November 2019

Approved verifier: Sustainalytics

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Scope and Objectives

In October 2019, Alpha Trains Finance S.A. (“Alpha Trains” or the “Company”, a company of the Alpha Trains Luxembourg (Holdings) S.à r.l. Group) issued green notes and a loan aimed at financing public passenger trains and freight rolling stock that meet the eligibility criteria of the Alpha Trains Group Green Finance Framework.¹ In November 2019, Alpha Trains engaged Sustainalytics to review the projects funded through the issued green notes and loan 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 notes projects include:

- Refinancing of existing debt, indirectly linked to:
 - a. Purchase of 13 recently built passenger electric trains
 - b. Refinancing of existing debt, indirectly linked to a portfolio of existing green assets (electric trains, electric locomotives, diesel locomotives)

Green loan projects include:

- Order of 24 new build passenger electric trains
- Order of 9 diesel locomotives
- Order of 5 electric locomotives

Schedule 1 provides details of the green notes and loan 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 notes, loan 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 financial product in question.

Issuing Entity's Responsibility

Alpha Trains 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 projects, and disbursed amounts.

¹ Alpha Trains Group Green Finance Framework to be retrieved from https://www.climatebonds.net/files/files/Alpha%20Trains%20Green%20Finance%20Framework_Final.pdf

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Alpha Trains' green notes and loan, issued to finance low carbon transport, and provided an independent opinion informing Alpha Trains as to the conformance of the green notes and loan with the Post-Issuance requirement and low carbon transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Alpha Trains with respect to the Nominated Projects. 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 Alpha Trains.

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 notes and loan.

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 Alpha Trains employees and review of relevant documentation to confirm the conformance of Alpha Trains' green notes and loan with the Programmatic 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 Transport 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 200mio from the Alpha Trains' green notes and EUR 16.8mio from Alpha Trains' green loan, issued/drawn to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Alpha Trains

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of 38 newly built assets, 13 recently built assets, and portfolio of 419 existing assets funded by the green notes and loan in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All newly built projects and refinanced projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of 38 newly built assets, 13 recently built assets and portfolio of 419 existing assets funded by the green notes and loan in 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the low carbon transport technical criteria.	All newly built and refinanced projects fall under the low carbon transport criteria and meet the requirements of the low carbon transport technical criteria.	None
Compliance to Part C: Requirements for Specific Financial Product Types	Bond Type Applicable: Use of Proceeds Notes and Loan.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

1) Details of the Nominated Projects are provided below:

Green Loan:

By the time of issuance of this verification letter, EUR 16.8mio of the total EUR 140mio green loan have been drawn to finance the production of the above-named projects (table 1). Alpha Trains will continue to draw on the loan until all assets have been delivered.

Table 1 Newly built projects orders:

Type of Green Asset	Number of Trains
Locomotives Electric	5
Locomotives Diesel (E4000 & E4001)	9
Passenger Trains Electric	24

Green Notes:

Of the EUR 200mio proceeds of the green notes, EUR 99mio were used to finance 13 trains (table 2). The remaining EUR 101mio was used to refinance existing debt using a portfolio approach. Sustainalytics reviewed the eligible portfolio of EUR 1.4bil (table 3) and considered the assets aligned with the eligibility criteria of the Climate Bond low carbon transport technical criteria. All proceeds were allocated directly on receipt.

Table 2 Recently built assets' acquisition:

Type of Green Asset	Number of Trains
Passenger Trains Electric	13

Table 3 Portfolio:

Type of Green Asset	Number of Trains
Locomotives Electric	172
Locomotives Diesel (E4000 & E4001)	30
Passenger Trains Electric	217

2) Emission Calculation for Green Diesel Locomotives (E4000 & E4001):

According to European Commission publication on "Environmentally Harmful Subsidies: Identification and Assessment",² the average CO₂ emission per liter of diesel burnt is 2.67kgCO₂/l. Alpha Trains provided that the average consumption of transport is 4.5 l/km. Therefore, the total emission produced per diesel locomotive would be: $2.67 \times 4.5 / 1,000 = 12.02$ gCO₂/tonne km. The calculation shows that emissions from these locomotives are within the relevant threshold limits contained in the Low Carbon Transport Criteria.

Average diesel consumption (l/km)	Average CO ₂ emission per liter of diesel (kg CO ₂ /l)	Tonnes	kg CO ₂ /tonne	g CO ₂ /tonne km
4.50	2.67	1,000.00	0.012	12.02

² Annex 5: Subsidy Level Indicators for the Case Studies from "Environmentally Harmful Subsidies: Identification and Assessment" by European Commission, DG Environment. To be retrieved from <https://ec.europa.eu/environment/enveco/taxation/pdf/Annex%205%20-%20Calculations%20from%20the%20case%20studies.pdf>

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 notes and loan is to primarily use proceeds to finance low carbon transport.</p> <p>4.2 Alpha Trains' management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 Alpha Trains' 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 notes and loan have been allocated to the 51 Nominated assets.</p> <p>5.2 Alpha Trains' management has confirmed that drawn funds have been allocated to Nominated assets on the day of the issuance of the notes or drawing of the loan.</p> <p>5.3 Alpha Trains' management has confirmed that all Net Proceeds of the notes and loan were used for financing only.</p> <p>5.4 Alpha Trains' management has confirmed that Net Proceeds of the notes and loan shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 Alpha Trains' management has confirmed that the Net Proceeds of the notes and loan shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 Alpha Trains' management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 Alpha Trains' management confirms that pending the investment of proceeds will be held in Alpha Trains' treasury in the form of temporary cash or cash equivalent investment instruments.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 Alpha Trains' management confirms that all relevant information about the Nominated Projects 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>	None

	<p>7.2 Alpha Trains' management confirms that all relevant information about the notes and loans and the Nominated Projects has been disclosed to the market.</p>	
<p>Verification of requirements specified under Reporting Post-Issuance</p>	<p>8.1 Alpha Trains' management has provided a report containing the list of Nominated Projects to which proceeds of the notes and loan have been allocated (See Schedule 1).</p>	<p>None</p>

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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