

ALPHA TRAINS

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: June 2019

Approved verifier: Sustainalytics

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Scope and Objectives

Alpha Trains Holdco II S.à r.l. (“Alpha Trains” or the “Company”, a company of the Alpha Trains Luxembourg (Holdings) S.à r.l. Group) has engaged Sustainalytics to review and verify that Alpha Trains’ green financing, including green bonds and loans, meets the requirements under the Low Carbon Land Transport criteria of the Climate Bonds Standard.

Alpha Trains engages in leasing regional passenger trains in European countries, such as Denmark, Slovakia and Germany, and offers fleet management services for passenger rolling stock in Europe. The Alpha Trains group was established in 1999 and is headquartered in Luxembourg. In terms of sustainability, Alpha Trains recognizes the contribution of rail transportation to the transition to a low carbon economy. Alpha Trains’ commitment to engaging in sustainable business practices is described in the Group’s mission statement and in its Environmental, Social and Governance (ESG) Policy. The main ESG goals are to support the transition to a low-carbon economy and provide affordable and safe passenger and freight transport. The Company intends to issue a green bond in order to finance and refinance, in whole or in part, eligible green assets related to public passenger trains and freight rolling stock.

Alpha Trains will use the proceeds from green bonds and loans to allocate funds towards its eligible green assets based on the following eligibility criteria:

- **Public passenger trains**, including:
 - Electric passenger trains and electric locomotives for passenger transportation (including corresponding spares)
 - Diesel fuel or hybrid locomotives for passenger transportation (including corresponding spares) that meet the gCO₂/p.km (passenger.kilometre) thresholds defined by the International Energy Agency (IEA) (see below Picture 1)
 - Electric and diesel/hybrid locomotives, and electric and diesel/hybrid multiple-unit trains, which comply with the abovementioned criteria (EMU/DMU)
- **Freight rolling stock**, including:
 - Rolling stock for electrified freight rail
 - Rolling stock for non-electrified freight rail (including corresponding spares) under the conditions that: Transport meets gCO₂/t.km thresholds defined by the IEA

The portfolio reviewed by Sustainalytics includes diesel locomotives in addition to fully electric rolling stock. In this regard, the Company calculated that the relevant diesel locomotives (E4000, E4001) would produce 12.02 g CO₂/tonne km, which is well below the thresholds set by the International Energy Agency indicating alignment with a 2 degree global warming scenario. Sustainalytics recognizes that Alpha Trains’ clients may use rolling stock for the transportation of fossil fuels, but notes that Alpha Trains is not able to exercise control over client’s use of its vehicles, and highlights that eligible assets are not designed with the over-riding objective of transporting fossil fuels. In line with Alpha Train’s sustainability strategy, investing in low carbon transport will result in positive environmental outcomes for the Company, and will facilitate a modal shift to cleaner transportation in the regions where it operates.

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Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Land Transport
 - Public passenger transport:
 - Criterion 3: Emissions threshold for public passenger transport
 - Dedicated freight railway lines
 - Criterion 4: Emissions threshold for dedicated freight railway lines
 - Criterion 5: Dedicated freight railway lines—fossil fuel exclusion

Issuing Entity's Responsibility

Alpha Trains was responsible for providing information and documents relating to:

- The details concerning the selection process for the Public Passenger Trains and Freight Rail Rolling Stock
- The details of the Public Passenger Trains and Freight Rolling Stock
- The management systems for internal processes and controls for Public Passenger Trains and Freight Rolling Stock, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

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 bond, issued to finance Nominated Projects, and provided an independent opinion informing Alpha Trains as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Land Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Alpha Trains. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Alpha Trains management and used as a basis for this assessment were not correct or complete.

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

The work undertaken as part of this engagement included conversations with relevant Alpha Trains employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Alpha Trains' green financing with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Land Transport
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

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Basis of the Opinion

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

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the Alpha Trains Green Finance Framework meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Alpha Trains will ensure compliance with Climate Bond Standard requirements.

Conclusion

Alpha Trains intends to issue green financing instruments in order to finance and refinance, in whole or in part, eligible green assets (and corresponding spare parts) related to public passenger trains and freight rail rolling stock. Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Alpha Trains' green financing is not in conformance with the Low Carbon Land Transport Criteria of the Climate Bond Standard Pre-Issuance Requirements.

Schedule 2A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
Internal Processes and Controls	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
Reporting Prior to Issuance	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p>1.1 The objective of the bond is to primarily use proceeds to promote the transition towards low-carbon transportation.</p> <p>1.2 The Nominated Projects and Assets meet the Low Carbon Land Transport criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • Public passenger trains • Freight rolling stocks <p>1.4 Alpha Trains' management confirms that the projects shall not be nominated to other Climate Bonds or loans.</p> <p>1.5 Alpha Trains' management confirms that the net proceeds of the bonds or loans shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p>2.1.1 Alpha Trains' management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects. Specifically, Alpha Trains will implement a portfolio approach to the management of proceeds, whereby an Eligible Green Assets Register will be maintained, the value of which will be at least equal to the total amount of outstanding green bonds and loans.</p> <p>2.1.2 Alpha Trains' management confirms that unallocated proceeds shall be held in the Company's treasury in the form of temporary cash or cash equivalent investment instruments in line with Alpha Trains' treasury management guidelines.</p> <p>2.1.3 Alpha Trains' management has confirmed that the proceeds from the bond will be managed by the Group Investment Funding and Treasury departments on a portfolio basis, setting up an Eligible Green Assets register and ensuring that net proceeds from future Green Financings will be directly allocated to Eligible Green Assets.</p>	None
Verification of requirements specified under Reporting Prior to Issuance	<p>3.1.1 Alpha Trains' management confirms that the proceeds of the transaction will primarily be used to finance and refinance investments in public passenger transport and freight rolling stock.</p> <p>3.1.2 Alpha Trains' management confirms that unallocated proceeds shall be held in the Company's treasury in the form of temporary cash or cash equivalent investment instruments in line with Alpha Trains' treasury management guidelines.</p>	None

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	<p>3.1.3 The bond's offer letter confirms that an approved third party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the Low Carbon Land Transport criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Land Transport criteria of the Climate Bonds Standard. No third-party verifier has been appointed yet to conduct the PostIssuance assurance exercise. Post-issuance will be carried out 12 months after issuance. However, conducting periodic Assurance Engagements over the term of the transaction is at the discretion of the issuer, as per CBI guidelines.</p>	
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The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support 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 and 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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