

PRE-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Pre-Issuance Certification
for the Green Private Placement Issued by European Locomotive
Leasing



SCOPE

European Locomotive Leasing (ELL) commissioned ISS ESG to compile a Verifier's Report for Pre-Issuance Certification of its Green Private Placement by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 2.1)
- Low Carbon Land Transport (Version 1)

ISSUER'S RESPONSIBILITY

ELL's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has been conducted this independent Pre-Issuance Verification Process of the Green PP issued by ELL based on the Climate Bond Standards 2.1. and in line with the limited assurance procedure defined by the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

ISS ESG's approach to assess whether the issuer's Green PP meets the criteria of the Climate Bond Standards 2.1. is as follows:

- The issuer provided an overview over the assets to be included in the Green PP asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS ESG.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard 2.1.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS ESG carried out an assessment of the CBI criteria. In case any answers were unclear, ISS ESG contacted the issuer for more details and clarification.

The engagement with ELL took place in March 2020.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of ELL and the Climate Bonds Standard Board. The present document may be published by ELL, CBI and ISS ESG. CBI and ISS ESG agree to publish the report with the consent of ELL.

OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2020 Green Private Placement is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



ROBERT HÄBLER
ISS ESG
Munich, 3 April 2020

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About ISS ESG

Since March 2018, ISS-oekom has been a member of the ISS family, sitting within the ISS ESG business unit, which also includes ISS-ethix and ISS-Climate. ISS ESG provides high quality solutions for sustainable and responsible investment and corporate governance. The External Review team, covering Second Party Opinions (SPOs) and Climate Bond Certifications is made up of colleagues across ISS ESG, from ISS-oekom and ISS-Climate.

Originally founded in 1993 and formerly known as oekom research, ISS ESG is one of the world’s leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition. ISS ESG analyzes businesses and countries with respect to their environmental social and governance performance. As an experienced partner of institutional investors and financial service providers, we analyse the level of responsibility exercised by equity and bond issuers towards society and the environment. Under the new ownership, ISS ESG completes the ESG research and RI services offerings of ISS, making it a worldwide pure-player in the area of RI Research & Solutions. ISS ESG is headed by Robert Haßler, former CEO and co-founder of oekom research. More information: www.oekom-research.com and www.issgovernance.com.

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ANNEXES

Annex 1: Detailed Findings

Annex 2: Detailed Findings Low Carbon Land Transport

ANNEX 1: DETAILED FINDINGS

1. SELECTION OF NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1.1.	Decision-making process to determine eligibility of nominated projects & assets.	ELL is an electric locomotive leasing company, i.e. a Green Pure Player according to CBI taxonomy. ELL aims to grow sustainably and carbon-neutral supporting European rail freight and passenger transport. Projects refinanced through the Green private placement (PP) proceeds are evaluated and selected based on compliance with the CBI Eligibility Criteria.	✓
1.2.	Assessment of proposed nominated projects & assets.	ELL ensures that all selected eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. ELL is only investing into new and highly energy efficient electric locomotives.	✓
1.3.	Documentation of eligibility of nominated projects & assets.	ELL is a pure player and is exclusively refinancing existing green assets.	✓
1.4.	No double nomination of projects & assets.	This is the first time ELL is considering Green debt instruments, and therefore shows no risk of double counting with other Green Loans and Green Bonds. Additionally, the Green PP will be immediately fully allocated to the existing green assets and prevents double counting in the future.	✓
1.5.	Net proceeds in relation to issuer's debt obligation.	Green PP is part of the global refinancing platform of the company. Green PP amount will be significantly lower than the total Green Assets. ELL will regularly report to investors on this point.	✓




2. INTERNAL PROCESSES & CONTROLS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
2.1.1.	Tracking of proceeds	The Green PP proceeds will be managed by ELL in a portfolio approach. ELL intends to immediately fully allocate the proceeds.	✓
2.1.2.	Managing unallocated proceeds	ELL intends to immediately fully allocate the proceeds to existing green assets and therefore no unallocated proceeds will be managed.	✓
2.1.3.	Earmarking funds to nominated projects & assets	ELL earmarked the funds to nominated assets dedicated to the refinancing of the company's Green Assets.	✓

3. REPORTING PRIOR TO ISSUANCE

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
3.1.1.	Disclosure on investment areas	ELL has confirmed that it will report prior to issuance that all nominated assets fall into one project category as listed in Clause 9.1 of the Climate Bonds Standard.	✓
3.1.2.	Disclosure on intended types of temporary investment instruments	Not applicable. ELL intends to immediately fully allocate the proceeds.	-
3.1.3.	Disclosure regarding pre-issuance verification	ELL has confirmed that it will report prior to issuance on its pre-issuance verification procedure.	✓
3.1.4.	Disclosure on periodic assurance engagements	ELL will request a post issuance CBI certification one year after issuance.	✓

ANNEX 2: DETAILED FINDINGS LOW CARBON LAND TRANSPORT

	The Green Private Placement Asset Pool complies with the Low Carbon Land Transport criteria of the Climate Bonds Initiative.
	All assets are automatically eligible under the Low Carbon Transport Criteria, as rolling stocks are 100% electric.
	Fossil fuels comprise less than 50% of the freight towed by the rolling stocks.