

Ermewa Group SA

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORTATION CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: January 2022

Approved verifier: Sustainalytics

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Scope and Objectives

Ermewa Group SA (“Ermewa”, the “Issuer” or the “Company”) has engaged Sustainalytics to review and verify that Ermewa’s green bond meets the requirements under the Low Carbon Transportation criteria of the Climate Bonds Standard.¹

The Company is a provider of railcar leasing across Europe and tank containers leasing services globally. Ermewa also offers construction, refurbishment, maintenance and repair services for railcars through a network of seven workshops across France and Germany, as well as depot services in the Netherlands.

Ermewa intends to issue green bonds to finance and refinance railcars for freight transport. The financing of zero direct emissions railcars aims to support the modal shift to rail transport and therefore reduce carbon emissions of the overall transport sector.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0²:

- Low Carbon Transportation
 - Purchase, financing, leasing, rental, and operation of zero direct emissions freight transport on mainline rail networks as well as short line freight railroads (excluding transport dedicated to fossil fuels).

Issuing Entity’s Responsibility

Ermewa was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, 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 Ermewa’s green bond, issued to finance zero direct emissions railcars transporting a variety of goods (excluding fossil fuels and petrochemicals), and provided an independent opinion informing Ermewa as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Transportation criteria of the Climate Bonds Standard.

¹ Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf
² Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

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

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 Ermewa 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 Ermewa's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Transportation Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 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 Ermewa's green bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Ermewa will ensure compliance with Climate Bonds Standards requirements.

Conclusion

Ermewa intends to finance zero direct emissions railcars to support the modal shift to rail transport and therefore reduce carbon emissions of the transport sector. Based on the limited assurance procedures conducted of Ermewa's green bond under the Low Carbon Transportation criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Ermewa's green bond is not in conformance with the Low Carbon Transportation of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects which constitute the project portfolio as of December 2021 are provided below:

Ermewa's green asset portfolio consists of approximately 34,972 assets falling under the Low Carbon Transportation sector criteria of the Climate Bonds Standard.

Table 1. List of Nominated Assets

Railcar category	Number of railcars
Cereal and sugar	5,173
Flat	19,819
Powder	360
Hopper	3,744
Chemical	1,351
Gas	685
Box – covered and open top	3,840
Total	34,972

Schedule 2A: Pre-Issuance General Requirements

Sustainalytics has conducted this verification using the following Pre-Issuance Requirements under Climate Bonds Standard Version 3.0:

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,</p> <p>1.3.2 the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer's rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material</p>

	<p>environmental, social or governance risks associated with the Nominated Projects & Assets;</p> <p>2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
<p>3. Management of Proceeds</p>	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
<p>4. Reporting</p>	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and</p>

	<p>the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p> <p>4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p><i>Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.</i></p> <p>4.2 The Issuer shall include in the Disclosure Documentation:</p> <p>4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;</p> <p>4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;</p> <p>4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;</p> <p>4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;</p> <p>4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.</p> <p><i>Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.</i></p>
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Schedule 2B: Conformance to the Pre-Issuance Requirements

Details of Ermewa’s internal processes and controls as per the Pre-Issuance Requirements are provided below:

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 Ermewa has developed a list of proposed Nominated Projects & Assets which comply with the Low Carbon Transportation sector criteria of the Climate Bonds Standard. Ermewa intends to keep this list updated with all the financed projects that fall within the scope of Ermewa’s green bond program and Framework. The proposed Nominated Projects and Assets include the purchase, financing, leasing and operation of zero direct emissions railcars.</p> <p>1.2 Ermewa’s management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 Ermewa’s management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by Ermewa that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The Ermewa Green Financing Framework states that the intention of the green bonds is to support the modal shift to rail transport and therefore to reduce and avoid carbon emissions.</p> <p>2.1.2. Ermewa’s environmental objectives are summarized in the Ermewa Green Financing Framework.</p> <p>2.1.3. Ermewa’s rationale for issuing green bonds is to support a cleaner investment strategy on transport assets as it recognizes its responsibility as one of the largest railcar lessors in Europe.</p> <p>2.1.4. The Ermewa Green Financing Framework includes a process for project evaluation and selection in which its Green Finance Committee (the “Committee”) will be responsible for evaluating and selecting eligible assets in line with the Framework’s eligibility criteria with oversight from the Executive Committee. The Committee is comprised of representatives from various departments including the Railcars business unit, and the Finance and Technical departments.</p> <p>2.2.1. Ermewa has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. The Ermewa Green Financing Framework references Climate Bonds Standard version 3.</p>	None

	<p>2.2.3. Ermewa will verify that all proposed Nominated Projects & Assets conform to the Climate Bonds Taxonomy and Low Carbon Transportation sector criteria through closely monitoring railcar fleet emissions.</p>	
3. Management of Proceeds	<p>3.1.1 The Ermewa Green Financing Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 The Issuer will manage unallocated net proceeds by holding them temporarily in a segregated account. Unallocated proceeds will temporarily be invested in line with the Company's liquidity policy, in cash, deposits or money market instruments.</p> <p>3.1.3 The Ermewa Green Financing Framework details the process Ermewa will use to allocate and manage green bonds proceeds. Ermewa intends to use all of the net proceeds for refinancing.</p>	None
Reporting Prior to Issuance	<p>4.1.1. Bonds issued under the Ermewa Green Financing Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Ermewa Green Financing Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The Ermewa Green Financing Framework provides detail on its decision-making process, in which the Committee will ensure net proceeds are applied to the eligible projects.</p> <p>4.1.4. Ermewa's Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria. Ermewa may report on the following impact metrics: effective and avoided GHG emissions (gCO₂ eq. per ton-km).</p> <p>4.1.5. Ermewa will manage unallocated net proceeds in accordance with Clause 3.1.</p> <p>4.1.6. Ermewa will report on the allocation of proceeds in a Green Financing Report on an annual basis until the maturity of the debt instruments. Allocation reporting will be made available privately to investors and lenders.</p> <p>4.1.7. Ermewa's Nominated Projects & Assets fall under Low Carbon Transportation sector criteria. Ermewa will report on the investment areas which the Nominated Projects & Assets fall into by number of eligible green assets, the outstanding debt qualified as green debt, green loan to value and details of the eligibility criteria amongst others.</p> <p>4.1.8. Ermewa has stated that 100% of proceeds are planned to refinance eligible assets.</p> <p>4.2.1. Ermewa's Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria.</p> <p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p> <p>4.2.3. The Ermewa has confirmed that an approved third party verifier will conduct periodic assurance within a year to reaffirm conformance of the bond with the Low Carbon Transportation criteria of the Climate Bonds Standard. Further, auditors appointed by Ermewa will verify the</p>	None

	<p>allocated proceeds and the remaining balance of unallocated proceeds on an annual basis until full allocation.</p> <p>4.2.4. Ermewa will report on the allocation and impact of proceeds in a Green Financing Report on an annual basis until the maturity of the debt instruments which will be made available privately to investors and lenders.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, Ermewa must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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