

Ermewa Group

POST-ISSUANCE VERIFICATION LETTER

Low Carbon Transportation CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: January 2021

Approved verifier: Sustainalytics

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Scope and Objectives

In December 2019, Ermewa Group (Ermewa) issued green financing (loans and private placement) aimed at finance and/or refinance a fleet of Railcars transporting non-polluting goods.¹ In 2021, Ermewa engaged Sustainalytics to review the projects funded through the issued green financing 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 financing projects include:

- Fleet of Railcars

Schedule 1 provides details of the green financing 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 financing and the specified eligibility criteria.
- Part C: Requirements for Specific Financing Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of financing in question.

Issuing Entity's Responsibility

Ermewa 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 Ermewa's green financing, issued to finance and/or refinance a fleet of 25,630 railcars for the transport of goods, and provided an independent opinion informing Ermewa as to the conformance of the green financing 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 Ermewa 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 Ermewa.

¹ Railcars used for the transportation of fossil fuels (oil, coal and natural gas) and petrochemicals products, or which are leased to clients which Ermewa evaluates to be non-green (i.e. fossil fuels and petrochemical companies) are excluded.

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 financing.

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 Ermewa employees and review of relevant documentation to confirm the conformance of Ermewa’s green financing 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 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 proceeds from green financing, issued to fund eligible green projects, 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 25,630 projects funded by the green financing in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All 25,630 projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of 25,630 projects funded by the green financing 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 25,630 projects fall under the Low Carbon Transportation criteria and meet the Low Carbon Transportation technical requirements.	None
Compliance to Part C: Requirements for Specific Financing Types	Financing Type Applicable: Use of Proceeds Financing.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects, as of December 31, 2019, are provided below:

Fleet	Number of Railcars
Box	490
Chemical	1,550
Coil	4,800
Container	247
Flat	3,666
Food	810
Gas	922
Hopper	7,603
Opentop	2,465
Powder	331
Rils	2,746
Total	25,630

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

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the financing</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 financing allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the financing</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 financing shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the financing 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 financing 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 financing 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 financing is to primarily use proceeds to finance and/or refinance its fleet of Railcars transporting non-polluting goods (Nominated Projects).</p> <p>4.2 Ermewa's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 Ermewa'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 financing have been allocated to the 25,630 Nominated Projects.</p> <p>5.2 Ermewa's management has confirmed that funds have been allocated to Nominated Projects at issue date in December 2019.</p> <p>5.3 Ermewa's management has confirmed that all Net Proceeds of the financing were used for financing and refinancing.</p> <p>5.4 Ermewa's management has confirmed that Net Proceeds of the financing shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 Ermewa's management has confirmed that the Net Proceeds of the financing shall be no greater than the market valuation of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 Ermewa's 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 Ermewa's management confirms that all proceeds were allocated at issue date, therefore there were no unallocated proceeds.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 Ermewa's 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> <p>7.2 Ermewa's management confirms that all relevant information about the financing and the Nominated Projects has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 Ermewa's management has provided a report containing the list of Nominated Projects to which proceeds of the financing have been allocated (See Schedule 1).</p>	None

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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