

POST-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Post-Issuance Certification
for the Green Bond Issued by SNCF Réseau



SCOPE

SNCF Réseau commissioned ISS ESG to compile a Verifier's Report for Post-Issuance Certification of its Green Bond Programme 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 Transport Sector Criteria (Version 1.0)

ISSUER'S RESPONSIBILITY

SNCF Réseau'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 Post-Issuance Verification Process of the green bond programme issued by SNCF Réseau 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 Bond Programme 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 Bond 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 SNCF Réseau took place in July 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 SNCF Réseau and the Climate Bonds Standard Board. The present document may be published by SNCF Réseau, CBI and ISS ESG. CBI and ISS ESG agree to publish the report with the consent of SNCF Réseau.

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 2017 and 2019 Green Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements.

A handwritten signature in blue ink, appearing to read 'R. Häbler'.

ROBERT HÄBLER
ISS ESG
Munich, 9 July 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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ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Low Carbon Transportation

ANNEX 1: DETAILED FINDINGS

4. NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Decision-making process to determine the continuing eligibility of nominated projects and assets	SNCF Réseau has defined a set of environmental objectives (i.e. to promote eco-friendly modes of transportation and contribute to the fight against greenhouse gas emissions) and has implemented processes to determine the eligibility of nominated projects.	✓
4.2	Conformance with the Bond's documented objectives and requirements of Part B of the CBI Standard	SNCF Réseau assesses all nominated projects against its self-defined eligibility criteria, which meet the bond's objectives. All nominated projects are electrified rail infrastructure projects. Through the financing of these projects it will be possible to avoid emissions of approx. 17.2 million tCO ₂ e over the next 40 years. The nominated projects are therefore compliant with the eligibility criteria under Part B of the Climate Bond Standard.	✓
4.3	No double nomination of projects and assets	By earmarking projects SNCF Réseau has designed a process to ensure that projects are not nominated twice.	✓

5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Allocation of net proceeds to nominated projects and assets	All proceeds had already been allocated to nominated assets.	✓
5.2	Allocation of funds within 24 months of issuance of the bond	All proceeds had been allocated to nominated assets within 24 months.	✓

5.3	Share of financing and refinancing	The net proceeds of the Green Bonds were used to finance (11.3% of the proceeds) newly originated projects of SNCF Réseau and to refinance existing projects (88.7% of the proceeds).	✓
5.4	Tracking of proceeds	SNCF Réseau tracks the proceeds using an internal IT system. Allocation is reviewed annually.	✓
5.5	Net proceeds of the loan and investment to nominated projects and assets	SNCF Réseau has identified eligible projects significantly greater than the net proceeds of the bond. SNCF Réseau reviews allocation annually.	✓

6. NON-CONTAMINATION OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	Tracking of proceeds	SNCF Réseau tracks the proceeds using an internal IT system. Allocation is reviewed annually.	✓
6.2	Non-contamination of proceeds	SNCF Réseau invests temporarily unallocated proceeds in SRI mutual funds, bank deposits, cash, and/or cash equivalents. SNCF Réseau also states 100% of the proceeds had been allocated to eligible assets which are earmarked in the internal IT system.	✓
6.3	Cases of force majeure	Not applicable. All proceeds have been allocated.	–

CONFIDENTIALITY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	Description of the projects	All financed assets are electrified rail infrastructure projects (maintenance, upgrades and extensions of existing lines as well as construction of new lines). Through the financing of these projects it will be possible to avoid emissions of approx. 17.2 million tCO ₂ e over the next 40 years.	✓
7.2	Disclosure of information to the market	Details on SNCF Réseau’s Green Bonds are available in SNCF Réseau’s Green Bond Reporting 2019, soon available on sncf.com website.	✓

7. REPORTING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Description of reporting	<p>Details on SNCF Réseau’s Green Bonds are available in SNCF Réseau’s Green Bond Reporting 2019, soon available on sncf.com website.</p> <p>The quantitative performance indicators include the following:</p> <ul style="list-style-type: none"> • Aggregated information on financed projects • Greenhouse gases emitted and avoided • Resources protected 	✓

8. CLIMATE BOND TAXONOMY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
9.1	Matching of Climate Bond category	All financed assets are electrified rail infrastructure projects (maintenance, upgrades and extensions of existing lines as well as construction of new lines). Through the financing of these projects it will be possible to avoid emissions of approx. 17.2 million tCO ₂ e over the next 40 years. All projects are eligible under the Low Carbon Transport Sector Criteria.	✓

9. TECHNICAL CRITERIA

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	All financed assets are electrified rail infrastructure projects (maintenance, upgrades and extensions of existing lines as well as construction of new lines). Through the financing of these projects it will be possible to avoid emissions of approx. 17.2 million tCO ₂ e over the next 40 years. All projects meet sector-specific eligibility criteria (see Annex 2).	✓
10.2	Bonds covering several sector-specific criteria	Not applicable.	-

10. PROJECT HOLDING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
11.1	Holding of assets with a fair market value at least of the original amount at time of issuance	SNCF Réseau's is financing own projects, which will be on their books for the long run. The pool of underlying projects will remain the same over the term of the bond.	✓

11. SETTLEMENT PERIOD

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
12.1	Description of the process and timeline of distribution of proceeds	Not applicable. All proceeds have been allocated to nominated assets.	–
12.2	Description of process regarding unallocated proceeds after 24 months	Not applicable. All proceeds have been allocated to nominated assets.	–

12. EARMARKING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
13.1	Description of internal earmarking process	Every project that is being financed through the Green Bonds is earmarked in SNCF Réseau's internal IT system. This system is managed by the Treasury and the Accounting Departments.	✓

ANNEX 2: DETAILED FINDINGS LOW CARBON TRANSPORT



The Green Bond Asset Pool complies with the Low Carbon Transport criteria of the Climate Bonds Initiative.

All assets are electrified rail infrastructure projects. The primary purpose of those infrastructure is not transporting fossil fuels.