

# Second-Party Opinion

## Stream Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Stream Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds Clean Transportation, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.



**PROJECT EVALUATION AND SELECTION** Stream Group's Green Finance Committee will be responsible for evaluating and selecting eligible assets with oversight from the Executive Committee. Stream Group has in place an internal Safety Management System which is applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be aligned with market practice.



**MANAGEMENT OF PROCEEDS** Stream Group's Finance and Treasury department will be responsible for the management of proceeds based on a portfolio approach and will track the allocation of proceeds using existing internal systems. Stream Group intends to allocate all proceeds at the time of issuance. However, in case of unallocated proceeds, such proceeds will be temporarily invested in accordance with its liquidity policy, in cash, deposits or money market instruments. This is in line with market practice.



**REPORTING** Stream Group commits to report on allocation of proceeds in a Green Financing Report to its investors and lenders on an annual basis. Allocation reporting will include details such as the number of eligible green assets, the outstanding debt qualified as green debt, green loan to value and details of the eligibility criteria. In addition, Stream Group is committed to reporting on relevant impact metrics. Sustainalytics views Stream Group's allocation and impact reporting as aligned with market practice.

**Evaluation Date** June 15, 2023<sup>1</sup>

**Issuer Location** Levallois-Perret, France

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**For inquiries, contact the Sustainable Finance Solutions project team:**

**Titus Vilches (Amsterdam)**  
Project Manager  
titus.vilches@sustainalytics.com  
(+31) 20 797 1563

**Ayushi Agrawal (Mumbai)**  
Project Support  
ayushi.agrawal@sustainalytics.com

**Enrico Tessadro (Amsterdam)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

### EU Taxonomy

Sustainalytics has assessed Stream Group's Green Financing Framework for alignment with the technical screening criteria of the EU Taxonomy. The criteria defined in the Framework's use of proceeds categories map to one activity in the EU Taxonomy. Sustainalytics is of the opinion that the activity align with the applicable Technical Screening Criteria (TSC) and partially align with the relevant "do no significant harm" (DNSH) criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

<sup>1</sup> This is an updated second-party opinion on the Ermewa Green Financing Framework, originally dated January 2022. In May 2023, Ermewa Group changed its name to Stream Group.

## Introduction

Strem Group (“Strem” or the “Company”) is a provider of railcar leasing services across Europe and tank container leasing services globally. The Company also offers construction, refurbishment, maintenance and repair services for railcars through a network of eight workshops across France and Germany, as well as depot services in the Netherlands. Strem is the second largest railcar lessor in Europe with approximately 45,000 managed railcars, and the Company holds 24% of the global market share with approximately 75,000 tank containers.

Strem has developed the Strem Green Financing Framework (the “Framework”) under which it intends to issue debt instruments such as green bonds and/or loans and private placements, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to contribute to a reduction in carbon emissions by supporting the transition towards low-carbon rail freight. The Framework defines eligibility criteria in one green area:

### 1. Clean Transportation

Strem engaged Sustainalytics to review the Strem Green Financing Framework, dated May 2023, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>2</sup> and the Green Loan Principles 2023 (GLP).<sup>3</sup> The Framework will be published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The Use of Proceeds criteria alignment with the EU Taxonomy Climate Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Strem Group’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Strem’s representatives have confirmed (1) they understand it is the sole responsibility of Strem to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Strem.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup> The Strem Green Financing Framework will be available on Strem Group’s website at: <https://stremgroup.com/>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Stroom is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Stroom has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Stroom Green Financing Framework

Sustainalytics is of the opinion that the Stroom Green Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Stroom's Green Finance Framework:

- Use of Proceeds:
  - The eligible category, Clean Transportation, is aligned with those recognized by the GBP and GLP. Sustainalytics notes that investments in the eligible category are expected to contribute to a reduction in carbon emissions by supporting the transition towards low-carbon rail freight.
  - Stroom has confirmed that refinancing under the Framework will be limited to capital expenditures, which Sustainalytics considers to be in line with market practice.
  - Within the Clean Transportation category, Stroom may finance or refinance the purchase, financing, leasing and operation of zero direct emissions unpowered railcars.<sup>6</sup> Sustainalytics notes that the railcars financed under this Framework will not be utilized for the transportation of fossil fuels or petrochemicals and considers these investments to be aligned with market practice.
- Project Evaluation and Selection:
  - Stroom has established a Green Finance Committee (the "Committee") which 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 composed of representatives from various departments including the Railcars business unit, and the Finance and Technical departments.
  - Stroom has in place an internal Safety Management System to ensure that all the assets are constructed and operated in compliance with the EU regulations and the Company's internal risk management policies. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details see Section 2.
  - Based on the cross-functional oversight for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Stroom's Finance and Treasury department will be responsible for the management and allocation of proceeds based on a portfolio approach and will track the use of proceeds through existing internal systems.

<sup>6</sup> Railcars financed may include: i) railcars transporting only sugars and cereals; ii) flat railcars – Stroom has excluded railcars that could transport coal or coal derivatives; iii) powder railcars that transport flour, lime, cement – Stroom has excluded railcars that could transport coal; iv) hopper railcars that are dedicated to the transport of quarry products, sand, cereals and coal – Stroom has excluded railcars that could transport coal; and v) chemicals railcars that transport chemicals that are not manufactured by the petrochemical industry.

- Stroom intends to allocate all proceeds to eligible assets at the time of issuance. However, in case of any unallocated proceeds, such proceeds will temporarily be invested in line with the Company's liquidity policy, in cash, deposits or money market instruments.
- Instruments issued under the Framework may include multi-tranche loan facilities. Stroom intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
- Based on the use of a tracking system and disclosure around temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Stroom intends to 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, and will include the number of eligible green assets, the outstanding debt qualified as green debt, green loan to value and details of the eligibility criteria amongst others.
  - In addition, the Company is committed to reporting on relevant impact metrics in the Green Financing Report which may include effective and avoided GHG emissions.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the Stroom aligns with the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

#### **Alignment with the EU Taxonomy**

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria
  - The eligible green criterion outlined in the Framework was assessed and is aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm Criteria
  - The eligible green criterion is partially aligned with the applicable DNSH criteria as it is partially aligned with the DNSH criteria related to Adaptation and aligned with the DNSH criteria related to Circular Economy.
3. Minimum Safeguards
  - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
  - For Sustainalytics' assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of the Framework with the applicable Technical Screening Criteria and DNSH criteria of the EU Taxonomy.

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Railcars	■	□		□	-	■	- <sup>7</sup>	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

\* The EU Taxonomy has not yet defined technical screening criteria for environmental objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different objective, Sustainability has assessed alignment against the DNSH criteria for all six objectives.

## Section 2: Sustainability Strategy of Strem

### Contribution of framework to Strem’s sustainability strategy

Sustainability notes that Strem’s core business, railcar leasing, enables a freight transport modal shift, which has the potential to contribute to the decarbonization of the transportation sector due to its lower emissions intensity relative to freight transport through other modes. Strem’s Safety, Quality & Environment Policy defines the Company’s commitment to sustainability through its focus on: i) maintaining the Company’s assets – employees’ expertise and economic effectiveness of operations – as well as environmental quality; and ii) managing risk and improving process and environmental protection. Sustainability highlights the following aspects of Strem’s strategy as defined in its 2021 Sustainability Report and Safety and Quality and Environment Policy.<sup>8</sup>

The Company defines its commitment to sustainable development as one of the six core corporate values. As a part of this commitment, Strem states that safe operating practices are a key priority supported by a group safety management system.<sup>9</sup> Regarding circular economy, Strem has an annual recycling plan for its railcars, containers and spare parts which enables the reuse of raw materials in the value chain. The Company recycles approximately 2,000 wagons every year to recover high quality parts and materials and mandates the recycling of its wagons to stakeholders. 100% of the steel is recycled when the wagons reach the end their useful lives.<sup>10</sup>

Strem reported its railcar fleet scope 1 emissions for the first time in 2020. As of 2020, the average CO<sub>2</sub> emissions stood at 14.6 grams of CO<sub>2</sub> per tonne-km on the basis of which Strem’s railcar fleet stands under the Climate Bond Initiative’s threshold for freight activity.<sup>11</sup> In 2021, the Company initiated a full-scale audit of its scope 1,2 and 3 emissions in line with the goal to be carbon neutral by 2050.<sup>12</sup>

In this context, Sustainability is of the opinion that the Framework is aligned with Strem’s sustainability initiatives and will contribute to the Company’s key environmental efforts. Nevertheless, Sustainability encourages Strem to set time-bound, quantifiable emissions reduction targets to further advance its sustainability performance.

<sup>7</sup> Eligible assets under this Framework will be limited to zero direct emissions railcars. As a result, Sustainability does not consider the DNSH criterion related to “Pollution Prevention and Control” objective as applicable for the purpose of this assessment.

<sup>8</sup> Strem, “Ermewa Group Sustainability Report”, (2021), at : [https://stremgroup.com/wp-content/uploads/2022/11/sustainability\\_report\\_2021-min.pdf](https://stremgroup.com/wp-content/uploads/2022/11/sustainability_report_2021-min.pdf)

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Climate Bonds Initiative, “Low Carbon Transport”, (2020), at: <https://www.climatebonds.net/standard/transport>

<sup>12</sup> Strem, “Ermewa Group Sustainability Report”, (2021), at : [https://stremgroup.com/wp-content/uploads/2022/11/sustainability\\_report\\_2021-min.pdf](https://stremgroup.com/wp-content/uploads/2022/11/sustainability_report_2021-min.pdf)

### Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds and/or loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, operational safety concerns and noise pollution. While Stroom has limited involvement once the assets under this Framework are leased, the Company remains the owner, keeper and entity in charge of maintenance of the railcars.

Sustainalytics is of the opinion that Stroom is able to manage and/or mitigate potential risks through implementation of the following:

- Regarding occupational health and safety, all employees at Stroom are required to complete trainings prepared by the European Union Agency for Railways. In addition, Inveho which is a subsidiary of Stroom that supports railcar leasing and maintenance, provides role specific trainings for the use of heavy equipment such as forklifts and overhead cranes. All Inveho workshops are self-audited for environment and/or quality management systems requirements (ISO 19011).<sup>13</sup> In June 2022, one of Inveho's workshops obtained ISO 14001 certification as part of an ongoing initiative to have other Inveho workshops ISO 14001-certified.
- The Company reports on the rate of incidents and their four levels of severity in relation to the operation of railcars through ERP and uses the information to improve existing working procedures. These improvements are implemented and monitored through action plans developed by the Technical Management Group. In 2021, there were 1,771 incidents with two of these being classified as major.<sup>14</sup>
- Regarding operational safety concerns, the Company receives authorization to place railcars on the market by the European Union Agency for Railways which ensures that the vehicles comply with applicable laws.<sup>15</sup> The Company has implemented Safety Management System (SMS), assesses risk of all operations using relevant indicators and provide training to all employees. The SMS include hazard identification, event reporting, risk management, performance measurement and assurance of risk control.<sup>16</sup>
- Noise pollution is considered a negative externality of rail, impacting the environment and society. As the entity in charge of maintenance, Stroom must retrofit wagons operating in the EU to comply with the European noise restriction regulations for railcars.<sup>17</sup> The Company will replace cast iron brake block with noise reducing composite brake blocks by the end of 2024.<sup>18</sup>
- Sustainalytics notes that financing under the Framework will take place primarily in France which is on the list of Designated Countries under the Equator Principles, indicating that environmental and social governance legislation systems and institutional capacity are sufficient to ensure mitigation of the common environmental and social risks.

Based on these standards and assessments, Sustainalytics is of the opinion that Stroom has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

### Human and Labour Rights

Stroom Group has implemented the following policies and procedures aimed at ensuring human rights:

- Stroom complies with the French legislation under which it is a criminal offence for companies to engage in activities that breach people's rights (violations of human dignity, working

<sup>13</sup> International Organization for Standardization, "Quality management systems – requirements", at: <https://www.iso.org/standard/62085.html>

<sup>14</sup> Ibid

<sup>15</sup> European Union Agency for Railways, "Applications for vehicle authorizations", at: [https://www.era.europa.eu/applicants/applications-vehicle-type-authorisations\\_en](https://www.era.europa.eu/applicants/applications-vehicle-type-authorisations_en)

<sup>16</sup> Stroom, "Ermewa Group Sustainability report", (2021), at : [https://stroomgroup.com/wp-content/uploads/2022/11/sustainability\\_report\\_2021-min.pdf](https://stroomgroup.com/wp-content/uploads/2022/11/sustainability_report_2021-min.pdf)

<sup>17</sup> European Commissions Environmental Noise Directive, "Links between directive 2002/49 and other noise-related EU legislation", at: [http://www.era-comm.eu/Air%20quality%20and%20noise%20legislation/standalone/module\\_3/13\\_rail.html](http://www.era-comm.eu/Air%20quality%20and%20noise%20legislation/standalone/module_3/13_rail.html)

<sup>18</sup> Ibid

conditions that violate human dignity, forced labour) and equality laws (gender discrimination, anti-union discrimination, denying the freedom to work, corruption). France has also ratified the Protocol to the 1930 ILO Forced Labour Convention (no.29) which supplements the convention, by dealing with new forms of forced labour.<sup>19</sup>

- Strem has majority of its business operations in France which is a member of the OECD. The Company, therefore, observes the OECD Guidelines on Multinational Enterprises which provides guidelines on respecting human rights and addressing the adverse impact of business operations on human rights.<sup>20</sup>
- Strem has developed an Ethical Charter under which it commits to promoting diversity and respect while encouraging its employees to report on any incident of discrimination and harassment. The Company is also dedicated to ensuring labour rights are followed throughout the supply chain and demonstrates this commitment through its Third party Code of Conduct.
- The Company complies with major international human and labour rights standards including The United Nations Global Compact; The Universal Declaration of Human Rights; The International Labour Organization Declaration; The Convention on the Rights of the Child; The Rio Declaration on Environment and The United Nations Convention Against Corruption.
- Strem has established a "Whistleblowing guide" enabling any staff member (including casual workers and external collaborator) to report and disclose facts or behaviors related to a crime, a misdemeanor, or any gross and evident violation of the laws, or international commitments including but not limited to psychological or sexual harassment and discrimination.

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Company in the area of human and labour rights, and has not detected involvement in any significant controversies which would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the Framework.

#### **Anti-bribery and anti-corruption**

Strem Group has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- Strem has established a "Whistleblowing guide" enabling any staff member (including casual workers and external collaborator) to report and disclose facts or behaviors related to a crime, a misdemeanor, or any gross and evident violation of the laws, or international commitments including but not limited to corruption.
- The Company adheres to the French "Sapin II Law" which provides a legal framework to tackle corruption and promote transparency. This law includes the implementation of training for employees who have the highest exposure to corruption.
- Strem has developed a third party due diligence procedure to minimize the risk of corruption and unethical business practices when engaging with third parties. Strem has also developed a Third Party Code of Conduct to ensure compliance with applicable laws and standards on health and safety, anti-bribery and anti-corruption including by contractor and subcontractors.

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Strem in the area of anti-bribery and anti-corruption rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Strem's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

### **Section 3: Impact of Use of Proceeds**

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused on how the impact is specifically relevant in the regional context.

<sup>19</sup> Ermewa, "2020 Sustainability Report", (2021), at: [http://www.r-agency.fr/clients/ermewa/Sustainability\\_Report\\_2020/#page/1](http://www.r-agency.fr/clients/ermewa/Sustainability_Report_2020/#page/1)

<sup>20</sup> OECD, "OECD Guidelines for Multinational Enterprises", (2011), at: <https://www.oecd.org/daf/inv/mne/48004323.pdf>

### Importance of clean rail transport in Europe

The International Energy Agency estimates that pre-COVID-19 levels of freight transport accounted for 8% of global carbon emissions.<sup>21</sup> Rising GDP and rapid growth in online commerce have caused a continual increase in freight demand with majority of it supplied by road freight transport.<sup>22</sup>

In the EU, emissions from the transport sector represent around 25% of the total GHG emissions.<sup>23</sup> Unlike other economic sectors, transport-related emissions still remain higher than 1990 levels evidencing the continual growth within this industry.<sup>24</sup> Energy efficient modes of transport are critical to reach the EU's Green Deal target of reducing transport related GHG emissions by 90% in 2050, compared to 1990 levels.<sup>25</sup> It is estimated that transport of freight via rail emits 80% less CO<sub>2</sub> per tonne of cargo per km when compared to heavy goods vehicles.<sup>26</sup> In order to meet its target, the European Commission's roadmap to a single European transport area defined a target to shift 50% of road freight over 300km to other modes such as rail by 2050.<sup>27</sup> The financing of railcar assets under Strem's Framework is expected to positively contribute to the availability of rail freight capacity and towards the EU's modal shift and emissions targets.

Given Strem's large market presence in France, the importance of clean transport in this country is of particular interest. The trend of transport related emissions follows the same pattern to that of the EU. Transport related emissions have increased since 1990, making it the largest emitting sector of the economy with a share of 40% of total GHG emissions. Of the transport emissions, freight transport accounts for 30% of these emissions.<sup>28</sup> The French government has set an emissions reduction target of 37% by 2050 relative to 2005 levels.<sup>29</sup> To meet this target, the government published the National Strategy for Developing Rail Freight targeted at decarbonizing the French freight sector. This strategy set the target of doubling the market share of freight rail from 9% to 18% by 2030 and 25% by 2050.<sup>30</sup> Furthermore, the Department of Transport and Environment has defined the modal shift to electrified rail freight as a key efficiency measure in its roadmap to zero-emission inland freight.<sup>31</sup>

Based on the above context, Sustainalytics expects Strem's leasing of railcars to contribute towards reducing GHG emissions from the freight transport sector in France and the EU, thereby supporting the transition to a decarbonized economy.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Strem Green Financing Framework are expected to help advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all

<sup>21</sup> International Energy Agency, "CO2 emissions from fuel combustion", (2019), at: [https://www.oecd-ilibrary.org/energy/co2-emissions-from-fuel-combustion-2019\\_2a701673-en](https://www.oecd-ilibrary.org/energy/co2-emissions-from-fuel-combustion-2019_2a701673-en)

<sup>22</sup> International Transport Forum, "The carbon footprint of global trade", (2015), at: <https://www.itf-oecd.org/sites/default/files/docs/cop-pdf-06.pdf#:~:text=emissions%20mainly%20through%20freight%20transport.%20The%20International%20Transport,combustion%2C%20and%20more%20than%207%25%20of%20global%20emissions.>

<sup>23</sup> European Commission, "Transport and the Green Deal", (2020), at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/transport-and-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/transport-and-green-deal_en)

<sup>24</sup> European Commission, "Transport Emissions", at: [https://ec.europa.eu/clima/eu-action/transport-emissions\\_en](https://ec.europa.eu/clima/eu-action/transport-emissions_en)

<sup>25</sup> European Commission, "Factsheet – Transport and mobility sector", (2020), at: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_20\\_2350](https://ec.europa.eu/commission/presscorner/detail/en/fs_20_2350)

<sup>26</sup> Heinrich Böll Stiftung, "From roads to rails: European freight transport and green logistics", (2021), at: <https://eu.boell.org/en/2021/10/18/roads-rails-european-freight-transport-and-green-logistics>

<sup>27</sup> European Commission, "Roadmap to a single European transport area", (2011), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0144:FIN:EN:PDF>

<sup>28</sup> French Government, "Climate Transparency Report", (2020), at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/France-CT-2020-WEB.pdf>

<sup>29</sup> French Government, "Climate Transparency Report", (2020), at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/France-CT-2020-WEB.pdf>

<sup>30</sup> International Railway Journal, "French Government Reveals rail freight strategy", (2021), at: <https://www.railjournal.com/freight/french-government-reveals-rail-freight-strategy/>

<sup>31</sup> Department of Transport and Environment, "How to decarbonize the French freight sector by 2050?", (2020), at: [https://www.transportenvironment.org/wp-content/uploads/2021/07/2020\\_05\\_TE\\_how\\_to\\_decarbonise\\_the\\_french\\_freight\\_sector\\_by\\_2050\\_final.pdf](https://www.transportenvironment.org/wp-content/uploads/2021/07/2020_05_TE_how_to_decarbonise_the_french_freight_sector_by_2050_final.pdf)

		countries taking action in accordance with their respective capabilities
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## Conclusion

Stroom has developed the Stroom Green Financing Framework under which it may issue green bonds, loans and private placements, and use the proceeds to finance zero direct emissions railcars. Sustainalytics considers that the assets funded by the proceeds are expected to contribute to a reduction in carbon emissions by supporting the transition towards low-carbon rail freight.

The Stroom Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and makes commitments for Stroom to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Stroom Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 9. Additionally, Sustainalytics is of the opinion that Stroom has adequate measures to identify, manage or mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed Stroom's Green Financing Framework for alignment with the EU Taxonomy and mapped the criteria in the Framework's use of proceeds categories to one economic activity in the EU Taxonomy. Sustainalytics is of the opinion that the activities align with the applicable Technical Screening Criteria (TSC) of the EU Taxonomy and partially align with the applicable "do no significant harm" criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that Stroom Group is well positioned to issue green bonds and/or loans, and that the Stroom Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria to an environmental objective of the EU Taxonomy and the applicable "Do No Significant Harm" (DNSH) criteria. Sustainalytics' assessment involves two steps:

### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective and impacts established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

Table 2 below displays Sustainalytics' mapping process for this report.

### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the Technical Screening Criteria and the DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant technical screening criteria. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Clean Transportation	Railcars	6.3 Freight Rail transport	H49.20 N77.39	Mitigation	Table 3

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution to an environmental objective and the DNSH for each relevant EU Taxonomy activity.

Table 3

<b>Framework Activity assessed</b>		Clean Transportation	
<b>EU Taxonomy Activity</b>		Freight rail transport	
<b>Corresponding NACE Code</b>		H49.20; N77.39	
<b>EU Technical Screening Criteria</b>		<b>Alignment</b>	
Mitigation	<p>Please confirm if the activity complies with one of the following criteria:</p> <p>(a) the trains and passenger coaches have zero direct (tailpipe) CO<sub>2</sub> emissions;</p> <p>(b) the trains and passenger coaches have zero direct (tailpipe) CO<sub>2</sub> emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode).</p> <p>AND</p> <p>The trains and wagons are not dedicated to the transport of fossil fuels.</p>	<p>Eligible Green Assets are compliant with the following criteria (a) the trains and passenger coaches have zero direct (tailpipe) CO<sub>2</sub> emissions.</p> <p>Strem Green Assets will exclude all railcars which transport fossil fuels (oil, coal and natural gas) and petrochemicals products, or which are leased to clients which Strem evaluate to be non-green (i.e. fossil fuels and petrochemical companies).</p>	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 4		
Transition to a circular economy	Describe if Strem has procedure in accordance with the waste hierarchy to manage waste generated, especially during maintenance.	<p>Strem has the following measures and processes in place to manage waste.</p> <ol style="list-style-type: none"> <li>1. Maintaining and reconditioning – For wagons and wheelsets, Strem repairs and overhauls wagons and axles to keep them in good working order.</li> <li>2. Recycling - Wagons and wheelset are recycled when no longer usable. 100% of end-of-life wagons are recycled, with a recyclability rate of approximately 96%. Strem prepares annual recycling plan and chooses recycling centers that recover the raw materials and 100% steel that returns to the market as a raw material.</li> </ol>	Aligned

		<p>3. Reuse – Flat wagon floors are recovered during dismantling in recycling centers. The Company sells the wood obtained to local craftsman and purchases finished office supplies and tables created from this wood. Tarpaulins are recycled into handbags and purses upon request from designers. They are also given to farmers to protect the fields.</p> <p>Strem prepares an annual recycling plan which is approved by the Company’s management team on the basis of which the wagons are assessed and recycled.</p>	
<p>Pollution prevention and control</p>	<p>Describe if Strem has a procedure to ensure emission from engines, if any, will comply with emission limits set out by EU.<sup>6</sup> (Annex II to Regulation (EU) 2016/1628 of the European Parliament and of the Council.)</p>	<p>Not applicable as Strem’s eligible assets are unpowered railcars.</p>	<p>N/A<sup>32</sup></p>

<sup>32</sup> Eligible assets under this Framework will be limited to zero direct emissions railcars. As a result, Sustainalytics does not consider the DNSH criterion related to “Pollution Prevention and Control” objective as applicable for the purpose of this assessment.

### Appendix 3: Criteria for “Do No Significant Harm” (DNSH) to Climate Change Adaptation

Table 4

Criteria for DNSH to Climate Change Adaptation		
<b>DNSH Criteria</b>	<b>Alignment</b>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>33</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under the Framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	<p>Considerations around Strem’s ability to manage exposure to physical climate risks are the following:</p> <ul style="list-style-type: none"> <li>Physical climate risks are identified by the railcar’s manufacturer: The design of the unit, as well as its constituents take into account the environmental conditions to which the rolling stock will be subjected to. Wagons must be interoperable in order to be able to run on the entire European network. Therefore, they must comply with European regulations “technical specifications for interoperability” (EU regulation 321/2013).</li> <li>Strem as a lessor is not involved in the design and testing phase: However, the lifespan of the railcars owned by Strem may run up to 42 years, which might open up for efficiency risk. As an Entity in Charge of Maintenance (ECM), Strem is in charge of the maintenance of the railcars which is a mitigating factor for climate risk. <ul style="list-style-type: none"> <li>a. As an ECM, it must comply with the EU regulation 2019/779.</li> <li>b. The workshops must also be ECM certified.</li> <li>c. Maintenance process.</li> <li>d. Railcars’ exposure to climatic risks according to the classification of the EU Taxonomy.</li> </ul> </li> </ul> <p>Strem group aims to work on its climate adaptation strategy, in line with TCFD recommendations. However, Strem has not yet conducted a comprehensive climate risk and vulnerability assessment to identify potential risks in order to implement adaptation solutions.</p>	<p>Partially aligned</p>

<sup>33</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Streem Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Streem Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 15, 2023
Publication date of review publication:	Update to Ermewa Green Financing Framework Sustainalytics SPO published in Jan, 2022
Original publication date:	January 12, 2022

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

The eligible category for the use of proceeds, Clean Transportation, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category are expected to contribute to a reduction in carbon emissions by supporting the transition towards low-carbon rail freight, and advance the UN Sustainable Development Goals, specifically SDG 9.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Stroom Group's Green Finance Committee ("Committee") will be responsible for evaluating and selecting eligible assets with oversight from the Executive Committee. Stroom Group has in place an internal Safety Management System which is applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be aligned with market practice.

### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Strem Group's Green Finance Committee ("Committee") will be responsible for evaluating and selecting eligible assets with oversight from the Executive Committee. Strem Group has in place an internal Safety Management System which is applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be aligned with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Strem Group intends to report on the allocation of proceeds in a Green Financing Report to its investors and lenders on an annual basis. Allocation reporting will include details such as the number of eligible green assets, the outstanding debt qualified as green debt, green loan to value and details of the eligibility criteria. In addition, Strem Group is committed to reporting on relevant impact metrics. Sustainalytics views Strem Group's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                         |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators (please specify): |

**Frequency**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report            |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Green Financing Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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