



GREEN FINANCE FRAMEWORK



GREEN FINANCE FRAMEWORK

TABLE OF CONTENTS

I. INTRODUCTION	3
1. The Alpha Trains Group and its sustainability strategy	3
2. Scope of green financing	6
3. Principles and general guidelines	6
II. PROCEDURES	8
1. Use of proceeds	8
2. Projects evaluation and selection	9
3. Management of proceeds	10
4. Reporting	10
5. External review	11



INTRODUCTION

I. INTRODUCTION

1. THE ALPHA TRAINS GROUP AND ITS SUSTAINABILITY STRATEGY

Originally established in 1999, Luxembourg-based Alpha Trains Luxembourg (Holdings) S.à r.l., including its subsidiaries (together “Alpha Trains”, “Alpha Trains Group” or the “Company”), is the largest privately owned operating lessor of rolling stock in Continental Europe by number of owned passenger trains and locomotives. Alpha Trains has a diversified fleet and a leading market share in the two business segments in which it operates:

- Regional passenger train leasing business, based in Cologne: primarily focused on the German regional passenger rail market (which is a consequence of the advanced liberalisation of rail transport services in Germany) and adjacent countries (such as Denmark and Slovakia). The circa 400 modern passenger multiple units are deployed largely under long-term leases
- Locomotive leasing business, based in Antwerp: leasing circa 360 locomotives for the purpose of hauling goods, containers and to a small extent passenger coaches operating in 14 countries in Continental Europe, including cross border, with most of the locomotives being operated in Germany, Italy, Spain, Benelux and France.

Alpha Trains is environmentally aware and recognises the contribution that rail makes as a socially and environmentally responsible means of transport for people and goods.

Alpha Trains’ commitment to a green and sustainable business is firmly anchored and described in the Company’s mission statement and in its Environmental, Social and Governance (ESG) Policy.

- In its mission statement, the Company acknowledges its role in sustainable transportation and enabling the transition to a low-carbon economy including modal shift
- In its ESG Policy, Alpha Trains also recognises the importance of identifying and managing environmental, social and governance risks in its business activities by adhering to principles of sustainable management and by responding appropriately in dealing with its own environmental impacts
- Direction and oversight of the Environmental, Social and Governance Policy is the responsibility of the Board of the top holding company (Alpha Trains (Luxemburg) Holdings S.à r.l.).

OUR COMMITMENT TO THE FUTURE

We care for environmental issues and support the contribution that rail makes as a socially and environmentally responsible means of transport for people and goods.

ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY

Our commitment to green and sustainable business is firmly anchored and described in the Group’s mission statement and in our ESG.

In line with Alpha Trains' mission and ESG policy, the main ESG objectives are to support the transition to a low-carbon economy, to enhance competition for the benefit of affordable, safe and comfortable passenger transport and affordable and safe freight transport.

The Company's business and ESG objectives could not be achieved without a culture of trust, respect, diversity, integrity and passion. These values are embraced in the Company and the employees' commitment to them is annually reconfirmed by employee surveys.

On the corporate governance side, the Company is continuously adapting its governance systems in fulfilment of legislation changes, external threats and changes in its structure.

Assessing materiality is an important concept in Alpha Trains' sustainability management. It helps to ensure that Alpha Trains' main economic, environmental and social impacts, as well as those issues most likely to impact the Company's stakeholders are identified and considered in reporting.

Alpha Trains assesses and manages its risks on a regular half-yearly basis. The Alpha Trains Group Risk Management System is designed to identify, assess, evaluate, manage, mitigate, report and monitor all key risks that Alpha Trains faces.

All in all the annual ESG target setting, the yearly materiality assessment and the regular risk assessments are integral parts of the annual review cycle of Alpha Trains' ESG strategy.



**OUR CORPORATE
CULTURE EMBODIES
THE FOLLOWING CORE
VALUES**

- Trust
- Respect
- Diversity
- Integrity
- Passion



Alpha Trains runs a sustainability reporting system, which is designed to identify, evaluate, manage, report and monitor all key performance indicators in each of the relevant fields of safety, health, quality, environment, social responsibility and governance. This enables Alpha Trains to provide transparent reports and support Alpha Trains' external stakeholders in assessing its sustainability performance. A yearly corporate carbon footprint report is also part of Alpha Trains' sustainability reporting system.

The Business Unit Passenger of Alpha Trains is certified according to the requirements of ISO 9001. The Company has started the process to build up an integrated management system for the whole group in accordance with ISO 9001, ISO 14001, ISO 45001 standards and further regulations as e.g. EU 445/2011.

The Company's commitment to environmental responsibility is supported by the fact that c. 80% of the Company's rolling stock is comprised of Electric Multiple Unit (EMU) trains and electric locomotives.

The Company has relatively young and energy efficient rolling stock (weighted average fleet age is c. 7 years, based on weighted net book value at 31 December 2018) and consistently achieves a high utilisation rate (96% in 2018).



2. SCOPE OF GREEN FINANCING

Alpha Trains' Green Financing instruments include green bonds (green 'use of proceeds' bonds), green loans, green private placements, and other financial instruments with funds allocated to the use of proceeds defined in this document. They will be referred to as "Green Financing(s)" in this document.

The Green Finance Framework (referred to as the "Framework" in this document) will apply to any Green Financing issued or used by Alpha Trains. In order to avoid any doubt, the Framework applies to and includes the previous Green Financing used by Alpha Trains, such as its inaugural Green Private Placement issued in 2016.

The Company shall modify the Framework to adapt to future Green Financings, and commits in that case to the improvement of the standards it sets (regarding for instance transparency, reporting, eligible assets, etc.). Any update will be notified on Alpha Trains' website and will be made publicly available.



OUR GREEN FINANCE FRAMEWORK

covers all Green Financings issued or used by Alpha Trains.



3. PRINCIPLES AND GENERAL GUIDELINES

Alpha Trains' Green Finance Framework abides by the Green Bond Principles¹ published and last updated in 2018 by the International Capital Markets Association², and by the Green Loan Principles³, published and last updated in 2018 by the Loan Market Association⁴. It follows the recommendations of the principles through their four core components: "Use of Proceeds", "Process Evaluation and Selection", "Management of Proceeds" and "Reporting", adding "External review" throughout the process.



OUR GREEN FINANCE FRAMEWORK

follows the international capital market guidelines.

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² <https://www.icmagroup.org/>

³ https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

⁴ <https://www.lma.eu.com/>



PROCEDURES

II. PROCEDURES

1. USE OF PROCEEDS

The net proceeds from Green Financings will be used by Alpha Trains to finance and/or refinance, in whole or in part, existing and/or new “**Eligible Green Assets**” as defined by the “**Eligibility Criteria**” below:

- **Public passenger trains** and corresponding spares parts, including:
 - Electric passenger trains
 - Electric locomotives for passenger transportation
 - Diesel/hybrid passenger trains, that meet the gCO₂/p.km (passenger.kilometre) thresholds defined by the International Energy Agency (IEA) (see below Figure 1)
 - Diesel/hybrid locomotives for passenger transportation that meet the gCO₂/p.km (passenger.kilometre) thresholds defined by the International Energy Agency (IEA) (see below Figure 1)
- **Freight rolling stock** and corresponding spares parts, including:
 - Rolling stock for electrified freight rail,
 - Rolling stock for non-electrified freight rail under the conditions that: Transport meets gCO₂/t.km thresholds defined by the IEA (see below Figure 1)



USE OF PROCEEDS

To finance and/or refinance Eligible Green Assets.

Direct Emissions	Year					
	2000	2010	2015	2020	2030	2050
IEA 2DS Passenger Activity (gCO ₂ per p-km)	107	94	87	75	56	33
IEA 2DS Freight Activity (gCO ₂ per t-km)	35	30	27	25	21	18

Figure 1: Eligibility threshold for Eligible Green Assets based on the IEA 2°C scenario for rail transportation

Alpha Trains may amend this Green Finance Framework accordingly to any update of the IEA trajectory depending on global warming scenarios and the implications of the rail industry in climate change mitigation.



2. PROJECTS EVALUATION AND SELECTION

New investment projects are presented to the relevant Alpha Trains Board of Directors and its ultimate shareholders. They will be approved in the context of Alpha Trains' strategic plans, whilst recognising its commitment to the ESG policy. Only if projects are in line with the ESG policy, will they be approved.

Prior to a business relationship, Alpha Trains internally assesses possible suppliers, contractors and service providers and rates their ESG performance. Also, Alpha Trains performs, for example, supplier audits to engage their contractors and services.

Eligible Green Assets of Alpha Trains have to comply with the Eligibility Criteria as detailed in the Use of Proceeds section (see 1. above), as well as Alpha Trains' internal policies on the management of potential material environmental risk associated with the Eligible Green Assets.

The Eligible Green Assets constitute the “**Green Portfolio**” of Alpha Trains. The “**Green Finance Committee**”, composed of the CEO, CFO, Group Investment Funding Director and Sustainability Manager of Alpha Trains, will meet annually and until the full allocation, in order to select the Eligible Green Assets included in the Green Portfolio and aligned with the Green Finance Framework.

The Green Finance Committee is in charge of the selection of new Eligible Green Assets, the removal of Eligible Green Assets which are no longer compliant with the Eligibility Criteria, the amendment of the Framework accordingly to any substantial changes of market standards and practices.



GREEN FINANCE COMMITTEE

Is in charge of the selection of new Eligible Green Assets and removal of those which are no longer compliant.



3. MANAGEMENT OF PROCEEDS

An amount equivalent to the net proceeds of any Alpha Trains' Green Financing will be managed by its Group Investment Funding and Treasury department on a portfolio basis. The Group Investment Funding department has set up an Eligible Green Assets register and will ensure that net proceeds from future Green Financings will be allocated to Eligible Green Assets. Until maturity of the Green Financings, Alpha Trains will strive to maintain a net book value of Eligible Green Assets in the Green Portfolio at least equal to the total amount outstanding of the Green Financings.

On an annual basis Alpha Trains will check the eligibility and availability of the Eligible Green Assets in the Green Portfolio. Alpha Trains will strive to substitute any redeemed or amortised Eligible Green Assets with new Eligible Green Assets and/or if any such assets cease to be Eligible Green Assets, as soon as practicable.

4. REPORTING

Alpha Trains will publicly provide information to investors, lenders and other stakeholders regarding underlying assets financed or refinanced by the Green Financings, on an annual basis on its website and until the maturity of the Green Financings. The reports aim at demonstrating that the allocation of proceeds from Green Financings is in line with the Green Finance Framework, and displays key performance indicators (KPIs) regarding the environmental benefits of Eligible Green Assets.

In its annual investor reporting, Alpha Trains shall state its compliance with the proceeds allocation requirements of the Framework.

The allocation reporting will provide the following items:

- Amount of proceeds allocated
- Amount of unallocated proceeds, if any, at the date of reporting
- Size of the Green Portfolio and its composition by Eligible Green Asset categories (electric/diesel/hybrid passenger trains and locomotives)

The impact reporting will provide the following information:

- The expected environmental benefits of Eligible Green Assets included in the Green Portfolio, such as the annual Greenhouse Gases (GHG) emissions reduced/avoided in tCO₂-e p.a. by Eligible Green Asset categories (electric/diesel/hybrid passenger trains and locomotives)
- Share of financing vs. refinancing with green finance instruments



NET PROCEED ALLOCATION

Managed by Group
Investment Funding &
Treasury departments



GREEN FINANCING REPORT

To be issued annually

5. EXTERNAL REVIEW

Second Opinion

Sustainalytics was appointed to provide a Second-Party Opinion (SPO) on this Green Finance Framework, its alignment with the Green Bond Principles and the Green Loan Principles, and the environmental quality of Eligible Green Assets.

The Second Party Opinion document will be made available together with the Framework on Alpha Trains' website:
(<https://www.alphatrains.eu/de/alphatrains/sustainability>).

Climate Bond Initiative Certification

Alpha Trains intends to obtain the Climate Bond Initiative Certification (CBI Certification) for each Green Financing established under this Green Finance Framework, and will retain an approved verifier to conduct pre and post issuance verification.





FOR A CLEAN FUTURE

Alpha Trains Group S. à r.l.
48, rue de Bragance
1255 Luxembourg

ALPHA  **TRAINS**

www.alphatrains.eu