

# Ferrovie dello Stato Italiane

## PRE-ISSUANCE VERIFICATION LETTER

### LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** June 2019

**Approved verifier:** Sustainalytics

**Contact address for engagement:** 125 Maiden Lane, Suite 602, New York NY 10038, U.S.A.

**Pre-Issuance Engagement Leader:** Ankita Shukla, [ankita.shukla@sustainalytics.com](mailto:ankita.shukla@sustainalytics.com), +1 (617) 603 3329

**Pre-Issuance Engagement Support:** Mayur Mukati, [mayur.mukati@sustainalytics.com](mailto:mayur.mukati@sustainalytics.com), +1 (647) 936 5656

---

## Scope and Objectives

Ferrovie dello Stato Italiane ("Ferrovie") has engaged Sustainalytics to review and verify that Ferrovie's green bond meets the requirements under the Low Carbon Land Transport criteria of the Climate Bonds Standard.

Ferrovie is one of the largest industrial companies in Italy and fully owned by the Ministry of Economy and Finance. The Group has approximately 8,000 trains running daily with 600 million rail passengers within the country and owns several companies in four main segments – transport, infrastructure, real estate and other services – also within international markets.<sup>1,2</sup>

Ferrovie intends to issue green bonds and use the proceeds to finance or refinance, in part or in whole, new and existing projects that promote the Group's core-business of efficient, safe and sustainable transportation.

## Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low carbon land transport
  - Criterion 3: Emissions threshold for public passenger transport - All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport pass this criterion, including electrified rail, trams, trolleybuses and cable cars. Buses with no direct emissions (electric and hydrogen) also pass.
  - Criterion 4: Emissions threshold for dedicated freight railway lines - All infrastructure, infrastructure upgrades and rolling stock for electrified freight rail lines pass this criterion.

## Issuing Entity's Responsibility

Ferrovie was responsible for providing information and documents relating to:

- The details concerning the selection process for the fully electrified Public Passenger and Freight Transport Rolling Stock Renewal projects.
- The details of the fully electrified Public Passenger and Freight Transport Rolling Stock Renewal projects.
- The management systems for internal processes and controls for Nominated (eligible) Projects, including tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects.
- The details of commitments for reporting prior to issuance, including investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements.

---

<sup>1</sup> Ferrovie, FS Italiane Holding: <https://www.fsitaliane.it/content/fsitaliane/en/fs-group/fsitaliane-holding.html>

<sup>2</sup> Ferrovie, Group Companies: <https://www.fsitaliane.it/content/fsitaliane/en/fs-group/group-companies.html>

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Ferrovie's green bond, issued to finance Nominated Projects, and provided an independent opinion informing Ferrovie as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Land Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Ferrovie. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Ferrovie's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

## Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant Ferrovie's employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Ferrovie's green bond with the Climate Bonds Standard Version 2.1
- Conformance with the Technical Criteria on Low Carbon Land Transport Version 1.0
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

## Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the Ferrovie Green Bond Framework meets the requirements of the Climate Bond Standard. Upon reviewing the evidence and other information, Sustainalytics is of the opinion that Ferrovie will ensure compliance with Climate Bond Standard requirements.

## Conclusion

Ferrovie intends to finance clean transportation through investments in fully electrified public passenger and freight transport. These investments will further contribute to increasing the country's capacity of electrified passenger and freight rail transport and will support Ferrovie's core-business of efficient transportation, enabling the modal shift to rail. Sustainalytics has assessed the Nominated Projects that Ferrovie has selected for this green bond and has concluded that they align with the Low Carbon Land Transport criteria as outlined by the Climate Bonds Standard. Additionally, as per CBI's requirements for dedicated freight railway lines, Ferrovie has confirmed that no more than 50% on the share of fossil fuel freight t-km will be transported by the line.<sup>3</sup>

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Ferrovie's green bond is not in conformance with the Climate Bond Standard's Pre-Issuance Requirements.

<sup>3</sup> As per Ferrovie, in 2018 MIR transported 40 tons of the ONU Codes 1972 (natural gas) as fossil fuel, on a total of 37.195.798 tons of transported goods, equal to around 0,0001%.

## Schedule 1A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	<p><b>1.1</b> Statement on the environmental objectives of the bond</p> <p><b>1.2</b> Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p><b>1.3</b> Document a list of Nominated Projects and Assets</p> <p><b>1.4</b> Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p><b>1.5</b> Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
Internal Processes and Controls	<p><b>2.1.1</b> Tracking of proceeds</p> <p><b>2.1.2</b> Managing of unallocated proceeds</p> <p><b>2.1.3</b> Earmarking funds to Nominated Projects and Assets</p>
Reporting Prior to Issuance	<p><b>3.1.1</b> Investment area of Nominated Projects and Assets</p> <p><b>3.1.2</b> Intended types of temporary investments for the management of unallocated proceeds</p> <p><b>3.1.3</b> Approach of Verifier</p> <p><b>3.1.4</b> Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

## Schedule 1B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p><b>1.1</b> The objective of the bond is to primarily use proceeds to invest in fully electrified public passenger and freight trains.</p> <p><b>1.2</b> The Nominated Projects and Assets meet the Low Carbon Land Transport criteria of the Climate Bond Standard.</p> <p><b>1.3</b> The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> <li>• Public Passenger Transport Rolling Stock Renewal, defined as <ul style="list-style-type: none"> <li>- New Electric Multiple Unit trains for regional passenger transport</li> <li>- New Electric High-speed Trains "ETR 1000"</li> </ul> </li> <li>• Freight Transport Rolling Stock Renewal, defined as <ul style="list-style-type: none"> <li>- New Electric Locomotives</li> <li>- New Wagons for Coil Transportation</li> </ul> </li> </ul> <p><b>1.4</b> Ferrovie's management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p><b>1.5</b> Ferrovie's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p><b>2.1.1</b> Ferrovie's management confirms that proceeds will be tracked in a systematic manner and will be exclusively used to finance Nominated Projects.</p> <p><b>2.1.2</b> Ferrovie's management confirms that unallocated proceeds will be placed into Ferrovie's normal treasury accounts.</p> <p><b>2.1.3</b> Ferrovie's management has confirmed that the proceeds from the bond will be allocated in accordance with Ferrovie Green Bond Framework (June 2019) on the eligible projects recorded under Green Bond Register and tracked by Ferrovie's Treasury.</p>	None
Verification of requirements specified under Reporting Prior to Issuance	<p><b>3.1.1</b> Ferrovie's management confirms that the proceeds of the transaction will primarily be used to invest in fully electrified passenger and freight trains.</p> <p><b>3.1.2</b> Ferrovie's management confirms that unallocated proceeds will be placed into Ferrovie's normal treasury accounts.</p> <p><b>3.1.3</b> The bond's offer letter confirms that an approved third-party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the Low Carbon Land Transport criteria of the Climate Bonds Standard.</p> <p><b>3.1.4</b> The bond's offer letter confirms that an approved third-party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Land Transport criteria of the Climate Bonds Standard.</p>	None

## Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the "Opinion") are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the "Green Bond Framework" in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

