



POST-ISSUANCE VERIFICATION REPORT FOR CLIMATE BONDS INITIATIVE USE OF PROCEEDS CERTIFICATION:

Verification Report for Post-Issuance Certification
for the Green Bonds Issued by SNCF SA



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SCOPE OF WORK

SNCF SA ("SNCF", or "the Issuer") commissioned ISS Corporate Solutions (ISS-Corporate) to compile a Verifier's Report for Post-Issuance Certification of its Green Bonds by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the CBI's Climate Bonds Standards are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 2.0)
- Low-Carbon Transport Sector Criteria (Version 1)

ISSUER'S RESPONSIBILITY

SNCF'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-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, 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.

This independent Post-Issuance Verification of the Green Bonds (FR001400J0T4, FR001400HIK6, CH1277028440, FR0014002PI1 and FR001400DNU4) issued by SNCF has been conducted based on the Climate Bonds Standard V.2.0, and limited assurance procedures based on common market practices and voluntary guidelines, in accordance with relevant assurance standards such as the International Standard on Assurance Engagements, other than Audits or Reviews of Historical Financial Information (ISAE 3000).

The approach to assess whether the Issuer's Green Bonds meet the criteria of the Climate Bonds Standard V.2.0. is as follows:

- The Issuer provided an overview over the assets to be included in the Green Bonds asset pool and the relevant processes and documentation regarding the proceeds (e.g., use of proceeds, management of proceeds).
- The Issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.2.0.

- The Issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- An assessment of the CBI criteria has been carried out using the questionnaire and background documents. In case any answers were unclear, the issuer has been contacted for more details and clarification.

The engagement with SNCF took place from June to October 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 and the Climate Bonds Standard Board. The present document may be published by SNCF, CBI and ISS-Corporate. CBI and ISS-Corporate agree to publish the report with the consent of SNCF.

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 2023 Green Bond emissions (FR001400J0T4, FR001400HIK6, CH1277028440, FR0014002PI1 and FR001400DNU4) is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements.



MARIJA KRAMER
ISS Corporate Solutions Business
Rockville, MD, 25 October 2024

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About ISS-Corporate

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

Project team

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ANNEXES

Annex 1: Detailed Findings

Annex 2: Detailed Findings Low Carbon Transport

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	<p>The EUR 2,109 million invested on renewal of the most heavily used and 100% electric rail network (UIC 1 to 6), will lead to 13753 tCO₂e avoided emissions and a carbon impact of -12906 tCO₂e (footprint minus avoided emissions) over 40 years.</p> <p>Eligible projects are selected by SNCF's finance and treasury division in coordination with the group's accounting and management control division and sustainable development division based on the ability to avoid CO₂e emissions while promoting affordable transportation. The full criteria is available in the framework supporting the issuance on SNCF's website.</p>	✓
4.2	Conformance with the Bonds' documented objectives and requirements of Part B of the CBI Standard	<p>The net proceeds are dedicated to investments in the most heavily used and 100% electric rail network (UIC 1 to 6) covering tracks, sidings and key sites, operation and signaling systems, central network control facilities, traction power supply infrastructure and tunnels, bridges and earthworks (engineering), which conform with the relevant eligibility requirements under Part B of the Climate Bonds Standard.</p>	✓
4.3	No double nomination of projects and assets	<p>The projects and assets refinanced by the proceeds of these bonds have not been nominated to another CBI certified climate bond or loan. By earmarking projects, SNCF has</p>	✓

		designed a process to ensure that projects are not nominated twice. SNCF also incorporates allocation rules to avoid double counting of avoided emissions. This implies that (i) regardless of the financed project, 80% of emissions are attributed to infrastructure and 20% to rolling stock, and (ii) in the case of partially subsidized or co-financed projects, SNCF allocates the share of avoided emissions in proportion to the financing provided.	
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5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Net proceeds allocation to Nominated projects	The full amount of the net proceeds (total EUR 2,109 million) ¹ has been allocated in 2023 to nominated eligible assets. The pool of eligible assets for SNCF exceeds the allocated amount. ISS-Corporate was, however, unable to comprehensively verify reported allocation levels by investment category, due to partial mapping of the asset value data. ²	✓ ³
5.2	Allocation of proceeds within 24 months of issuance of the bonds	The proceeds were allocated in 2023 to nominated eligible assets, within 24 months of the bonds' issuance.	✓
5.3	Share of financing vs refinancing	The percentage of the proceeds used for finance and refinancing was not disclosed in the report.	○

¹ Exchange rates used to convert CHF (1.028) and AUD (0.5967) to EUR.

² Such limitation has been flagged to CBI.

³ The assessment is based on the information provided in the Issuer's report and its mapping to the green bonds reporting asset list. The Issuer is responsible for the preparation of the documents, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

5.4	Tracking of proceeds	SNCF tracks the proceeds using an internal IT system. Allocation is reviewed annually. Until allocation, proceeds are earmarked in the treasury. By earmarking projects, SNCF has designed a process to manage and account for funding to the nominated projects and assets as defined in the pre-issuance certification.	
5.5	Size of net proceeds vs investment exposure to nominated projects and assets	SNCF has fully allocated the bonds proceeds to eligible projects from a portfolio of eligible assets with a value greater than the net proceeds of the bonds.	

6. NON-CONTAMINATION OF PROCEEDS

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1 Tracking of proceeds	SNCF tracks the proceeds using an internal IT system and through a specific audit. Net proceeds are earmarked and identified by SNCF's treasury. An ad-hoc audit mission is provided annually and concluded by audit assurance advice.	
6.2 Unallocated proceeds	Proceeds have been fully allocated. Until allocation, any unallocated proceeds were temporarily placed into cash, cash equivalents, bank deposits and other money-market products, in line with SNCF's cash management policies and guidelines.	
6.3 Cases of force majeure	Not applicable. All proceeds have been allocated within 24 months of issuance.	

7. CONFIDENTIALITY

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1 Disclosure of information to ISS-Corporate	Information about the eligible projects and assets has been conveyed to ISS-Corporate by SNCF which confirmed compliance with the low carbon transport sector criteria. Additionally, the pool of eligible assets for SNCF exceeds the allocated amount. ISS-Corporate was, however, unable to comprehensively verify reported allocation levels by investment category, due to partial mapping of the asset value data. ⁴	✓ ⁵
7.2 Disclosure of information to the market	SNCF published details on both the allocation and impact of the projects financed by these bonds in chapter 5 and 6 of the Green Securities Report 2023. SNCF publishes both Impact and Allocation reporting annually on its website .	✓

8. REPORTING

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1 Description of reporting	The Issuer discloses the following information in the Green Securities Report 2023:	✓

⁴ Such limitation has been flagged to CBI.

⁵ The assessment is based on the information provided in the Issuer's report and its mapping to the green bonds reporting asset list. The Issuer is responsible for the preparation of the documents, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

- The amount of proceeds allocated in the period of 2021-2023 broken down by project category;
- An estimate of the share of the net proceeds used for financing and refinancing was not disclosed in the report⁶;
- A look back period of two years
- Projects' location (France)

Public disclosure of allocation and impact reporting of eligible projects per project category is published on Green Securities Report 2023 and available on SNCF's [website](#).

The impact reporting details are provided in Chapter 6 of the 2023 Green Securities Report.

The Issuer has reported on its carbon footprint ratios and on the estimated CO₂ emissions avoided (in tCO₂e) for its expenditures in renewal of the most heavily used and 100% electric rail network (UIC 1 to 6) covering tracks, lineside equipment, fixed electric traction installations, signaling ratios and engineering projects. The Issuer also discloses the methods of calculation used in the preparation of the performance indicators and metrics.⁷

Given the sheer number of projects carried out each year, SNCF does not measure the impact of each project separately. Instead, SNCF uses a basket of representative projects and extrapolates these values across its portfolio, reporting per million euros

⁶ Disclosing the estimated share of the net proceeds used for financing and refinancing is a requirement from CBI, yet since SNCF is not computing it (please refer to 5.3 above), they will therefore not be able to disclose it.

⁷ The methodology is available at: <https://www.groupe-sncf.com/medias-publics/2024-03/methodology-green-bonds-sncf-reseau-06-23.pdf>

	invested. For extrapolation purposes, SNCF employs a series of ratios (per million euros invested) to calculate the carbon impact of its projects. These ratios are liable to change from one year to the next, based on SNCF's in-house analysis and research.	
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9. CLIMATE BOND TAXONOMY

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
9.1	Matching of Climate Bonds category	The full amount of the net proceeds was allocated to eligible assets that fall within low carbon transport (land), investment area.	✓

10. TECHNICAL CRITERIA

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	The full amount of the net proceeds is allocated to eligible assets that meet the low carbon transport criteria requirements.	✓
10.2	Bonds covering several sector-specific criteria	Not applicable as, there is only one relevant sector criteria for the bonds covered in the Green Securities Report 2023.	-

11. PROJECT HOLDING

	REQUIREMENT	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 is responsible for the financing needs of the relevant railway infrastructure for the long term, and there has been no recent change of ownership in the projects and assets.	✓

12. SETTLEMENT PERIOD

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
12.1	Description of the process and timeline of distribution of proceeds	The proceeds were allocated in 2023 to nominated eligible assets within 24 months of the bonds issuance.	✓
12.2	Description of process regarding unallocated proceeds after 24 months	Not applicable. All proceeds have been allocated within 24 months of issuance.	-

13. EARMARKING

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
13.1	Description of internal earmarking process	Net proceeds are earmarked and identified by SNCF's treasury.	✓

ANNEX 2: DETAILED FINDINGS LOW CARBON TRANSPORT CRITERIA

✓	<p>The green bonds asset pool complies with the low carbon transport sector criteria (Version 1) of the Climate Bonds Initiative.</p> <p>The proceeds have been used to investments in the most heavily used and 100% electric rail network (UIC 1 to 6) covering tracks, sidings and key sites, operation and signaling systems, central network control facilities, traction power supply infrastructure and tunnels, bridges and earthworks (engineering).</p> <p>The eligible projects and assets financed by the bonds relate only to electrified rail infrastructure and linked systems necessary for the electrified rail network utilization. The Issuer confirmed that dedicated freight lines are not funded and that the primary purpose of the infrastructure is not for transporting fossil fuels. Furthermore, the Issuer confirmed biofuel rolling stock traffic usage of such assets corresponds to less than 5%.</p>
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