

Second-Party Opinion

Eurowagon Green Loan Framework



Evaluation Summary

Sustainalytics is of the opinion that the Eurowagon Green Loan Framework is credible and impactful and aligns with the four core components of 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 Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 9 and 11.



PROJECT EVALUATION AND SELECTION Eurowagon's management board is responsible for evaluating and selecting eligible assets. The board comprises Eurowagon's CEO and CFO, and presents potential investments to the supervisory board for final approval. Eurowagon has in place tools to mitigate environmental and social risks associated with eligible assets. Sustainalytics considers the asset selection process as aligned with market practice.



MANAGEMENT OF PROCEEDS Eurowagon's CFO is responsible for the management of proceeds and will track the proceeds using an internal tracking system. The Lenders¹ will only disburse funds upon purchase of eligible assets, and Eurowagon will draw an amount equivalent to the amount required to purchase the corresponding assets from the loan facility. Therefore, there will be no temporary use of proceeds. This is in line with market practice.



REPORTING Eurowagon commits to report on the allocation of proceeds to the Lenders on an annual basis until proceeds are fully drawn. Allocation reporting will include the total number of railcars financed by type per year. In addition, Eurowagon intends to report on relevant impact metrics. Sustainalytics views Eurowagon's allocation and impact reporting as aligned with market practice.

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Issuer Location	Poznań, Poland

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3

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¹ Eurowagon has elaborated the Framework for the sole purpose of obtaining loans from one or multiple banks (the "Lenders"). For further details on financing facilities, please see the section Management of Proceeds.

Introduction

Euowagon Intermodal Sp. z o.o. (“Euowagon” or the “Company”), headquartered in Poznań, Poland, established in 2022, offers leasing services of railway wagons mainly in Poland and other countries in Europe. Euowagon and its sister company, Euowagon Sp. z o.o., together form the Euowagon Group (the “Group”). Euowagon has approximately 2,000 wagons currently leased out in long-term contracts.²

Euowagon has developed the Euowagon Green Loan Framework dated July 2023 (the “Framework”) under which it intends to obtain green loans³ and use the proceeds to finance, in whole or in part, assets that are expected to contribute to the reduction of carbon emissions by supporting the transition to low-carbon rail freight in Europe.

The Framework defines eligibility criteria in one area:

1. Clean Transportation

Euowagon Intermodal Sp. z o.o has engaged Sustainalytics to review the Euowagon Green Loan Framework, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Loan Principles 2023 (GLP).⁴ The Framework will be published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the Framework with 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 Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; 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 1.13.3, 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 Euowagon’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. Euowagon representatives have confirmed (1) they understand it is the sole responsibility of Euowagon 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 Euowagon.

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 standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with 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

² Euowagon, “About Us”, at: <https://www.euro-wagon.com/en/about-us>

³ Euowagon has elaborated the Framework for the sole purpose of obtaining loans from one or multiple banks (the “Lenders”). For further details on the financing facility, please see the section Management of Proceeds.

⁴ 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/>

⁵ The Euowagon Green Loan Framework is available on Euowagon’s website at: <https://www.euro-wagon.com/>

⁶ 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.

responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Euowagon 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 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 Euowagon has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Euowagon Green Loan Framework

Sustainalytics is of the opinion that the Euowagon Green Loan Framework is credible and impactful, and aligns with the four core components of the GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, Clean Transportation, is aligned with those recognized by the GLP. Sustainalytics notes that investments in the eligible category are expected to contribute to the reduction of carbon emissions by supporting the transition to low-carbon rail freight in Europe.
 - Euowagon has confirmed to Sustainalytics that it will only finance the acquisition of eligible assets and will, therefore, not finance operating expenditures.
 - Under the Clean Transportation category, Euowagon will finance the purchase of unpowered intermodal railcars⁷ with zero direct emissions.⁸ Railcars to be financed include: i) intermodal flat cars⁹ used to transport containers, and ii) pocket wagons used to transport trailers. Sustainalytics recognizes Euowagon's intent to promote a modal shift of freight transportation through investments in intermodal railcars, which may drive positive environmental benefits, as shifting from road freight to rail has the potential to reduce GHG emissions by 70%.¹⁰ Sustainalytics considers these investments to be aligned with market practice.
 - Sustainalytics notes that the Framework excludes railcars used to transport fossil fuels and radioactive material. Additionally, Euowagon has confirmed to Sustainalytics that the railcars will not transport petrochemicals and commits to including provisions in its lease contracts prohibiting the transportation of fossil fuels and radioactive material.
- Project Evaluation and Selection:
 - Euowagon's management board is responsible for evaluating and selecting eligible assets in line with the eligibility criteria in the Framework. The management board consists of the Company's CEO and CFO and presents the investment to the supervisory board for final approval. For every drawdown, the management board will sign an approved utilization request and submit it to the Lenders for the disbursement of the funds.
 - The management board and the CFO are responsible for preparing and implementing the processes and policies regarding the identification and management of perceived, actual and potential environmental and social risks associated with the assets. Each potential investment asset needs to be in line with the Company's sustainability strategy, which describes the environmental and social management process to identify potential risks of the selected assets. The Company follows applicable laws and regulations and has tools in place to mitigate common risks associated with the eligible assets. For further information, please see Section 2.
 - Sustainalytics considers this to be in line with market practice.

⁷ The word "railcar" in this Second-Party Opinion refers exclusively to the rolling stock defined as "railcars" in the Framework.

⁸ Intermodal railcars are used for the transportation of standardized containers and trailers, which allow to connect different means of transport without shifting freight loads.

⁹ The following wagon sizes will be financed: 60', 80' and 90'.

¹⁰ International Transport Forum, "Decarbonising Transport in Europe", (2021), at: <https://www.itf-oecd.org/sites/default/files/docs/decarbonising-transport-europe-way-forward.pdf>

- Management of Proceeds:
 - The CFO will be responsible for the management and allocation of proceeds using an internal tracking system.
 - Euowagon will only use the proceeds of the loan facility to purchase assets eligible under the Framework. The Lenders will only disburse the funds upon purchase of such eligible assets and Euowagon will draw an amount equivalent to the amount required to purchase the asset from the loan facility. Therefore, allocation of the proceeds will occur immediately after the drawdown and there will be no temporary use of proceeds.
 - Based on the internal tracking system and immediate allocation, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Euowagon commits to reporting on the allocation of proceeds and environmental impact metrics in a standalone report to the Lenders on an annual basis until the proceeds are fully drawn.
 - Allocation reporting will include the total number of railcars financed by type per year. Impact reporting will include metrics such as the average utilization rate of the fleet, kilometres travelled by the fleet, average carbon intensity of the financed fleet (in gCO₂/tkm), and avoided GHG emissions.
 - Based on the intention to report on the allocation and impact of assets financed, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Loan Principles 2023

Sustainalytics has determined that the Euowagon Green Loan Framework aligns with the four core components of the GLP.

Section 2: Sustainability Strategy of Euowagon Group

Contribution to Euowagon's sustainability strategy

The Group has developed a sustainability strategy focused on increasing its intermodal railcar leasing business in the European market with the aim to contribute to the expansion of freight rail transport in the EU.¹¹ The strategy defines Euowagon Group's qualitative targets in four focus areas: i) projects for clean transportation; ii) calculation of clients' CO₂ emission reductions; iii) analysis of opportunities and risks for the climate; and iv) reducing negative environmental impacts.

Regarding projects for clean transportation, Euowagon's fleet development focuses on expanding its intermodal rail fleet. The Company has decided to withdraw from investments in open wagons, which are heavily used in coal transport, from 2020 onwards and will subsequently sell or dispose of approximately 50 open-box railcars per year and, therefore, steadily reduce the proportion of open box cars in the Company's rail car portfolio. Euowagon also plans to reduce the number of open-box rail cars leased to customers that are used exclusively for the transport of fossil fuels and to transfer the railcars to customers under lease agreements for the transport of non-fossil fuel goods.¹² The Company aims to increase the share of intermodal wagons from 3% in 2019 to 76% in 2026. Additionally, to reduce the environmental impact of its leased products, the Company aims to fully convert its brake blocks from metal to a composite material with improved noise reduction by 2036.¹³

Sustainalytics is of the opinion that the Euowagon Green Loan Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the assets

Sustainalytics recognizes that the proceeds from the loan will be directed towards eligible assets that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible assets may include issues involving: i) occupational health and safety during maintenance; ii) operational safety of the assets; iii) noise pollution; iv) unintended air, land and water

¹¹ Euowagon has shared its Sustainability Strategy with Sustainalytics on a confidential basis.

¹² Ibid.

¹³ Ibid.

discharges commonly associated with maintenance; and v) disposal of faulty components. Sustainalytics acknowledges that while Euowagon has limited involvement after the assets financed under the Framework are leased, the Company remains the owner, keeper and entity in charge of maintenance of the railcars.

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

- Regarding occupational health and safety, Euowagon has confirmed that it follows Polish health and safety regulations, that implements EU Directive 89/391/EEC. This directive requires EU member states to have a framework for adopting general principles on and minimum safety and health requirements. The directive also requires employers to: i) conduct periodic risk assessments of safety and health at work; ii) take protective measures and enforce the use of protective equipment when necessary; iii) keep a list of occupational accidents; and iv) report on such accidents to the responsible authorities.¹⁴
- Euowagon has confirmed that it follows Polish regulations implementing EU Regulation 2019/779, which establishes principles for the management, regulation and supervision of railway safety for freight wagons.¹⁵ Under the regulation, all companies are required to conduct a risk assessment of the safety of the assets, and carry out regular risk monitoring, assessment and management for the maintenance of railway freight wagons. If the entity in charge of maintenance uses contractors, subcontractors and suppliers, it needs to verify that they are competent and have a maintenance and management system that is adequate and documented.¹⁶
- 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.¹⁷ Additionally, the Company follows the VPI European Maintenance Guide (VPI-EMG),¹⁸ which includes technical maintenance recommendations for wagon owners. The Company's maintenance committee holds weekly meetings to discuss technical aspects, including the safety of rail cars in operation.
- Regarding noise pollution, as the entity in charge of maintenance in its lease agreements, Euowagon must retrofit wagons operating in the EU to comply with the EU's noise restriction regulations for railcars.¹⁹ Euowagon also intends to fully change the break blocks from metal to composite to reduce noise pollution.
- Regarding unintended air, land and water discharges related to maintenance, the Company has elaborated a questionnaire to check if the outsourced maintenance workshops: i) are registered in the electronic system of the ministry of the environment and if they operate in accordance with the local regulations; ii) manage the waste generated at the plant according to established internal procedures; iii) control the management and disposal of used lubricants, oils and solvents in the plant; and iv) assess the required certificates or standards that guarantee proper environmental protection when selecting and purchasing lubricants, oils and paints.
- Regarding the disposal of faulty components, the Company has a dedicated scrap collection point for recycling all metal components that become idle due to poor technical conditions.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Euowagon has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with assets in the eligible category.

Section 3: Impact of Use of Proceeds

Importance of reducing transport-related emissions by shifting to rail freight in the EU

The transport sector accounted for 25% of total GHG emissions in the EU in 2018, with road transport being the largest contributor accounting for 77% of all EU transport-related GHG emissions in 2020.^{20,21} Without the implementation of additional measures, transport-related emissions are expected to be approximately 9%

¹⁴ European Agency for Safety and Health at Work, "Directive 89/391/EEC - OSH Framework Directive", (1989), at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

¹⁵ European Commission, "Commission Regulation (EU) No 2019/779", (2019), at: https://eur-lex.europa.eu/eli/reg_impl/2019/779/oj

¹⁶ Ibid.

¹⁷ European Union Agency for Railways, "Applications for Vehicle (type) Authorisations (VAs)", at: https://www.era.europa.eu/domains/applicants/applications-vehicle-type-authorisations_en

¹⁸ VPI European Rail Service GMBH, "VPI European Maintenance Guide (VPI-EMG)", at: <https://vpihamburg.de/en/vers/vpi-emg/download>

¹⁹ European Commission, "Noise TSI, Commission Regulation (EU) No 1304/2014", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32002L0049>

²⁰ European Environment Agency, "Rail and waterborne – best for low-carbon motorised transport", at: <https://www.eea.europa.eu/publications/rail-and-waterborne-transport/rail-and-waterborne-best/>

²¹ European Environment Agency, "Green house gas emissions from transport in Europe" (2022), at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-transport>

above 1990 levels in 2030.²² Meanwhile, rail transport emits on average 24 gCO₂/tkm compared to 137 gCO₂/tkm for heavy goods vehicles, the latter accounting for 25% of road transport CO₂ emissions in the EU and set to increase by another 10% by 2030.^{23,24,25} Despite this, the share of rail in total freight transport in the EU fell from 6.0% in 2011 to 5.4% in 2021.²⁶

As the transport sector in the EU still relies heavily on emission-intensive modes of transport,²⁷ a modal shift to rail will play an important role in achieving the 2050 carbon neutrality target set by the European Green Deal, which aims to reduce sectoral emissions by 90% by 2050 compared to 1990 levels.²⁸ It also calls for the transfer of a substantial proportion of the 75% of inland freight currently carried by road to rail and inland waterways.²⁹ Furthermore, the European Commission’s Sustainable and Smart Mobility Strategy proposes the revision of regulations governing rail freight corridors and the Trans-European Transport Network³⁰ core network corridors to increase rail freight transport by 50% by 2030 and double it by 2050, compared to 2015 levels.³¹

Sustainalytics considers that Euowagon’s promotion of intermodal rail leasing in the EU will contribute to accelerate the shift from GHG-emitting road transport to rail in the bloc’s freight sector and contribute to the EU’s GHG emission reduction targets.

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 Euowagon Green Loan Framework are expected to help advance the following SDG and targets:

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 countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

²² Ibid.

²³ European Environmental Agency, “Rail and waterborne – best for low-carbon motorised transport”, at: <https://www.eea.europa.eu/publications/rail-and-waterborne-transport>

²⁴ European Parliament, “Heavy-Duty Vehicles CO2 emissions and fuel efficiency”, (2023), at: <https://www.europarl.europa.eu/legislative-train/package-eu-mobility-package/file-heavy-duty-vehicles-co2-emissions-and-fuel-efficiency>

²⁵ The International Council on Clean Transportation, “CO2 emissions and fuel consumption standards for heavy-duty vehicles in the European Union”, (2018), at: https://theicct.org/sites/default/files/publications/Efficiency_standards_HDVs_EU_Briefing_051618.pdf

²⁶ European Commission - Eurostat, “Freight transport statistics - modal split”, (2023), at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Freight_transport_statistics_-_modal_split#Evolution_of_the_rail_transport_share

²⁷ Ibid.

²⁸ European Commission, “Transport and the European green Deal”, at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/transport-and-green-deal_en

²⁹ European Commission, “Study analyses transshipment options for more competitive intermodal transport and terminal capacity on TEN-T network”, at: https://transport.ec.europa.eu/news-events/news/study-analyses-transshipment-options-more-competitive-intermodal-transport-and-terminal-capacity-ten-2022-05-05_en

³⁰ European Commission, “Trans-European Transport Network (TEN-T)”, at: https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en

³¹ European Commission, “Sustainable and Smart Mobility Strategy – putting European transport on track for the future”, (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0789>

Conclusion

Eurowagon has developed the Eurowagon Green Loan Framework under which it may take out green loans and use the proceeds to finance the purchase of unpowered intermodal railcars. Sustainalytics considers that the assets are expected to support the transition to low-carbon freight in the EU.

The Eurowagon Green Loan Framework outlines a process by which proceeds will be tracked, allocated and managed, and makes commitments for Eurowagon to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Eurowagon Green Loan Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 9 and 11. Additionally, Sustainalytics is of the opinion that Eurowagon has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects financed by the proceeds.

Based on the above, Sustainalytics is confident that Eurowagon Intermodal Sp. z o.o. is well positioned to take out green loans and that the Eurowagon Green Loan Framework is robust, transparent and in alignment with the four core components of the Green Loan Principles 2023.

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