GREEN COMMERCIAL PAPER FRAMEWORK

2021/2022

Contents

GREEN CPS: A NEW PRODUCT DESIGNED BY SNCF

A pioneering spirit

As part of SNCF's policy to expand its green assets, SNCF SA decided in 2021 to explore other initiatives to increase the share of Green Instruments in financing issues and derivatives.

As SNCF is a major issuer of short- and long-term debt securities, the development of Green Short-Term Notes products has quickly become a cornerstone of SNCF's overall sustainable finance policy, in order to deliver Green Euro Commercial Papers and/or Green NEU CPs.

In doing so, 5 years after the initial launch of its Green Bond program, 2 years after being the first company to issue a Green Century Bond (100y), and 1 year after being the first company to develop a framework covering both infrastructure and rolling stock, SNCF is reaffirming its role as a pioneer in the exciting and growing sustainable finance market and offering the first Green Short-Term Bond program ever conceived in the market.

The following describes how SNCF is designing this product, what it will be used for, and the safeguards it is referring to with respect to the use and management of the proceeds.

As such, this document uses SNCF's green bond framework, although it is uniquely designed for short-term green issues.

We very much hope that it will pave the way for further developments in the market...

Some of our main achievements in the Green Finance journey:

- 1st Green Bond for a railway infrastructure manager in 2016
- Longest Green Bond for a French Company in 2017
- First Green Century Bond ever issued in 2019
- First Green Bond Programme covering both the infrastructure and the rolling stock in 2020
- First Green CP Programme worldwide

RATIONALE TO ISSUE GREEN ECP & GREEN NEU CP

The most efficient and environmental-friendly means of transport

Railway transport is a key contributor in the fight to reduce Greenhouse Gases (GHG) emissions as it emits less than 1% of total CO_2 emissions in France in the transportation system (30% of all GHG emissions in France), while transporting 10% of passengers and freight.

Therefore, rail transportation is by far the most efficient and environmentally friendly mode of transportation. For example, travelling 1 km by train generates 8.4 g of CO_2e, versus 213 g for a private automobile.

The Green CPs and Green Bonds, contributing to the financing of this industry, clearly explicit the hidden virtues of this means of transport and help to direct capital towards the sectors most essential to the ecological transition of our economies.

High extra-financial ratings

SNCF Group leadership on CSR aspects is best demonstrated when it comes to extra-financial ratings. Both SNCF SA and SNCF Réseau entities are monitored by extra-financial rating agencies and both companies benefit from the highest level of rating in their category.

In 2021, following an evaluation requested from Vigeo Eiris, the group obtained the maximum score of A1+. This rating places SNCF group in 6th place among the best performing companies worldwide, all sectors combined, among the 4,879 companies audited for their performance in social, societal, environmental and governance areas.

In the context of opening up to competition, the high scores obtained by SNCF are a lever for competitiveness.

The extra-financial rating also improves access to financing, at preferential rates.

It also makes it possible to identify areas of progress in environmental, social and governance matters and to implement action plans to pursue our path of continuous improvement.

A brief overview of some of SNCF group environmental initiatives

SNCF Group is encouraging several initiatives in favor of the green transition of the transportation industry

- **By promoting new sources of energy:**
  - Deployment of hybrid trains (regional TER) and electric mobility powered by agro-fuels
  - Deployment of hydrogen trains by 2022
  - End of diesel trains by 2035
  - Higher share of electricity energy from alternative renewable producers

- **By improving the quality of our assets:**
  - Continuous improvement of our rolling stock
  - High quality certification (HQE) for the new SNCF train stations
  - Smart braking and automatic engine start-stop system on high speed trains (TGV INOUI) helping to reduce fuel consumption by up to 12%
  - Recovery of braking energy to power a train station or a small district

- **By promoting all forms of shared mobilities and mass transit mobilities:**
  - SNCF Voyageurs SA: by investing in new and cleaner rolling stock
  - Keolis: by developing bus fleet operating on natural gas (Tours, Loire Valley) and electric mobility (Orléans conurbation), 100% electric school buses (Canada)
  - Geodis: by promoting cleaner freight solutions and alternatives
  - SNCF Réseau: by carrying out a major renovation program of its railway network to ensure the safety of passengers and merchandise, traffic security and the safety of all people using level and pedestrian crossings. In addition, SNCF Réseau has initiated an ISO 14001 certification approach for its industrial sites and set up an adapted Environmental Management System (EMS) for its other entities.

USE OF PROCEEDS

Investment philosophy

A major issuer of Green Bonds in Europe, SNCF annually accrues approximately €2 to €2.5 BN of eligible assets for Green Bond issues.

Although some or all of the projects payments will eventually be covered by the proceeds originating from its Green Bonds, Green assets may temporarily strain the group's liquidity, as, until they get covered by the corresponding GB issues, the funding may come from the group's cash flows and treasury, thus decreasing our cash position.

To meet this challenge, SNCF plans to use its Green CP programmes as a way to support to the company's liquidity.

On the other hand, although the company operates in a capex-intensity industry, with most investments oriented towards the virtuous and environmental-friendly rail activity, the group also pays significant levels of OPEX, a high proportion of which serve strong environmental objectives.

To take advantage of this naturally virtuous position, and as part of its Green CP programmes, SNCF is planning to supplement its eligible assets with predefined environmentally oriented OPEX pockets. These pockets have yet to be defined at the subsidiary level.

Our new Green CPs Framework, linked to our Green ECP, and when possible NEU CP programmes, is a perfect complement to our Green Bond programme and provides the market with a new instrument that covers SNCF's liquidity constraints and serves as a touchstone for all the initiatives developed by the group.

Eligible assets

With reference to our investment philosophy, eligible assets refer to one of the two aforementioned categories:

1. Category 1 projects: Eligible assets defined in SNCF Green Bonds Framework as available on our website (here) ("the Eligible Green Projects");
2. Category 2 projects: OPEX pockets serving strong environmental objectives.

Category 1 projects

Category 1 eligible assets are self-funded projects that support zero-emissions transportation as they promote an optimal use of rail transportation known.

More precisely, to be eligible, a potential project needs to meet at least one of the following criteria:

ON SNCF RESEAU PERIMETER	ON SNCF VOYAGEURS PERIMETER
High speed lines, which were brought into service from 1981	Zero-direct emission train fleet
Standard electrified lines grouped 1 to 6 using the UIC classification	Maintenance facilities related to zero-direct emission train fleet
Electrification investments on non-already electrified lines grouped 1 to 6 using the UIC classification,	

Therefore, "Eligible Green Projects" include the capital expenditures (CAPEX) related to:

ON SNCF RESEAU PERIMETER	ON SNCF VOYAGEURS PERIMETER
Investments (OPEX qualified as CAPEX) related to maintenance, upgrades and energy of the rail system	Investments (OPEX qualified as CAPEX) related to zero-direct emissions train fleet purchase
Investments (OPEX qualified as CAPEX) related to new rail lines and rail lines extensions which ensure access to the network and the efficient movement of people and freight	Investments (OPEX qualified as CAPEX) related to zero-direct emissions train fleet renovation and maintenance (Half-Life overhaul / opération mi-vie)
Other Investments (OPEX qualified as CAPEX) linked to the global climate change challenges, the protection of biodiversity and natural resources	Investments (OPEX qualified as CAPEX) related to maintenance facilities overhaul in relation with zero-direct emissions train fleet

Category 2 projects

Category 2 projects: Category 2 projects include pre-defined operational expenditure (OPEX), for any of the SNCF group subsidiaries, that can be shown to serve one of the following environmental objectives:

1. Climate change mitigation
2. Climate change adaption
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

As such, SNCF ultimately refers to the six environmental objectives identified in Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment to define sustainability projects.

As SNCF constantly deepens its investigations into the nature of the group's OPEX, new pockets will then be added to this non exhaustive list. SNCF will communicate on these developments and update its Green Commercial Paper Framework accordingly.

Lookback / Look-forward period

In line with the SNCF Green Bonds Framework, both categories 1 & 2 include new and ongoing projects with disbursements within the past two years (look-back period). Categories 1 & 2 also include future project with disbursement occurring in the next two years (look-forward period).

Financing mechanism and safeguards against multiple-counting

Group's general financing mechanism

Issuance: In the wake of the railway reform, SNCF SA has become the sole issuer of debt in the bond and short-term debt markets for most of its subsidiaries. Therefore, as with Green Bonds, all Green CPs will be raised from SNCF SA even if they ultimately refer to eligible projects located at the subsidiary level.

Allocation of long-term debt proceeds: the allocation of long-term debt proceeds to subsidiaries takes place at a later stage, when the proceeds are transferred from the holding company (SNCF SA) to the subsidiaries in the form of intra-group loans which must be justified in relation to the subsidiaries' long-term financing needs.

Allocation of short-term debt proceeds: within the company, short-term cash-flows are automated in the form of cash-pooling agreements covering the needs of subsidiaries. Considering the constraints of the 4th railway package, 2 spheres of cash management have been created: the first one for SNCF SA with SNCF Réseau and its subsidiaries; the second one for SNCF SA with the other subsidiaries of the Group. In 2021, these two spheres of cash will gather more than 370 subsidiaries in 8 countries including France, Germany, Belgium, the Netherlands, Spain, Italy, the USA, the U-K, etc.

Demonstrating short-term needs (proof)

While the long-term financing needs of subsidiaries can be easily demonstrated when SNCF SA establishes long-term intra-group loans, the short-term financing needs of subsidiaries cannot be reflected on such a formal basis.

In order to demonstrate the reality of the subsidiaries' liquidity needs, SNCF will therefore refer to the last debit position vis-à-vis one of the two cash pools as a proof of the consumption of the holding company's cash by the subsidiaries.

Temporary vs. final consumption

Although they may refer to some of the same assets, a significant difference between Green Bonds and Green CPs is our asset consumption policy.

For Green Bonds, we take a “final consumption” approach whereby, once the green bond proceeds have been raised against an eligible asset, the asset is removed from our list of eligible projects and can no longer be financed by a new green bond issue, even if the maturity of the instrument is much shorter than the one of the asset. As a result, the asset is permanently "consumed" in the green bond process. This policy refers to our commitment to provide additionality. We usually summarize this policy with the sentence "New Money for New Capex".

Still, this "final consumption" approach applies to Green CP raised against eligible OPEX (category 2 assets). In this case, due to the short-term nature of the expenses, we cannot assume that OPEX could be refinanced several times when the financial instruments mature.

However, when it comes to eligible Category 1 projects, a different approach applies. For this asset class, green CPs could be understood as bridge financing raised by SNCF, temporarily, until market conditions improve to issue green bonds. Therefore, SNCF considers that the assets are only "temporarily consumed" and that several Green CPs could be raised on the same assets as long as they do not overlap, i.e. the instruments can be rolled over but the second issuance can only take place after the first repayment.

Of course, as soon as the green bonds are issued, the assets are permanently consumed and deregistered.

Safeguards prohibiting the risks of multiple funding

As the Green CP and Green Bond products refer to some extent to the same eligible assets (for category 1 projects), without strict safeguards, SNCF may run the risk of financing the same asset, at the same time, through both its Green CP programme and its Green Bond programme.

To prevent this from happening, maximum issuance of CPs will be limited to ensure that, at any given time, the volume of corresponding Green Bond issuance and outstanding Green CPs will not exceed the total amount of available eligible category 1 assets. In extreme situations, due to the limited size of the assets, SNCF may be required to wait for the redemptions of some of its Green CPs prior to the issuance of Green Bonds.

Category 2 assets will not need to follow the same rule as they are permanently consumed and therefore not likely to suffer from the "multiple funding problem".

MANAGEMENT OF PROCEEDS & ALLOCATION

Due to the nature of the instrument, green proceeds must be allocated to the corresponding green assets, whether they are green CAPEX or green OPEX.

This allocation can be achieved through two mechanisms: (i) by demonstrating, prior to the issuance, the subsidiaries' need for liquidity as materialized by the debit position on one of the two parent company's cash-pools; (ii) by the transfer of funds from the parent company to one of the subsidiary, materialized by the implementation of intra-group loans (before or after the green CP issuances).

When using the debit position vis-à-vis the cash pool, SNCF will take as a reference point the last available debit position of the subsidiaries.

For Green CAPEX assets, the temporary consumption approach also applies to the scope of the intra-group loan, i.e. when the Green CP matures, the group regains full capacity to transfer the Green proceeds on the basis of the intra-group loan linking the parent entity to the subsidiary. On the other hand, for the transfer of Green proceeds to Green OPEX assets, the "consumption" of the intragroup loan is final, i.e. the group will no longer be able to use this portion of the intragroup loan to justify a transfer from the parent entity to the subsidiary.

When all of some of the proceeds are transferred via the debit position on the cash pool, the financing needs pre-exist the Green CP issues, which makes it possible to justify an immediate transfer of an equivalent amount of money to the subsidiaries.

When proceeds are transferred via intra-group loans, and when the loan is taken out after the issuance of green CPs, an amount equivalent to the green proceeds must remain in the group's treasury until the allocation to the subsidiaries carrying the eligible assets (OPEX or CAPEX).

IMPACT REPORTING

Although Green CPs financing category 1 projects could justify strong environmental benefits in terms of CO_2e reduction, SNCF prefers not to communicate on the quantitative impact for its green CPs for two reasons: (i) as eligible projects may be refinanced in the future with Green bonds, SNCF will already communicate on a CO_2e impact for these long-term emissions, (ii) due to the short-term maturity of the instrument and/or the diversity of the underlying category 1 projects, reporting on the quantitative impact may seem extremely difficult, risky and involve a non-negligible risk of double counting. As a result, for this asset class, SNCF will instead report on qualitative criteria demonstrating how green CPs, overall, have helped SNCF streamline its green finance operations.

For category 2 projects, SNCF will report on qualitative criteria referring to the rightful environmental objectives served by the eligible OPEX.

Green CP reporting obligations will be done on an annual basis, at the same time and included in the SNCF Group Green Bond Reporting. In this additional chapter, we will mention all Green CP transactions nature (ECP, NEU CP, others), value and maturity date, currency, and outstanding amounts.


Train des merveilles