



ESG Bond issuer

Interview with Ferrovie dello Stato Italiane



EURONEXT INTERVIEW

With most of its Capex aligned with the EU Taxonomy, Ferrovie dello Stato Italiane is the ideal candidate for the EU GBS: how do you accommodate for the Do No Harm Principle and minimum safeguards?

To establish compliance with the Do No Significant Harm principle (DNSH), the Group has identified for each economic activity, and on the basis of the substantial contribution to the “mitigation” and “adaptation” objectives, the documentary evidence and sufficient elements to prove that there are no negative impacts on the remaining environmental objectives, such as:

- management systems and certifications (ISO14001, ISO50001, etc.);
- climate risk analysis and assessment of asset vulnerability;
- environmental impact assessment (EIA);
- environmental product declarations (EPD);
- minimum environmental criteria (MEC) or other sustainability criteria included in negotiation procedures and in contracts;
- waste management procedures;
- carbon footprint measurement.



Regarding compliance with the minimum safeguards, the FS Group guarantees and promotes the protection of human rights, operating in accordance with the United Nations' Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization.

In 2017, the FS Group joined the UN's Global Compact (“GC”) network, to support the ten human rights, labour, environmental and anti-corruption principles and include them in its way of doing business. Among the fundamental principles of the Sustainability Policy (issued in 2019) on which the FS Group's actions are based, respect for human rights and the commitment to creating a responsible chain stand out. This commitment was confirmed in the Code of Ethics (which guides the group in its relationships with stakeholders). To strengthen the commitments already taken at Group level, the main operating companies issued their own sustainability policies, making the respect and promotion of human rights in Italy and abroad a pillar of their business models.

Furthermore, the FS Group promotes open and inclusive workplaces, it is against any discriminating or harmful behaviour, prevents any form of irregular work and encourages policies supportive of personnel well-being.



The Group maintains its commitment to prevent any type of human rights violation through:

the use of specific, standard clauses about respect for human rights in contracts with suppliers, having suppliers sign the FS Group's Code of Ethics and introducing a sustainability criterion in the supplier qualification process;

the pursuit of better methods for supply chain management thanks to the participation in the Railsponsible initiative that brings together major railway companies and the FS Group's commitment in the preparation of the Sustainable procurement management guidelines;

rights protection for passengers with disabilities and reduced mobility; protecting the rights of disadvantaged people who seek shelter at railway stations.

What is your experience as the largest corporate green bond issuer in Italy? What is the feedback from the investor community?

Since FS's first green issuance in 2017, all company's public bond issues are green. As of today, the Group has issued a total of 5.05 billion euros of green bonds,

Since the first issue a path has been set to integrate financing decisions with ESG criteria, in line with the Group's business model. The assets to be financed are identified through the work of the internal "Green Bond Working Committee" which role is to identify and assess the eligible green projects, which includes holding discussions with the counterparties involved in the analysis of the projects' greenness, together with the implementation of reporting procedures and management of the proceeds from the bond issued.

To date, the Green Bonds have financed the purchase of latest generation rolling stock for public transport (both HS Frecciarossa 1000 and regional Pop and Rock trains) and freight transport; maintenance of rolling stock and construction of HS railway infrastructure helping to cut emissions from the service.

In addition, during 2021 European Investment Bank subscribed for the first time ever a corporate green bond under its Green Bond Purchase Program, approved by the EIB Group as of the end of May 2021. Such bond was also aligned with European best practices and Taxonomy. In this respect, FS received an opinion from Sustainalytics certifying greenness and - for the first time - compliance of Eligible Green Projects with EU guidelines, confirming FS as a virtuous green issuer in the European market.



In addition to the green bonds, during the last years, FS issued several private bond placements to purchase new trains for public transport, in line with European Taxonomy criteria, funded via the Eurofima Green Bond Programme.

We always record strong interest from the financial community. In the last public EMTN issuance (May 2023), the presence of ESG/Green investors was around 85% of the entire placement, with a strong involvement of so-called "dark green" investors and a solid demand from abroad.

Discussions during recent investors meetings (such as the 2022 FS Credit Update and the Energy & Infrastructure Day within the 2023 Euronext Sustainability Week) have confirmed great interest of the financial community in FS and its approach to sustainability.

Ferrovie dello Stato Italiane plays a pioneer role in the EU for the development of the green bond market. How do you support EU institutions in this endeavour, and how do you see the future of this market?

Since its first public green bond issue, FS represented as a stimulus and impetus for the Italian and European green bond market. Having been the first incumbent to place green bonds to finance both regional and HS trains, it represented a key milestone for the whole sector. In addition, FS was the first company to provide reporting on the allocation of green proceeds on train financing.

Finally, FS has been the first Italian issuer to obtain the Climate Bonds Initiative certification.

Green bonds issued by FS to date allow covering the entire rail business, contributing to the reduction of CO2 emissions as well as facilitating the shift from private mobility to rail, thus representing a virtuous example to follow.

FS's impact in the field of "railway green bonds" is also significant for the quality of reporting on financed assets. In this respect, the reporting is made against previous generation of trains rather than towards less sustainable means of transport, making the process even more challenging.

In order to support the role of institutions and the creation of best practices at the market level, FS has joined various forums or associations (ICMA, Corporate Forum on Sustainable Finance, Union International des Chemin de Fer, Community of European Railways), with the aim of creating a network of information and financial proposals useful for managing green emissions at the railway level and beyond.

Widening the ESG scope to other sustainable finance instruments, FS is always keen to study and possibly create sustainable products in financial markets. During 2021 FS signed with several banks a 2.5 billion euros Sustainable Revolving Credit Facility – increased up to 3 billion euros during 2022 - that includes margin and commitment fee adjustment upon the achievement of targets related to four Key Performance Indicators that shows the FS Group's commitment to multiple sustainability issues. To date, these targets have always been met.





Freight transportation is a strategic pillar for the decarbonation of our economy. How can Ferrovie dello Stato Italiane support the deployment of freight alternatives in Europe?

FS aims to make the sector more competitive and to achieve the goals set by the UN 2030 Agenda: to increase the share of freight currently travelling by rail from the current 11%, whilst the majority still travels by road, and to reach 30% as Europe demands.

In this respect, FS Group has devoted a specific business sector - the Logistics Business Division - to the operations of freight transport and logistics. Since January 2017, when the Logistics Business Division was established, it has been running with the goal of rehabilitating and revitalizing the FS Group's

freight business by developing integrated freight and logistics solutions to implement the modal shift to rail.

Following the reorganization carried out with the approval of the recent business plan, the Logistics Business Division is led by Mercitalia Logistics and composed by several companies, operating nationally and internationally, in the businesses of freight company transportation, terminal services (including last-mile railway services and inland terminal operations), maintenance of railway wagons and construction of cutting-edge terminal infrastructures.

The creation of a single freight and logistics business division will enable the FS Group to be more competitive, having a more relevant position in the market thereby contributing to the sustainable development the domestic as well as the European market.

Significant investments are expected over the next years, including the upgrading of the rolling stock (wagons and electric locomotives for both the domestic and European markets) as well as the construction of several intermodal terminals. Other investments will also involve IT and security, as well as strategic acquisition of companies to expand domestic and international business. The recent acquisition of Exploris by TX Logistik AG is consistent with the goal of strengthening and consolidating its position in this respect.

At this stage, it is noted that much public contribution is still given to the road freight transportation, being an obstacle to decarbonization. A greater contribution to the freight rail sector could greatly facilitate the development of this business and contribute positively to the reduction of pollutant emissions from freight transport.



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