

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

Société Nationale SNCF SA
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Overall Evaluation of the Green Bond

Société Nationale SNCF SA (SNCF SA) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. SNCF SA's Green Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. SNCF SA's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Performance against GBPs	The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Proceeds will be allocated to assets belonging to the eligible category "Maintenance, upgrades and energy efficiency of rail infrastructure" defined in the Green Bond Framework. All assets of the asset pool are located in France, a highly regulated and developed country. Legislative frameworks in this country set minimum standards, which reduce environmental and social risks.	Positive
Part 3: Issuer sustainability performance	The SNCF group entity currently carrying the eligible assets shows a good sustainability performance and has been given a rating of B-, which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating. The SNCF group entity currently carrying the eligible assets demonstrates a high relative performance within its sector, with a Decile Rank ² of 1.	Status: Prime Rating: B- Decile Rank: 1

¹ ISS ESG's evaluation is based on the SNCF SA's Green Bond Framework (03.02.2020 version), on SNCF SA's asset pool (as of January 2020) and on the SNCF Réseau Corporate Rating (as of the 13.08.2019). All rail infrastructures operations, formerly owned by the SNCF Holdings' subsidiary SNCF Réseau, are now owned by the new holding SNCF SA according to the French Ordonnance 2019-552 from 3rd June 2019, and its application decree 2019-1585 from 30th December 2019. All proceeds collected through the contemplated bond will be exclusively allocated to eligible projects within rail infrastructures operations of SNCF SA. All former relevant CSR policies of SNCF Réseau are applying to the rail infrastructures operations of SNCF SA.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the SNCF SA's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Maintenance, upgrades and energy efficiency of rail infrastructures	Limited contribution	 

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

An amount equal to such net proceeds will be allocated for investments in one or more of the “Eligible Green Projects”.

As Green Bonds will be raised from Société nationale SNCF SA (sole issuing company), the proceeds will be allocated to SNCF Group’s subsidiaries eligible projects through an intragroup loan mechanism.

In compliance with the formerly existing methodology developed by SNCF Réseau and Carbon 4 all eligible assets are, so far, located at SNCF Réseau SA’s level. Hence, at first, all the financial proceeds will be allocated to SNCF Réseau SA’s eligible assets.

May SNCF Group decide to enlarge its framework to additional activities and subsidiaries, a specific carbon methodology would first be set up to take into account these new projects and the Green Bond framework would be completed accordingly.

Eligible Green Projects include new and ongoing projects with disbursements within the past two years (look-back period). Allocation of the excess funds to eligible projects must occur in a delay no longer than two years forward (look-forward period).

“Eligible Green Projects” include SNCF Réseau SA’s capital expenditures:

1. Investments related to maintenance, upgrades and energy efficiency of the rail system:

This category includes projects associated with SNCF Réseau SA’s efforts to ensure the efficiency of the rail system and promote a low carbon mass transportation, throughout its various worksites. Typology of worksites could be: path, catenary or signaling system regeneration, capacity enhancement project, electrification of a railway line...

More information on SNCF Réseau’s website:

- Worksite map 2020: https://www.sncf-reseau.com/sites/default/files/2019-12/Carte%20nationale%20des%20chantiers_2020_584x410_%20FRANCE_v3.pdf
- Greater Paris area worksite map 2020: https://www.sncf-reseau.com/sites/default/files/2019-12/BAT2%20chantiers_2020_584x410_%20IDF_v11.pdf

2. Investments related to new rail lines and rail lines extensions which ensure access to the network and the efficient movement of people and freight:

This category includes projects for the rail development which are already put into service or expected high-speed line.

3. Other Investments linked to the global climate change challenges, the protection of biodiversity and natural resources:

This category will include projects which ensure the inclusion of the protection of biodiversity and natural resources in the management approach of the existing railway network and in development projects.

- Conservation of biodiversity and the quality of natural environments: <https://www.sncf-reseau.com/fr/entreprise/newsroom/sujet/preserverbiodiversite>
- Circular economy and recycling of disposed products: <https://www.sncf-reseau.com/en/entreprise/newsroom/sujet/ecodesign>
- Fight against climate change: : <https://www.sncf-reseau.com/en/entreprise/newsroom/sujet/green-bonds-sncfreseau-pioneers>

Examples are intended for illustrative purposes only and no assurances can be provided that disbursements for projects with these specific characteristics will be made by SNCF Réseau SA.

IN MILLION EURO	2016 allocation	2017 allocation	2018 allocation	2019 allocation	2020 ³ projection	2021 ⁴ projection	2022 projection
A. Maintenance and upgrades	1,303	1,366	1,424	1,528	1,551	1,652	1,575
Tracks and switches	1,084	1,025	961	1,068	963	935	882
Signaling and operation	183	197	233	269	307	364	375
Electric traction	36	36	151	126	176	226	217
Civil engineering structures and tunnels	0	108	79	64	105	127	101
Other activities	0	0	0	0	0	0	0
B. New rails and rail lines extensions	176	0	0	0	0	0	0
LGV Est-Européenne	14	0	0	0	0	0	0
LGV SEA	73	0	0	0	0	0	0
LGV BPL	53	0	0	0	0	0	0
LGV CNM	36	0	0	0	0	0	0
Projet EOLE	0	0	0	0	0	0	0
Other investments	0	0	0	0	0	0	0
Total	1,479	1,366	1,424	1,528	1,551	1,652	1,575

³ SNCF Réseau as an issuer might issue bonds (hence green bonds) until June 30th 2020.

⁴ In 2021 onwards, SNCF Réseau will no longer issue any debt and be replaced by SNCF SA.

Société nationale SNCF SA expects the majority of the allocation to the first two eligible green project categories. The inclusion of other investments linked to the protection of biodiversity and natural resources is essential to Société nationale SNCF SA's overall environmental and sustainability strategy.

Opinion: ISS ESG considers the Use of Proceeds description provided by SNCF SA's Green Bond Framework as aligned with the GBPs and with the sustainability strategy of the issuer. The distribution of proceeds between project categories is disclosed and precise examples of eligible green projects are provided in the Framework.

2. Process for Project Evaluation and Selection

Société nationale SNCF SA's Treasury and Funding Department in coordination with SNCF Réseau SA's Accounting & Management Control and Sustainable Development Departments will review the allocation of the projects annually.

Projects that are aligned with the Use of Proceeds identified in section part 1, section 1 above will be considered for eligible green bond proceeds allocation.

If projects are considered eligible, they will be recorded in the Société nationale SNCF SA's Green Bond Register and tracked for the life of the involvement in the Green Bond.

SNCF Réseau SA's Sustainable Development will complete the annual reporting.

Opinion: ISS ESG finds that the process for Project Evaluation and Selection broadly aligns with the GBPs. This process is described but not further documented or structured. However, the responsibilities are fairly distributed across relevant SNCF Réseau and SNCF SA departments and sufficiently transparent.

3. Management of Proceeds

Pending allocation of an amount equal to the net proceeds from the sales of the Notes to Eligible Green Projects, the proceeds from the Green Bond will be placed into Société nationale SNCF SA's treasury accounts. Société nationale SNCF SA's Treasury will allocate, via intercompany loan, the bond proceeds from the Treasury to projects recorded in the Green Bond Register. The Register will include a full list of eligible projects (as approved in the Process for Project Selection and Evaluation section), and the amount of allocation made. Whilst any bond proceeds remain unallocated, they will be invested in accordance with Société nationale SNCF SA's liquidity management policies and guidelines in money market products, such as cash and/or cash equivalents and/or bank deposits.

Payment of principal and interest of the Notes will be made from our general funds and will not be directly linked to the performance of the Eligible Green Projects.

With respect to above-mentioned use of proceeds section part 1, section 1, all the net proceeds will ultimately be allocated to the identified eligible Green Projects and so long as the Green Bonds are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to the eligible Green Projects.

Opinion: ISS ESG finds that the management of proceeds is in line with the GBPs. The proceeds are appropriately tracked, and the expected allocation period and temporary investments are disclosed and aligned with the market best practices.

4. Reporting

Within the calendar year that follows the issuance, and until the full allocation of an amount equal to the net proceeds of the Green Bonds issued, Société nationale SNCF SA will provide to investors (i) annual updates on website (<https://www.sncf.com>) on the amounts allocated to the Eligible Green Projects, (ii) relevant expected impact metrics and where feasible actual impact metrics, related to the Eligible Green Projects where competition and confidentiality reasons allow. (iii) Auditors or any other third party appointed by Société nationale SNCF SA, will issue an annual report on Société nationale SNCF SA's compliance in all material respects with the Eligible Green Project criteria set forth in these documents.

Examples of relevant metrics could include:

1. Investments related to maintenance, upgrades and energy efficiency of the rail system

- Total GHG emissions of the maintenance project called high-output track replacement units (tCO₂eq)
- Estimated FTE's creation on the maintenance site
- Age of the railway by type of railway
- Volume of wooden sleepers recycled for energy purposes (tons)
- Share of ballast re-used on the maintenance project (tons)
- Share of concrete sleepers recycled from the maintenance project (tons)
- Share of re-used rails from the maintenance project (tons of steel)

2. Investments related to new rail lines and rail lines extensions which ensure access to the network and the efficient movement of people and freight

- Total GHG emissions of the project (tCO₂eq)
- Modal shift: Number of passenger or goods transferred to the train
- Total GHG emissions avoided because of the project (tCO₂eq)
- Estimated FTE's creation on the construction site
- Estimated average time saving because of the project (min)

3. Other investments linked to the global climate change challenges, the protection of biodiversity and natural resources

Currently metrics are not yet available in this category but expect to be developed over time. Examples of impact metrics are intended for illustrative purposes only and no assurances can be provided that these exact metrics will be provided. Relevant impact metrics will be provided and may/will differ depending on the type of project

Opinion: ISS ESG finds that the reporting is aligned with the GBPs and market best practices. A high level of transparency is provided on the level, information, frequency, scope and duration of reporting, both in terms of allocation and impact.

External review

Second Opinion

Société nationale SNCF SA has appointed a “Second Opinion Provider” to assist the finalization of the Green Bond Framework, which will sum up the main extra-financial features of the potential future transaction and will provide a “Second Party Opinion” on this framework.

The objective of the Second Party Opinion is to provide investors an independent accurate assessment on the alignment of the framework with the GBP in accordance with the CSR policy of Société nationale SNCF SA.

Climate Bond Certification

Société nationale SNCF SA has appointed ISS ESG to act as a verifier for obtaining a Climate Bond Initiative Certification.

The Climate Bond Initiative certification will be related to the Low-Carbon Transportation Standard.

PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

Maintenance and upgrades of rail infrastructures

As a Use of Proceeds category, maintenance and upgrades of rail infrastructure has a limited contribution to the SDG 7 “Affordable and clean energy” and 13 “Climate action”. Additionally, when considering the deeper ESG management, maintenance and upgrades of rail infrastructure can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-)financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
1. Consideration of environmental impacts at planning stage	
<ul style="list-style-type: none"> ✓ All relevant assets underwent environmental impact assessment at the planning stage. For every project, systematic carbon assessments were conducted. 	
<ul style="list-style-type: none"> ✓ None of the assets are located in key biodiversity areas according to national legislation (e.g. Ramsar sites, UNESCO Natural World Heritage Sites). 	
<ul style="list-style-type: none"> ✓ All assets meet high environmental standards during construction phase in compliance with national environmental legislation and certifications (e.g. ISO 14001, ISO 9001). 	
2. Community dialogue	
<ul style="list-style-type: none"> ✓ All relevant assets feature community dialogue as an integral part of the planning process in compliance with national legislation (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes.) 	 
3. Working conditions during construction, operation and maintenance	
<ul style="list-style-type: none"> ✓ All the assets are located in France, where high labour and health and safety standards are in place for construction, operation and maintenance work (e.g. ILO core conventions). 	
4. Transport safety	
<ul style="list-style-type: none"> ✓ For all assets, a comprehensive transport safety management system is in place (including e.g. risk assessment, monitoring, training programs, emergency management). 	

ASSESSMENT AGAINST ISS ESG KPI

**ASSOCIATION
WITH THE SDGS**

5. Environmental aspects of public transport infrastructure

- ✓ All projects are located in France where maximum noise levels regarding train services are in place. Additionally, specific measures to reduce transport-related noise emissions are in place (e.g. collection of performance data and audits).

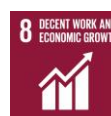


- ✓ For all projects, environmentally friendly disposal of components is ensured (e.g. removal of hazardous materials, recycling and re-using of waste).



6. Social aspects in supply chain

- ✓ For all assets, high labour and health and safety standards are applied in the supply chain (e.g. ILO core conventions).



Controversy assessment

No controversy assessment at the asset level has been carried out due to the low controversy risk of maintenances and upgrades operations in France, where legislation provide for high environmental and social standards. At the company level, SNCF Réseau does not face any controversy.

The methodology for the asset evaluation can be found in Annex 2.

PART III: ASSESSMENT OF SNCF SA'S ESG PERFORMANCE

For the contemplated issuance, ISS ESG applied the SNCF Réseau Corporate Rating dated 13.08.2019. All rail infrastructures operations, formerly owned by the SNCF Holdings' subsidiary SNCF Réseau, are now owned by the new holding SNCF SA according to the French Ordonnance 2019-552 from 3rd June 2019, and its application decree 2019-1585 from 30th December 2019. According to SNCF SA's Green Bond Framework and under a two-year look-forward period, an amount equivalent to the proceeds collected through the Green Bond will be allocated to eligible projects within rail infrastructures operations of SNCF SA. All former relevant CSR policies of SNCF Réseau are applying to the rail infrastructures operations of SNCF SA.

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime'⁵ or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance. For the reasons indicated above, the subsequent rating performance is indicated for SNCF Réseau.

COMPANY	STATUS	Rating	DECILE RANK
SNCF RÉSEAU	PRIME	B-	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 10.02.2020, this rating places SNCF Réseau 2nd out of 56 companies rated by ISS ESG in the Transport Infrastructure sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Reduction of air emissions
- Worker health and safety and product safety
- Responsible land use and biodiversity management
- Business ethics and government relations
- Stakeholder responsibility

In five of the key issues, SNCF Réseau rates above the average for the sector. A very significant outperformance was achieved in "Responsible land use and biodiversity management" and "Stakeholder responsibility".

The company does not face any significant controversy.

⁵ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

Details on the rating of the issuer can be found in Annex 1.



Robert Hassler, Head of ISS ESG Ratings
London/Munich/Rockville/Zurich

DISCLAIMER

1. Validity of the SPO: For SNCF SA's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from SNCF SA's 2020 ISS ESG Corporate Rating.

ANNEX 2: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of SNCF SA's Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by SNCF SA (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which SNCF SA's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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