



Second-Party Opinion

Wabtec Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Wabtec Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds defined by the Framework for green financing are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2021 – Clean Transportation, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies, Renewable Energy, Energy Efficiency and Pollution Prevention and Control. Sustainalytics considers that investments in the strategic areas of ‘Innovating with Purpose’ and ‘Driving Responsible Operations’ will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 7, 9, 11 and 12.



PROJECT EVALUATION / SELECTION Wabtec has established a Green Finance Committee (“GFC”) to oversee the project evaluation and selection process. The GFC, comprised of senior representatives from Corporate Treasury, Corporate Sustainability, and the Chief Technology Office, is responsible for monitoring the Green Asset Portfolio and selecting projects that comply with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Wabtec will manage proceeds using a Green Financing Register and will monitor and track specific allocation using internal systems and databases. Pending full allocation, Wabtec will hold and/or invest the balance of net proceeds in its treasury liquidity portfolio, or in cash or short-term and liquid instruments. Wabtec intends to allocate the proceeds of a given issuance within 24 months of issuance of the debt. In addition, it will apply a 36 month look-back period. This is in line with market practice.



REPORTING Wabtec has committed to providing annual allocation and impact reporting in a Green Finance Report, until full allocation. Allocation reporting will include information such as the distribution of eligible asset categories financed, the balance of unallocated proceeds and the share of financing vs. re-financing, while impact reporting will draw on several relevant environmental impact metrics. Sustainalytics views Wabtec’s allocation and impact reporting as aligned with market practice.

Evaluation date	April 29, 2021
Issuer Location	Pittsburgh, U.S.

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Introduction

Founded in 1999, Wabtec Corporation (“Wabtec”, or the “Company”) is a leading global provider of equipment, systems, digital solutions, and value-added services. More specifically, the Company manufactures products for locomotives, freight cars and passenger transit vehicles, with operations in over 50 countries and over 27,000 employees.

Wabtec has developed the Wabtec Green Finance Framework (the “Framework”) under which it intends to issue green bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, eligible assets (herein referred to as “Wabtec Green Financing Transactions”) that are intended to promote the transition to a low-carbon transportation future. The Framework defines eligibility criteria in two strategic areas:

1. Innovating with Purpose
 - a. Decarbonizing Global Transport
 - b. Advancing a Circular Economy: Reduce, Reuse, Rebuild
2. Driving Responsible Operations
 - a. Working to strengthen its position as a sustainable company while improving energy and resource efficiency.

Wabtec engaged Sustainalytics to review the Wabtec Green Finance Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the 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 Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- 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 1.8, 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 Wabtec’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. Wabtec representatives have confirmed (1) they understand it is the sole responsibility of Wabtec to ensure that the information provided is complete, accurate or 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.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² 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/>

³ The Wabtec Green Finance Framework is available on Wabtec Corporation’s website at: www.wabteccorp.com

⁴ 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.

⁵ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Wabtec.

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 bond and 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 responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and 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 Wabtec has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Wabtec Green Finance Framework

Sustainalytics is of the opinion that the Wabtec Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Wabtec's Green Bond Framework:

- Use of Proceeds:
 - The eligible strategic areas, 'Innovating with Purpose' and 'Driving Responsible Operations', are aligned with the categories recognized by the GBP and GLP – Clean Transportation, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies, Renewable Energy, Energy Efficiency and Pollution Prevention and Control. Sustainalytics believes that Wabtec's investments in these categories will yield positive environmental impact by reducing emissions associated with freight rail systems and public transportation.
 - Investments under the Framework will be directed only to projects that comply with credible emissions thresholds. Specifically, the Framework excludes the following: freight rail projects with an emissions intensity >25g CO₂ per tonne km (gCO₂/t-km); passenger transport with an emissions intensity >50g CO₂ per passenger-km (gCO₂/p-km);⁶ and projects where the primary objective is the transportation of fossil fuels.⁷ Sustainalytics views positively these criteria and notes its alignment with market expectations.
 - Sustainalytics recognizes that the Wabtec Green Finance Framework's use of proceeds criteria align with the Climate Bonds Initiative's Low-Carbon Transport Criteria.⁸
 - Within various categories, Wabtec may finance research and development (R&D) expenditures. The Framework specifies that R&D projects that do not have the primary objective of reducing environmental impact or improving fuel and/or energy efficiency, even if the project is focused on an asset which may comply with the thresholds, are not considered eligible. While Sustainalytics recognizes that R&D expenditures have the potential to drive significant environmental impacts, it is also acknowledged that it is more challenging to quantify the direct impacts of such investments. Based on Wabtec's experience and track record of developing technology for the rail sector, as well as the Framework's clarification around the intent of such R&D, Sustainalytics views positively these expenditures.
 - Sustainalytics encourages Wabtec to report on the anticipated and/or achieved environmental benefit of any R&D initiatives financed by its green financing.
 - The Framework states that only projects that will result in, or are expected to result in, a significant increase of energy and/or reduction in fuel consumption are considered

⁶ These thresholds are intended to align with the IEA's 2-degree scenario mobility model and have been adopted by the Climate Bonds Initiative.

⁷ Wabtec has confirmed that where possible it will treat biofuel blends in the same manner as fossil fuels.

⁸ Low-Carbon Transport Criteria, at: <https://www.climatebonds.net/standard/transport>

- to be eligible. Wabtec has communicated to Sustainalytics that the percentage increase will vary by component and project due to the high sophistication and nature of its projects, but that it will ensure that the criteria in the Framework match the requirements for its “eco-friendly product portfolio”.⁹
- The ‘Innovating with Purpose: Decarbonizing Transport’ area includes investments and/or expenditures in research, development, manufacturing, and distribution of products which aim to improve the efficiency of freight rail, rail transit, and other transport, including investments in train energy management systems, locomotives and locomotive upgrade technologies, intelligent systems solutions, train components and electric drive systems. Based on the overarching emissions and fossil fuel thresholds noted above, Sustainalytics views these activities to be in line with market practice, and further notes the following:
 - Wabtec has communicated to Sustainalytics that it intends to finance energy management software as well as railroad management software to reduce road congestion and to enable the efficient movement of freight rail traffic. The Company has shared project examples which have been reviewed by Sustainalytics and deemed credible per market expectations.
 - Sustainalytics notes positively that the locomotives that Wabtec intends to finance reduce NOx and carbon emissions when compared with prior models. For example, the Evolution Series Tier 4 locomotive currently delivers a 70% reduction in NOx emissions as compared to Tier 3 engines, which are the minimum requirement per U.S. regulation.¹⁰ with average emissions of approximately 12.55g CO₂/t-km based on proprietary tonnage data provided by customers as well as data from the unit’s event recorders.
 - Wabtec has shared with Sustainalytics that investments in Trip Optimizer, an intelligent cruise control system for trains, are expected to result in a 10% reduction in emissions, equivalent to over 500,000 tons of CO₂ avoided per year.
 - Sustainalytics views the identified projects that fall under train components to be environmentally impactful, noting that these components are essential to enabling trains that achieve the defined emissions thresholds. Within the ‘Innovating with Purpose: Advancing a Circular Economy: Reduce, Reuse, Rebuild’ Wabtec intends to finance investments that support the creation of circular-adapted products, with a focus on those created through (i) additive technology and (ii) remanufacturing, as well as initiatives aimed at reducing the resource intensity of existing products.
 - Wabtec intends to use additive manufacturing technology¹¹ during its fabrication processes to reduce material and energy waste associated with the creation and making of parts for complex assemblies and has disclosed that these technologies have the potential to reduce production waste by 70-80%. Based on this high level of waste reduction, Sustainalytics considers these activities to be in line with market expectation.
 - Regarding remanufacturing,¹² Wabtec has shared with Sustainalytics a list of examples of the components that they manufacture, including but not limited to, engines, traction motor and combos, alternators, draft gears, and end brakes. Sustainalytics recognizes the potential for remanufacturing to significantly reduce waste and the need for raw material inputs by keeping products in circulation for as long as possible while still delivering performance in line with new technology. In addition to the KPIs listed in the

⁹ Wabtec’s eco-friendly product portfolio requires projects to contribute to a significant decrease in CO₂ emissions or other environmental impact. The portfolio currently includes projects such as, improved HVAC system, which utilize refrigerants with lower global warming potential (GWP) than traditional units as well as new friction materials which reduce braking dust emissions by up to 90%. As of 2020, 20% of Wabtec’s net sales is derived from the Company’s eco-friendly product portfolio. This is expected to increase to 30% by 2030. See more, at: <https://www.wabteccorp.com/sustainability-report>.

¹⁰ United States Environmental Protection Agency, Regulations for Emissions from Vehicles and Engines, at: [Final Rule for Control of Emissions of Air Pollution From Locomotive Engines and Marine Compression-Ignition Engines Less Than 30 Liters per Cylinder | Regulations for Emissions from Vehicles and Engines | US EPA](#)

¹¹ Additive technology, commonly referred to as 3D printing, is a computer-controlled process that creates three dimensional objects by depositing materials. See more, at: <https://www.twi-global.com/technical-knowledge/faqs/what-is-additive-manufacturing>

¹² Remanufacturing can be defined as the rebuilding of a product to specifications of the original manufacturing product, using a combination of reused, remanufactured, and new parts. See more, at: https://beedie.sfu.ca/sms/admin/_DocLibrary/_ic/aa3d4ffd2083bdbbbb4521e9a5e09df5e.pdf

- Framework, Wabtec has communicated to Sustainalytics that it may report on the percentage increase in use life for components, where feasible.
- Considering the exclusionary criteria and the Company's reporting commitments, Sustainalytics views these investments to be in line with market practice. Please refer to section 3 for more details on these activities.
 - The 'Driving Responsible Operations' area includes investments aimed at supporting Wabtec's efforts to reduce its environmental footprint. This includes investments related to renewable energy, energy efficiency improvements and pollution prevention and control mechanisms.
 - The Framework specifies that investments in renewable energy include on-site solar and renewable power purchase agreements (PPAs) that are long-term (>5 years). Sustainalytics views this to be in line with market practice.
 - Investments in energy efficiency include the installation of LED lights, investments in energy-efficient windows and HVAC systems, as well as investments in or costs associated with LEED buildings which have been certified as Gold or Platinum. Sustainalytics views these activities, and the selection certification levels to be in line with market practice. Please refer to Appendix 1 for an overview of the LEED green building certification scheme.
 - Project Evaluation and Selection:
 - Wabtec has established a Green Finance Committee ("GFC") to oversee the project evaluation and selection process. The GFC, comprised of senior representatives from Corporate Treasury, Corporate Sustainability, and the Chief Technology Office, is responsible for monitoring the Green Asset Portfolio and selecting projects that comply with the eligibility criteria. In addition, the GFC will assess potential projects to ensure that no investments or expenditures primarily related to fossil fuel activity will be included in the portfolio.
 - The GFC will meet at minimum on a bi-annual basis and will review and update the Green Asset Portfolio (the "Portfolio") on a quarterly basis.
 - Based on the clear delegation of responsibility and appropriate oversight, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Wabtec will manage proceeds using a Green Financing Register and will monitor and track specific allocation using internal systems and databases. The proceeds of each Green Financing Transaction will be earmarked against the assets in the Portfolio.
 - Pending full allocation, Wabtec will hold and/or invest the balance of net proceeds in its treasury liquidity portfolio, or in cash or short-term and liquid instruments. Wabtec has confirmed that assets that no longer meet the eligibility criteria will be removed from the portfolio.
 - Wabtec intends to allocate the proceeds of a given issuance within 24 months of issuance of the debt. In addition, it will apply a 36 month look-back period.
 - Based on the presence of internal tracking systems and disclosure on temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Wabtec has committed to providing annual allocation and impact reporting in a Green Finance Report, until full allocation. The Company intends to align its reporting with the portfolio approach described in the ICMA Handbook – Harmonized Framework for Impact Reporting (April 2020).¹³
 - Allocation reporting will include the type of financing instruments and respective outstanding amounts, the balance of unallocated amounts, the share of financing vs. re-financing, the distribution of eligible asset categories financed, and a list of projects financed with project-level information, if feasible.
 - Impact reporting will include several quantitative impact metrics, such as, annual CO2 emissions avoided (in tonnes), % reduction in fuel use enabled, and % of end-life materials remanufactured or recycled, and % reduction of waste created during manufacturing.
 - Based on Wabtec's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

¹³ <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

Alignment with Green Bond Principles 2018 and Green Loan Principles 2021

Sustainalytics has determined that the Wabtec Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Wabtec

Contribution of framework to Wabtec Corporation's sustainability strategy

Sustainalytics is of the opinion that Wabtec demonstrates a commitment to sustainability through its focus on 'innovating with purpose', with the aim of developing responsible and sustainable products for the rail industry that facilitate the transition to low-carbon transportation and minimize Wabtec's impact on the environment.¹⁴

In its 2020 Sustainability Report, Wabtec states a commitment to designing and developing products that are smarter, safer, and greener to achieve dust reduction, efficient energy management, CO₂ reduction, and to enable the transition to electric vehicles in the freight rail and transit sector.¹⁵ To advance circular economy within its own production, Wabtec focuses on four areas including, (i) Additive technology, (ii) Remanufacturing, (iii) Modernization, and (iv) Predictive maintenance.¹⁶ Realizing the potential of additive manufacturing technology in the reduction of waste generated in production, Wabtec plans to use additive manufacturing in the production of 25,000 parts by 2025.¹⁷ For the remanufacturing of components, Wabtec set a goal to increase the reuse and remanufacturing of its new technologies by 10% by 2030. By continuously increasing its remanufacturing efforts, Wabtec aims to reduce waste, as well as the amount of raw materials, energy, and water needed for the production of new products.¹⁸ As part of its remanufacturing and reuse programmes, Wabtec focuses on modernization improvements such as system upgrades, and complex restorations. The Company anticipates that such modernization activities could improve energy efficiency by 15% and lead to a 20% reduction in maintenance and repair requirements. By implementing predictive maintenance initiatives, Wabtec reduces dwell time¹⁹ in the yard,²⁰ which could reduce fuel consumption of up to 4,000 gallons per locomotive each year.²¹

In addition to its overall focus on innovation, Wabtec has introduced environmental targets for its own operations, including a 30% reduction in greenhouse gas emissions intensity for Scope 1 and 2 emissions, a 30% energy intensity reduction by 2030, and a 30% water consumption reduction by 2030.²²

Based on the above, Sustainalytics is of the opinion that the Wabtec Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will directly contribute to the Company's ability to fulfill its environmental targets.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, it is acknowledged that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated with the eligible projects could include, occupational health and safety, industrial safety, human rights challenges in the supply chain of raw materials, as well as carbon emissions and air quality issues from trains and rolling stock. While recognizing that, as a manufacturer of components and equipment for the freight and rail sector, Wabtec does not have operational control over some of the assets financed or the direct ability to influence the environmental performance of the locomotives, Sustainalytics is of the opinion that Wabtec is able to help manage and/or mitigate potential risks in its own operations through the following measures:

- To ensure employee health and safety, Wabtec has implemented the Wabtec Management System for Safe Environment, through which it has established a set of standardized environmental health and safety (EHS) programmes and expectations across its operations to promote best practices.

¹⁴ Wabtec, "Driving a more sustainable future", at: <https://www.wabteccorp.com/Sustainability/Driving-a-More-Sustainable-Future>

¹⁵ Wabtec, "Innovating with Purpose", at: <https://www.wabteccorp.com/Sustainability/Innovating-with-Purpose>

¹⁶ Wabtec, "2020 Sustainability Report", at: <https://www.wabteccorp.com/sustainability-report>

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ Dwell time refers to the time a vehicle such as a public transit bus or train spends at a scheduled stop without moving.

²⁰ A yard is a system of tracks for making up trains, sorting and storing cars, maintaining rolling stock and other activities.

²¹ Wabtec, "2020 Sustainability Report", at: <https://www.wabteccorp.com/sustainability-report>

²² *Ibid.*

Wabtec continuously monitors and reviews its EHS performance according to set metrics to ensure non-compliance and other potential issues are identified and addressed. In addition to Wabtec's internal health and safety policies and systems, in 2020, 23% of the Company's manufacturing sites received OHSAS 18001 or ISO 45001 for occupational health and safety certifications.

- Wabtec's Safe Environments Policy outlines the Company's commitment to minimizing its environmental impact, waste, emissions, and discharge from its operations. To that effect, Wabtec has implemented recycling programs and other waste reduction initiatives across the company. In 2020, 26% of Wabtec's sites received ISO 14001 (Environmental Management).
- To ensure that supply chain risks are mitigated, Wabtec applies a Supplier Code of Conduct. As part of this policy, Wabtec requires its suppliers to agree with implementing fair employment practices, comply with applicable health and safety regulations as well as Wabtec's contractor EHS requirements, and respect human rights. Moreover, Wabtec requires its suppliers to adopt policies and systems to ensure that tantalum, tin, tungsten, and gold is only procured from sources that have been verified as conflict free, in addition to requiring its suppliers to provide supply chain data upon request from Wabtec. As of 2020, Wabtec has audited 10% of its suppliers from high-risk countries.²³ In addition to Wabtec's Supplier Code of Conduct, Wabtec has a Conflict Minerals Policy in place aimed at ensuring that no human rights violations take place in the sourcing of materials used by Wabtec for its production.

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

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP and GLP. In the section below, Sustainalytics has focused on the importance of low carbon freight rail in the local context.

Importance of low-carbon rail transportation in the United States

In 2018, the transportation sector was the largest contributor to greenhouse gas (GHG) emissions in the U.S, accounting for 28% of total emissions.²⁴ Within the transportation sector, light-duty and medium heavy-duty trucks combined were responsible for approximately 82% of transport-related emissions, while rail accounted for only 2% of transport sector emissions.²⁵ During the Earth Day Summit, in April 2021 the U.S. announced its commitment to cut emissions by half compared to 2005 levels by 2030.²⁶ In light of the new target, addressing emissions in its transportation sector will be of crucial importance in achieving the U.S.' climate targets by 2030.²⁷

In the same year, the U.S. transport system moved a daily average of about 51.0 million tons of freight.²⁸ Despite having one of the largest freight railway systems in the world that runs on almost 14 thousand route miles, freight moved by rail accounted for only 39.5% of the country's total domestic freight transport, with trucks moving the large majority of freight across the U.S.²⁹ Transporting freight via train as compared to trucks is considered to be four times more fuel efficient, with the potential of reducing emissions by up to 75%.³⁰ Given that rail is a more sustainable transportation mode than truck with a significantly smaller environmental footprint, promoting the advancement of low-carbon rail plays an important role in reducing overall transportation sector emissions.

²³ Wabtec has confidentially communicated to Sustainalytics that it intends to increase this number and will be making its new target amount and year publicly available in the near future.

²⁴ United States Environmental Protection Agency, "Green Vehicle Guide", at: <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>

²⁵ *Ibid.*

²⁶ New York Times, "Biden, Kicking Off Summit, Says U.S. 'Has Resolved to Take Action' on Climate Change", at: <https://www.nytimes.com/live/2021/04/22/us/biden-earth-day-climate-summit>

²⁷ *Ibid.*

²⁸ U.S. Department of Transportation, "Moving Goods in the United States", at: <https://data.bts.gov/stories/s/Moving-Goods-in-the-United-States/bcytrqmu>

²⁹ U.S. Department of Transportation, "Freight Rail Overview", at: <https://railroads.dot.gov/rail-network-development/freight-rail-overview>

³⁰ Association of American Railroads, "Innovative Engineering and Technology Fuel Greener Rail Operations", at: <https://www.aar.org/sustainable-technology/>

Based on the above, Sustainalytics expects Wabtec's investments in the research, development, and manufacturing of products and equipment aimed at improving the efficiency of freight rail and rail transit to reduce rail emissions, contributing to the decarbonization of the U.S' transport sector

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Wabtec Green Finance Framework advances the following SDGs 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
Eco-Efficient Products	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030 double the rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Wabtec has developed the Wabtec Green Finance Framework under which it may issue green bonds and loans and use the proceeds to finance projects that are intended to promote the transition to a low-carbon transportation future. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide positive environmental impact.

The Wabtec Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Wabtec Green Finance 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 7, 9, 11, and 12. Additionally, Sustainalytics is of the opinion that Wabtec has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Wabtec Corporation is well-positioned to issue green bonds and loans and that the Wabtec Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2021.

Appendices

Appendix 1: An Overview of LEED

	LEED ³¹
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority •
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.
Performance display	

³¹ USGBC, LEED, at: <https://new.usgbc.org/leed>.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Wabtec Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Wabtec Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 29, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds defined by the Framework for green financing are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2021 – Clean Transportation, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies, Renewable Energy, Energy Efficiency and Pollution Prevention and Control. Sustainalytics considers that investments in the strategic areas of ‘Innovating with Purpose’ and ‘Driving Responsible Operations’ will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 7, 9, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Wabtec has established a Green Finance Committee (“GFC”) to oversee the project evaluation and selection process. The GFC, comprised of senior representatives from Corporate Treasury, Corporate Sustainability, and the Chief Technology Office, is responsible for monitoring the Green Asset Portfolio and selecting projects that comply with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Wabtec will manage proceeds using a Green Financing Register and will monitor and track specific allocation using internal systems and databases. Pending full allocation, Wabtec will hold and/or invest the balance of net proceeds in its treasury liquidity portfolio, or in cash or short-term and liquid instruments. Wabtec intends to allocate the proceeds of a given issuance within 24 months of issuance of the debt. In addition, it will apply a 36 month look-back period. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Wabtec has committed to providing annual allocation and impact reporting in a Green Finance Report, until full allocation. Allocation reporting will include information such as the distribution of eligible asset categories financed, the balance of unallocated proceeds and the share of financing vs. re-financing, while impact reporting will draw on several relevant environmental impact metrics. Sustainalytics views Wabtec's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- | | |
|-----------------------------------------------------------|------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): % reduction in fuel use enabled; % of end-of-life materials remanufactured or recycled; % reduction of waste created during manufacturing; waste diversion from landfill (tonnes); renewable energy generated; number of sustainable products and solutions distributed or installed. |

Frequency

- | | |
|-----------------------------------------------------------|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Green Finance Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|----------------------------------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

