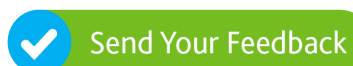


ASSESSMENT

23 October 2023



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Tisséo Collectivités

Second Party Opinion – Green Financing Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 Sustainability Quality Score (excellent) to Tisséo Collectivités' green financing framework dated October 2023. Tisséo has established its use-of-proceeds framework to finance projects across two eligible green categories: rolling stock for public transport, and infrastructure for low-carbon public transport. Tisséo Collectivités has described the main characteristics of the green bonds and loans within a formalized framework that is aligned with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1). Tisséo Collectivités has also incorporated MIS-identified best practices for all four components. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS1



Alignment with principles USE OF PROCEEDS



FACTORS ALIGNMENT



Contribution to sustainability



Expected impact
 Relevance and magnitude

ADJUSTMENTS

ESG risk management No adjustment
 Coherence No adjustment

Scope

We have provided a second party opinion (SPO) on the sustainability credentials of Tisséo Collectivités' green financing framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1). Under its framework, Tisséo Collectivités plans to issue use-of-proceeds green bonds, including through public markets and private placements, to finance projects across two green categories, as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of Tisséo Collectivités' framework dated 4 October 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, and other public and non-public information provided by the issuer.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Tisséo Collectivités is a local government organization for organising, managing, designing and financing mobilities (mainly public transportation) in the Toulouse metropolitan area, the fourth-largest city in France. Tisséo Collectivités benefits from the attractiveness of the territory in which it operates and from its strong potential economic growth. The intermunicipality has a large tax base (its mobility tax base is the highest in France, excluding Ile-de-France), and Tisséo Collectivités also benefits from the region's demand for public transportation and its members' credit strength. As of year-end 2020, local gross domestic product (GDP) per capita represented 113% of the national GDP per capita. However, in the region, transport alone represents 39% of final energy consumption, with 59% of trips in the region still relying on private vehicles. Tisséo Collectivités' sustainability strategy, to reduce reliance on car use and thus reduce GHG emissions, is centered around an ambitious expansion of public transport in the coming years, including the construction of a third metro line (Line C), a metro connection to the airport, a car-sharing platform, and supplementary bus traffic using electric and hydrogen buses.

Strengths

- » Framework dedicated to zero-emissions public transport (electric metro, electric and hydrogen buses), thus improving sustainable transport options in Toulouse using best available technologies
- » Highly comprehensive ESG risk management processes in place
- » Adherence to MIS-identified best practices for all four pillars of the GBP

Challenges

- » Limited detail on hydrogen buses within the first eligible category; however, these are still under development and are expected to make up a small share of allocation

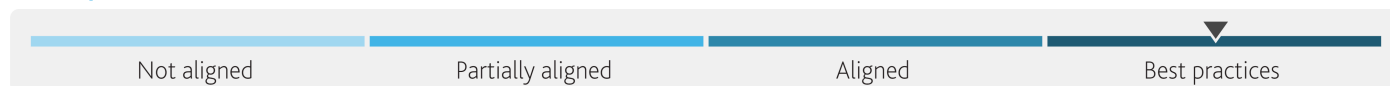
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Alignment with principles

Tisséo Collectivités' green financing framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1):

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- Green Loan Principles (GLP)
- Social Loan Principles (SLP)
- Sustainability-Linked Bond Principles (SLBP)
- Sustainability Linked Loan Principles (SLLP)

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

Tisséo Collectivités has clearly communicated the nature of the eligible expenditures and has set clear eligibility criteria for its two eligible green categories, namely rolling stock for public transport, and infrastructure for public transport. The issuer has confirmed that all eligible projects are located in the Toulouse metropolitan area, in France.

Clarity of the environmental objectives – BEST PRACTICES

Tisséo Collectivités has clearly outlined relevant and coherent environmental objectives for all the eligible categories and has also identified social co-benefits. For both categories, the principal objective is climate change mitigation, and both are relevant to the environmental objective they aim to contribute to.

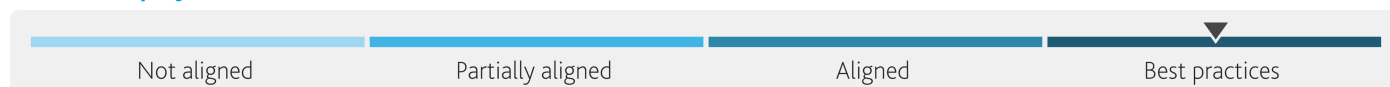
Clarity of the expected benefits – BEST PRACTICES

Tisséo Collectivités has identified clear and relevant expected environmental benefits for all eligible categories. The benefits are measurable and will be quantified for all the categories in the reporting. The issuer has transparently communicated in its framework a maximum look-back period of 24 months. The issuer has committed in its framework to not exceed a 40% share of refinancing, and in any case to disclose the share of refinancing to investors prior to each issuance.

Best practices identified

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – BEST PRACTICES

Tisséo Collectivités has established a clear process for evaluating, selecting, approving allocations for, and monitoring eligible projects, which is formalized in its public framework. The roles and responsibilities for project evaluation and selection are clearly defined, and include relevant expertise. Specifically, the finance and legal departments pre-select eligible assets, and implementation is overseen by the committee for evaluating and monitoring green issuances comprising Tisséo Collectivités' president, the vice-president of Toulouse Métropole, the director general, and the heads of finance of both Tisséo Collectivités and Toulouse Métropole. The committee is responsible for defining broad strategy on green financing and for evaluating and monitoring implementation of eligible green projects.

Further detailed monitoring is carried out by the technical, environmental, finance and risk departments, which jointly monitor projects and decide, with the directorate-general's support if needed, on measures in case a project no longer meets eligibility criteria or faces a severe controversy. These four departments also comprise the evaluation committee responsible for validating annual reporting on allocation and impact.

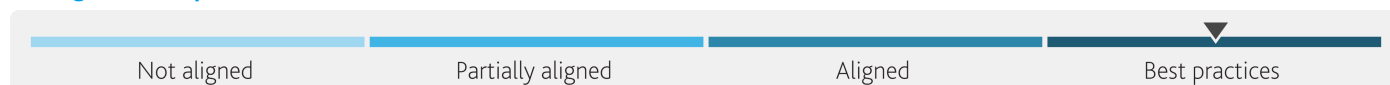
Environmental and social risk mitigation process – BEST PRACTICES

The environmental and social risk mitigation process is disclosed in the issuer's framework. The organizational ESG risk management processes for Tisséo Collectivités also apply to all the eligible assets and projects contemplated under the framework. Tisséo Collectivités implements ESG monitoring at each stage of its projects. In particular, all large projects are subject to environmental impact assessments before commencement, and to regular monitoring thereafter.

Best practices identified

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

Tisséo Collectivités has defined a clear process for the management and allocation of instruments' proceeds in the framework. The issuer commits in its framework to ensure that total net proceeds raised from issuances under this framework remain below the value of the eligible green portfolio, with the balance of tracked proceeds to be adjusted annually. Tisséo Collectivités will monitor and track the net proceeds through its internal accounting system, and it also commits to reach full allocation within one year of each issuance.

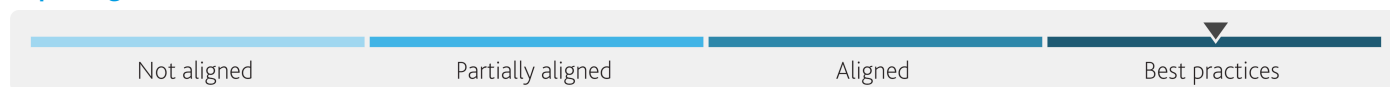
Management of unallocated proceeds – BEST PRACTICES

Temporarily unallocated proceeds will be invested in cash or cash equivalents, per Tisséo Collectivités' treasury policy, which does not permit any GHG-intensive or controversial activities. In the event that a project is postponed, canceled or otherwise becomes ineligible, the issuer commits to reallocating the proceeds to another eligible green project within 12 months, and to reporting on any such reallocation in the following year's allocation and impact reporting.

Best practices identified

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

Tisséo Collectivités will report annually, during the construction phase and until five years after the completion and commissioning of the projects, on the allocation of proceeds, the environmental benefits and social co-benefits, and significant developments related to its eligible projects in dedicated reports. Reporting on impact indicators will be adapted to each phase of the project, with indicators specific to the construction phase and others to the operation phase. This reporting will be made publicly available on its website. The selected reporting indicators, which will be at the category level, are clear, relevant and exhaustive for both the allocation and impact reporting. The methodologies and assumptions used to report on environmental impacts will be disclosed in the reporting.

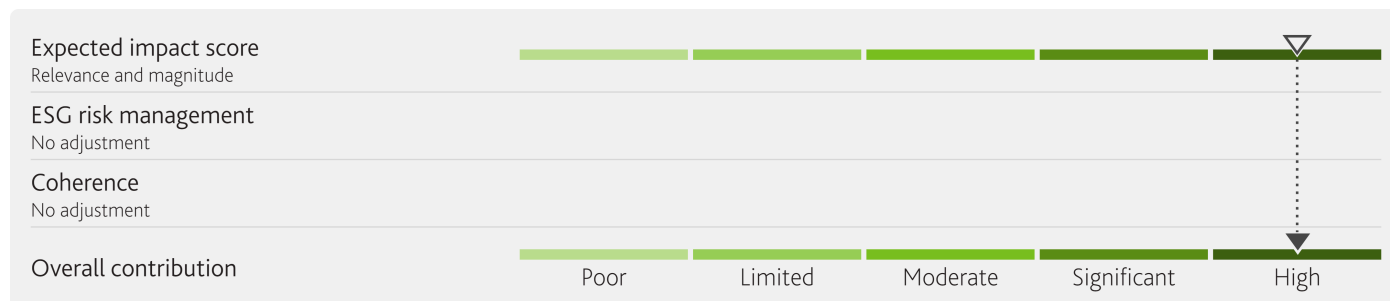
The allocation of proceeds will be externally verified by the Direction Régionale des Finances Publiques, an independent body responsible for monitoring public spending. The allocation of proceeds will also be verified by an additional external auditor. Impact reporting will be composed of data provided and verified by external parties.

Best practices identified

- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

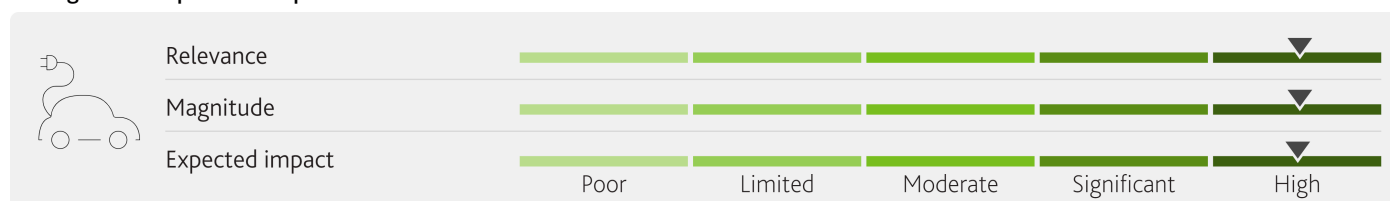
The framework demonstrates a high overall contribution to sustainability.



Expected impact

The framework demonstrates a high overall contribution to sustainability. The issuer did not provide an estimated allocation, so we have weighted the categories equally.

Rolling stock for public transport

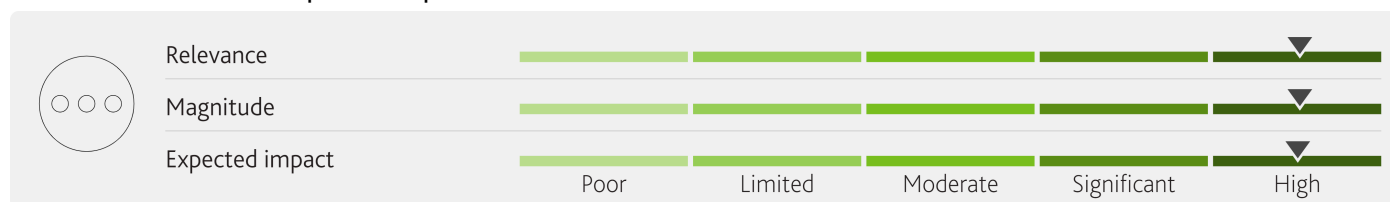


Under this category, the issuer will finance the acquisition and maintenance of zero-tailpipe emissions rolling stock for public transport, to include metro carriages, trams, and buses (the latter including both fully electric and hydrogen-powered ones). All of the equipment is for use on the public transport network in Toulouse, France.

According to the French Ministry of Ecological Transition, transportation accounts for 31% of the energy consumed in France and about 30% of the country's total greenhouse gas (GHG) emissions. In the Toulouse Métropole region, transport accounts for 39% of total final energy consumption, making it the most energy-consuming sector.¹ 59% of journeys in the Toulouse metropolitan area are still made with private vehicles, and these account for 88% of transport-related GHG emissions in the region. As regards Tisséo's current bus fleet, this is still composed of over 40% diesel buses and around 50% natural gas.² Given the importance of transport as a significant source of emissions in France generally and Toulouse specifically, decarbonizing transport is a highly relevant issue. Moreover, given the high degree of continued reliance on private vehicles in the region, the most emissions intensive mode of transport (and one causing other negative externalities like road congestion), addressing these with non-polluting public transport is very relevant.

In terms of magnitude, the category's exclusive focus on zero-tailpipe emissions rolling stock represents the best available technology for metro trains, trams, and especially for buses, which will be either fully electric or using hydrogen. The eligible projects technologies do not represent a lock-in in GHG intensive activities, and provide sustainable, clean public transportation options. The issuer has provided detailed information on the recyclability of the model of electric bus it expects to procure, but equivalent information is not yet available for hydrogen buses as the issuer is still conducting further research. It has to be noted that Tisséo Collectivités intends to align with these criteria for hydrogen buses. However, hydrogen buses are expected to comprise less than 1% of total capital expenditure over the 2023-2030 period. All these factors combined result in our assessment of a high magnitude and overall high expected impact score for the category.

Infrastructure for low-carbon public transport



This eligible category is dedicated to the financing of new electrified public transportation infrastructure in the Toulouse metropolitan area, mainly new metro lines (to include tunnels, stations, electrical systems), containing provisions for accessibility.

The context for this eligible category is the same as for the first one (see above) – a country where transportation accounts for 30% of the country's total greenhouse gas (GHG) emissions, and a region where 59% of journeys are made with private vehicles. Given the amount of emissions associated with the transport sector more broadly, and private vehicle use specifically, the provision of sustainable, low-carbon public transportation is considered highly relevant.

In terms of magnitude, the category's exclusive focus on metro lines with zero operational emissions represents the best available technology for this kind of public transport. On a life-cycle basis, the International Energy Agency finds that electrified rail is the least GHG-intensive mode of passenger transportation, with global average GHG emissions of 19g CO₂e per passenger kilometer (km). This compares to global average emissions from small and medium-sized cars of 148g CO₂e per passenger-km. The metro line will cause no negative lock-ins, and will provide positive impact over the very long term of decades to come. The issuer has comprehensive processes in place to mitigate and reduce to the maximum extent possible the modest negative externalities that may result from construction, such as noise pollution, impacts on biodiversity or local groundwater. Social co-benefits are also expected, including through accessibility measures for the disabled that are incorporated into the construction project. All these factors combined result in our assessment of a high magnitude and overall high expected impact score for the category.

ESG risk management

No notch down has been applied for ESG risk management. The issuer has detailed its ESG risk management policies in its Framework, and supplied extensive documentation providing further detail on these processes. All large construction projects (e.g., the new planned metro Line C) are subject to environmental impact assessments covering physical climate risks (such as flooding), biodiversity impacts, and impacts on groundwater, among other factors. Tisséo Collectivités also has processes in place to mitigate social and governance-related risks, including the potential impact of its activities on human rights, workers' rights, corruption, and competition issues.

Coherence

No notch down has been applied for coherence. The entire organization, Tisséo Collectivités, exists solely to provide public transportation and mobility to the Toulouse metropolitan area, and is committed to decarbonization. Tisséo Collectivités operates electrified metro, tram, and cable car services, as well as a significant bus network. Most of the travel is on the metro (95m out of 160m ticket validations). As regards the bus fleet, over 40% still uses diesel, and 50% uses compressed natural gas. Tisséo Collectivités does plan, as part of its fleet renewal, to phase out diesel buses by 2025, and to ensure its natural gas buses can use biogas.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The two eligible categories included in Tisséo Collectivités' framework are likely to contribute to two of the United Nations' (UN) Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 11: Sustainable Cities and Communities	Rolling stock for public transport Infrastructure for low-carbon public transport	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 13: Climate Action	Rolling stock for public transport Infrastructure for low-carbon public transport	13.2: Integrate climate change measures into national policies, strategies and planning

The mapping of the UN's SDGs in this SPO considers the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer/borrower/lender's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Tisséo Collectivités' framework

Eligible Category	Description	Objectives	Impact Reporting Metrics
Rolling stock for public transport	Purchase and maintenance of electric rolling stock (zero tailpipe emissions): <ul style="list-style-type: none"> - Metro carriages - Tramway - Electric or hydrogen buses 	Climate change mitigation	<ul style="list-style-type: none"> - Number of trains purchased - CO₂ emissions per passenger-kilometre - CO₂ emissions avoided thanks to the equipment purchased - Number of recycled batteries - Portion of recycled products in the purchased materials - Number of passengers transported
Infrastructure enabling low-carbon public transport	Construction and maintenance of infrastructure dedicated to electrified public transport: <ul style="list-style-type: none"> - Infrastructure for new metro lines (tunnels, stations, information systems, etc.) - Measures allowing accessibility to persons with reduced mobility 	Climate change mitigation	<p><u>Environmental indicators:</u></p> <p>Construction Phase</p> <ul style="list-style-type: none"> - Number of kilometres of railway constructed - Carbon footprint of the construction phase - Metric tons of construction waste reduced/recycled/recovered - Number of trains/buses purchased - Number of trees planted as part of the Line C project <p>Use Phase</p> <ul style="list-style-type: none"> - GHG emissions avoided - Reduction in air pollution (NO_x, SO_x, etc.) - Reduction in motorised transport - Noise reduction - Change in the number of journeys - Reduction in road traffic <p><u>Social co-benefit indicators:</u></p> <p>Construction Phase</p> <ul style="list-style-type: none"> - Number of direct and indirect jobs linked to the construction sites - Number of construction site visits made by an ecology specialist - Number of neighbourhood mediators deployed - Number of complaints received from local residents - Number of complaints received from local residents and handled at the construction site - Local retailer compensation: <ul style="list-style-type: none"> - Number of retailers compensated - Total amount of compensation paid <p>Use Phase</p> <ul style="list-style-type: none"> - Number of beneficiaries - Time saved for users - Number of jobs created or sustained - Estimated modal shift - Reduction in noise pollution - Number of infrastructures accessible to persons with reduced mobility

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

Endnotes

¹ AUAT, "[La consommation énergétique](#)," Toulouse Métropole, May 2022

² Tisséo Collectivité, "[La démarche environnementale](#)," 2023

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