

# Trinity Industries Leasing Company

**Type of Engagement:** Green Financing Pre-Issuance Review

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## Introduction

In January 2021, Trinity Industries Leasing Company (“TILC”) developed the Trinity Industries Leasing Company Green Financing Framework<sup>1</sup> under which its subsidiary, Trinity Rail Leasing 2023 LLC (the “Issuer”) will issue the TRL 2023-1 Notes (the “2023-1 Green Issuance”) for financing or refinancing the purchase, lease or refurbishment of freight railcars. Sustainalytics provided a Second Party Opinion<sup>2</sup> on the Framework.

In May 2023, TILC engaged Sustainalytics to review the 2023-1 Green Issuance, which will primarily be secured by eligible assets (the “Eligible Green Assets”), and provide an assessment as to whether the projects would comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

## Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2023-1 Green Issuance for compliance based on whether:

1. The Eligible Green Assets are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework; and
2. The commitments to select projects, manage proceeds, and report on allocation and impact from the 2023-1 Green Issuance are aligned with the commitments described in the Framework.

The Eligible Green Assets funded by the 2023-1 Green Issuance summarized in Appendix 2.

## Issuing Entity’s Responsibility

TILC, on behalf of the Issuer, is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. TILC is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2023-1 Green Issuance will remain aligned with the commitments described in the Framework.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the 2023-1 Green Issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of TILC that the use of proceeds, processes for project selection and management of proceeds for the upcoming 2023-1 Green Issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by TILC with respect to the Eligible Green Assets. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by TILC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

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<sup>1</sup> The Trinity Industries Leasing Company Green Financing Framework is available on TILC’s website at:

[https://s25.q4cdn.com/774532758/files/doc\\_downloads/2021/01/TILC\\_Green-Financing-Framework\\_vF.pdf](https://s25.q4cdn.com/774532758/files/doc_downloads/2021/01/TILC_Green-Financing-Framework_vF.pdf)

<sup>2</sup> Trinity Industries Leasing Company Green Financing Framework Second-Party Opinion is available on Sustainalytics’ website at: [trinity-industries-leasing-company-green-financing-framework-second-party-opinion.pdf](https://www.sustainalytics.com/trinity-industries-leasing-company-green-financing-framework-second-party-opinion.pdf) (mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com).

**Conclusion**

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, Trinity Industries Leasing Company's 2023-1 Green Issuance is not aligned with their existing Trinity Industries Leasing Company Green Financing Framework.

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<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix 1: Trinity Industries Leasing Company's Use of Proceeds Eligibility Criteria

In January 2021, TILC developed the Framework under which it may issue green financing instruments, including green bonds and loans in which the use the proceeds will finance or refinance projects that aim to improve GHG emissions and fuel efficiency of railcars and that meet the following eligibility criteria:

**Table 1: Use of Proceeds Eligibility Criteria**

Project Category	Eligible Green Projects
Low-carbon transportation	<ul style="list-style-type: none"><li>• Investments related to the purchase, lease or refurbishment of freight railcars; and</li><li>• Investments related to the improvement of freight railcars.</li></ul>

## Appendix 2: Summary of the Eligible Green Assets

The 2023-1 Green Issuance will be backed by the Eligible Green Assets in the portfolio, maintaining a 10% cushion to accommodate for fluctuation in the fair market value (“FMV”), cash reserves with transaction and amortization over time, in accordance with the Framework.<sup>4</sup>

Additionally, when matching the green financing instrument to Eligible Green Assets, TILC's has committed in the Framework that the financed portfolios consist of no more than 25% fossil fuel transport cars (measured by FMV of assets).<sup>5</sup>

The 2023-1 Green Issuance is secured by a portfolio of 6,493 railcars on 234 full-service leases, 21 net operating leases and 14 per diem leases.<sup>6</sup> Of the total railcars in the portfolio, 5,827 railcars, accounting for 93% of the portfolio by FMV, are considered Eligible Green Assets, that are utilized for transporting a range of commodities across the North American railroads.

**Table 2: Fair Market Value of Eligible Green Assets**

FMV of Green Assets (USD)	FMV of Total Assets (USD)	Share of Green Assets (%)
472,637,508	506,791,471	93%

**Table 3: Detailed List of Eligible Assets**

Market Group	Number of Cars	Car Type	Car Type
Agriculture	554	Freight	Box Box - Refrigerated Covered Hopper - PD Covered Hopper -Jumbo Covered Hopper -Large
	371	Tank	Tankcar - 20,413 CI Tankcar - 20,413 NCI Tankcar - 23,589 CI Tankcar - 25,498 CI Tankcar - 29,188 CI Tankcar - 30,145 NCNI Tankcar - 30,300 NCI Tankcar - Phosphoric Acid
Construction/Metals	663	Freight	Box Covered Hopper - Jumbo Covered Hopper - Large Covered Hopper - Medium Covered Hopper - Small Flat car Mill Gondola Other
Consumer Products	1,267	Freight	Auto-Rack Box Box - Refrigerated Flat Car

<sup>4</sup> The 2023-1 Green Issuance is secured by 6,493 railcars with an FMV of USD 506.8 million. The final balance of notes is USD 340 million.

<sup>5</sup> Sustainalytics notes that fossil fuels (coal, crude oil, natural gas, refined products) comprise 7% of the total portfolio, as measured by the FMV of assets.

<sup>6</sup> TILC has confirmed that full-service lease refers to railcars where the owner is responsible for the maintenance costs of the asset, whereas in net operating lease, the maintenance costs are borne by the lessee. Finally, per diem leases are short-term where the customer leases the railcars based on their mileage or hourly need.

			Well Car
	568	Freight	Covered Hopper - Plastics
<b>Downstream/Chemicals</b>	1,028	Tank	Tankcar - 20,413 CI Tankcar - 23,589 CI Tankcar - 25,498 CI Tankcar - 30,145 NCNI Tankcar - 30,300 NCI Tankcar - 31,808 NCNI Tankcar - Hydrochloric Acid Tankcar - Molten Sulphur Tankcar - Other General Service Tankcar - Sulphuric Acid Tankcar Pressure - 105J300 Tankcar Pressure - 112J340 Tankcar Pressure - 112J400 Tankcar Pressure - 112J500
	681	Freight	Coal - Gondola Coal - RD Covered Hopper - Large Covered Hopper - Small
<b>Energy</b>	1,308	Tank	Tankcar - 25,498 CI Tankcar - 30,145 NCNI Tankcar - 30,300 NCI Tankcar - 31,808 NCNI Tankcar - Molten Sulphur
	37	Freight	Box - Refrigerated Covered Hopper Plastics Well Car Mill Gondola
<b>Other</b>	16	Tank	Tankcar - 29,188 CI Tankcar - Molten Sulphur
<b>Total</b>	<b>6,493</b>		

## Appendix 3: Sustainalytics' Findings

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the railcar portfolio funded by the 2023-1 Green Issuance to determine if the assets are aligned with the Use of Proceeds Eligibility Criteria outlined in TILC's Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
<b>Project Selection and Management of Proceeds Criteria</b>	Verification of the railcar portfolio to determine if the commitments under processes for project selection and management of proceeds were consistent with TILC's Framework.	The Issuer has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2023-1 Green Issuance is consistent with the commitments described in the Framework.	None

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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