

Trinity Industries Leasing Company

Type of Engagement: Green Bond Pre-Issuance Review

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Introduction

In January 2021, Trinity Industries Leasing Company (“TILC”) developed the Trinity Industries Leasing Company Green Financing Framework¹ (the “Framework”) under which its subsidiary, Triumph Rail LLC² (“TRP 2021-2”), will issue the 2021-2 Secured Railcar Equipment Notes Class A and B Notes (the “TRP 2021-2 Notes”) aimed at financing or refinancing the purchase, leasing, and/or refurbishment of freight railcars. Sustainalytics provided a Second Party Opinion³ of the Framework.

In May 2021, TILC engaged Sustainalytics to review the TRP 2021-2 Notes issuance. The TRP 2021-2 Notes will be primarily secured by eligible assets (the “Eligible Green Assets”). Sustainalytics provided an assessment as to whether the projects and transparency requirement of the 2021-2 issuance comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the Eligible Green Assets that will be funded through the TRP 2021-2 issuance in June 2021 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 TRP 2021-2 issuance are aligned with the commitments described in the Framework.

Appendix 1 lists Sustainalytics findings, Appendix 2 lists the Use of Proceeds Eligibility Criteria, and Appendix 3 includes a summary of the railcar portfolio.

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 2021 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 TRP 2021-2 Notes. The work undertaken as part of this engagement included verification of the Eligible Green Assets and confirmation from relevant employees of TILC that the use of proceeds, processes for project selection, management of proceeds, and reporting for the upcoming green bond issuance will remain aligned with the commitments described in the Framework.

¹ TILC’s Framework is available at: https://s25.q4cdn.com/774532758/files/doc_downloads/2021/01/TILC_Green-Financing-Framework_vF.pdf

² TRP 2021-2 is a wholly owned special purpose subsidiary of Triumph Rail Holdings, LLC (“Triumph Holdings”), a wholly owned subsidiary of TRIP Rail Holdings LLC (“TRIP Holdings”), a joint venture among Trinity Industries Leasing Company (“TILC”) and three other members.

³ Sustainalytics, “Trinity Industries Leasing Company Green Financing Framework Second-Party Opinion”, (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/trinity-industries-leasing-company-green-financing-framework-second-party-opinion.pdf?sfvrsn=e303dcb3_3

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.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, that the TRP 2021-2 Notes are not aligned with the Framework, including but not limited to the (i) Use of Proceeds Eligibility Criteria outlined therein and (ii) the commitments to select projects, manage proceeds and report on allocation and impact from the TRP 2021-2 issuance.

⁴ 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: Sustainalytics' Findings

Table 1: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the railcar portfolios funded by the TRP 2021-2 Notes to determine if the assets aligned with the Use of Proceeds Eligibility Criteria outlined in TILC's Framework (Appendix 2).	All projects reviewed (Appendix 3) complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the railcar portfolios to determine if the commitments under processes for project selection and management of proceeds were consistent with the TILC's Framework.	TRP 2021-2's processes for project selection and management of proceeds for the TRP 2021-2 Notes issuance are consistent with the commitments described in the Framework.	None

Appendix 2: Trinity Industries Leasing Company's Use of Proceeds Eligibility Criteria

Table 2: Use of Proceeds Eligibility Criteria

Project Category	Eligible Green Projects
Low-Carbon Transportation	Investments related to purchase, leasing, refurbishment of freight railcars. Investments related to the improvement of freight railcars.

Appendix 3: Summary of the ABS Portfolio of Eligible Green Assets

The TRP 2021-2 Notes will be backed by the Eligible Green Assets in the ABS Portfolio,⁵ maintaining a 10% “cushion” to accommodate for fluctuation in fair market value, cash reserves within the transaction, and amortization over time. The TRP 2021-2 Notes are secured by a portfolio of 11,004 railcars on lease to 203 customers, of which 8,735 are considered Eligible Green Assets,⁶ that are utilized for the transportation of a variety of commodities on North American railroads.

Table 5: Fair Market Value of Eligible Green Assets

	Eligible Green Assets (USD)
Eligible Green Assets' Fair Market Value	\$597,392,561
Total Assets	\$757,074,801
Percentage of Eligible Green Assets	79%

Table 6: Detailed list of Eligible Green Assets

Market Group	Number of cars	Car Type Group	Car Types
Agriculture	2,340	Freight	Cov. Hopper Jumbo, Cov. Hopper Large
	925	Tank	General Service Tank Cars
Construction/Metals	923	Freight	Small Covered Hoppers
Consumer Products	440	Freight	Auto Racks
	5	Tank	General Service Tank Cars
Downstream/Chemicals	284	Freight	Plastic
	2,101	Tank	HCL, Caustic Soda, General Service
Energy	630	Freight	Small Covered Hoppers
	1,071	Tank	30.1K gal. 117R tank cars
Other	5	Freight	Misc.
	11	Tank	General Service Tank Cars
Total	8,735		

⁵ The TRP 2021-2 Notes are secured by 11,004 railcars with a fair market value (“FMV”) of USD 757 million and USD 560.4 million debt outstanding across Class A and Class B tranches.

⁶ Assessed based on the commodity carried, as per the Framework.

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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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