

Trinity Industries Leasing Company

Type of Engagement: Green Bond Pre-Issuance Review

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Engagement Team:

Amala Devi, amala.devi@sustainalytics.com, (+1) 416 861 0403

Siga Wu, siga.wu@morningstar.com

Zoe Wittmann, zoe.wittmann@morningstar.com

Introduction

In January 2021, Trinity Industries Leasing Company (“TILC”) developed the Trinity Industries Leasing Company Green Financing Framework¹ (the “Framework”) under which its subsidiary, Trinity Rail Leasing 2022 LLC, will issue the TRL 2022-1 Notes for financing and/or refinancing the purchase, leasing, and/or refurbishment of freight railcars. Sustainalytics provided a Second Party Opinion² of the Framework.

In March 2022, TILC engaged Sustainalytics to review the TRL 2022-1 Notes issuance. The TRL 2022-1 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 2022 issuance comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying assets that will be funded through the TRL 2022-1 Notes 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 TRL 2022-1 Notes issuance are aligned with the commitments described in the Framework.

The Eligible Green Assets funded by the 2022 green bond issuance are summarized in Appendix 3.

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 2022 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 TILC’s 2022 green bond issuance. 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.

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.

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

² Sustainalytics, “Trinity Industries Leasing Company Green Financing Framework Second-Party Opinion”, (2021), 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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, Trinity Industries Leasing Company's 2022 green bonds are not aligned with their existing Trinity Industries Leasing Company Green Financing Framework.

³ 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the railcar portfolio funded by the TRL 2022-1 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 portfolio to determine if the commitments under processes for project selection and management of proceeds were consistent with the TILC's Framework.	Trinity Rail Leasing 2022 LLC processes for project selection and management of proceeds for the TRL 2022-1 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 1. 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 ABS Portfolio of Eligible Green Assets

The TRL 2022-1 Notes will be backed by the Eligible Green Assets in the ABS Portfolio,⁴ maintaining a 10% “cushion” to accommodate for fluctuation in fair market value (“FMV”), cash reserves within the transaction, and amortization over time. The TRL 2022-1 Notes are secured by a portfolio of 3,652 railcars on lease to 85 customers, of which 2,761 are considered Eligible Green Assets,⁵ that are utilized for the transportation of a variety of commodities on North American railroads. TILC targets to have at least 75% of the total asset portfolio as Eligible Green Assets based on FMV.

Table 2. Fair Market Value of Eligible Green Assets

FMV of Green Assets (USD)	FMV of Total Assets (USD)	Share of Green Assets (%)
\$274,115,418	\$354,730,262	77.27%

Table 3. Detailed List of Eligible Green Assets

Market Group	Number of Cars	Car Type Group	Car Type
Agriculture	146	Freight	Covered Hopper - PD Covered Hopper Jumbo Covered Hopper Large
	315	Tank	Tank Car - 25,498 CI Tank Car - Other General Service Tank Car Stainless
Construction/Metals	350	Freight	Covered Hopper - PD Covered Hopper - Plastics Covered Hopper Large Covered Hopper Small Mill Gondola
Downstream/Chemicals	711	Freight	Covered Hopper - Plastics Covered Hopper Large
	558	Tank	Tank Car - 23,589 CI Tank Car - 25,498 CI Tank Car - 30,145 NCNI Tank Car - Other General Service Tank Car Pressure Tank Car Stainless
Energy	8	Freight	Covered Hopper Small
	663	Tank	Tank Car - 25,498 CI Tank Car - 30,145 NCNI Tank Car - 30,300 NCI
Other	10	Tank	Tank Car - Other General Service
Total	2,761		

⁴ The TRL 2022-1 Notes are secured by 3,652 railcars with FMV of USD 355 million. The final balance of the Class A notes is USD 244,764,000.

⁵ Assessed based on the commodity carried, as per the Framework.

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