

# 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 Framework (the “Framework”)<sup>1</sup> under which its subsidiary, Trinity Rail Leasing 2021 LLC (the “Issuer”)<sup>2</sup> will issue the TRL 2024-1 Notes (the “2024-1 Green Bond Issuance”)<sup>3</sup> that will finance and/or refinance assets related to the purchase, lease or refurbishment of freight railcars. Sustainalytics provided a Second-Party Opinion<sup>4</sup> on the Framework in January 2021.

In May 2024, TILC engaged Sustainalytics to review the projects that will be financed and/or refinanced by the 2024-1 Green Bond Issuance (the “Nominated Projects”) to provide an assessment as to whether the projects comply with the Use of Proceeds, Project Selection and Management of Proceeds sections of the Framework.

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects as to whether:

1. They are aligned with the use of proceeds eligibility criteria in the Framework
2. The commitments to select projects and manage proceeds are aligned with the those described in the Framework.

Appendix 2 provides a summary of the Nominated Projects.

## Issuing Entity’s Responsibility

TILC is responsible for providing accurate information and documentation relating to the Nominated Projects, including a description of the projects. This information was provided to Sustainalytics to support its review. TILC is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments 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 2024-1 Green Bond Issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from representatives of TILC that the use of proceeds, processes for project selection and management of proceeds for the 2024-1 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 Nominated Projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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.

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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> TILC has communicated to Sustainalytics that it has operational control over the Issuer. It has further confirmed that it will be responsible for ensuring continual alignment of the issuance with the criteria defined in the Framework.

<sup>3</sup> TILC has communicated to Sustainalytics that the TRL 2024-1 Notes are secured green standard bonds.

<sup>4</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://trinity-industries-leasing-company-green-financing-framework-second-party-opinion.pdf) (mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com).

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**Conclusion**

Based on the limited assurance procedures conducted,<sup>5</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the 2024-1 Green Bond Issuance is not aligned with the Framework.

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<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, estimated and realized costs, and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

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

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 and/or refinance projects that aim to improve the 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 data-bbox="824 611 1503 663">• Investments related to the purchase, lease or refurbishment of freight railcars; and</li><li data-bbox="824 665 1503 695">• Investments related to the improvement of freight railcars.</li></ul>

## Appendix 2: Summary of the Nominated Projects

The 2024-1 Green Bond Issuance will finance and/or refinance the Nominated Projects in the portfolio, maintaining a 10% cushion to accommodate fluctuation in the fair market value (“FMV”), cash reserve associated with the transaction, and amortization over time, in accordance with the Framework.<sup>6</sup>

Additionally, when matching the green financing instrument to eligible green assets, TILC has committed in the Framework that the financed portfolios will consist of no more than 25% fossil fuel transport cars, measured by the FMV of assets.<sup>7</sup>

The 2024-1 Green Bond Issuance will finance and/or refinance a portfolio of 8,552 railcars comprising 27 off-lease railcars and the rest on 310 full-service leases, 14 net operating leases, 4 per diem leases.<sup>8</sup> Of the total railcars in the portfolio, 7,235 railcars, accounting for 88% 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 the Nominated Projects**

FMV of Green Assets (USD)	FMV of Total Assets (USD)	Share of Green Assets (%)
633,178,068	719,126,624	88%

**Table 3: Detailed List of the Nominated Projects**

Market Group	Number of Cars	Car Type <sup>9</sup>	Car Type
Agriculture	1,728	Freight	Box Cov. Hopper - PD Cov. Hopper Jumbo Cov. Hopper Large Cov. Hopper Medium Cov. Hopper Small
	1,010	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 - Corn Syrup Tankcar - Other General Service Tankcar Pressure - 105J400 Tankcar Stainless
Construction/Metals	472	Freight	Aggregate Cov. Hopper - PD Cov. Hopper Jumbo Cov. Hopper Large Cov. Hopper Medium

<sup>6</sup> Sustainalytics notes that the Nominated Projects comprising 8,552 railcars will also collateralize the TRL 2024-1 Notes as part of the broader collateral pool consisting of 12,746 railcars with an FMV of USD 1,185.4 million.

<sup>7</sup> Sustainalytics notes that fossil fuels (coal, crude oil, natural gas, refined products) comprise 12% of the total portfolio, as measured by the FMV of assets.

<sup>8</sup> TILC has communicated to Sustainalytics 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.

<sup>9</sup> TILC has confirmed to Sustainalytics that tanks in the portfolio are a subset of freight transportation and hence, align with the criteria defined in the Framework.

			Cov. Hopper Small Mill-Gon
<b>Consumer Products</b>	1,000	Freight	Auto-Rack Flat Car
<b>Downstream/Chemicals</b>	282	Freight	Cov. Hopper - PD Cov. Hopper - Plastics Cov. Hopper Large
	1,781	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 - Asphalt Tankcar - Caustic Soda Tankcar - Compartment Tankcar - Hydrochloric Acid Tankcar - Molten Sulfur Tankcar - Other General Service Tankcar - Sulfuric Acid Tankcar Pressure - 105J300 Tankcar Pressure - 105J500 Tankcar Pressure - 105J600 Tankcar Pressure - 112J340 Tankcar Pressure - 112J400 Tankcar Stainless
<b>Energy</b>	1,391	Freight	Coal - Gon Coal - RD Cov. Hopper Small Mill-Gon
	874	Tank	Tankcar - 23,589 CI Tankcar - 25,498 CI Tankcar - 28,371 CI Tankcar - 30,145 NCNI Tankcar - 30,300 NCI Tankcar - 31,808 NCNI
<b>Other</b>	11	Freight	Mill-Gon
	3	Tank	Tankcar Pressure - 105J600
<b>Total Railcars</b>	<b>8,552</b>		

### Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine if they are aligned with the use of proceeds eligibility criteria outlined in the Framework.	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 Nominated Projects to determine if the processes for project selection and management of proceeds were consistent with the Framework.	Trinity Industries Leasing Company has confirmed to Sustainalytics that the processes for project selection and management of proceeds for the green are consistent with the commitments described in the Framework.	None

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