

JSC Russian Railways

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: 13th February to 14th February 2020

Approved verifier: Sustainalytics

Contact address for engagement: De Entrée 35-37 – 1101 BH, P.O. Box 22703 – 1100 DE, Amsterdam, The Netherlands

Post-Issuance Engagement Leader: Amanda Ackerman, amanda.ackerman@sustainalytics.com, (+31) 20 205 00 88

Post-Issuance Engagement Support: Winnie Toppo, winnie.toppo@sustainalytics.com, (+1) 647 317 3648

Scope and Objectives

In May 2019, JSC Russian Railways (Russian Railways) issued green bonds aimed at financing low carbon land transportation. In February 2020, Russian Railways engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include:

- Acquisition of “Lastochka” passenger electric trains

Schedule 1 provides details of the above green bond project and Disbursement of Proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibility

Russian Railways is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Russian Railways’ green bond, issued to finance low carbon land transportation, and provided an independent opinion informing Russian Railways as to the conformance of the green bond with the Post-Issuance requirements and Low Carbon Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Russian Railways with respect to the Nominated Projects. 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 Russian Railways.

Sustainalytics makes 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 bond.

Verifier’s Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant Russian Railways employees and review of relevant documentation to confirm the conformance of Russian Railways’s green bond with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Low Carbon Transport criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the allocation of EUR 500 million (36,028 RUB million) from the Russian Railways green bond, issued to fund Eligible Green Assets, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of the Eligible Green Assets (75 electric passenger trains) funded by the green bond in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All Green Assets reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of Eligible Green Assets funded by the green bond in 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Transport technical criteria.	All Green Assets fall under the Low Carbon Land Transport criteria and meet the Low Carbon Land Transport technical requirements.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

JSC Russian Railways' May 2019 bond proceeds were allocated towards refinancing "Lastochka" passenger electric trains purchase. See details of allocation below:

Years	Eligible Green Assets	Allocated Proceeds	
		EUR (million)	RUB (million)
2016	20	119.12	8557.64
2017	31	209.44	15046.62
2018	24	172.93	12423.64
Total	75	501.49	36027.9

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Nominated Projects meet the Climate Bonds criteria</p> <p>1.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>2.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>2.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>2.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>2.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>2.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>3.1 Tracking of proceeds</p> <p>3.2 Managing of unallocated proceeds</p> <p>3.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>4.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>4.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
Reporting Post-Issuance	<p>5.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>1.1 The objective of the bond is to primarily use proceeds to finance Low Carbon Land Transport, specifically electric passenger trains.</p> <p>1.2 Russian Railways' management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>1.3 Russian Railways' management confirms that the indicated assets in Schedule 1 shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>2.1 Net Proceeds of the bond have been allocated to the Eligible Green Assets.</p> <p>2.2 Russian Railways' management has confirmed that funds have been allocated to Eligible Green Assets at the time of issuance.</p> <p>2.3 Russian Railways' management has confirmed that all Net Proceeds of the bond were used for refinancing only.</p> <p>2.4 Russian Railways' management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>2.5 Russian Railways' management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Eligible Green Assets or the Total Development Cost of the Eligible Green Assets.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>3.1 Russian Railways's management confirms that the proceeds have been tracked in a systematic manner and were exclusively used to finance Eligible Green Assets.</p> <p>3.2 Russian Railways' management confirms that proceeds were fully allocated at the time of issuance.</p> <p>3.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>4.1 Russian Railways' management confirms that all relevant information about the Eligible Green Assets has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>4.2 Russian Railways' management confirms that all relevant information about the bond and the Eligible Green Assets will be disclosed in May, 2020.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 Russian Railways' management has provided a report containing the list of Eligible Green Assets to which proceeds of the bond have been allocated (See Schedule 1).</p>	None

Disclaimer

© Sustainalytics 2020. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer's economic performance, financial obligations nor its creditworthiness.

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

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

