

JSC Georgian Railway

Type of Engagement: Allocation Review

Date: June 27, 2022

Engagement Team:

John-Paul Iamonaco, john-paul.iamonaco@sustainalytics.com, (+1) 416 861 0403

Anchal Verma, anchal.verma@sustainalytics.com

Introduction

In 2021, JSC Georgian Railway (GR) issued green bonds aimed at financing and refinancing projects that reduce the environmental impact of GR's activities and decarbonize the transportation sector in Georgia. In 2022, GR engaged Sustainalytics to review the projects funded through the issued 2021 green bonds and provide an assessment as to whether the projects met the use of proceeds criteria outlined in the JSC Georgian Railway Green Bond Framework.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green based on whether the projects and programmes met the use of proceeds and eligibility criteria outlined in the JSC Georgian Railway Green Bond Framework.

Table 1 lists the use of proceeds, eligibility criteria and associated KPI indicated in the JSC Georgian Railway Green Bond Framework while Table 2 provides Sustainalytics' detailed findings.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria	Associated key performance indicator (KPI)
Clean Transportation	Financing and/or refinancing expenditures related to the construction, modernisation, maintenance and extension of new and existing zero direct emission railway lines – electrified interurban railway lines for passenger, freight and supporting infrastructure.	<ul style="list-style-type: none"> Estimated GHG/ CO₂ emissions reduced/ avoided

Issuing Entity's Responsibility

GR is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects and amounts allocated.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of GR's green bond use of proceeds. The work undertaken as part of this engagement included collection of documentation from GR employees and review of documentation to verify conformance with the JSC Georgian Railway Green Bond Framework.

Sustainalytics has relied on the information and facts presented by GR 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 GR.

¹ The JSC Georgian Railway Green Bond Framework is available at JSC Georgian Railway's website at: <https://www.railway.ge/app/uploads/2021/05/Green-Framework-GR.pdf>

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 review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of GR’s green bond, are not in conformance with the use of proceeds outlined in the JSC Georgian Railway Green Bond Framework. GR has disclosed to Sustainalytics that it raised a total of USD 500 million from the green bond issuance, of which USD 337.6 million has been allocated as of June 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the JSC Georgian Railway Green Bond Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the JSC Georgian Railway Green Bond Framework and above in Table 1.	All projects reviewed reported on at least one KPI per use of proceeds criteria.	None

² 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

Appendix 1: Allocation Reporting by Eligibility Criteria & Impact KPIs

1. Allocation Reporting by Use of Proceeds Categories

Use of Proceeds Category	Project Description	Status	Project Expenditures	Net Bond Proceeds Allocation (USD)
Clean Transportation	Investments related to new railway line (Modernization Project)	Under Construction ³	<ul style="list-style-type: none"> Expected to increase average speed of passenger trains to 50 km/hour Expected to increase average speed of freight trains to over 40 km/hour Expected to increase the volume of freight capacity to over 27 million tonnes per year Expected increase volume of passenger capacity to over 4.5 million per year 	157.2 M
	Acquisition and maintenance cost of freight and passenger rolling stock	Ongoing	<ul style="list-style-type: none"> 4,469 Freight Railcars 40 Passenger wagons 25 Passenger locomotives Electrical Multiple Units 89 Electric Locomotives 	34.8 M
	Renovation and maintenance cost of infrastructure required for freight and passenger transportation	Ongoing	<ul style="list-style-type: none"> 100 Freight Stations 31 Passenger stations 586 Containers 	65.4 M
	Extensions, modernization, maintenance and energy efficiency of existing electrified railway lines	Ongoing	<ul style="list-style-type: none"> 1,411 km of network length 296 km of double-track line length 	55.0 M
	Acquisition, modernization and maintenance cost of trackside infrastructure	Ongoing	<ul style="list-style-type: none"> 1,349 Railroad Bridges 42 Railroad Tunnels 	25.2 M
Total				337.6M

³ JSC Georgian Railway has confirmed to Sustainalytics that this project is currently under construction, and that the impact metrics associated with the project are anticipated.

2. Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Year	Total Estimated Avoided Emissions (tCO₂e)
Clean Transportation	2018	113,752
	2019	125,689
	2020	120,344
	2021	139,931

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

