

JSC Georgian Railway

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

In June 2021, JSC Georgian Railway ("GR") issued green bonds (the "2021 Green Bonds") based on the JSC Georgian Railway Green Bond Framework (the "Framework")¹ to finance and refinance projects intended to help reduce the environmental impact of GR's activities and help decarbonize the transportation sector in Georgia. In 2023, GR engaged Sustainalytics to review the projects financed with proceeds from the 2021 Green Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. This is Sustainalytics' second annual review of the 2021 Green Bonds, following a previous annual review in 2022.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 Green Bonds based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category of the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
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.	• GHG/ CO ₂ emissions reduced/ avoided

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from GR's 2021 Green Bonds. The work undertaken as part of this engagement included collection of documentation from GR and review of said documentation to assess conformance with the JSC Georgian Railway Green Bond Framework.

¹ Georgian Railway, "JSC Georgian Railway Green Bond Framework", (2021), at: <https://www.railway.ge/en/eurobonds/>

² Georgian Railway, "JSC Georgian Railway Allocation Review", (2022), at: https://cdn2.grmedia.com.ge/app/uploads/sites/5/2022/07/Annual_Review_2022.pdf

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

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 of the review.

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, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the JSC Georgian Railway Green Bond Framework. GR has disclosed to Sustainalytics that a total of USD 500 million in proceeds have been raised through the issuance of the 2021 Green Bonds, of which 84.8% were allocated until 31 December 2022 and the remaining 15.2%⁴ will be temporarily invested in accordance with the JSC Georgian Railway Green Bond Framework.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Green Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 Green Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their 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.

⁴ Unallocated net proceeds of outstanding green bonds will be held in temporary investments, such as cash, cash equivalents or other liquid marketable investments in line with Georgian Railway's treasury management policies or used to repay portions of outstanding indebtedness as under the Framework. GR intends to fully allocate proceeds within 36 months of issuance.

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category⁵

Use of Proceeds Category	Project Description	Status	Project Expenditures	Net Proceeds Allocation (USD million)
Clean Transportation	Investments related to new railway line (Modernization Project)	Under construction ⁶	<ul style="list-style-type: none"> Expected to increase average speed of passenger trains to over 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 	172
	Acquisition and maintenance cost of freight and passenger rolling stock	Ongoing	<ul style="list-style-type: none"> 4,504 freight railcars 36 passenger wagons 20 passenger locomotives (electrical multiple units) 70 electric locomotives 	52
	Renovation and maintenance cost of infrastructure required for freight and passenger rolling stock	Ongoing	<ul style="list-style-type: none"> 100 freight stations 31 passenger stations 586 containers 	98
	Extensions, modernization, maintenance and energy efficiency of existing electrified railway lines	Ongoing	<ul style="list-style-type: none"> 1,408 km of network length 293 km of double-track line length 	71

⁵ JSC Georgian Railway has allocated proceeds from the 2021 Green Bonds towards expenditures made within three years preceding the year of issuance.

⁶ 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.

	Acquisition, modernization and maintenance cost of trackside infrastructure	Ongoing	<ul style="list-style-type: none"> 1,348 railroad bridges 42 railroad tunnels 	31
Allocated net proceeds				424
Unallocated net proceeds				76

Appendix 2: Reported Impact by Use of Proceeds Category

Use of Proceeds Category	Year	Total Avoided Emissions (tCO ₂ e)
Clean Transportation	2018	113,752
	2019	125,689
	2020	120,344
	2021	139,931
	2022	181,847

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