

JSC Georgian Railway

Type of Engagement: Annual Review

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Introduction

In June 2021, JSC Georgian Railway (“GR” or the “Company”) issued green bonds (the “Green Bonds”) to finance and refinance eligible green projects under the Clean Transportation category. In September 2024, GR engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether GR complied with the reporting commitments in the JSC Georgian Railway Green Bond Framework (the “Framework”).¹ This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in June 2022, and November 2023.^{2,3}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and GR’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in 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 projects, including descriptions, amounts allocated and 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 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 Framework.

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.

¹ GR, “JSC Georgian Railway Green Bond Framework”, (2021), at: <https://cdn4.grmedia.com.ge/app/uploads/2021/05/Green-Framework-GR.pdf>

² Sustainalytics, “Annual Review, JSC Georgian Railway”, (2022), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review-2022.pdf>

³ Sustainalytics, “Annual Review JSC Georgian Railway”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review-\(2023\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review-(2023).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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. GR has disclosed to Sustainalytics that the proceeds from the Green Bonds were fully allocated as of December 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Expenditures or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	GR reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact

In June 2021, GR raised USD 500 million through the issuance of the Green Bonds. The proceeds were fully allocated to finance and refinance the below mentioned Nominated Expenditures.

Table 3: Allocation of proceeds from the Green Bonds

Use of Proceeds Category	Project Description	Project Status	Project Expenditures	Net Proceeds Allocated (USD million)
Clean Transportation	Modernization Project: Designed to modernize rail infrastructure, increase safety and capacity of the main line	Under construction ⁵	<ul style="list-style-type: none"> i. 6 Tunnels ii. 10 bridges iii. 3 new stations (incl. 3 separate station buildings) iv. 3 new substations v. Designing and subgrade works 	199
	Freight and Passenger Rolling Stock: Acquisition and maintenance cost of the Company's wagon and locomotive fleet	Ongoing	<ul style="list-style-type: none"> i. 17 Passenger Trains ii. 34 Passenger Wagons iii. 4,392 Freight Railcars iv. 71 Electric Locomotives 	63
	Infrastructure for Transportation: Costs related to freight and passenger stations, logistic terminals and platforms	Ongoing	<ul style="list-style-type: none"> i. 31 Passenger Stations ii. 586 Containers iii. 99 Freight Stations 	125
	Railway Line: Extensions, modernization, maintenance, energy efficiency and electrification of existing electrified railway lines	Ongoing	<ul style="list-style-type: none"> i. 1,408 km of network length ii. 293 km of double-track line iii. 98% network length fully electrified 	80
	Trackside Infrastructure: Costs related to signaling, centralization and blocking systems	Ongoing	<ul style="list-style-type: none"> i. 1,348 railroad bridges ii. 42 railroad tunnels 	34
Total Net Proceeds Allocated				501

Table 4: Cumulative reported impact from the Green Bonds

Use of Proceeds Category	KPI	2018	2019	2020	2021	2022	2023
Clean Transportation	Total avoided emissions (tCO _{2e})	113,752	125,689	120,344	139,931	181,847	172,852

⁵ JSC Georgian Railway has confirmed to Sustainalytics that this project is currently under construction and that the impact metrics associated with the project are estimated and expected to be completed by the end of 2024.

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