

JSC Russian Railways

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April 2019

Approved verifier: Sustainalytics

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Scope and Objectives

Russian Railways has engaged Sustainalytics to review and verify that Russian Railways' green bond meets the requirements under the low carbon land transport criteria of the Climate Bonds Standard.

Joint Stock Company (JSC) Russian Railways (or "the Company", or "Russian Railways", or "RZD") is a fully state-owned commercial and passenger railways company. Russian Railways is one of the largest transportation companies in the world, with railway infrastructure spanning 85,500 kilometres – the third-longest rail transport network in existence. Russian Railways provides a full range of services in areas including freight transportation; passenger transportation; container shipping, logistics, engineering services; research and development activities amongst others. Russian Railways' green bond proceeds will be used to exclusively finance and refinance the acquisition of electric locomotives and trains for passenger transportation.

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low carbon land transport
 - Criterion 3: Emissions threshold for public passenger transport. All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport pass this criterion, including electrified rail, trams, trolleybuses and cable cars. Buses with no direct emissions (electric and hydrogen) also pass.

Issuing Entity's Responsibility

Russian Railways was responsible for providing information and documents relating to:

- The details concerning the selection process for the fully electric passenger trains;
- The details of the fully electric passenger trains;
- The management systems for internal processes and controls for clean transportation including: tracking of proceeds, managing unallocated proceeds and earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

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 Nominated Projects, and provided an independent opinion informing Russian Railways as to the conformance of the green bond with the Pre-Issuance requirement and low carbon land transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Russian Railways. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Russian Railways management and used as a basis for this assessment were not correct or complete.

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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

The work undertaken as part of this engagement included conversations with relevant Russian Railways employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Russian Railway's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on low carbon land transport
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

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

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the JSC Russian Railways Green Bond Framework meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Russian Railways will ensure compliance with Climate Bond Standard requirements.

Conclusion

Russian Railways has developed the JSC Russian Railways Green Bond Framework to finance the company's investments into clean transportation via the purchase of fully electric locomotives and trains for passenger transportation. These investments will further contribute to increasing the capacity of electrified passenger rail transport for Russian citizens and will support the decarbonization of the company's operations. Sustainalytics has assessed the Nominated projects that Russian Railways has selected for this Green Bond and has concluded that they align with the low carbon land transport criteria as outlined by the Climate Bonds Standard.

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Russian Railway's green bond is not in conformance with the Climate Bond Standard's Pre-Issuance Requirements

Schedule 2A: Pre-Issuance General Requirements

<p>Selection of Nominated Projects and Assets:</p>	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
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Internal Processes and Controls	2.1.1 Tracking of proceeds 2.1.2 Managing of unallocated proceeds 2.1.3 Earmarking funds to Nominated Projects and Assets
Reporting Prior to Issuance	3.1.1 Investment area of Nominated Projects and Assets 3.1.2 Intended types of temporary investments for the management of unallocated proceeds 3.1.3 Approach of Verifier 3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p>1.1 The objective of the bond is to primarily use proceeds to the purchase of fully electric trains.</p> <p>1.2 The Nominated Project and Assets meet the low carbon land transport criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Project and Assets include:</p> <ul style="list-style-type: none"> • Fully electric locomotives and trains for passenger transportation <p>1.4 Russian Railways' management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 Russian Railways' management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p>2.1.1 Russian Railways' management confirms that a register will be utilized to track allocation of proceeds which will be exclusively used to finance Nominated Projects.</p> <p>2.1.2 Russian Railways' management confirms that unallocated proceeds will be invested in bank deposits, cash and cash equivalents, and/or repayment of short-term indebtedness.</p> <p>2.1.3 Russian Railways' management has confirmed that the proceeds from the bond will be allocated in accordance to the Company's Green Bond Framework on the projects recorded in the Green Financing Register and tracked by Corporate Finance Department, in coordination with the Accounting, the Investments, the Passenger Transportation and the Environmental and Sustainable Development Departments.</p>	None
Verification of requirements specified under Reporting Prior to Issuance	<p>3.1.1 Russian Railways' management confirms that the proceeds of the transaction will primarily be used to purchase fully electric passenger trains.</p> <p>3.1.2 Russian Railways' management confirms that unallocated proceeds shall be held in cash, cash equivalents, or repayment of short-term indebtedness, where such holdings, investments and/or repayments are not directly linked to the financing of activities which may conflict with the environmental objectives of the Russian Railways Green Bond</p> <p>3.1.3 The bond's offer letter confirms that an approved third party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the low carbon land transport criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third</p>	None

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	<p>party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the low carbon land transport criteria of the Climate Bonds Standard.</p>	
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The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support 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 and 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

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