TRINITY INDUSTRIES LEASING COMPANY

Green Financing Framework

January 2021

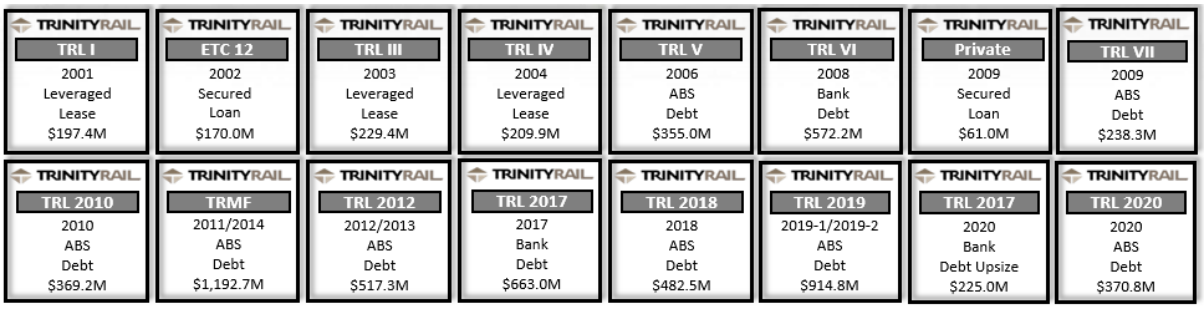
Background

Trinity Industries, Inc. (on a consolidated basis, "Trinity" or the "Company"): Trinity (S&P: BB+ / Moody's: Ba2 / Fitch: BB) is a premier provider of railcar products and services in North America. The Company services its customers through an integrated rail platform that combines its captive railcar leasing and management services and a flexible rail manufacturing footprint to provide a single source for comprehensive rail transportation solutions. Trinity reports its financial operations through three business segments (i) Railcar Leasing and Management Services Group (ii) Rail Products Group and (iii) all Other Group

The railcar leasing and management services are operated through the wholly-owned subsidiary, Trinity Industries Leasing Company ("TILC"), and through the partially-owned subsidiaries, TRIP Rail Holdings LLC ("TRIP Holdings") and RIV 2013 Rail Holdings LLC ("RIV 2013").

Trinity Industries Leasing Company ("TILC"): TILC was formed in 1979 and is a wholly-owned subsidiary of Trinity. TILC is a leading provider of railcar leasing and management services with strong customer relationships, serving over 700 customers. TILC manages an operating lease fleet of over 130,000 railcars and provides full service operating leases allowing for cradle-to-grave management for customers in North America.

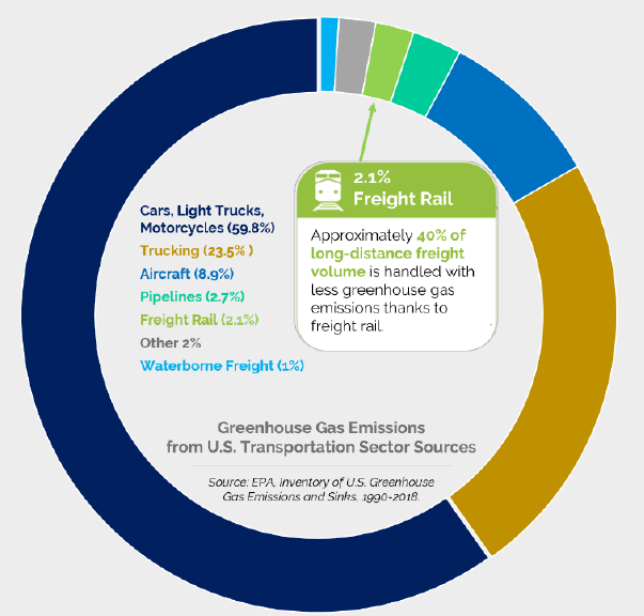
TILC is the leader in raising and servicing $6.8BN of railcar secured debt since 2001 via its wholly or partially owned SPVs, as laid out below.



1. Rationale for the Development of a Green Financing Framework

1.1. Freight Rail & Preserving the Environment

Preserving the natural environment and taking steps to mitigate the effects of climate change is a responsibility that railroads and railcar manufacturers, including Trinity, take seriously. As a backbone of the U.S. economy for the last two centuries, freight railroads have evolved to provide efficient and advanced transportation solutions to North American businesses and consumers. Today's railcar manufacturers, lessors and operators continue to modernize their operations to meet tomorrow's challenges, including improvements that increase efficiency and lessen negative impacts on the environment associated with transportation. Rail is a more sustainable, low-carbon mode of transportation and plays an important role in the industrial supply chain by transporting various products and commodities across the North American continent. Railcars play an important role in lowering the overall environmental footprint of the transportation industry.



Source: Association of American Railroads – July 2020 newsletter

- **Lower Greenhouse Gas Emissions:** Greenhouse gas ("GHG") emissions are directly related to fuel consumption. Freight railroads account for 0.6% of total U.S. greenhouse gas emissions, according to EPA data, and 2.1% of transportation-related greenhouse gas emissions.[1] According to an analysis of U.S. federal data, if 25% of the truck traffic moving at least 750 miles instead utilized rail, annual greenhouse gas emissions would fall by approximately 13.1 million tons.[2]
- **Higher Fuel Efficiency:** From a fuel efficiency standpoint, freight rail leads other modes of land transportation. U.S. freight railroads, on average, move one ton of freight over 470 miles per gallon of fuel. On average, railroads are three to four times more fuel efficient than trucks. For every 90 tons of freight traveling 1,000 miles, one railcar can displace 10 trucks and release 85% less carbon dioxide. [3]
- **Holistic Sustainability Approach:** From advanced locomotive technology to zero-emission cranes, freight railroads leverage technology in all aspects of their operations to limit their impact on the environment. In 2019 alone, U.S. freight railroads consumed

[1] *Association of American Railroads – July 2020 Newsletter*
[2] *Association of American Railroads – June 2020, The Positive Environmental Effects of Increased Freight by Rail Movements in America*
[3] *CSX Carbon Calculator*

656 million fewer gallons of fuel and emitted 7.3 million fewer tons of carbon dioxide than they would have if their fuel efficiency had remained constant since 2000.[4]

- **Reducing Highway Congestion & Pollution:** Railroads help reduce the economic and environmental costs of highway congestion. Highway congestion cost Americans $166 billion in wasted time (8.8 billion hours) and wasted fuel (3.3 billion gallons) in 2017[4]. Lost productivity, cargo delays and other unnecessary costs add tens of billions of dollars to the total. A single freight train can replace several hundred trucks. Shifting freight from trucks to rail also reduces highway wear and tear and the pressure to build costly new highways. On average, railroads are three to four times more fuel efficient than trucks, therefore moving freight by rail instead of trucks lowers greenhouse gas emissions by up to 75%[5].

U.S. Transportation GHG Emissions
(Tg CO_2 Equivalent)

Source	1990	2005	2014	2015	2016	2017	2018	Change from 1990 to 2018: Absolute	Change from 1990 to 2018: Percent
On-Road Vehicles[6]	**1,206.8**	**1,645.4**	**1,520.4**	**1,517.2**	**1,540.5**	**1,545.9**	**1,569.4**	**362.6**	**30.0**
Light-Duty Vehicles	966.3	1,231.6	1,095.0	1,083.9	1,103.4	1,094.1	1,105.8	139.5	14.4
Passenger Cars	639.6	693.1	760.3	760.2	770.6	767.3	777.5	137.9	21.6
Light-Duty Trucks	326.7	538.5	334.7	323.7	332.8	326.8	328.3	1.6	0.5
Motorcycles	1.7	1.6	3.8	3.7	3.9	3.8	3.9	2.1	123.7
Buses	8.5	12.2	19.0	19.4	19.0	20.4	21.9	13.4	158.8
Medium- and Heavy-Duty Trucks	230.3	400.1	402.5	410.1	414.2	427.6	437.9	207.5	90.1
Aircraft	**189.2**	**193.6**	**151.3**	**160.5**	**169.0**	**174.8**	**175.5**	**-13.7**	**-7.2**
Commercial Aviation	110.9	134.0	116.3	120.1	121.5	129.2	130.8	19.9	17.9
Military Aircraft	35.3	19.5	14.1	13.6	12.4	12.3	11.9	-23.4	-66.2
General Aviation	42.9	40.1	20.9	26.8	35.1	33.3	32.8	-10.2	-23.7
Ships and Boats	**47.4**	**45.7**	**29.2**	**33.8**	**40.9**	**44.0**	**41.2**	**-6.3**	**-13.3**
Rail	**35.8**	**46.1**	**41.7**	**39.8**	**36.4**	**37.7**	**39.4**	**3.6**	**10.0**
Pipelines[7]	**36.0**	**32.4**	**39.4**	**38.5**	**39.2**	**41.3**	**49.2**	**13.2**	**36.6**
Lubricants	**11.8**	**10.2**	**10.0**	**11.0**	**10.4**	**9.6**	**9.3**	**-2.6**	**-21.7**
Transportation Total	**1,527.1**	**1,973.4**	**1,792.0**	**1,800.8**	**1,836.3**	**1,853.3**	**1,883.9**	**356.9**	**23.4**

U.S. Non-Transportation Mobile GHG Emissions

Non-Transportation Mobile[8]	**170.5**	**224.4**	**199.5**	**188.8**	**191.5**	**197.8**	**203.1**	**32.6**	**19.1**
Agricultural Equipment	44.6	51.6	46.3	41.3	40.4	40.0	40.0	-4.6	-10.2
Construction Equipment	50.4	77.5	61.9	57.7	60.6	65.7	68.7	18.3	36.2
Other Non-Transportation Mobile	75.5	95.3	91.3	89.7	90.5	92.0	94.4	18.9	25.0
Non-Transportation + Transportation Total	**1,697.6**	**2,197.8**	**1,991.6**	**1,989.5**	**2,027.8**	**2,051.0**	**2,087.0**	**389.4**	**22.9**

Source: United States Environment Protection Agency and Federal Highway Administration

U.S. Transportation GHG Emissions by Gas, 2018
(Tg CO_2 Equivalent)

Source	CO_2	CH_4	N_2O	HFCs	Total	Percent
On-Road Vehicles[6]	**1,523.3**	**1.0**	**10.4**	**34.8**	**1,569.4**	**75.2**
Light-Duty Vehicles	1,069.5	0.7	7.2	31.0	1,108.4	53.1
Passenger Cars	761.5	0.5	5.1	10.4	777.5	37.3
Light-Duty Trucks	308.0	0.2	2.0	18.1	328.3	15.7
Motorcycles	3.8	0.0	0.0	0.0	3.9	0.2
Buses	21.1	0.2	0.1	0.4	21.9	1.0
Medium- and Heavy-Duty Trucks	428.9	0.1	3.0	3.3	435.2	20.9
Aircraft	**173.9**	**0.0**	**1.6**	**0.0**	**175.5**	**8.4**
Commercial Aviation	129.6	0.0	1.2	0.0	130.8	6.3
Military Aircraft	11.8	0.0	0.1	0.0	11.9	0.6
General Aviation	32.4	0.0	0.3	0.0	32.8	1.6
Ships and Boats	**36.8**	**0.3**	**0.5**	**3.6**	**41.2**	**2.0**
Rail	**38.9**	**0.1**	**0.3**	**0.1**	**39.4**	**1.9**
Pipelines[7]	**49.2**	**0.0**	**0.0**	**0.0**	**49.2**	**2.4**
Lubricants	**9.3**	**0.0**	**0.0**	**0.0**	**9.3**	**0.4**
Transportation Total	**1,831.3**	**1.4**	**12.8**	**38.5**	**1,883.9**	**90.3**
Rail Electricity	3.37	0.00	0.07	0.00	3.44	NA

U.S. Non-Transportation Mobile GHG Emissions by Gas, 2018

Non-Transportation Mobile[8]	**198.9**	**1.7**	**2.5**	**0.0**	**203.1**	**9.7**
Agricultural Equipment	39.4	0.1	0.5	0.0	40.0	1.9
Construction Equipment	67.4	0.4	0.9	0.0	68.7	3.3
Other Non-Transportation Mobile	92.1	1.3	1.0	0.0	94.4	4.5
Non-Transportation + Transportation Total	**2,030.2**	**3.1**	**15.2**	**38.5**	**2,087.0**	**100.0**

Source: United States Environment Protection Agency and Federal Highway Administration

1.2. Trinity Sustainability Strategy

Trinity is committed to reducing its own environmental impact, as it recognizes climate change is a main challenge facing its business, industry and the communities in which it serves. As a result, Trinity has successfully advanced its sustainability disclosures and efforts, and plans to align with SASB recommended disclosures in 2021 in the following topic areas: Greenhouse Gases (GHG), Air Quality, Employee Health and Safety (EH&S), Competitive Behavior, and Accident and Safety Management.

United Nations Sustainable Development Goals (SDGs)

Trinity, through TILC, also contributes to supporting the SDGs and recognizes the role of the freight rail system in achieving carbon reductions in transportation. Through the manufacturing and leasing of its railcars, it aims to have a substantial and lasting impact on transportation in North America, by providing a cleaner, more fuel efficient way to move commodities.

TILC's activities and railcars contribute directly to the goal of reducing greenhouse gases in the atmosphere by providing a cleaner mode of transportation for commodities in North America over alternatives (SDG 13). TILC has made significant operational and technological improvements to its infrastructure to develop its railcar leasing operations and improve fuel efficiency (SDG 9). Through technological innovations, TILC works to actively reduce its operational greenhouse gases emissions.

2. Green Financing Framework

TILC's Green Financing Instruments will contribute to the low-carbon transportation category. TILC's Green Financing Framework is designed to allow the company to issue various Green Financing Instruments such as Green Bonds, Green Private Placements or Green Loans (together the "Green Financing Instruments or GFI") in various formats. TILC's Green Financing Framework was developed in accordance with the Green Bond Principles (GBP) 2018 and the Green Loan Principles (GLP) as set out by the ICMA and LMA, APLMA and LSTA respectively. TILC's Green Financing Framework also recognizes various other associations' encouragement of transparency and good practices for sustainable financing, including that of the Climate Bond Initiative ("CBI").

The following sections summarize TILC's Green Financing Framework and alignment to the four key pillars of the GBP and GLP: Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting.

2.1. Use of Proceeds

TILC's railcar financings enable it to acquire discreet railcar portfolios on lease to customers that utilize the railcars to transport a variety of commodities on the North American railroads. TILC's rail business model and Green Financing Framework facilitate the issuance of Green Financing Instruments such as Green Loans and Green Bonds, as the assets support GHG emissions reduction, and the modal shift from road to rail allowing for efficient and safe transportation of goods.

TILC's Green Financing Instruments will be used to finance and/or refinance Eligible Green Assets as defined by eligibility criteria below.

Project Category	Eligible Green Projects	Green Benefits
Low-Carbon Transportation	Investments related to purchase, leasing, refurbishment of freight railcars. Investments related to the improvement of freight railcars.	Reduced greenhouse gas emissions Increased fuel efficiency Reduced highway pollution and congestion

TILC anticipates that Green Financing Instruments will be backed by Eligible Green Assets maintaining a 10% cushion to accommodate for fluctuation in fair market value, cash reserves within the transaction and amortization over time. TILC Investor Services will actively monitor the portfolio.

2.2. Project Evaluation & Selection

TILC's Investor Services team manages debt financings under TILC management. The Investor Services team oversees portfolio selection for new railcar portfolio debt financings. The portfolio selection process includes evaluating assets based on railcar type, age, lease rate, remaining term, commodity transported and other criteria. The Investor Services team will be charged with ensuring the portfolios for financing meet the criteria of the Green Financing Framework if they are to be Green Financing Instruments.

2.2.1. Exclusionary criteria

Eligible Green Assets exclude railcars which transport fossil fuels (crude oil, coal, refined products and natural gases). Any new commodities will be determined eligible or not by TILC based on the nature of the commodity.

While not compulsory, TILC strives to target, on a fair market value basis, Green Eligible Assets at least 75% of the total railcar portfolio, maintaining a 10% cushion to accommodate for fluctuation in fair market value, cash reserves within the transaction and amortization over time.

2.3. Management of Proceeds

Net proceeds from Green Financing Instruments will have different uses, but are primarily used for investments related to purchase, leasing, refurbishment or improvement of freight railcars. Funds are used by TILC to purchase additional railcars or fund other railcar related projects. The Investor Services team will monitor Green Financing Instruments to ensure the proceeds are used for Eligible Green Projects as described above.

2.4. Reporting

2.4.1. Allocation reporting

Allocation reporting is available to lenders / investors of a specific Green Financing Instrument on an annual basis in addition to the reporting already received under the transaction requirements. This will include the following information:

Criteria	Reporting indicators
Eligible Green Projects financed by the TILC's Green Financing Instrument proceeds	Breakdown of railcars by value and their commodities, certified by a responsible officer of the Servicer, TILC.

2.4.2. Impact reporting:

On an annual best efforts basis, TILC will provide an impact report with the indicators as outlined below:

- Any update or changes to the approximate reduction in GHG emissions due to rail transport compared to other modes of transportation.

3. External Review

3.1. Second Opinion

Sustainalytics was appointed to provide a Second Party Opinion on this Green Financing Framework. This Second Party Opinion document will be made available on Trinity's website.