

EMEA DC Meeting Statement – 11 April 2022

Joint Stock Company “Russian Railways”

Issue Number 2022033101

1. The EMEA DC met on Friday 8 April 2022 to discuss whether a Failure to Pay Credit Event had occurred with respect to Joint Stock Company "Russian Railways" (the **Reference Entity**).
2. The DC Question relates to CHF 250,000,000 Loan Participation Notes due 2026 (ISIN: CH0522690715) (the **2026 LPNs**) issued by RZD Capital PLC (the **LPN Issuer**) for the sole purpose of financing a CHF 250,000,000 loan to the Reference Entity under a facility agreement dated 11 March 2020 (the **Facility Agreement**). The Reference Entity is the borrower under the Facility Agreement and the LPN Issuer is the lender. The 2026 LPNs are described as having been “issued for the sole purpose of financing” the loan under the Facility Agreement and are limited recourse obligations of the LPN Issuer. The 2026 LPNs are secured by a charge over, inter alia, rights of the LPN Issuer to principal, interest and additional amounts (if any) payable by the Reference Entity under the loan under the Facility Agreement and such charge is described as being a first fixed charge.
3. The EMEA DC noted that the Relevant Transaction Type in respect of the Reference Entity is the Standard Emerging European Corporate LPN Transaction Type under the 2014 Definitions. Accordingly, the Additional Provisions for LPN Reference Entities published on September 15, 2014 (the **LPN Additional Provisions**) are applicable.
4. The 2026 LPNs are not included on the LPN Reference Obligations List published by IHS Markit in respect of the Reference Entity. However, the EMEA DC determined that (i) the loan under the Facility Agreement constituted an Obligation of the Reference Entity based on the Obligation Category and Obligation Characteristics applicable to the Transaction Type; and (ii) the 2026 LPNs qualified as Additional LPNs (and therefore as a Reference Obligation) under the terms of the LPN Additional Provisions.
5. The EMEA DC considered (i) the notices dated 14 March 2022 and 29 March 2022 in respect of the 2026 LPNs setting out statements of the LPN Issuer which were published on SIX by the Swiss Principal Paying Agent; (ii) the notice dated 4 April 2022 in respect of another series of LPNs due 2028 issued by the same LPN Issuer and relating to the Reference Entity (also published by the Swiss Principal Paying Agent); and (iii) the prospectus dated 11 March 2020 in respect of the 2026 LPNs.
6. Based on such information, the EMEA DC determined that (i) the Reference Entity was required to pay interest to the LPN Issuer under the Facility Agreement on 10 March 2022 and such interest had not been paid; and (ii) the relevant Grace Period under the Facility Agreement ended on 28 March 2022. The Swiss Paying Agent notice dated 29 March 2022 stated that as at such date, no such payment had been made. Accordingly, the EMEA DC concluded that on 28 March 2022 a Failure to Pay Credit Event occurred in respect of the Reference Entity under the loan under the Facility Agreement. In reaching this determination, the EMEA DC considered the guidance within the 2019 Narrowly Tailored Credit Event Supplement to the 2014 ISDA Credit Derivatives Definitions (as published by the International Swaps and Derivatives Association, Inc. on July 15, 2019) and concluded that the Credit Deterioration Requirement is satisfied.
7. Whilst it was not necessary to do so in this case, the EMEA DC also considered whether it would be possible to determine that a Failure to Pay Credit Event had occurred in respect of LPNs themselves. Any such determination would depend on the specific facts and circumstances. However, the EMEA DC noted that LPN structures involve (i) an underlying financing arrangement between the LPN issuer and the relevant Reference Entity; and (ii) the issue of LPNs. The two levels of the structure are inherently linked and form part of an overall financing arrangement for the benefit of the Reference

Entity. While the Reference Entity is not directly liable for the LPNs and the obligations of an LPN issuer are often limited to paying on the proceeds received, given the inherent linkage and the pass-through nature of the structure, the EMEA DC noted that where the LPN Additional Provisions apply, and an LPN constitutes a Reference Obligation, then the relevant LPN issuer not making payments on LPNs as a result of a non-payment by a Reference Entity could result in a Failure to Pay under Section 4.5 of the 2014 Definitions.