

## City of Columbia, SC

### POST-ISSUANCE VERIFICATION LETTER

#### WATER INFRASTRUCTURE CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** January 17, 2020 – February 13, 2020

**Approved verifier:** Sustainalytics

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#### Scope and Objectives

In December 2018, the City of Columbia, in the U.S. state of South Carolina, issued a green bond aimed at financing investment in the development, construction, installation and/or maintenance of stormwater management and surface water quality projects (the “Nominated Projects”) in the city. In January 2020, the City of Columbia engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include:

- Water infrastructure projects

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

#### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

#### Issuing Entity’s Responsibility

The City of Columbia is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project, and disbursement amounts.

#### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the City of Columbia’s green bond, issued to finance water infrastructure projects, and provided an independent opinion informing the City of Columbia as to the conformance of the green bond with the Post-Issuance requirement and Water Infrastructure criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by the City of Columbia with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by the City of Columbia.

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

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

The work undertaken as part of this engagement included conversations with relevant City of Columbia employees and review of relevant documentation to confirm the conformance of the City of Columbia's green bonds with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

### Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the Water Infrastructure criteria.

### Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of approximately USD 3.8 million from the City of Columbia green bond, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

### Detailed Findings

Eligibility Criteria	Procedure Performed <sup>1</sup>	Factual Findings <sup>1</sup>	Error or Exceptions Identified
<b>Compliance to Part A: General Requirements</b>	Verification of 22 projects included in the green bond program in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2B).	All 22 projects reviewed complied with the General Requirements.	None
<b>Compliance to Part B: Eligible Projects &amp; Assets</b>	Verification of 22 projects included in the green bond program <sup>1</sup> determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Water Infrastructure technical criteria.	All 22 projects fall under the Water Infrastructure criteria and meet the requirements of the Water Infrastructure technical criteria.	None
<b>Compliance to Part C: Requirements for Specific Bond Types</b>	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

<sup>1</sup> Sustainalytics notes that as of writing, bond proceeds have been allocated to 16 of 22 projects.

## Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p><b>4.1</b> Statement on the environmental objectives of the bond</p> <p><b>4.2</b> Nominated Projects meet the Climate Bonds criteria</p> <p><b>4.3</b> Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p><b>5.1</b> Net Proceeds of the bond allocated to the Nominated Projects</p> <p><b>5.2</b> Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p><b>5.3</b> Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p><b>5.4</b> Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p><b>5.5</b> Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects &amp; Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p><b>6.1</b> Tracking of proceeds</p> <p><b>6.2</b> Managing of unallocated proceeds</p> <p><b>6.3</b> In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p><b>7.1</b> Information about the Nominated Projects &amp; Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p><b>7.2</b> Issuer should disclose information about the bond and the Nominated Projects &amp; Assets to the market</p>
Reporting Post-Issuance	<p><b>8.1</b> Report containing the list of Nominated Projects &amp; Assets to which proceeds of the bond have been allocated</p>

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p><b>4.1</b> The objective of the bond is to primarily use proceeds to finance and refinance upgrades and improvements to Columbia’s stormwater system to address flooding and stormwater drainage issues.</p> <p><b>4.2</b> The City of Columbia’s management confirms that the nominated projects meet the Eligibility Criteria.</p> <p><b>4.3</b> The City of Columbia’s management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p><b>5.1</b> 29% of the Net Proceeds of the bond have been allocated to 16 Nominated Projects.</p> <p><b>5.2</b> The City of Columbia’s management has confirmed that funds will be allocated to Nominated Projects within 24 months of the issuance.</p> <p><b>5.3</b> The City of Columbia’s management has confirmed that all Net Proceeds of the bond will be used for financing only.</p> <p><b>5.4</b> The City of Columbia’s management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p><b>5.5</b> The City of Columbia’s management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p><b>6.1</b> The City of Columbia’s management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p><b>6.2</b> The City of Columbia’s management confirms that pending the investment of proceeds, they shall be held in segregated account and proceeds may be temporarily invested according to the City’s investment policy guidelines that does not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.</p> <p><b>6.3</b> N/A</p>	None
Verification of requirements specified under Confidentiality	<p><b>7.1</b> The City of Columbia’s management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p><b>7.2</b> The City of Columbia’s management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	None

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Verification of requirements specified under Reporting Post-Issuance	<b>8.1</b> The City of Columbia's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).	None
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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports 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 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](http://www.sustainalytics.com)

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