

The Metropolitan Transportation Authority (MTA)

PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARDS

Type of engagement: Assurance Engagement

Period engagement was carried out: September 2019

Approved verifier: Sustainalytics

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Scope and Objectives

The Metropolitan Transportation Authority (“MTA”) has issued the green bonds identified in Schedule 1 hereto between August 2018 and July 2019 that are certified by Climate Bonds Initiative (CBI) pursuant to its programmatic certification (hereafter “Certified Bonds”). In 2016, Sustainalytics reviewed projects under MTA’s 2010-2014 Capital Program and concluded that the projects totalling \$11.3 billion conform to the Climate Bonds – Low Carbon Transport criteria. Under its programmatic approach, CBI agreed to certify any bonds issued by MTA for credits that fund the Transit and Commuter Systems portion of its Capital Programs up to \$11.3 billion. In September 2019, MTA engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects continue to meet CBI Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

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.

Additionally, as per MTA’s 2019 Combined Continuing Disclosure Filings with Climate Bond Standard:

- CBI and MTA agree that while MTA’s pooled funding of its capital projects makes tracking proceeds to specific bond transactions prior to issuance impractical, the inherent benefit of MTA’s Transit and Commuter Systems and the ongoing support and maintenance of them are compatible with the emissions trajectory consistent with the principles underlying the Climate Criteria.
- Due to the size and complexity of MTA’s Capital Program and difficulty in tracking proceeds to specific projects, it is possible that MTA CBI certified bonds may fund or refund projects not specifically identified by the independent verifier but essential to MTA’s core mission
- After an analysis of MTA’s Capital Program elements, CBI agreed to certify any bonds issued by MTA for credits that fund the Transit and Commuter Systems portion of its Capital Programs up to a maximum of \$11.3 billion.

Issuing Entity’s Responsibility

MTA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded (as per the Transit and Commuter Systems portion of MTA’s Capital Program).

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Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of MTA's Certified Bonds, issued to finance eligible projects, and provided an independent opinion informing MTA as to the conformance of the green bond with the Post-Issuance requirements and Low Carbon Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by MTA 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 MTA.

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 Certified Bonds as provided in this verification letter.

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 communication with relevant MTA employees and review of relevant documentation to confirm the conformance of MTA's green bonds with the Programmatic 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 Low Carbon Transport 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 issuance and allocation of the Certified Bonds, issued to fund eligible green projects included in MTA's Capital Program, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

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Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of the Certified Bonds to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All projects financed by MTA's three green bond issuances comply with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of the Certified Bonds to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Transport technical criteria.	All projects financed by MTA's three green bond issuances fall under the Low Carbon Transport criteria and meet the requirements of the Low Carbon Transport technical criteria.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: MTA's Certified Bonds August 2018 through July 2019

Series Name	Date of Issuance	Issuance Amount (Par on Official Statement)
Transportation Revenue Refunding Green Bonds, Series 2018B (Climate Bond Certified)	8/23/2018	207,220,000
Transportation Revenue Green Bonds, Series 2019A (Climate Bond Certified)	2/6/2019	454,150,000
Transportation Revenue Green Bonds, Series 2019B (Climate Bond Certified)	5/14/2019	177,185,000
Total		838,555,000

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

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<p>Nominated Projects & Assets</p>	<p>4.1 Statement on the environmental objectives of the bonds</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
<p>Use of Proceeds</p>	<p>5.1 Net Proceeds of the bonds allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bonds</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bonds shall be tracked by the Issuer following a formal internal programmatic process</p> <p>5.5 Net Proceeds of the bonds shall be evaluated in accordance with the programmatic criteria set forth above</p>
<p>Non-Contamination of Proceeds</p>	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 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>
<p>Confidentiality</p>	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bonds and the Nominated Projects & Assets to the market</p>
<p>Reporting Post-Issuance</p>	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated pursuant to the programmatic approach</p>

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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>4.1 The objective of MTA’s green bonds is to use proceeds to finance the Transit and Commuter Systems portion of MTA’s Capital Programs (Nominated Projects).</p> <p>4.2 MTA’s management confirms that the Nominated Projects are essential to MTA’s core mission and are compatible with an emissions trajectory consistent with the principles underlying the CBI Low Carbon Transport Criteria.</p> <p>4.3 MTA’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>5.1 Net Proceeds from the Certified Bonds have been allocated to the finance of certain Nominated Projects.</p> <p>5.2 MTA’s management has confirmed that funds were allocated to the Transit and Commuter Systems portion of MTA’s Capital Programs (Nominated Projects).</p> <p>5.3 MTA’s management has confirmed that all Net Proceeds of the Certified Bonds were used for financing only.</p> <p>5.4 MTA’s management has confirmed that Net Proceeds of the bonds shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 MTA’s management has confirmed that the Net Proceeds of the Certified Bonds shall be credited from the maximum of \$11.3 billion of projects identified, and does not exceed that amount.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 MTA’s pooled funding of its capital projects makes tracking proceeds to specific bond transactions prior to issuance difficult. Further, some of the Nominated Projects may have been funded by other pooled resources available for the Capital Programs. As such, MTA has tracked green bond proceeds as part of its Capital Programs tracking process.</p> <p>6.2 MTA’s management has confirmed that funds for its Capital Programs were allocated to the Nominated Projects. Thus, no proceeds were unallocated.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 MTA’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>7.2 MTA’s management confirms that all relevant information about the bond transactions set forth in Schedule 1 hereto and with respect to the Nominated Projects has been disclosed to the market as required by CBI.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 MTA’s management has provided a report containing the list of Nominated Projects to which proceeds of the bond transactions set forth in Schedule 1 hereto have been allocated. See MTA’s Capital Programs.</p>	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

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