

Independent Verification Statement New York Metropolitan Transportation Authority (MTA)

Climate Bonds Standard Board

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Introduction and Background

In early 2016, MTA requested, and the Climate Bonds Standard Board approved, the designation of MTA's Transportation Revenue Bonds Series 2016A as "Climate Bond Certified" pursuant to the Low Carbon Transport criteria (the Climate Criteria) under the Climate Bonds Standard 2.0. As part of the certification requirement, MTA engaged an approved CBI verifier to review MTA's 2010-2014 Capital Program to nominated projects with expenditures that met the Climate Criteria. The approved verifier concluded that 89.7 percent (\$11.3 billion) of projects qualified under the Climate Criteria, making them eligible projects for CBI certification. CBI and MTA agreed 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 an emission 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's CBI certified bonds may fund or refund projects not specifically identified by the approved verifier but essential to MTA's core mission. Additionally, some of these projects may have been funded by other pooled resources available for MTA's Capital Programs. After an analysis of MTA's capital Program elements, the CBI agreed to certify any bonds issued by MTA for credits that fund the Transit and Commuter Systems portion of its 2010-2014 Capital Program up to a maximum of \$11.3 billion. Since the initial climate bond verification, MTA has issued additional green bonds for eligible transit and commuter capital program projects reviewed and certified by the Climate Bonds Standard Board totaling the approved amount of \$11.3 billion. The last issuance was in February 2021.

Verification Scope

First Environment has been contracted to conduct a verification of appropriate evidence to establish that Programmatic Certification requirements are met pursuant to the Climate Bonds Standard 3.0 related to MTA 2015 – 2019 Capital Program. First Environment has assessed projects and assets included in the 2015 – 2019 Capital Program for conformance to the updated Land Transport Criteria Version 2 (dated October 2020). This effort will support quantification of eligible proceeds to be financed in future certified climate bond offerings, in a manner as previously described above. The same complexities and tracking limitations described above under the 2010 – 2014 Capital Program still apply to the 2015 – 2019 Capital Program.

MTA expects that additional green bonds will be issued from time to time for approved transit and commuter capital program projects reviewed and approved by the Climate Bonds Standard Board.

Specific scope for the verification is outlined in the table below:

Issuing Entity	New York Metropolitan Transportation Authority (MTA)
Bond Issuance/s	MTA expects to issue green bonds for approved transit and commuter capital program projects and assets that have been reviewed and approved by the Climate Bonds Standard Board.
Type of Climate Bonds	Various credits may be used including transportation revenue bonds, dedicated tax fund bonds, payroll mobility tax (PMT) bonds. Credits of the State of New York may also be used to meet MTA transit and commuter capital program needs and will be issued in discrete subseries for such purposes.
Eligibility Sector	Land Transport
Pre- or Post-Issuance	Pre-Issuance Sector Eligibility only
Green Bond Reporting Period	Upon approval by CBI – estimated to last 5 to 7 years.
Sources of Information	<ul style="list-style-type: none"> • MTA 2015 – 2019 Capital Program Expenditure Spreadsheet. • MTA Capital Program, 2015 – 2019, Amendment No. 4 as proposed to the Capital Program Review Board, October 1, 2019. • Communications with MTA's Finance Department.

Standards and Auditing Ethics Used for Verification

The following table outlines the Standards, Process, Level of Assurance and Materiality used to conduct this verification:

Standard of Verification	<ul style="list-style-type: none"> • Climate Bonds Standard V3.0 (December 2019) • Climate Bonds Taxonomy (September 2021) • Climate Bonds Standard - Sector Eligibility Criteria: Land Transport Criteria, Version 2.0 (October 2020) <p>Limitation: The Climate Bonds Standard is designed specifically to allow investors, governments, and other stakeholders to prioritize 'low carbon and climate resilient' investments with confidence that the funds are being used to deliver a low carbon and climate resilient economy. It is not a financial standard and does not imply any impact on the credit ratings of specific investments.</p>
Verification Process	<ul style="list-style-type: none"> • The Climate Bonds Standard Assurance Framework, Version 2 (December 2019) • The Climate Bonds Verification Agreement (February 10, 2020) • The Climate Bonds Standard Guidance for Verifiers, Version 2 (December 2019) • ISAE 3000 (Revised), Assurance Engagement Other than Audits or Reviews of Historic Financial Information (December 2013) • Applicable professional ethics and quality control principles such as those presented in ISO 14065 for validation and verification bodies (April 2007).
Level of Assurance	<ul style="list-style-type: none"> • Limited Level of Assurance. <p>The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.</p>

Materiality	<ul style="list-style-type: none">• Qualitative non-conformities with the Sector Eligibility Criteria (e.g., Land Transport Criteria 2.0) are considered material.• Quantitative misstatements greater than five percent of the numeric Sector Eligibility Criteria are considered material.
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Conclusions

First Environment has performed an independent pre-issuance eligibility verification of New York Metropolitan Transportation Authority's (MTA) 2015 – 2019 Capital Program. Based on the evidence collected and the assessments performed, nothing has come to our attention that causes us to believe that 93.2 percent (\$28.7 billion) of MTA's 2015 – 2019 Capital Program proposed budget has not conformed, in all material respects, with the sector eligibility requirements of CBI's Land Transport Criteria Version 2.0.

Regards,

FIRST ENVIRONMENT, INC.



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