

## CLIMATE BONDS STANDARD VERIFICATION LETTER

**Issuing Entity:** The Metropolitan Transportation Authority

**Kind of engagement:** Assurance Engagement

**Period engagement was carried out:** April 21<sup>st</sup> 2016 to May 11<sup>th</sup> 2016

**Approved verifier:** Sustainalytics US Inc,

**Contact for engagement:** 24 School Street, Suite 803, Boston, MA, 02108, U.S.A.

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### Scope:

The Metropolitan Transportation Authority (“MTA”), has engaged Sustainalytics to review and verify that the upcoming issuance of MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B) meets the requirements of the Climate Bond Standard Version 2.0. MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B) will fund eligible projects included in the MTA’s 2010-2014 Capital Plan.

### Criteria

Climate Bond Standards Version 2.0

- Low Carbon Transport Standard
  - Criteria 3: All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport including electrified rail, trams, trolleybuses and cable cars.

### Issuing Entity’s Responsibility

MTA provided confirmation relating to:

- The proceeds of the bond being used to fund, refund or refinance nominated low-carbon transit project categories;
- The process of management and disbursement of funds;
- The details about the reporting commitments.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B), issued to fund, refund or refinance eligible projects included in the MTA’s 2010-2014 Capital Program, and provided an independent opinion informing the conformance of the green bond with Climate Bond Standards Version 2.0. 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

The work undertaken as part of this engagement included conversations with relevant MTA employees to confirm the following:

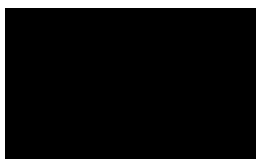
- Conformance of MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B) with the Climate Bonds Standard Version 2.0;
  - The Technical Criteria on Low Carbon Transport Standard Criteria 3: All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport including electrified rail, trams, trolleybuses and cable cars.
- Confirmation that the unfunded capital spend of the nominated projects in MTA's 2010-2014 Capital Plan is greater than the MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B);
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements.

### Restriction on Distribution and Use of Report

This report along with the information provided is for the use and publication of MTA and Climate Bond Standard Board only and not for the use of any other external parties.

### Opinion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B), issued to fund, refund or refinance eligible projects included in the MTA's 2010-2014 Capital Plan, is not in conformance with the Climate Bond Standard Version 2.0 Pre-Issuance Requirements including Part B Eligible Projects and Assets.



Vikram Puppala  
May 11<sup>th</sup>, 2016  
215 Spadina Ave, Suite 300,  
Toronto ON M5T 2C7, Canada.

## Part B: Detailed Findings

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification for Project Categories by reviewing the 2010-2014 Capital Program Amendment as approved by the MTA Board July 2013. This was carried out in connection with the verification provided for the MTA Transportation Revenue Bonds, Series 2016A	<p>Project Categories listed in Appendix 1 of the document comply with Climate Bond Standards – Low Carbon Transport Criteria 3: All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport including electrified rail, trams, trolleybuses and cable cars.</p> <p>Confirmation that diesel back-up generators are not included in project categories listed in Appendix 1.</p>	None
Confirmation from MTA that the MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B) funds, refunds or refinances Project Categories listed in Appendix 1	Confirmation that that proceeds of the DTF 2016B Bonds will be used to extinguish a previously issued Bond Anticipation Note (BAN) in the amount of \$500 million. The proceeds of the BAN were used to finance MTA Transit and Commuter Capital Projects contained in the MTA 2010-2014 Capital Program.	None
Confirmation from MTA that the management and disbursement of funds are tracked via IMPACT: Integrated Management of Payment Accounting and Capital Tracking.	<p>Confirmation of the process and system allowing the net proceeds arising from the issue of the bond to be allocated to Capital Projects that meet the Project Categories listed in Appendix 1.</p> <p>Confirmation that MTA has the necessary tracking processes to conform to Climate Bond Standards 2.0 tracking requirements.</p>	None
Verification of the net proceeds from the MTA Transportation Revenue Bonds, Series 2016A by reviewing MTA TRB 2016A - Verified Final Cashflows document.	<p>Confirmation that the capital spend of the nominated projects in 2010 -2014 Capital Plan minus the net proceeds of the MTA Transportation Revenue Bonds, Series 2016A will be greater than the planned net amount expected from MTA Dedicated Tax Fund Bonds, Series 2016B (DTF 2016B) issuance.</p> <p>See Appendix 2</p>	

Verification that MTA commits to maintain a spreadsheet to track the net bond proceeds and spend related to the nominated project categories in 2010-2014 Capital Plan.	Confirmation that MTA has necessary reporting processes to conform to Climate Bond Standards reporting requirements.	None
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## Appendix 1: Nominated Project Categories

**MTA 2010-2014 Capital Plan Categories that meet the Climate Bond Low- Carbon Transport Standard  
Criterion 3: Emissions threshold for public passenger transport.**

Category Code	Category	Agency	2010-2014 Capital Spend Amount as of Dec 2015
E610	MTA POLICE DEPARTMENT	MTA Security and Disaster Recovery	1,086,266
E614	MTA-WIDE SECURITY	MTA Security and Disaster Recovery	92,470,164
EG16	MISCELLANEOUS/EMERGENCY	MTA Security and Disaster Recovery	1,417,791
EL03	TRACK	MTA Security and Disaster Recovery	1,162,108
EL04	LINE STRUCTURES	MTA Security and Disaster Recovery	3,880,065
EL05	COMMUNICATIONS AND SIGNALS	MTA Security and Disaster Recovery	11,618,470
EL06	SHOPS AND YARDS	MTA Security and Disaster Recovery	7,305,575
EL07	POWER	MTA Security and Disaster Recovery	13,584,342
EL09	MISCELLANEOUS/EMERGENCY	MTA Security and Disaster Recovery	3,929,679
EM01	ROLLING STOCK	MTA Security and Disaster Recovery	1,108,958
EM03	TRACK AND STRUCTURES	MTA Security and Disaster Recovery	2,552,000
EM04	COMMUNICATIONS AND SIGNALS	MTA Security and Disaster Recovery	8,443,286
EM05	POWER	MTA Security and Disaster Recovery	18,092,349
EM08	MISCELLANEOUS/EMERGENCY	MTA Security and Disaster Recovery	440,600,000
ES07	STATEN ISLAND RAILWAY	MTA Security and Disaster Recovery	26,410,143
ET01	SUBWAY CARS	MTA Security and Disaster Recovery	0
ET04	STATIONS	MTA Security and Disaster Recovery	99,175,600
ET05	TRACK	MTA Security and Disaster Recovery	43,563,225
ET06	LINE EQUIPMENT	MTA Security and Disaster Recovery	124,309,356
ET07	LINE STRUCTURES	MTA Security and Disaster Recovery	24,833,745
ET08	SIGNALS & COMMUNICATIONS	MTA Security and Disaster Recovery	91,932,503
ET09	POWER	MTA Security and Disaster Recovery	246,403,249
ET10	SHOPS AND YARDS	MTA Security and Disaster Recovery	37,401,226
ET12	DEPOTS	MTA Security and Disaster Recovery	619,990
ET16	MISCELLANEOUS/EMERGENCY	MTA Security and Disaster Recovery	6,104,893
G609	EAST SIDE ACCESS FULL LENGTH SECOND AVE	MTACC	1,726,932,683
G610	SUBWAY	MTACC	943,856,647
G614	REGIONAL INVESTMENTS	MTACC	126,959,745
G616	MISCELLANEOUS/EMERGENCY	MTACC	62,737,819
L601	ROLLING STOCK	Long Island Rail Road	66,056,418

L602	STATIONS	Long Island Rail Road	58,251,385
L603	TRACK	Long Island Rail Road	528,070,996
L604	LINE STRUCTURES	Long Island Rail Road	111,676,871
L605	COMMUNICATIONS AND SIGNALS	Long Island Rail Road	139,381,027
L606	SHOPS AND YARDS	Long Island Rail Road	35,219,061
L607	POWER	Long Island Rail Road	75,301,712
L609	MISCELLANEOUS/EMERGENCY	Long Island Rail Road	148,464,524
M601	ROLLING STOCK	Metro-North Railroad	209,045,645
M602	STATIONS	Metro-North Railroad	86,757,708
M603	TRACK AND STRUCTURES	Metro-North Railroad	217,059,175
M604	COMMUNICATIONS AND SIGNALS	Metro-North Railroad	76,626,281
M605	POWER	Metro-North Railroad	48,467,419
M606	SHOPS AND YARDS	Metro-North Railroad	56,055,904
M608	MISCELLANEOUS/EMERGENCY	Metro-North Railroad	60,935,145
N612	MTA PLANNING	MTA Interagency	9,922,470
S607	STATEN ISLAND RAILWAY	New York City Transit	69,210,054
T601	SUBWAY CARS	New York City Transit	311,020,132
T604	STATIONS	New York City Transit	839,217,915
T605	TRACK	New York City Transit	1,380,615,444
T606	LINE EQUIPMENT	New York City Transit	160,431,638
T607	LINE STRUCTURES	New York City Transit	285,855,153
T608	SIGNALS & COMMUNICATIONS	New York City Transit	1,337,614,936
T609	POWER	New York City Transit	137,922,660
T610	SHOPS AND YARDS	New York City Transit	188,459,419
T612	DEPOTS	New York City Transit	91,569,443
T613	SERVICE VEHICLES	New York City Transit	43,679,099
T616	MISCELLANEOUS/EMERGENCY	New York City Transit	400,529,883
<b>Total</b>			<b>11,341,909,393</b>

## Appendix 2: Unfunded amount of nominated projects from MTA Capital Plan 2010-2014

MTA 2010-2014 Capital Plan Categories that meet the Climate Bond Low-Carbon Transport Standard	<b>\$11,341,909,393</b>
Net Proceeds from MTA Transportation Revenue Bonds, Series 2016A. See table below.	<b>\$912,297,030</b>
Unallocated amount of nominated projects from MTA Capital Plan 2010-2015	<b>\$10,429,612,363</b>

### **Net Proceeds from MTA Transportation Revenue Bonds, Series 2016A.**

	Series 16A-1	Series 16A-2	Series 16A Total
Bond Proceeds	\$506,603,225.85	\$414,252,679.45	\$920,855,905.30
Underwriter's Discount	\$2,326,461.21	\$1,485,017.51	\$3,811,478.72
Cost of Issuance	\$573,567.50	\$470,631.90	\$1,044,199.40
State Bond Issuance Charge	\$3,703,197.14		\$3,703,197.14
<b>Net Proceeds</b>	<b>\$500,000,000.00</b>	<b>\$412,297,030.04</b>	<b>\$ 912,297,030.04</b>

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