

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY GREEN BONDS

FRAMEWORK OVERVIEW AND SECOND-PARTY OPINION BY SUSTAINALYTICS

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1. PREFACE

The Central Puget Sound Regional Transit Authority (Sound Transit) plans to issue a series of green bonds and has engaged Sustainalytics to review and provide an opinion on the bonds' green credentials. As part of this engagement, Sustainalytics reviewed relevant public and internal documents and held conversations with Sound Transit's treasury team to understand the use of proceeds, management of proceeds and reporting aspects of its green bonds, as well as Sound Transit's progress since its 2015 inaugural green bond. This report contains two sections: (1) Framework Overview – summary of Sound Transit's Green Bonds framework; and (2) Sustainalytics' Opinion – an opinion on the framework.

2. INTRODUCTION

Created in 1993, Sound Transit is a special-purpose municipal corporation, responsible for the construction and operation of high-capacity public transportation systems serving the Greater Seattle area encompassing the greater part of three counties including King, Pierce and Snohomish. Sound Transit plans, builds and operates express bus, light-rail and commuter train services, with an annual ridership of nearly 35 million in 2015, representing an increase of nearly two million from 2014¹.

Sound Transit adopted its initial "System Plan" in 1996, which incorporated commuter rail, light rail, express bus, community connections (such as transit centers, park-and-ride lots and transit access improvements), high-occupancy vehicle facilities and other improvements. The agency's three primary transportation modes are detailed below:

Link Light Rail: Light electric rail travels 20 miles connecting a number of key economic centers of the Puget Sound region including the international airport, downtown Seattle, University of Washington and other major job centers and residential areas. The Tacoma Link light travels 1.6 miles through downtown Tacoma. With the opening of 3 new stations in 2016, average weekday ridership has grown 75% from April 2016 – September 2016 compared to April 2015 – September 2015².

Souder Commuter Train: An 83-mile commuter train service that connects the cities of Seattle, Everett, Tacoma and Lakewood. Souder commuter rail uses diesel-powered locomotives and multi-level passenger coach trains that run mostly on BNSF Railway Company railroad freight tracks.

ST Express Bus: ST Express buses travel between major communities in King, Pierce and Snohomish counties. ST Express also works to integrate its projects with other transit agencies in order to create an efficient transportation system throughout the entire region.

¹ Sound Transit 2015 Sustainability Progress Report—Appendix

² Sound Transit. Quarterly Ridership Report <http://www.soundtransit.org/ridership>

Sound Transit System's Expansion Plans

Sound Transit has initiated three comprehensive transportation development plans. The Ten-Year Regional Transit System Plan (Sound Move) was implemented in 1996 and is currently near completion. In 2008, voters approved Sound Transit 2 (ST2) as a second phase of the System Plan to finance the expansion of the transportation network, which is currently under development.

In November 2016, Puget Sound voters approved the third comprehensive transportation development plan. The Sound Transit 3 (ST3) System Plan, a 25-year mass transit expansion plan, will finance 62 new miles of light rail including 37 new stations, increase the capacity of the Sounder Commuter Rail, expand Bus Rapid Transit and improve the speed and reliability of the ST Express bus service. The plan is expected to cost \$53.8 billion in total and is expected to be financed with a combination of sales tax, rental car tax and motor vehicle tax proceeds, property tax, federal, state and local grants and loans, bond proceeds, fares and other operating revenues, as well as interest earnings on money from such sources.

Sound Transit's Series 2015 Green Bonds

Sound Transit issued nearly \$1 billion in green bonds in September 2015. Proceeds from the bond were used to finance or refinance projects that adhere to Sound Transit's Sustainability Plan, which include: reducing car trips by carrying more transit riders, supporting smart regional growth, fostering transit-oriented development and improved transit access, designing and building greener projects and operating fleets and facilities more efficiently³. Sustainalytics provided the second party opinion for the Series 2015, dated July 27, 2015⁴.

3. SOUND TRANSIT GREEN BONDS OVERVIEW

Use of Proceeds

Sound Transit plans to raise approximately \$480 million of bond proceeds (subject to market conditions) by issuing green bonds to reimburse Sound Transit's recent capital expenditures under the three transit modes. Appendix A provides a list of projects and their estimated expenditures that are eligible for reimbursement under the Green Eligibility Criteria. Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, a nominal amount from the proceeds will be used to pay for cost associated with the issuance of green bonds.

Green Eligibility Criteria

The projects that fall under the following green categories are eligible for reimbursement from the proceeds of the bond and eligible for green designation.

³ Sound Transit. 2015 Green Bond Annual Report.

<http://www.soundtransit.org/sites/default/files/20160919-green-bond-annual-report-2015.pdf>

⁴ Sustainalytics Second Party Opinion.

http://www.sustainalytics.com/sites/default/files/sound_transit_green_bonds_sustainalytics_review.pdf

- **Transit Line New Build/ Expansion / Extension:** Includes the planning, permitting, design and construction of new build, extension or expansion of transit system.
- **Transit Operations, Maintenance and Improvements:** Includes
 - Operations related projects such as fare collection systems, communication systems, signaling, transit centers etc.
 - Maintenance related project such as storage, layover, maintenance facilities, maintenance related electronic and electrical systems, refurbishments etc.
 - Improvements related projects that, enhance commuter experience (safety and comfort) such as signage, noise reducing walls etc., and/or increase access to transit such pedestrian bridges, car and bike parking, HOV lane and track improvements etc.
- **Transit Planning and Evaluation:** Planning, assessment and analysis relating to transit including environmental assessments, capital investments evaluation, evaluation of transit alternatives etc.

Projects Selection Process

Sound Transit's Treasury and Bond Counsel set guidelines and priorities for the project selection for green bonds. The projects were selected based on the following considerations:

- The projects satisfy at least one of the requirements of the Green Eligibility Criteria;
- The time period in which the expenditures were made;
- Preliminary expenditures that are eligible for reimbursement. These expenditures include design, engineering and surveying that occur before the commencement of a project; and
- Expenditures that have not been allocated to grants or other bond issues.

Management of Proceeds

At the time of the financial close of the green bonds transaction, it is expected that all the green bonds proceeds will be used to reimburse Sound Transit for approximately \$480 million (subject to market conditions) of eligible capital expenditures and to pay associated cost of issuance. Given that the monies will have already been spent on transit projects, there will not be any bond proceeds to manage over time. In the event that any bond proceeds are not used for reimbursement, they will be spent on Link light rail eligible expenditures.

Reporting

Sound Transit publishes an Annual Green Bond Report that reports on the final use of proceeds and the agency's environmental and sustainability progress and results. As well, Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, Sound Transit publishes an annual sustainability progress report highlighting the environmental benefits of transit in its region of operation. This includes, how operating the system benefits regional air quality and greenhouse gas (GHG) emission savings per year. Sound Transit follows a methodology developed by the American Public Transportation Association (APTA) and The Climate Registry to account for savings from transit ridership, measured as carbon dioxide equivalents (CO₂e)⁵.

⁵ American Public Transportation Association. Quantifying Greenhouse Gas Emissions from Transit.
<https://www.apta.com/resources/standards/Documents/APTA%20SUDS-CC-RP-001-09.pdf>

4. SUSTAINALYTICS' OPINION

A sustainability-focused agency:

Sustainalytics has reviewed Sound Transit's 2015 Sustainability Progress Report and is of the opinion that Sound Transit is a sustainability-focused organization. Based on the agency's environmental commitments and internal processes to manage environmental impacts, Sound Transit is well positioned to issue green bonds.

In 2015, the agency met 14 out of 15 of its sustainability targets which align with the green bonds issued in 2015 including: advancing sustainability in early planning and design, reducing construction pollution, increasing revenue fleet fuel efficiency, and reducing vehicle pollution. Sound Transit's 2016 targets focus on integrating the agency's eight sustainability priorities into the Sound Transit 3 (ST3) system expansion plan, design and construction. The agency's sustainability priorities are provided in Appendix B.

Sound Transit has maintained an ISO 14001 certified Environmental & Sustainability Management System (ESMS) since 2007 with environmental objectives and targets that are measurable, meaningful and understandable. The ESMS provides the management system for implementing the sustainability goals. The ESMS is managed by an intra-agency Steering Committee which indicates a longer-term commitment to sustainability, oversight and overall transparency regarding sustainability goals. The agency reports that its Sustainability Division coordinates across the agency to set sustainability goals and annually monitor, measure and report on progress.

With the passage of ST3, Sound Transit will continue to implement its Sustainability Plan goals and integrate sustainability approaches into all aspects of agency activities, consistent with Board-adopted policy. The ST3 Plan re-affirms that Sound Transit's ongoing sustainability efforts include its commitment to implementing green building and infrastructure.

Finally, Sound Transit showed its commitment to sustainability by issuing nearly \$1 billion in green bonds in September 2015. The issuance was the world's largest municipal sale of such bonds, which earned the organization Environmental Finance's Municipal Bond of the Year award for 2016⁶.

Environmental impact of mass transit:

Sound Transit offers a low carbon alternative to commuting by road in the system area. Major environmental accomplishments achieved by Sound Transit include: (1) saving more GHG emissions than it emits resulting in a net positive environmental impact, (2) reducing the energy required to move each passenger and (3) reducing air pollution emissions.

Firstly, Sound Transit is able to save more GHG emissions than it emits. In 2015, the region avoided 2.2 tons of emissions for every ton of GHG that it emitted as a result of mode shift and related congestion

⁶ Sound Transit. 2015 Green Bond Annual Report. <http://www.soundtransit.org/sites/default/files/20160919-green-bond-annual-report-2015.pdf>

relief benefits⁷. The data for land-use benefits are not yet as robust as for the other two metrics. Regional GHG emission savings from Sound Transit in 2014 are indicated in the table below⁸.

Regional tonnes CO₂e Saved			
Mode Shift Benefits	Congestion Benefits	Land-Use Benefits	Total Benefits
98,459	39,178	259,610	397,248
Displacement ratios - CO₂e units saved in the region per unit of CO₂e from Sound Transit operations			
Mode Shift Benefits	Congestion Benefits	Land-Use Benefits	Total Benefits
1.6	0.6	4.2	6.4

The expansion of the Link light rail will further reduce GHG emissions in the system area through mode shift and congestion benefits. The proceeds of green bonds are allocated primarily to Link light rail expansion which has shown a significant increase in ridership recently and has resulted in positive environmental impacts.

Secondly, energy efficiency has improved per passenger and passenger mile travelled (PMT). Though fleet energy use across Sound Transit's three modes has gradually increased by 7% since 2011 due to increases in service, energy use per passenger mile travelled has decreased by 16%⁹.

Thirdly, air pollution from Sound Transit operations decreased as a result of improved emissions control technologies on newer ST Express buses and upgrades to Sounder commuter rail engines. Sound Transit monitors criteria air pollutants (CAPs) which include particulate matter (PM₁₀), volatile organic compounds, nitrogen oxides, carbon monoxides (CO) and sulfur dioxides. The agency reports that it has been able to reduce such CAPs since 2011 - PM₁₀ was reduced by 21% and CO by 3%¹⁰.

Growing regional demand for mass transit:

Sound Transit's annual ridership was nearly 35 million in 2015 representing a 49% growth since 2010. Sound Transit ridership showed strong growth in 2015 with a 14.6% increase for the Sounder commuter rail, 3.6% increase for the ST Express and 5.1% increase for the Link light rail. More recently, Link light rail ridership showed a sharp increase during the second quarter, with a 75% growth compared to the same period of last year¹¹. This growth was largely due to the opening of the University Link extension in March 2016 which connected light rail from downtown to the University of Washington.

The recent increase in ridership is an indication that Sound Transit is successfully addressing regional demand for public transportation. The region's population is expected to grow by approximately 1.7 million people by 2040 which will further increase the demand for service in the region by an estimated

⁷ Sound Transit 2015 Sustainability Progress Report—Appendix

⁸ Sound Transit 2014 Sustainability Progress Report—Appendix

⁹ Sound Transit 2015 Sustainability Progress Report—Appendix

¹⁰ Sound Transit 2015 Sustainability Progress Report—Appendix

¹¹ Sound Transit. Quarterly Ridership Report. <http://www.soundtransit.org/ridership>

40%¹². Sound Transit's transport infrastructure will last for decades, which means that such development will have long-lasting impacts on the regions urban development as well as climate.

Alignment with the Sustainable Development Goals (SDGs):

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. These goals are widely considered to be the next step to the Millennium Development Goals (MDG), which were time-bound to 2015. Sound Transit's sustainable transport development is essential to achieving most, if not all, of the proposed SDGs. According to the UN Division for Sustainable Development (DSD), although sustainable transport is not represented by a standalone SDG, it is mainstreamed across several SDGs and targets, especially those related to health, energy, infrastructure and cities and human settlements¹³.

However, of particular importance for Sound Transit under the Green Bond Principles (GBP) is SDG 11 Sustainable Cities, which includes a target to providing access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport. The SDG recognize the fundamental role of cities in fighting climate change and achieving a sustainable future. Under the Central Puget Sound Regional Transit Authority Green Bond Framework, eligible green projects contribute towards the promotion of sustainable city infrastructure and are aligned with SDG 11.2 Sustainable Transport under Sustainable Cities.

Alignment with Green Bond Principles 2016:

Sustainalytics has determined that the Central Puget Sound Regional Transit Authority Green Bond Framework aligns to the four pillars of the International Capital Markets Association (ICMA) Green Bond Principles 2016 - the use of proceeds, process of project evaluation and selection, management of proceeds and reporting¹⁴. For detailed information please refer to Appendix D: Green Bond/Green Bond Programme External Review Form.

¹² Puget Sound Regional Council. Vision 2040. <http://www.psrc.org/assets/1775/V2040execsumm.pdf>

¹³ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/topics/sustainabletransport>

¹⁴ International Capital Market Association (ICMA), Green Bond Principles, 2016. 16 June 2016: <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>

Conclusion

The transport sector is responsible for one quarter of energy-related GHG emissions worldwide¹⁵. There are also enormous opportunities presented by sustainable transport: saving hundreds of thousands of lives every year through improved road safety and reduced air pollution, and reducing carbon emissions by 7 gigatons¹⁶. Since the transport sector has the fastest rate of emission increase, including it in an effective policy response to climate change is essential to keep the global temperature increase below two-degree Celsius. Considering its importance, ICMA Green Bond Principles recognizes clean transportation as an eligible green project category offering clear environmental benefits.

Through Sound Transit's green bonds, the agency aims to support projects that will provide low-carbon public transit to Central Puget Sound commuters and thereby reducing the overall GHG emissions within the system area. Sustainalytics is of the opinion that Central Puget Sound Regional Transit Authority's green bond framework is credible and robust and provides clarity regarding the outcomes of the green bond investments.

¹⁵ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/topics/sustainabletransport>

¹⁶ International Energy Agency: Energy Technology Perspectives: www.iea.org/etp

APPENDICES

Appendix A: Eligible Projects

Project Code	Project Category	Project Name	Project Description	Approximate Bond Eligible Amount
300004	Transit Operations, Maintenance and Improvements	Sounder Maintenance Base	Sounder Evaluating operations and maintenance cost efficiencies associated with commuter rail operations and maintenance facilities Commuter Rail Maintenance Base	805,000
300011	Transit Planning and Evaluation	Positive Train Control	Federally mandated systems that will significantly reduce the probability of accidents	33,590,000
300017	Transit Operations, Maintenance and Improvements	Puyallup Station Improvements	Sounder Commuter Rail Access improvements with parking, pedestrian access improvements bike storage and access	939,000
300018	Transit Operations, Maintenance and Improvements	Sumner Station Improvements	Sounder Commuter Rail Access improvements with parking, pedestrian access improvements bike storage and access	4,207,000
300021	Transit Line New Build/ Expansion / Extension	Tacoma Trestle Track & Signal	Sounder Commuter Rail Design and construction of additional track, bridge and platforms along .65 miles of track baselined in 2015	23,616,000
300026	Transit Line New Build/ Expansion / Extension	Sounder Yard Expansion	Sounder Commuter Rail Increase Track Capacity at the layover facility in Lakewood with drainage and electrical improvements	5,366,000
3X206	Transit Line New Build/ Expansion / Extension	Mukilteo Station-S Platform	Sounder Commuter Rail Construction of south platform opened March 2016	4,693,000
400007	Transit Line New Build/ Expansion / Extension	First Hill Streetcar	Built by ST owned and operated by King County Metro - Opened January 2016	41,923,000
400008	Transit Line New Build/ Expansion / Extension	Tacoma Link Expansion	2.4 miles, 6 new stations extended the existing Tacoma Link	3,173,000
400009	Transit Operations, Maintenance and Improvements	Link O&M Facility East	Operations and Maintenance Facility to support the fully built out ST2 program	5,786,000

400032	Transit Line New Build/ Expansion / Extension	ST1 LRV Fleet Expansion	Light Rail Vehicle Procurement that will support the needs of the entire ST2 program	879,000
4X100	Transit Line New Build/ Expansion / Extension	Northgate Link Extension	4.3 miles, 3 stations connecting the University of Washington Station to Northgate	448,181,000
4X115	Transit Line New Build/ Expansion / Extension	Lynnwood Link Extension	8.5 miles, 4 stations extending from Northgate to Lynnwood	26,114,000
4X200	Transit Line New Build/ Expansion / Extension	University Link Extension	3.15 miles. 2 stations extending light rail from downtown to the University of Washington - Opened March 2016	203,203,000
4X420	Transit Line New Build/ Expansion / Extension	S 200th Link Extension	1.6 miles, 1 station from Sea Tac Airport to the Angle Lake Station - Opened September 2016	131,317,000
4X445	Transit Line New Build/ Expansion / Extension	Federal Way Link Extension	7.6 miles, 3 stations from Angle Lake to the Federal Way Transit Center	6,946,000
4X600	Transit Line New Build/ Expansion / Extension	East Link	14 Miles, 10 stations connects downtown Seattle with Bellevue	269,710,000
5X387	Transit Line New Build/ Expansion / Extension	REX I-90 2 Way Trans& HOV III	Preparing I-90 for the East Link Extension	99,879,000
Grand Total				1,310,327,000

Appendix B: Sound Transit's 2016 Sustainability Targets

Help **People** move freely and affordably by providing regional transit.

Promote stewardship to conserve the **Planet's** natural environment.

Support local economic **Prosperity** by enabling residents and businesses to save time and money.

Sustainability Priorities

Make informed decisions that consider environmental and social impacts.

Advance sustainability in early planning and design.

Increase system resilience to climate change and extreme weather.

Reduce construction pollution.

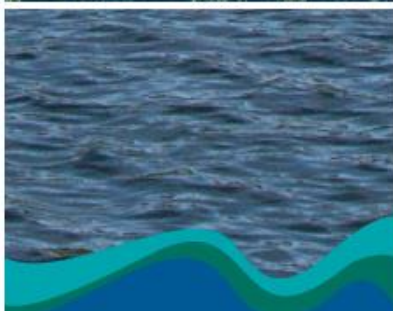
Increase revenue fleet fuel efficiency and reduce vehicle pollution.

Optimize facility energy efficiency and clean energy generation.

Procure and use green products and services.

Foster a staff culture of sustainability.

Appendix C: Sound Transit's Environmental Policy



ENVIRONMENTAL & SUSTAINABILITY MANAGEMENT SYSTEM (ESMS)

Sound Transit manages and improves environmental performance through a system certified to international environmental standards (ISO 14001).

SUSTAINABILITY INITIATIVE

The Sound Transit Board authorized the establishment of a Sustainability Initiative in 2007. It requires that sustainable practices be incorporated throughout all Sound Transit activities. It also requires that targets be established as part of the ESMS and that progress reports be provided to the Board. The agency's CEO subsequently issued an Executive Order directing staff to implement the Sustainability Initiative.

The ESMS is managed by an intra-agency Steering Committee. Additional information is available on www.soundtransit.org and the agency's intranet. Questions or comments can be sent to esms@soundtransit.org

Sound Transit protecting the environment

Sound Transit integrates environmental ethics and sustainable business practices into planning, designing, constructing and operating new and existing transit systems and facilities. Environmental stewardship is a responsibility of all employees. Sound Transit's Environmental Policy was adopted by the Sound Transit Board in April 2004.

SOUND TRANSIT ENVIRONMENTAL POLICY

Sound Transit is committed to the protection of the environment for present and future generations as we provide high capacity transit to the Puget Sound region. Sound Transit has been a catalyst and model for engaging federal and state partners to resolve environmental issues that apply to our program. We will continue to be an environmental leader in the State of Washington through the integration of the following principles into our daily business practices:

- We will fully comply with all environmental laws and regulations. We will strive to exceed compliance by the continual improvement of our environmental performance through cost-effective innovation and self-assessment.
- We will restore the environment by providing mitigation and corrective action, and will monitor to ensure that environmental commitments are implemented. We will improve our ability to manage and account for environmental risk.
- We will avoid environmental degradation by minimizing releases to air, water and land. We will prevent pollution and conserve resources by reducing waste, reusing materials, recycling and preferentially purchasing materials with recycled content.
- We will increase the awareness of environmental issues among agency employees through education and training. We will continue to educate the public about the environmental benefits of our transit system. We will build relationships with our contractors, vendors, consultants and transit partners during planning, design, construction and operation to protect and enhance the environment.
- In order to implement this Policy, Sound Transit has established and maintains an Environmental & Sustainability Management System (ESMS) with environmental objectives and targets that are measurable, meaningful and understandable. The goals and progress of this Policy and the ESMS are communicated to agency board members, officers, employees and the public.



Appendix D: Green Bond / Green Bond Programme - External Review Form

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Central Puget Sound Regional Transit Authority (Sound Transit)

Review provider's name: Sustainalytics

Completion date of this form: November 25, 2016

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input checked="" type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Sustainalytics is of the opinion that Central Puget Sound Regional Transit Authority's green bond framework is credible and robust and provides clarity regarding the outcomes of the green bond investments. Sustainalytics has reviewed Sound Transit's 2015 Sustainability Progress Report and is of the opinion that Sound Transit is a sustainability-focused organization. Based on the agency's environmental commitments and internal processes to manage environmental impacts as well as the region's growing demand to expand its transportation system, Sound Transit is well positioned to issue green bonds.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

Sustainalytics is of the opinion that the use of proceeds outlined by Sound Transit have a clear environmental benefit.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Projects will be selected in accordance with the eligibility criteria outlined in the framework.

Sound Transit's Treasury and Bond Counsel set guidelines and priorities for the project selection for green bonds. The projects were selected based on the following considerations:

- The projects satisfy at least one of the requirements of the Green Eligibility Criteria;
- The time period in which the expenditures were made;
- Preliminary expenditures that are eligible for reimbursement. These expenditures include design, engineering and surveying that occur before the commencement of a project; and
- Expenditures that have not been allocated to grants or other bond issues.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sound Transit's Treasury and Bond Council has sufficient oversight over the management of proceeds. Given that the monies will have already been spent on transit projects, there will not be any bond proceeds to manage over time. In the event that any bond proceeds are not used for reimbursement, they will be spent on Link light rail eligible expenditures.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in a systematic manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Sound Transit publishes an Annual Green Bond Report that reports on the final use of proceeds and the agency's environmental and sustainability progress and results. Sound Transit plans to report the final list of projects and actual allocated amounts when the bond proceeds are fully allocated.

In addition, Sound Transit publishes an annual sustainability progress report highlighting the environmental benefits of transit in its region of operation. Sound Cloud has also committed to reporting on the impact of the bond. This is in line with industry norms.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Information reported:

- Allocated amounts
- GB financed share of total investment
- Other *(please specify)*:

Frequency:

- Annual
- Semi-annual
- Other *(please specify)*:

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Frequency:

- Annual
- Semi-annual
- Other *(please specify)*:

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Other ESG indicators *(please specify)*:

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other *(please specify)*:
- Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*:

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

<http://www.soundtransit.org>
<http://www.soundtransit.org/sustainability/green-bonds>
<http://www.soundtransit.org/sustainability>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s): N/A

Date of publication: N/A

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- (i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer’s Green Bond framework. “Second opinions” may fall into this category.
- (ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer’s ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

Disclaimer

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The Opinion was drawn up with the aim to explain why the analyzed bonds are considered sustainable and responsible. Consequently, the Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of the Opinion and/or the information provided in it.

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SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

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SUSTAINALYTICS
At a Glance

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- Company ESG Research
4,500 Issuers
- Corporate Governance Research
4,000 Issuers
- Global Compact Research
20,000+ Issuers
- Product Involvement
40,000 Issuers
- Controversial Weapons Radar
40,000 Issuers
- Sector Research
42 Peer Groups

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Michael Jantzi, CEO

More than 250 staff members, including over 120 analysts with multidisciplinary and industry expertise

Shareholders: ABN AMRO MeesPierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos

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Elsie Bos, CEO, PGGM

Alan Broadbent, CEO, Avana Capital Corporation

Melissa Brown, Partner, Daobridge Capital

Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC

Glen Saunders, Former board member and current senior adviser, Principles for Responsible Investment (PRI)

Georg Schürmann, Managing Director of Triodos Bank Germany

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