



## GREEN BOND SECOND PARTY OPINION

### **Solid Waste Enterprise Refunding Revenue Bonds Series 2019A (Non-AMT)**

### **Solid Waste Enterprise Revenue Bonds Series 2019B (AMT) ("Series 2019 A and B Green Bonds")**

<b>Issuer:</b>	South Bayside Waste Management Authority (SBWMA)
<b>GBP Category:</b>	Pollution Prevention and Control
<b>Location (HQ):</b>	San Mateo, CA, USA
<b>Financing value:</b>	\$53.8 million
<b>Amount evaluated:</b>	100%
<b>Evaluation date:</b>	June 13th, 2019
<b>Contact:</b>	Evan Smith, Lead Technical Verifier, Kestrel Verifiers +1 530.919.9162, <a href="mailto:evan@kestrel-inc.com">evan@kestrel-inc.com</a>

#### **TRANSACTION OVERVIEW**

South Bayside Waste Management Authority ("SBWMA") plans to issue \$53.8 million in Solid Waste Enterprise Revenue Bonds Series 2019 A and B Green Bonds.

This Second Party Opinion reflects our view of the SBWMA's project and financing, allocation and oversight and conformance of the bonds with the Green Bond Principles.

The Series 2019A bond proceeds will be used to refund the Series 2009A Bonds previously issued by South Bayside Waste Management Authority. Funds from the Series 2009A Bonds were used to design and construct major upgrades to the Shoreway Environmental Center, including a new materials recovery facility and 2700 solar panels that power 100% of recycling operations.

The Series 2019B Green Bonds will be used to fund new waste diversion and waste-to-energy projects at the Shoreway Environmental Center.

In our opinion, the Series 2019 A and B Green Bonds to be issued by SBWMA are aligned with the Green Bond Principles 2018.

## **INTRODUCTION**

South Bayside Waste Management Authority (“SBWMA”), also known as ReThinkWaste, is a joint powers authority of twelve public agencies in San Mateo County, California. The organization is a recognized leader in the delivery of innovative waste reduction and recycling programs.

The primary goal of SBWMA is to provide cost-effective waste reduction, recycling, and solid waste programs to member agencies through franchised services and other recyclers to meet and sustain a minimum of 50% diversion of waste from landfill as mandated by California State Law, AB 939.

SBWMA owns and manages the Shoreway Environmental Center, which serves as a regional solid waste and recycling facility for the receipt, handling and transfer of refuse, recyclables and organic materials collected from the service area.

SBWMA has established goals that support a low-carbon trajectory, including the “Triple-Zero” goal as defined by the California Air Resources Board—zero recyclables to the landfill, zero organics to the landfill, and zero net greenhouse gas emissions in operations. To achieve its sustainability vision, SBWMA has established sustainability targets to reduce waste by 75% by 2025. These targets are aligned with California State Law SB 1383, which requires SBWMA to divert 50% of organic matter from landfills by 2020, and 75% by 2025.

SBWMA has developed a green bond framework under which it plans to issue the Solid Waste Enterprise Refunding Revenue Bonds Series 2019A (Non-AMT) and Solid Waste Enterprise Revenue Bonds Series 2019B (AMT) green bonds, otherwise known as the “Series 2019 A and B Green Bonds.” This green bond framework has been published in a separate document entitled, *South Bayside Waste Management Authority Green Bond Framework*.

SBWMA plans to issue these bonds and use the proceeds to finance and refinance expenditures related to (i) waste collection, (ii) waste treatment, (iii) waste-to-energy/production of waste-derived fuels, and (iv) waste recycling.

SBWMA has engaged Kestrel Verifiers to provide an independent second party opinion on the alignment of the Series 2019 A and B Green Bonds with the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”), and to the United Nations Sustainable Development Goals (“SDGs”). Kestrel Verifiers is an Approved Verifier, as per the Climate Bonds Initiative, for green bonds and Climate Bonds. The Kestrel review team included a waste management specialist.

As part of this engagement, Kestrel Verifiers reviewed the green bond framework, examined public and non-public information, and interviewed members of SBWMA’s management and finance teams. Our goal was to understand sustainability impacts of the business, planned use of proceeds, procedures for management of proceeds, and plans and practices for reporting. This document contains Kestrel’s opinion of the Series 2019 A and B Green Bonds and should be read in conjunction with SBWMA’s green bond framework for this bond issue.

## **SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY’S SUSTAINABILITY STRATEGY**

Kestrel believes that the South Bayside Waste Management Authority has a strong sustainability strategy supported by a robust governance structure. SBWMA’s goals and commitment to zero waste are supported through its “Zero Waste Committee” governance structure and “Triple-Zero” goal, defined as:

- zero recyclables to the landfill,
- zero organics to the landfill, and
- zero net greenhouse gas emissions in operations.

To achieve its sustainability vision, SBWMA has established sustainability targets which include:

- (i) increase recycling and recovery rates thus reducing waste by 75% from 2014 levels by 2025 (currently at 50%);
- (ii) reduce organics going to landfill by 75% by 2024 and 50% by 2022 from a 2014 baseline; and
- (iii) landfill no more than 10 percent of readily recyclable or compostable materials by 2020 (i.e., a 90% capture rate).

SBWMA’s Core Values also drive the organization toward sustainability. These include:

1. Implementing waste reduction, recycling and environmental education programs which is seen as paramount to achieving a greater resource conservation ethic and sustainable communities.
2. Delivering high quality, and cost-effective resources and services for customers, and vendors and service providers.
3. Providing sound environmental policies and practices for member agency communities.
4. Conducting long-term planning for waste reduction and recycling programs and facility infrastructure, which is fundamental to achieving the organizational mission.
5. Facilitating excellent communication, collaboration and cooperation among all stakeholders.

## PROJECT DESCRIPTION

The Series 2019 A and B Green Bonds offering consists of two parts. The first part under Series 2019A, is a refunding of SBWMA’s tax-exempt solid waste enterprise revenue bonds, Series 2009A, which were used to fund improvements to the (existing) Shoreway Environmental Center. These improvements included: a new 70,200 sq ft materials recovery facility (MRF) to process single-stream recyclables; a 14,780 sq ft expansion of the existing 62,000 sq ft transfer station building to increase unloading spaces for public customers and improve capacity to handle organic waste; a new environmental education center housed in the MRF with museum-quality exhibits promoting resource conservation and SBWMA programs; a new public recycling center for free-drop off; and a buy-back center for bottles and cans.

The original use of proceeds also acquired and put into service 2,700 solar panels to produce 100% of electricity demand at the Shoreway Environmental Center. The modern equipment and facilities upgrades that were accomplished with the Series 2009A offering allowed SBWMA to remove 30% more recycling tonnage from the waste stream.

The second part of the debt issuance is the Solid Waste Enterprise Revenue Bonds Series 2019B, which will be used to acquire and install equipment for the materials recovery facility that will improve operational efficiency. These new improvements and the desired uses include the following:

Improvement	Purpose
<b>Optical Sorting Machine</b>	Capture additional cardboard and containers Reduce contamination
<b>Robotic Residue Sorting Equipment/Quality Control System</b>	Increase capture of recyclable materials which are currently disposed
<b>Enhanced Glass Cleanup System</b>	Increase the quality of glass recovered by reducing contamination, thus allowing higher recycle rates
<b>Sort System Upgrades</b>	Meet new paper quality standards for recycling

Improvement	Purpose
<b>Organics-to-Energy Pilot Project</b>	A pilot project to develop a waste-to-energy system and reduce organics going to landfill. Organics and garbage will be transported as a slurry to the anaerobic digester at Silicon Valley Clean Water Wastewater Treatment Plant.

Individually and collectively, each of these improvements is intended to increase the operational efficiency of the Shoreway Environmental Center and move SBWMA toward its “Triple-Zero” goal.

## **ENVIRONMENTAL BENEFITS**

### **New Sorting Improvements**

Studies have shown that effective source-segregated recycling of key waste materials can notably reduce GHG impacts of waste management<sup>1</sup>. Higher efficiency of sorting in the Shoreway Environmental Center through use of optical and robotic sorting equipment increases the GHG benefit of diversion from landfills.

### **Organics-to-Energy Pilot Project**

SBWMA will demonstrate an Organics-to-Energy Program by implementing a pilot project. Upon demonstration of a successful Organics-to-Energy Pilot Project, at least 75 tons of organics and solid waste per day will be diverted from the Shoreway Environmental Center, converted to a slurry, and trucked three miles to the Silicon Valley Clean Water Facility where it will be put into anaerobic digesters to produce gas for energy use.

There is a three-fold benefit to SBWMA’s Organics-to-Energy Program, which will be demonstrated with this pilot. First, it will reduce the number of large trucks making the 73-mile one-way trip to the landfill. Second, reduced organics sent to the landfill will result in fewer methane emissions from organic material in the landfill. Third, the resulting biogas energy source will produce 2 MW of continuous base-load power per day. Furthermore, if this pilot is successful and scaled, it is a goal of SBWMA to pipe biogas from the anaerobic digesters back to the Shoreway Environmental Center to fuel the waste management vehicle fleet. The fleet currently uses over one million gallons of diesel fuel per year.

While this project starts small, it has potential to provide clean energy, reduce diesel fuel usage, and reduce methane emissions from landfills. All would represent significant decreases in potent greenhouse gas emissions.

## **ALIGNMENT WITH GREEN BOND PRINCIPLES**

### **Use of Proceeds**

Bond proceeds will be used for “Pollution Prevention and Control,” which is recognized by the ICMA Green Bond Principles as an eligible project category with positive environmental benefits.

### **Project Evaluation and Selection**

SBWMA’s project evaluation and selection process is executed through a dedicated “Zero Waste Committee” supported by the finance committee and the Board of Directors. Kestrel assesses this process as a best market practice due to the active and transparent participation of the Board and management.

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<sup>1</sup> David A. Turner, Ian D. Williams, Simon Kemp, “Greenhouse gas emission factors for recycling of source-segregated waste materials,” *Resources, Conservation & Recycling* 105 (2015): 186–197.

### **Management of Proceeds**

SBWMA's management of proceeds is in line with market practices. Net proceeds will be tracked by SBWMA's Finance team and will all be allocated immediately at bond closing. Prior to the expenditure of bond proceeds, funds will be held by a trustee under the bond indenture and can only be invested in the instruments specifically permitted by the indenture. In practice, the proceeds are expected to be invested in U.S. Treasuries, federal agencies, or in a money market fund that invests exclusively in such instruments.

### **Reporting**

SBWMA will make, and keep readily available, up-to-date information on the use of proceeds to be renewed annually until full expenditure. The annual report will include a list of projects to which green bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact. So long as the Series 2019 A and B Green Bonds are outstanding, the SBWMA will annually report on the use of proceeds, the currently allocated and outstanding amounts, and provide management confirmation that the use of proceeds of the Bonds is still in alignment with the Green Bond Principles. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Kestrel Verifiers will provide a post-issuance Use of Proceeds report, which the SBWMA will post on EMMA.

### **ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

In addition to following the guidelines of the Green Bond Principles, SBWMA also recognizes the United Nations Sustainable Development Goals ("SDGs"). The Series 2019 A and B Green Bonds align with the following SDGs:

- **SDG 9: Industry, Innovation and Infrastructure** sets a goal to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Funding of optical and robotic sorting at the MRF clearly addresses this goal in an environmentally sound way with innovation and increased efficiencies, and by working toward SBWMA's goal of diverting more waste from landfills.
- **SDG 12: Responsible Production and Consumption** sets a goal to ensure sustainable consumption and production patterns. Construction and upgrades at the Shoreway Environmental Center, a Leadership in Energy and Environmental Design (LEED) Certified Gold facility, and increased sorting efficiency addresses this goal by substantially reducing waste generation through recycling.

### **IMPACT OF USE OF PROCEEDS**

All eligible project categories for the use of proceeds—namely (i) waste collection, (ii) waste treatment, (iii) waste-to-energy/production of waste-derived fuels and (iv) waste recycling—are recognized as impactful by the GBP, and Kestrel views the selection of these project categories positively. There are many positive environmental impacts of responsible waste management.

Kestrel is of the opinion that the financing of SBWMA's operations will deliver a significant positive environmental contribution by reducing ground and air pollution thorough reduced landfilling. The manufacture of new products from recycled materials requires significantly less energy in comparison to extraction and processing of raw materials to make new products, therefore an additional environmental benefit is an indirect positive contribution to reduced energy consumption. Similarly, SBWMA's waste-to-

energy pilot will contribute to a reduction in fossil-fuel use and resultant GHG emissions. If the pilot demonstrates success, then SBWMA has potential to annually divert at least 75 tons of organic and other waste for biogas production, power the fleets of SBWMA and its key contractors, and reduce diesel fuel use by up to one million gallons per year.

Responsible waste management also yields clear social and economic benefits in the form of better public health through avoidance of air and water pollution, and new job opportunities in the field of collection and recycling of materials.

Overall, Kestrel believes that the eligible projects under the *South Bayside Waste Management Authority Green Bond Framework* will contribute to improving the environment through responsible waste management.

## SECOND OPINION ON GREEN BOND PRINCIPLES ALIGNMENT

South Bayside Waste Management Authority has developed a green bond framework under which it intends to issue the Series 2019 A and B Green Bonds. Proceeds under the framework will be used to finance or refinance green assets and green activities related to (i) waste collection, (ii) waste treatment, (iii) waste-to-energy/production of waste-derived fuels, and (iv) waste recycling. These activities are recognized as impactful under the “Pollution Prevention and Control” category of the Green Bond Principles. SBWMA’s project selection process, management of proceeds, and reporting are also in line with market practices. Based on these tenets and that 100% of proceeds have or will be allocated to green projects, we expect this bond to meet the basics of the four pillars of the GBP.

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### SBWMA has committed to:

- ☑ allocating the full amount of the net proceeds of bonds to eligible green projects, as defined by the Green Bond Framework;
  - ☑ using clear “green” criteria, as defined by the issuer, to select projects for funding;
  - ☑ managing and tracking proceeds; and
  - ☑ committing to regular reporting of environmental impact and use of proceeds.
- 

Kestrel is of the opinion that the green activities funded by the proceeds of the Series 2019 A and B Green Bonds will provide a meaningful contribution to SBWMA’s strong sustainability commitments and targets, and positively contribute to the transition toward a more circular and low-carbon economy.

Based on the above, Kestrel is of the opinion that SBWMA is well positioned to issue the green bonds; that the corresponding green bond framework is credible, robust and aligned with the four pillars of the Green Bond Principles 2018; and the use of proceeds are aligned with United Nations Sustainable Development Goals 9 and 12.

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### About Kestrel Verifiers

To public and corporate finance teams who are preparing green bonds, Kestrel is an Approved Verifier with direct and varied project experience in many sectors: water, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, climate change adaptation and environmentally sustainable management of natural resources and land uses. As bespoke US municipal specialists, we strive to provide a personal, focused approach and dedicated support. We bring real-world experience, relationships and tools to efficiently verify and report on green bonds and Climate Bonds. Kestrel is a Woman-Owned Small Business and a certified Women’s Business Enterprise.

For more information, visit [www.kestrelverifiers.com](http://www.kestrelverifiers.com)

## GREEN BOND INDEPENDENT EXTERNAL REVIEW FORM

**Solid Waste Enterprise Refunding Revenue Bonds Series 2019A (Non-AMT)**

**Solid Waste Enterprise Revenue Bonds 2019B (AMT)**

**(“Series 2019 A and B Green Bonds”)**

South Bayside Waste Management Authority

### SECTION 1. BASIC INFORMATION

**Issuer name:** South Bayside Waste Management Authority (SBWMA)

**Issuer Green Bond Framework Name:** *South Bayside Waste Management Authority Green Bond Framework*

**Independent External Review provider’s name:** Kestrel Verifiers

**Completion date of this form:** June 13, 2019

**Publication date of review publication:** June 13, 2019

### SECTION 2. REVIEW OVERVIEW

#### Scope of 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 Independent External Review Provider

- |                                                           |                                         |
|-----------------------------------------------------------|-----------------------------------------|
| <input checked="" type="checkbox"/> Second Party Opinion  | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                     | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                         |

## Executive Summary of Review

South Bayside Waste Management Authority (“SBWMA”), also known as ReThinkWaste, is a joint powers authority of twelve public agencies in San Mateo County, California. SBWMA plans to issue \$53.8 million in Solid Waste Enterprise Revenue Bonds Series 2019 A and B Green Bonds. The Series 2019A bond proceeds will be used to refund the Series 2009A Bonds previously issued by SBWMA. Funds from the Series 2009A Bonds were used to design and construct major upgrades to the Shoreway Environmental Center, including a new materials recovery facility and 2700 solar panels that power 100% of recycling operations. The Series 2019B Green Bonds will be used to fund new waste diversion and waste-to-energy projects at the Shoreway Environmental Center.

SBWMA has engaged Kestrel Verifiers to provide an independent second party opinion on the alignment of the Series 2019 A and B Green Bonds with the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”), and to the United Nations Sustainable Development Goals (“SDGs”). As part of this engagement, Kestrel Verifiers reviewed the green bond framework, examined public and non-public information, and interviewed members of SBWMA’s management and finance teams. Our goal was to understand sustainability impacts of the business, planned use of proceeds, procedures for management of proceeds, and plans and practices for reporting.

Kestrel is of the opinion that the green activities funded by the proceeds of the Series 2019 A and B Green Bonds will provide a meaningful contribution to SBWMA’s strong sustainability commitments and targets, and positively contribute to the transition toward a more circular and low-carbon economy.

Based on the above, Kestrel is of the opinion that SBWMA is well positioned to issue the green bonds; that the corresponding green bond framework is credible, robust and aligned with the four pillars of the Green Bond Principles 2018; and the use of proceeds are aligned with United Nations Sustainable Development Goals 9 and 12.

## 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:**

South Bayside Waste Management Authority will use the Series 2019 A and B Green Bonds proceeds for refunding of the Shoreway Environmental Center construction costs and new funding on equipment and projects that will improve operational efficiency, increase the amount of materials to be recycled, and reduce the amount of waste sent to the landfill. Bond proceeds will be used for “Pollution Prevention and Control,” which is recognized by the ICMA Green Bond Principles as an eligible project category with positive environmental benefits.

#### **Shoreway Environmental Center**

SBWMA owns and manages the Shoreway Environmental Center, which serves as a regional solid waste and recycling facility for the receipt, handling and transfer of refuse, recyclables and organic materials collected from the service area. The Series 2019 A and B Green Bonds offering consists of two parts. The first part under Series 2019A, is a refunding of SBWMA’s tax-exempt solid waste enterprise revenue bonds, Series 2009A which were



used to fund improvements to the (existing) Shoreway Environmental Center. These improvements included: a new 70,200 sq ft materials recovery facility (MRF) to process single-stream recyclables; a 14,780 sq ft expansion of the existing 62,000 sq ft transfer station building to increase unloading spaces for public customers and improve capacity to handle organic waste; a new environmental education center housed in the MRF with museum-quality exhibits promoting resource conservation and SBWMA programs; a new public recycling center for free-drop off; and a buy-back center for bottles and cans.

The original use of proceeds also acquired and put into service 2,700 solar panels to produce 100% of electricity demand at the Shoreway Environmental Center. The modern equipment and facilities upgrades that were accomplished with the Series 2009A offering allowed SBWMA to remove 30% more recycling tonnage from the waste stream. The facility received a LEED Gold certification.

### **Facility Upgrades**

The second part of the debt issuance is the Solid Waste Enterprise Revenue Bonds Series 2019B, which will be used to acquire and install equipment for the Materials Recovery Facility that will improve operational efficiency. These new improvements and the desired uses include the following:

Improvement	Purpose
<b>Optical Sorting Machine</b>	Capture additional cardboard and containers Reduce contamination
<b>Robotic Residue Sorting Equipment/Quality Control System</b>	Increase the capture of recyclable materials which are currently disposed
<b>Enhanced Glass Cleanup System</b>	Increase the quality of glass recovered by reducing contamination, thus allowing higher recycle rates
<b>Sort System Upgrades</b>	Meet new paper quality standards for recycling
<b>Organics-to-Energy Pilot Project</b>	A pilot project to develop a waste-to-energy system and reduce organics going to landfill. Organics and garbage will be transported as a slurry to the anaerobic digester at Silicon Valley Clean Water Wastewater Treatment Plant.

Individually and collectively, each of these improvements is intended to increase the operational efficiency of the Shoreway Environmental Center and move SBWMA toward its “Triple-Zero” goal, defined as:

- zero recyclables to the landfill,
- zero organics to the landfill, and
- zero net greenhouse gas emissions in operations.

### **Use of proceeds categories as per GBP:**

- |                                                                            |                                                                                                          |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Renewable energy                                  | <input type="checkbox"/> Energy efficiency                                                               |
| <input checked="" type="checkbox"/> Pollution prevention and control       | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation                                                            |

**Use of proceeds categories as per GBP:**

- |                                                                                                                                                    |                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <input type="checkbox"/> Sustainable water and wastewater management                                                                               | <input type="checkbox"/> Climate change adaptation        |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings                  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ): |

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

Not applicable.

## 2. Process for Project Evaluation and Selection

**Overall comment on section (*if applicable*):**

SBWMA utilizes a robust and transparent annual process to prioritize capital improvements for financing. SBWMA's project evaluation and selection process is executed through a dedicated "Zero Waste Committee" supported by the finance committee and the Board of Directors. Kestrel assesses this process as a best market practice due to the active participation of the Board and management.

**Evaluation and selection**

- |                                                                                                                    |                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input type="checkbox"/> Documented process to determine that projects fit within defined categories                          |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" 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 type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                                                      |                                              |

### 3. Management of Proceeds

**Overall comment on section** *(if applicable)*:

SBWMA's management of proceeds is in line with market practices. The net proceeds will be tracked by SBWMA's Finance team and will all be allocated immediately at bond closing. Funds on hold to be expended will be held or invested in a portfolio of liquidity investments in line with the company's treasury management policies.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

**Additional disclosure:**

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other *(please specify)*:

### 4. Reporting

**Overall comment on section:**

SBWMA will make, and keep readily available, up-to-date information on the use of proceeds to be renewed annually until full expenditure. The annual report will include a list of projects to which green bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact. So long as the Series 2019 A and B Green Bonds are outstanding, the SBWMA will annually report on the use of proceeds, the currently allocated and outstanding amounts, and provide management confirmation that the use of proceeds of the Bonds is still in alignment with the Green Bond Principles. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Kestrel Verifiers will provide a post-issuance Use of Proceeds report, which the SBWMA will post on EMMA.

**Use of proceeds reporting:**

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

**Information reported:**

- |                                                       |                                                                        |
|-------------------------------------------------------|------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |                                                                        |

**Frequency:**

- |                                                  |                                      |
|--------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |                                                                   |                                                       |
|-------------------------------------------------------------------|-------------------------------------------------------|
| <input type="checkbox"/> Project-by-project                       | <input type="checkbox"/> On a project portfolio basis |
| <input checked="" type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

**Frequency:**

- |                                                  |                                      |
|--------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Information reported (expected or ex-post):**

- |                                                  |                                                                                                 |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                                                         |
| <input type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Other ESG indicators - Tons of waste diverted from landfill |

**Means of Disclosure**

- |                                                                                                                                                                    |                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Information published in financial report                                                                                      | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents                                                                                                 | <input type="checkbox"/> Other (please specify):                                   |
| <input checked="" type="checkbox"/> Reporting reviewed (Kestrel Verifiers will provide a post-issuance Use of Proceeds report, which the SBWMA will post on EMMA.) |                                                                                    |

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

[www.kestrelverifiers.com](http://www.kestrelverifiers.com)

## SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

### Type(s) of Review provided:

- |                                                          |                                         |
|----------------------------------------------------------|-----------------------------------------|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify):         |                                         |

### Review provider(s):

Date of publication: June 13th, 2019

Monica Reid, Verification Team Leader  
Evan Smith, Lead Technical Verifier  
Kestrel Verifiers

### About Kestrel Verifiers

To public and corporate finance teams who are preparing green bonds, Kestrel is an Approved Verifier with direct and varied project experience in many sectors: water, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, climate change adaptation and environmentally sustainable management of natural resources and land uses. As bespoke US municipal specialists, we strive to provide a personal, focused approach and dedicated support. We bring real-world experience, relationships and tools to efficiently verify and report on green bonds and Climate Bonds. Kestrel is a Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit [www.kestrelverifiers.com](http://www.kestrelverifiers.com)

### About Roles of Independent Review Providers as Defined by the GBP

- Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.