



Massachusetts Bay Transportation Authority

Sustainability Bond Framework

August 2017



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1. Background

The Massachusetts Bay Transportation Authority's Strategic Plan calls on the Authority to strengthen and improve the economic health of the region, to promote social equitability through service of a diverse customer base and to embrace environmental stewardship. It acknowledges that the MBTA has responsibilities not only to its customers and employees, but also the communities in which it operates. This means understanding and managing the impact that the organization has on society and the environment.

The MBTA's rolling five-year Capital Investment Plan ("CIP") establishes priorities among capital projects. Among those priorities are projects that maximize and equitably distribute social benefits across the communities that the MBTA serves. The CIP also promotes projects that maximize the environmental benefits of the transportation system. Social and environmental factors form the foundation of the MBTA's commitment to sustainability.

The MBTA seeks to embrace industry best practices in managing social and environmental risks. Moreover, the MBTA has sustainability risk policies embedded in its business processes. The MBTA is a Gold Level Signatory to the American Public Transportation Association's Sustainability Commitment and regularly publishes on its sustainability initiatives.

The MBTA Sustainability Bond Framework represents an important step in communicating with investors that support the MBTA. MBTA's Sustainability Bond Framework is consistent with the Sustainability Bond Principles ("SBP") established by the International Capital Market Association and incorporates guidance from investor groups and the academic community.

The MBTA expects to issue a series of Sustainability Bonds under this Framework (each an "MBTA Sustainability Bond"), as described herein.



2. Use of Proceeds for Sustainability Bonds

The cornerstone of a Sustainability Bond issuance is the use of proceeds. The proceeds of each MBTA Sustainability Bond will be used to finance eligible projects that provide environmental and/or social benefits. Environmental benefits center on the transition to a low-carbon, climate resilient and sustainable community. Social benefits may include, but are not limited to, access to essential services and affordable infrastructure, critical health and safety improvements, and socioeconomic advancement.

Specifically, the Use of Proceeds of any MBTA Sustainability Bond will be applied to eligible capital projects that have been thoroughly reviewed by the MBTA Sustainability Committee. Eligible projects may include both new and ongoing projects. In the case of cancellation of a project, the MBTA will seek to use the net proceeds to finance other eligible projects which are compliant with the Sustainability Bond Framework.

For the avoidance of doubt, funding provided to any project or function that is not eligible under the criteria set out in this MBTA Sustainability Bond Framework will not be considered as Use of Proceeds of an MBTA Sustainability Bond issued under this framework.



2.1 Environmental Considerations

The Massachusetts Bay Transportation Authority is dedicated to providing safe, reliable, world class public transportation in an environmentally responsible manner. The MBTA conducts operations in close accordance with its environmental management system. Furthermore, the MBTA assures the Federal Transit Administration that it conducts federally assisted programs, services and activities free from discrimination. The MBTA gives special consideration to Environmental Justice and is committed to preventing minority and/or low-income communities from being subject to disproportionately high and adverse environmental effects. The principles underlying this commitment intend for the MBTA to be proactive, rather than reactive, thus this bond framework affords an opportunity to more expansively meet its equity obligation.

The MBTA has established guiding principles (see “MBTA Environmental Management Policy”) that include meeting or exceeding applicable environmental laws, fostering the sustainable use of natural resources, collaborating with peer agencies to achieve shared environmental goals, and implementing emerging technologies that produce tangible environmental benefits.

The MBTA also has a number of strategic environmental priorities. Capital projects funded by Sustainability Bonds may address one, if not more, of the priorities described herein:

- **Built environment:** Respecting, protecting and improving the built environment and enhancing the quality of the travel experience;
- **Capacity:** Reducing emissions from personal vehicle trips by increasing capacity to carry passengers and increasing the attractiveness of public transit by being able to offer more frequent, reliable, and comfortable service;
- **Carbon, energy and climate resilience:** Reducing carbon emissions and preparing for the potential impacts of climate change and extreme weather;
- **Natural environment:** Respecting, protecting and enhancing the natural environment and its contribution to the quality of life;
- **Noise:** Managing and controlling transport-related noise and vibration;
- **Pollution prevention:** Proactively managing activities to minimize and control pollution;
- **Resource management:** Using resources (including water) wisely and minimizing waste.



2.3 Social Considerations

The MBTA acknowledges that high quality public transportation and transit oriented development can produce meaningful social benefits. Health and safety, better access to medical care, professional and academic opportunities, and food sources, and affordability are a few of the benefits that high quality public transit can provide. The mobility, connectivity and opportunity that public transportation affords can be critical to empowering disadvantaged communities. The MBTA also recognizes that all people with disabilities must have every opportunity to be fully participating members of the community. Fundamental to this opportunity is the right and ability to use public transportation in an equal, effective and dignified manner.

The MBTA has a number of strategic social priorities. Capital projects funded by Sustainability Bonds may address one, if not more, of the priorities described herein:

- **Affordability:** Balancing the means of customers, particularly low-income riders, with the financial constraints of the organization.
- **Accessibility:** Operating an inclusive system and facilities designed to accommodate a diverse customer base;
- **Availability:** Ensuring that communities within the service area are within reasonable, equitable reach of the public transportation system;
- **Equity:** Offsetting social and environmental burdens experienced by populations or communities within the service area and/or striving for an even distribution of benefits and burdens across the diverse modes, customer bases, and service area.
- **Safety:** Protecting the well-being of passengers, operators and the general public.
- **Workplace environment:** Maintaining a safe, empowering, and satisfying workplace environment for MBTA and affiliated employees.



3. Process for Identification and Approval of Use of Proceeds

The MBTA has established a Sustainability Bond Committee, made up of internal stakeholders, directors and managers with responsibility for maintaining the MBTA Sustainability Bond Framework and evaluating projects that may be candidates for Sustainability Bond funding.

The Sustainability Bond Committee will review all proposed and existing Use of Proceeds to determine their compliance with the MBTA Sustainability Bond Framework. In all cases, the Sustainability Bond Committee will have a final veto on eligibility decisions.

The MBTA shall allocate funds to eligible projects within twenty-four (24) months of issuance of the bond. Funds may be reallocated to other eligible projects at any time during the term of the bond.

Where a proportion of the proceeds of the Sustainability Bond are used for refinancing, the MBTA will provide an estimate of the share of the proceeds used for financing and re-financing, and identify which eligible projects may be refinanced.



4. Management and Tracking of the Proceeds of Issuance

The MBTA will systematically manage and track the proceeds of each Sustainability Bond issuance. The MBTA will establish a distinct account for Sustainability Bond funds and will track the Use of Proceeds via its capital management and treasury information systems.

Each MBTA Sustainability Bond will be booked under an earmarked position which is set up specifically for each Sustainability Bond. The MBTA will establish a register, recording each project ID allocated as Use of Proceeds for a Sustainability Bond.

Investment of Sustainability Bond proceeds prior to deployment shall be in line with the MBTA's Investment Policy.



5. Reporting on Use of Proceeds

The MBTA will provide a Sustainability Progress Report on an annual basis including:

- Aggregate amounts of funds allocated to each eligible project along with a description of the projects being financed;
- The remaining balance of unallocated Sustainability Bond proceeds at the end of the reporting period;
- Qualitative performance indicators and, where feasible, quantitative performance measures of the environmental and social objectives of the eligible projects;
- Methods and key underlying assumptions used in the preparation of the performance indicators and metrics;
- Confirmation that the Use of Proceeds of the Sustainability Bond(s) issued conforms to the MBTA Sustainability Bond Framework.

The MBTA acknowledges investors' preference for enhanced information on Use of Proceeds. Where possible, the MBTA will provide further information on projects financed by an MBTA Sustainability Bond.

Information with respect to specific projects may be subject to permitted disclosure in accordance with relevant confidentiality agreements and competition issues.

The MBTA Treasury Department will prepare the report and the Sustainability Bond Committee will review and approve each Sustainability Progress Report. Each Sustainability Progress Report will be published on MBTA Financials subsite, found at www.mbta.com.



6. Ongoing Development

The definition of what constitutes “sustainable issuance” is subject to interpretation and, in many cases, requires a complex assessment of the resulting environmental and social impact. Results may be difficult to measure, and projects may involve tradeoffs.

Constructive feedback and input on the MBTA Sustainability Bond Framework is therefore welcomed. The MBTA seeks to better meet the objectives of investors and ultimately have a more meaningful impact on the communities it services. The MBTA seeks to be a contributor to the impact investing space and help direct private capital to serve public causes.

The MBTA expresses gratitude to the investor groups and academic institutions that reviewed the current policy.



7. Appendix and Declaration

APTA Sustainability Commitment

<http://www.apta.com/resources/hottopics/sustainability/Documents/APTA%20Sustainability%20Commitment%20-%20Transit%20Agencies%20Overview.pdf>

ICMA Green Bond Principles

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

ICMA Social Bond Principles

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/SocialBondsBrochure-JUNE2017.pdf>

MBTA Strategic Plan

http://www.mbta.com/uploadedfiles/About_the_T/Board_Meetings/Final%20MBTA%20Strategic%20Plan.pdf

MBTA Sustainability Reports:

http://www.mbta.com/about_the_mbta/financials/?id=6442458373

MBTA Title VI Program:

<http://www.mbta.com/titlevi>

The foregoing MBTA Sustainability Bond Framework is declared to be a policy of the Massachusetts Bay Transportation Authority this 18th day of August, 2017.

Paul Brandley
Treasurer, MBTA