

Second Party Opinion

City of Groton, Conn., Proposed \$28.195 Million General Obligation Series A Green Bonds

June 10, 2022

The City of Groton is a subdivision of the Town of Groton, Conn., in the southeastern part of the state. Its population was approximately 9,400 in 2020, and it had a land area of about three square miles. The city intends to issue \$28.195 million in general obligation bonds in June 2022 in multiple tranches with annual maturities between 2023 and 2042. The net proceeds will be used to finance green infrastructure projects including improved water distribution infrastructure, efficiency improvements to wastewater treatment systems, and efficiency and resiliency improvement to electricity distribution and transmission infrastructure.

In our view, the City of Groton's 2022 Series A Green Bond transaction is aligned with:

Green Bond Principles, ICMA, 2021

Issuer's Sustainability Objectives

The City of Groton's sustainability objectives include increased climate resiliency from using more sustainable materials, increased energy efficiency, more reliable electricity service to city residents, climate hazard mitigation, and flood plain management. Upgrades to electricity and water infrastructure are intended to make them more resilient to physical climate impacts and improve energy and water efficiency.

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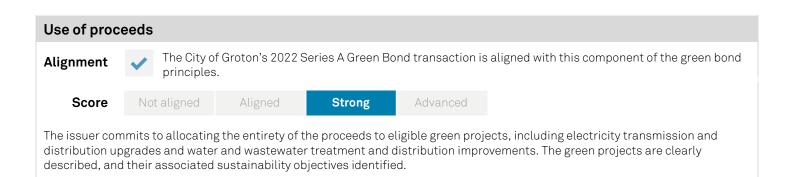
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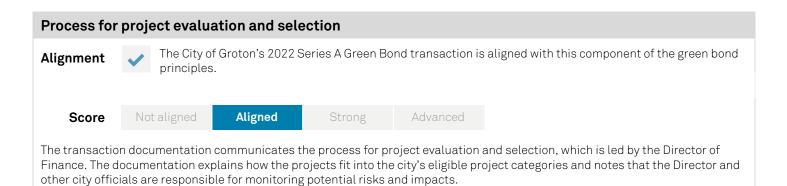
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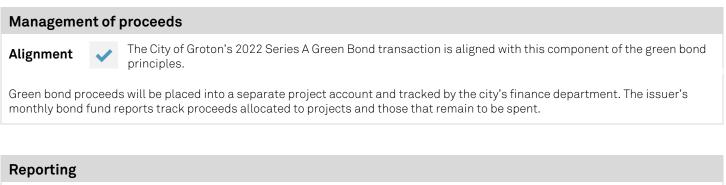
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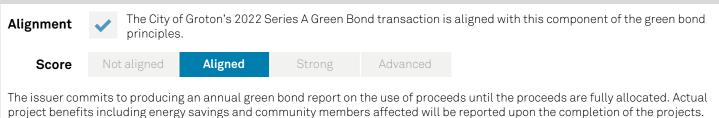
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Second Party Opinion Summary









We note the issuer does not commit to third-party verification.

Transaction Assessment

Use of proceeds

The principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

The City of Groton's 2022 Series A Green Bond transaction is aligned with this component of the green bond principles.

Commitments score	Not aligned	Aligned	Strong	Advanced

We consider the City of Groton's overall use of proceeds commitments to be strong.

The city's green bond report clearly details the eligible projects the green bond proceeds will be exclusively allocated to, including green projects for wastewater updates (\$4.9 million), water distribution upgrades (\$3.5 million), water systems upgrades (\$1.5 million), electricity transmission line upgrades (\$15.2 million), and electricity distribution upgrades (\$3 million). The issuer will not use the proceeds for refinancing purposes. Through these projects, the City of Groton contributes to several sustainability objectives as mapped by the ICMA Green Bond Principles, including pollution prevention and control from the wastewater and water projects, and climate change mitigation from the electricity infrastructure projects. These objectives are identified in the 2022 green bond report, which we view as a best practice.

Process for project evaluation and selection

The principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. We consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

The City of Groton's 2022 Series A Green Bond transaction is aligned with this component of the green bond principles.



We consider the City of Groton's overall process for project selection and evaluation commitments to be aligned.

The City of Groton's green bond report and preliminary official statement clearly outline the process by which it determines how the projects fit within the eligible project categories, the relevant decision-makers, and selection criteria used. However, the documentation does not reference the use of any market-based taxonomies or international standards within its eligible criteria, which are considered market best practices.

For each project, the Mayor, Director of Finance, and the municipal adviser reviewed those to be funded and ensured alignment with the green bond principles. For future issuances, the relevant decision-makers will use the city's green bond criteria to evaluate projects. The Director and other city officials are responsible for monitoring potential environmental and social impacts of the projects.

Management of proceeds

The principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.



The City of Groton's 2022 Series A Green Bond transaction is aligned with this component of the green bond principles.

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The documentation indicates that the city's Director of Finance and finance department is responsible for tracking proceeds from the issuance. The funds will be deposited into a project sub-account, with the authorized expenditures and remaining balance tracked by the department's internal software system.

Reporting

The principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including commitments to post-issuance reporting.

The City of Groton's 2022 Series A Green Bond transaction is aligned with this component of the green bond principles.

Disclosure score	Not aligned	Aligned	Strong	Advanced

We consider the City of Groton's overall reporting practices to be aligned.

The city has committed to annual reporting on or before Feb. 28 on use of proceeds in its green bond reports on the Electronic Municipal Market Access website until the proceeds are fully deployed. The issuer will also report the actual benefits of the project, specifically the number of people affected through the water and electricity services and energy savings. Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Financing Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

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