

Second-Party Opinion
Ygrene Green Bond
 GoodGreen 2021-1 Trust Private Placement
 Memorandum



Evaluation Summary

Sustainalytics is of the opinion that the GoodGreen 2021-1 Trust Private Placement Memorandum and the Green Bond Language (as defined below) contained therein is credible and impactful and aligns to the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the financing of home upgrades related to renewable energy, energy efficiency, water conservation, and disaster resiliency will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 6, 7, and 11.



PROJECT EVALUATION / SELECTION Ygrene’s financing is intended to be provided only for eligible PACE projects, as defined by the PACE programs in California, Florida, and Missouri, respectively. Ygrene intends to reference a list of eligible product types in assessing eligibility. This is in line with market practice.



MANAGEMENT OF PROCEEDS The net proceeds of Ygrene’s green bond issuance are intended to be deposited in a segregated account and disbursed by the Program Administrator to originate eligible projects. This is in line with market practice.



REPORTING Ygrene will disclose, in its Private Placement Memorandum, the total amount to be allocated. While ongoing tracking of the actual impact is not feasible due to the nature of the projects funded, Ygrene intends to report on the aggregated environmental benefits, based on an impact estimation model, of the financed projects on an annual basis. This is in line with market practice.

Evaluation Date	April 9, 2021
Issuer Location	Petaluma, California, U.S.

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	9

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Introduction

Ygrene Energy Fund Inc. (“Ygrene”, or the “Program Administrator”) is a Delaware-based organization with its headquarters located in California. Ygrene originates Property Assessed Clean Energy (“PACE”) assets through partnerships with local and regional government entities to administer and fund PACE programs. PACE programs were established by state legislation and approved by local governments as a mechanism to provide low-cost financing for energy-efficiency retrofits, and renewable energy generation, water conservation, and storm resilience upgrades for residential and commercial properties in select states including California, Florida, and Missouri.¹

Ygrene provides PACE financing for energy-efficient and renewable energy upgrades for residential and commercial properties in California, Florida, and Missouri.

GoodGreen 2021-1 Trust (the “Issuer”), a special purpose entity established for issuing PACE Bonds,² has developed the GoodGreen 2021-1 Trust Private Placement Memorandum (the “Memorandum”) and included language specific to green bonds (the “Green Bond Language” or the “Framework”, see Appendix 1). As described by the Green Bond Language, the Issuer intends to issue green bonds and use the proceeds to securitize a portfolio of PACE projects financing renewable energy, energy efficiency, water conservation, seismic retrofits, and storm hardening upgrades in California, Florida, and Missouri. The financed PACE projects are aligned with the criteria defined by select PACE Programs active in California,³ Florida,⁴ and Missouri⁵ (the “PACE Programs” or the “Programs”).

GoodGreen 2021-1 Trust engaged Sustainalytics to review the Green Bond Language in the Memorandum,⁶ dated April 2021, and to provide a Second-Party Opinion on its environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).⁷ The Green Bond Language is excerpted in Appendix 1.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ opinion on the alignment of the Green Bond Language of the reviewed Memorandum with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The (Green Bond Language of the) Memorandum’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Ygrene’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Green Bond Language within the Memorandum. Ygrene representatives have confirmed (1) they understand it is the sole responsibility of Ygrene to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly

¹Energy Efficiency & Renewable Energy website, “Property Assessed Clean Energy Programs”, at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

² More details on PACE Bonds in the Memorandum.

³ Ygrene website, “California PACE Programs”, at: <https://ygrene.com/government-california>

⁴ Ygrene website, “Florida PACE Programs”, at: <https://ygrene.com/government-florida>

⁵ Ygrene website, “Missouri PACE Programs”, at: <https://ygrene.com/government-missouri>

⁶ The Private Placement Memorandum will be made available to investors.

⁷ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁸ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of GoodGreen 2021-1 Trust's Green Bond Language of the Memorandum and should be read in conjunction with that document.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ygrene.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Green Bond Language of the Memorandum with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Green Bond Language of the Memorandum is the responsibility of the Memorandum owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Ygrene has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the GoodGreen 2021-1 Trust Private Placement Memorandum

Sustainalytics is of the opinion that the GoodGreen 2021-1 Trust Private Placement Memorandum is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of the Green Bond Language within the Memorandum:

- Use of Proceeds:
 - The categories for the use of proceeds – financing of property upgrades related to renewable energy, energy efficiency improvements, water efficiency improvements, climate adaptation and disaster resiliency upgrades, and electric vehicle charging infrastructure – are recognized by the Green Bond Principles as eligible project categories. (See Section 3 for further discussion of impacts, and Appendix 2 for information on the refinancing portfolio for the Ygrene Energy Fund Issuance).
 - PACE programs incentivize property owners to carry out energy efficiency and other property upgrades by providing up-front financing that is repaid over time through a voluntary property tax assessment.⁹ Eligible projects are defined in accordance with PACE regulations in each of the states in which Ygrene will provide financing; state and district/county-level program handbooks or guidelines for California, Florida, and Missouri include a full list of eligible projects. Sustainalytics considers that the projects carried out under Ygrene's PACE Programs generate environmental benefits, and views positively the financing of these activities. Sustainalytics, in particular, notes the following:
 - Financing of activities such as the installation of on-site renewable energy, plumbing fixture improvements, and building envelope upgrades are viewed as creating significant environmental benefits.
 - Financing may, in some cases, be applied to fossil fuel appliances, including furnaces, boilers, water heaters, and others. While the intention of the projects is to incentivize the adoption of high-efficiency models of these devices, the ongoing use of fossil fuels, in particular for new appliances which may have long lifespans, is not aligned with

⁹ Department of Energy, "Property Assessed Clean Energy Programs", at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

broadly accepted international decarbonization objectives.¹⁰ While the percentage of proceeds being directed to fossil fuel-powered appliances is small, as no more than 9.5% of the portfolio could include fossil fuel appliances,¹¹ Sustainalytics nevertheless identifies this use of proceeds as a limitation of the Framework.

- In addition to projects with environmental benefits, financing may be provided for disaster resiliency projects, namely wind resistance in Florida and seismic improvements in California. Sustainalytics considers hurricane resilience to be part of overall climate adaptation, and views favorably its inclusion in Ygrene's green bond issuance, contributing to approximately 64% of the portfolio. Sustainalytics also notes that earthquake resilience, while an important public safety issue with social benefits, is not directly related to environmental or climate concerns, and its inclusion in a green bond is less aligned with market norms. However, it is acknowledged that seismic upgrade projects contribute to a small portion of the portfolio at approximately 0.2%.
- Project Evaluation and Selection:
 - Ygrene's project selection process is based on including only assets which have met all requirements established by the relevant counties and been approved for inclusion in the PACE Programs. Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Ygrene's financing will comply with the management requirements of the PACE Programs, in which proceeds of debt obligations are held in a segregated account and disbursed to eligible projects by the Program Administrator. PACE assets are serviced through annual or semiannual tax collection process and payments are remitted to a trustee for the PACE bondholders. Ygrene intends to allocate fully at time of issuance.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Ygrene has disclosed to Sustainalytics, the breakdown of assets included (see Appendix 3) and will make similar information available to investors.
 - Ygrene is unable to track the actual performance of the financed projects on an ongoing basis, however, does intend to report annually on the aggregated environmental impact, including the reduction in energy and water consumption, and greenhouse gas emissions, based on an impact estimation model.
 - Ygrene has also confirmed that it complies with regulatory reporting requirements applicable in the respective counties and municipalities, which mandate disclosures on key impact parameters.
 - Sustainalytics considers this level of disclosure to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Green Bond Language within the GoodGreen 2021-1 Trust Private Placement Memorandum aligns to the four core components of the GBP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Ygrene

Contribution to Ygrene's sustainability strategy

Sustainalytics is of the opinion that Ygrene has demonstrated a commitment to achieving positive environmental and social impacts through its core business model by providing financing for energy efficiency, renewable energy, water efficiency, and hurricane protection improvements through innovative financing mechanisms such as PACE financing.¹² The financed improvements are based on the eligibility criteria defined in the respective program handbooks for select state-level PACE Programs in California,

¹⁰ Ygrene selects projects which are compliant with regulations and standards such as California Title 24, California Title 20, the AWEA Small Wind Turbine Performance and Safety Standard, and the ANSI/CSA America FC1 standard, among others. Sustainalytics has not assessed the standards as they apply to each eligible product type but recognizes the objective of selecting more efficient products.

¹¹ The actual percentage of financing for fossil fuel-powered appliances is expected to be considerably lower than 9.5% given that the calculation includes all the projects refinanced under the "HVAC" and the "High-Efficiency Water Heating" efficiency labels. It is anticipated that projects with these labels will consist predominantly of electric appliances such as air conditioners. Sustainalytics has noted the figure of 9.5% as a conservative statement, representing the upper bound of financing which could be directed to fossil fuel appliances.

¹² Ygrene website, "What is PACE Financing", at: <https://ygrene.com/what-is-pace>

Florida, and Missouri, or the district/county/city-level PACE Programs such as “Set the PACE St. Louis”,¹³ and the “Show Me PACE” Program,¹⁴ among others. The PACE financing model for eligible home upgrades enables Ygrene to offer 100% project financing with no upfront cost that the homeowners can repay on their property tax bill.¹⁵ These projects help Ygrene achieve its mission to “improve the environment and strengthen communities by removing the barriers to financing energy efficiency home improvement projects.”¹⁶ Based on Ygrene’s commitment and operations, Sustainalytics considers that the eligible categories as outlined in the Green Bond Language of the Memorandum will facilitate the advancement of the Program Administrator’s sustainability mandate, while noting that Ygrene has not published a formal sustainability or ESG strategy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes the positive impact of the outlined eligible projects, it is acknowledged that home improvement projects can present environmental and social risks related to construction and maintenance as well as occupational health and safety (“OHS”). Sustainalytics notes that Ygrene has implemented appropriate risk mitigation processes and minimum eligibility requirements through its administration of the PACE Programs. Specifically, the Programs stipulate that product specifications and installation quality must meet applicable local and state permitting codes and health and safety standards. For example, Ygrene’s “Eligible Improvements and Guidelines” document for the state of California stipulates that the product specifications and installation quality must meet the applicable codes and enforces compliance with Title 24¹⁷ for a series of its product categories. Additionally, Ygrene evaluates every contractor, especially for quality of work, professionalism, and compliance with state regulations, ensuring that on-site construction and assembly is carried out in a responsible manner.¹⁸ Furthermore, Sustainalytics notes that potential risks are mitigated by the following regulations and standards:

- The U.S.’ Occupational Safety and Health Act of 1970 addresses the OHS risks in construction, alteration, and/or repair by prohibiting the employment of laborers under working conditions which are unsanitary, hazardous, or dangerous to his health or safety.¹⁹ In the case of California, the Title 8 regulations of the California Occupational Safety and Health Act of 1973 address the OHS risks applicable to building upgrades through subchapters pertaining to the Construction Safety Orders, Electrical Safety Orders, and General Industry Safety Orders.²⁰
- For the state of Florida, the residential provisions of the “Florida Building Code, Energy Conservation” delineate specific energy efficiency requirements for the alteration, repair, addition and change of occupancy in the existing residential buildings and structures.²¹
- In the case of Missouri,²² where the energy codes are adopted at jurisdiction level, many of its municipalities and counties have voluntarily adopted the International Residential Code,²³ the International Building Code,²⁴ or the International Energy Conservation Code.²⁵ In St. Louis, which is among the focal regions of Ygrene’s investments in Missouri, the city has adopted a Building Energy Performance Standard, which requires home owners to bring their buildings to a minimum level of energy performance or opt for other energy- or carbon-saving measures.²⁶

¹³ Set the PACE St. Louis website, “Set the PACE St. Louis”, at: <http://www.setthepacestlouis.com/>

¹⁴ Show Me PACE website, “Show Me PACE”, at: <http://www.showmepace.org/>

¹⁵ Ygrene website, “Residential PACE Financing”, at: <https://ygrene.com/homeowners>

¹⁶ Ygrene website, “Our Story”, at: <https://ygrene.com/our-story#:~:text=A%20Bit%20of%20History,energy%20efficiency%20home%20improvement%20projects.>

¹⁷ Title 24 refers to the Building Energy Efficiency Standards of California. More information at: <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards>

¹⁸ Ygrene website, “FAQs- What additional protection do I get by financing with Ygrene?”, at: <https://ygrene.com/faq>

¹⁹ Occupational Safety & Health Administration website, “Safety and Health Regulations for Construction”, at: <https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.20>

²⁰ State of California- Department of Industrial Relations website, “Cal/OSHA Guidance for Construction Employers, at: <https://www.dir.ca.gov/dosh/Construction-guide-summary.html>

²¹ International Code Council website, “2017 Florida Building Code - Energy Conservation, Sixth Edition”, at:

<https://codes.iccsafe.org/content/FEC2017/chapter-4-re-residential-energy-efficiency>

²² MDNR website, “Building Codes and Missouri”, at: [https://energy.mo.gov/energy-codes#:~:text=The%20State%20of%20Missouri%20has,Energy%20Conservation%20Code%20\(IECC\)](https://energy.mo.gov/energy-codes#:~:text=The%20State%20of%20Missouri%20has,Energy%20Conservation%20Code%20(IECC))

²³ ICC website, “The International Residential Code”, at: <https://www.iccsafe.org/products-and-services/i-codes/2018-i-codes/irc/>

²⁴ ICC website, “The International Building Code”, at: <https://www.iccsafe.org/products-and-services/i-codes/2018-i-codes/ibc/>

²⁵ ICC website, “Energy Efficiency and Carbon Reduction”, at: <https://www.iccsafe.org/advocacy/energy-efficiency-and-carbon-reduction/>

²⁶ IMT report, “St. Louis Passes First Building Performance Standard in the Midwest”, at: <https://www.imt.org/st-louis-passes-first-building-performance-standard-in-the-midwest/>

Based on the above, Sustainalytics views Ygrene as having sufficient measures in place to reduce the potential environmental and social risks related to the projects that will be financed as outlined in the Green Bond Language of the Memorandum.

Section 3: Impact of Use of Proceeds

The use of proceed category is recognized as impactful by GBP.

The impact of PACE-financed improvements for the residential sector

Despite the positive environmental impacts and lower long-term utility costs associated with green home improvements, such as solar and energy efficient installments, homeowners are often disincentivized to invest due to costly upfront fees.²⁷ PACE is a financing tool which serves to address the current financial barriers that exist in the residential energy efficiency and retrofit market.²⁸ Property owners who receive funds through PACE agree to pay an additional annual payment on their property tax bills over a specific time frame, typically ranging from 10 to 20 years depending on the amount of financing involved and the useful life of the associated improvement. Ideally, the additional payment on the property tax bill is offset by the energy savings and increased valuation that will be realized by the homeowner owner due to the financed improvements.²⁹ Since its inception in 2008, 36 states and the District of Columbia in the U.S. have passed PACE-enabling legislation. As of 2019, the residential PACE (“R-PACE”) financing programs had reached 200,000 homeowners with USD 5 billion directed towards energy efficiency, renewable energy, and other home improvements. In the U.S., R-PACE financing programs are available in just four states, including California, Florida, and Missouri.^{30,31} Sustainalytics notes that a key consideration of PACE financing is that the debt is tied to the property, as opposed to the owner. This means that the repayment obligation can be transferred with property ownership if the new owner agrees to assume it, thus addressing a common sentiment that arises when investing in green home improvements; an inability to cover the upfront costs if the initial homeowner decides to sell before incurring savings.³²

Sustainalytics is of the opinion that by facilitating PACE, Ygrene is empowering homeowners to install green projects and contribute to greater energy efficiency in the residential sector.

The importance of financing for disaster resiliency in the U.S.

While PACE is commonly considered in the context of renewable energy and energy efficiency improvements, its ability to contribute towards other necessary home upgrades must also be considered. In particular, structural improvements that address disaster resiliency as defined in the local context may be among the projects administered by Ygrene.

Since 2016, Florida has been affected by multiple Category 4 and 5 hurricanes, with Hurricane Irma (2017) alone resulting in approximately USD50 billion worth of damages.³³ The devastation, which saw over 6.5 million homes lose electricity, led to massive destruction of infrastructure and evacuation of homeowners.³⁴ In 2020, the state got hit by Hurricane Sally which caused estimated damage of at least USD 29 million in the Escambia County and Pensacola alone.³⁵ In the case of Missouri, the state was affected by “Tropical Storm Gordon” in 2018 which claimed three lives.³⁶ Climate experts predict that rising sea levels and warmer temperatures could intensify tropical storm and wind speeds, potentially leading to the onset of more hazardous hurricanes in the next decade.³⁷ Through the PACE Programs in Florida and Missouri, homeowners

²⁷ EnergySage report, “How much does energy efficiency cost?”, at: <https://www.energysage.com/energy-efficiency/why- conserve-energy/cost-of-ee/>

²⁸ Energy Efficiency & Renewable Energy website, “Property Assessed Clean Energy Programs”, at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

²⁹ Ibid.

³⁰ Ibid.

³¹ Bricker & Eckler website, “Ohio joining residential PACE market with support from Toledo-Lucas County Port Authority, Bricker, Renovate America”, at: <https://www.bricker.com/resource-center/pace-financing-resource-center/in-the-headlines/ohio-joining-residential-pace-market-with-support-from-toledo-lucas-county-port-authority-bricker-renovate-america>

³² Ibid.

³³ National Hurricane Center report, “Costliest U.S. tropical cyclones tables updated”, at: <https://www.nhc.noaa.gov/news/UpdatedCostliest.pdf>

³⁴ NPR report, “Power Out For More Than 60 Percent of Florida Homes And Businesses”, at: <https://www.npr.org/2017/09/11/550101223/power-out-for-more-than60-percent-of-florida-homes-and-businesses>

³⁵ USA Today report, “Live coverage of Sally: Death toll climbs; Pensacola residents pick up the pieces; 320,000 still without power”, at: <https://www.usatoday.com/story/news/nation/2020/09/18/hurricane-sally-updates-damage-pensacola-escambia-power-outages/3491206001/>

³⁶ NHC report, “National Hurricane Center Tropical Cyclone Report”, at: https://www.nhc.noaa.gov/data/tcr/AL072018_Gordon.pdf

³⁷ Center for Climate and Energy Solutions report, “Hurricanes and Climate Change”, at: <https://www.c2es.org/content/hurricanes-and-climate-change/>

are encouraged to take preventative measures against the catastrophic impacts of tropical storm disasters by investing in wind resistant installations such as metal roofs and impact-resistant windows and doors. Similarly, the PACE Programs in California incentivize homeowners to mitigate the risks associated with the impacts of high-magnitude earthquakes through the implementation of seismic strengthening with the latter also strengthening wildfire resilience through the financing of wildfire safety improvements at no upfront cost. The state of California is prone to disaster risk as the state is a seismically active area, which experienced its biggest natural disaster in 20 years when the city of Ridgecrest was hit with a 7.1-magnitude earthquake in July 2019.³⁸ This was followed by a 5.5-magnitude earthquake near Ridgecrest in June 2020.³⁹ With approximately 10,000 earthquakes affecting Southern California each year, and only 13% of California residents covered by earthquake insurance.⁴⁰ California also has a history of witnessing a large number of wildfire events, leading to an estimated fire suppression expenditure of USD 691 million in FY20.⁴¹ In January 2021 alone, the state witnessed 143 wildfires, affecting 861 acres of land.⁴² The Programs serve as tools to incentivize homeowners to increase their disaster resiliency in a cost-effect manner.

In this context, there is growing recognition of the need to finance resilience activities; this was highlighted by the Climate Bonds Initiative’s publication of the Climate Resilience Principles.⁴³ Sustainalytics notes that, while hurricane strength is associated with global climate change, and that investments which increase resiliency to these disasters are therefore tied to environmental objectives, earthquakes are a different class of natural disaster. While the public safety benefits of improving seismic performance are considerable, green bonds have traditionally focused on projects that provide environmental benefits or climate adaptation and/or mitigation.

Based on the above, Sustainalytics believes that fostering disaster resiliency projects will reduce the long-term negative impacts of natural disasters in California, Missouri, and Florida, while offering financial benefits to residential property owners.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Home Retrofit Financing	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels

³⁸ CNBC report, “California assessing damage after biggest earthquake in 20 years”, at: <https://www.cnn.com/2019/07/06/powerful-southern-california-quake-second-in-two-days-causes-damage-injuries.html>

³⁹ Los Angeles Times report, “Earthquake: 5.5 quake strikes near Ridgecrest and shakes Southern California”, at: <https://www.latimes.com/california/story/2020-06-03/earthquake-5-5-quake-strikes-near-ridgecrest-calif>

⁴⁰ Lemonade report, “The Truth About Earthquake Insurance”, at: <https://www.lemonade.com/blog/earthquake-insurance/#:~:text=A%20mere%2013%20percent%20of,cover%20them%20for%20earthquake%20damage.>

⁴¹ California Department of Forestry and Fire Protection website, “Emergency Fund Fire Suppression Expenditures”, at: <https://www.fire.ca.gov/media/8641/suppressioncostsonepage1.pdf>

⁴² Figures as of 17th January 2021. California Department of Forestry and Fire Protection website, “Stats and Events”, at: <https://www.fire.ca.gov/stats-events/>

⁴³ CBI website, “Climate Resilience Principles”, at: <https://www.climatebonds.net/climate-resilience-principles>

Conclusion

Ygrene has developed the GoodGreen 2021-1 Trust Private Placement Memorandum under which it intends to issue green bonds and use the proceeds to securitize a portfolio of PACE assets from eligible projects associated with home upgrades that intend to deliver positive environmental outcomes.

The Green Bond Language within the Memorandum outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Green Bond Language within the Memorandum is aligned with the overall sustainability strategy of the Program Administrator (Ygrene) and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, and 11. Additionally, Sustainalytics is of the opinion that, through the PACE Programs, Ygrene has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Ygrene is well-positioned to issue green bonds and that the Green Bond Language within the Memorandum is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018).

Appendices

Appendix 1: Green Bond Language (excerpted from the GoodGreen 2021-1 Trust Private Placement Memorandum)

Under the Green Bond Principles, as most recently updated in June 2018 (the “GBP”), issued by the International Capital Market Association (the “ICMA”), Green Bonds are deemed to be “any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green Projects . . . and which are aligned with the four core components of the GBP.” The four components of the GBP are (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting. The ICMA does not certify bonds as “Green Bonds” and no regulatory body has made such a certification as to the Notes. However, Ygrene has engaged Sustainalytics US Inc. (“Sustainalytics”) to review the PACE Programs and the structure and use of proceeds of securities such as the Notes to determine their conformity to the GBP.

The GBP state that the proceeds of a Green Bond should be used to provide clear environmentally sustainable benefits in categories including, but not limited to, renewable energy, energy efficiency (including efficient buildings), climate change adaptation and sustainable water management. The issuance of the Notes enables Ygrene to fund renewable energy, energy efficiency, climate change adaptation and water conservation improvements to residential and commercial properties in jurisdictions with PACE Programs. For a comprehensive description of eligible project types, please refer to Appendix 2. The Hearing Reports, Program Handbooks and Program Guidelines, which are available upon request, demonstrate that PACE Assets are authorized only to the extent the proceeds thereof are used for improvements that clearly satisfy these goals.

The GBP also suggest that the issuer of a Green Bond outline the decision-making process it follows in determining the eligibility of products, its decision making criteria and the related environmental sustainability objectives. As set forth in the Hearing Reports and Program Guidelines each of the California Local Agencies, each Missouri District and Green Corridor District provides consumers, contractors and service providers detailed guidance on their funding approval process, project eligibility criteria, project completion certification requirements (conditions to disbursement of funds) and the related environmental objectives. The GBP also encourage issuers to have their selection and evaluation processes reviewed by a third party.

Under the GBP, issuers are guided to manage the proceeds of Green Bonds by receiving them into dedicated sub-accounts for disbursement on eligible products. Because the issuance of the Notes constitutes a “refinancing” or “replenishment,” the principle does not directly apply to the Issuer. However, the Issuer believes that this application of proceeds of Notes is the type of refinancing transaction that complies with the principles and purposes behind this GBP, since the proceeds of the Notes will be used as part of a program to finance individual eligible projects directly through the sponsoring governmental agency for further disbursement to contractors installing the related improvements.

Lastly, the GBP state that issuers should report at least annually a list of projects to which Green Bond proceeds have been allocated. The GBP also encourage issuers to report qualitative indicators and measures of the expected environmental sustainability impact of specific investments (e.g., reductions in greenhouse gas emissions, the number of people provided with access to clean power, a reduction in the number of cars required, etc.)

While the Issuer does not track the post-installation energy production, energy efficiency or water conservation performance of individual funded projects due to privacy concerns and the difficulty of obtaining reporting from property owners, the Administrator does calculate the aggregate environmental impact of the projects. Utilizing a virtual audit calculation model that estimates the energy and water savings and emission reductions from the projects funded by the PACE Assets underlying the Notes, the Administrator will prepare an annual report for distribution to interested parties.

Appendix 2: Eligible projects as defined by GoodGreen 2021-1 Trust Private Placement Memorandum

California Authorized Improvements

California Authorized Improvements associated with the PACE Assets must qualify as eligible based on criteria established by each California Local Agency in the related California Program documents and in accordance with the Mello-Roos Act (see “ELIGIBILITY CRITERIA AND UNDERWRITING PROCEDURES” in the Memorandum). California Authorized Improvements are constructed or installed by licensed contractors that are authorized by the California Program Administrator, enrolled in the YgreneAuthorized or, in the case of residential properties, either YgrenePro or YgreneDirect contractor programs, and selected by the property owners. Costs of the California Authorized Improvements are negotiated directly between the property owners and the contractors. While infrequent, a property owner may elect to construct the improvements on a “do-it-yourself” basis, in which case the cost of the materials, but not labor, is eligible for funding under the related PACE Program. California Authorized Improvements are required to be affixed permanently to the Participating Parcels. Prior to the payment of the contractor (or the property owner) by the applicable California Local Agency, the California Local Agency (through its California Program Administrator) confirms that the materials and/or the work on the California Authorized Improvements relating to such payment to the contractor has been delivered and/or is complete by obtaining a certificate of completion that is signed by the property owner and the contractor, and, except in the case of certain types of projects or contractors that meet certain prerequisites, if the California Authorized Improvements required a city or county permit, obtains a copy of the permit or verifies the permit. The term of the Special Tax obligation may be elected by the property owner but does not exceed the average useful life of the related improvement.

Florida Authorized Improvements

“Florida Authorized Improvements” under the Florida PACE Program include (i) any energy conservation and efficiency improvement, which is a measure to reduce consumption through conservation or a more efficient use of electricity, natural gas, propane, or other forms of energy on the property, including, but not limited to, air sealing; installation of insulation; installation of energy-efficient heating, cooling, or ventilation systems; building modifications to increase the use of daylight; replacement of windows; installation of energy controls or energy recovery systems; installation of electric vehicle charging equipment; and installation of efficient lighting equipment, (ii) any renewable energy improvement, which is the installation of any system in which the electrical, mechanical, or thermal energy is produced from a method that uses one or more of the following fuels or energy sources: hydrogen, solar energy, geothermal energy, bioenergy, and wind energy, (iii) wind resistance improvement, which includes, but is not limited to, improving the strength of the roof deck attachment, creating a secondary water barrier to prevent water intrusion, installing wind-resistant shingles, installing gable-end bracing, reinforcing roof-to-wall connections, installing storm shutters, or installing opening protections.

Florida Authorized Improvements must qualify as eligible based on criteria established by the Green Corridor District in the Florida Program documents, and in accordance with the Florida PACE Act (see “ELIGIBILITY CRITERIA AND UNDERWRITING PROCEDURES” in the Memorandum). To the extent required by applicable law or the Florida Program documents, Florida Authorized Improvements are constructed or installed by licensed contractors that are properly authorized and selected by the property owners. Costs of the Florida Authorized Improvements are negotiated directly between the property owners and the contractors. Florida Authorized Improvements are required to be affixed permanently to the participating parcels. Prior to the payment of the contractor (or the property owner), the Green Corridor District (through the Florida Program Administrator) confirms that the work on the Florida Authorized Improvements relating to such payment to the contractor is complete by obtaining a certificate of completion that is signed by the property owner and the contractor, and, except in the case of certain types of projects or contractors that meet certain prerequisites, if the Florida Authorized Improvements required a city or county permit, obtains a copy of the permit or verifies the permit. The term of the Florida PACE Assessment may be elected by the property owner but does not exceed the average useful life of the associated Florida Authorized Improvement.

Missouri Authorized Improvements

“Missouri Authorized Improvements” under the Missouri Programs are those specified in the Missouri PACE Act, which states that proceeds may be used to finance: “(i) any “energy efficiency improvement,” which includes “any acquisition, installation, or modification on or of publicly or privately owned property designed to reduce the energy consumption of such property, including but not limited to: (a) Insulation in walls, roofs,

attics, floors, foundations, and heating and cooling distribution systems; (b) Storm windows and doors, multiglazed windows and doors, heat-absorbing or heat-reflective windows and doors, and other window and door improvements designed to reduce energy consumption; (c) Automatic energy control systems; (d) Heating, ventilating, or air conditioning distribution system modifications and replacements; (e) Caulking and weatherstripping; (f) Replacement or modification of lighting fixtures to increase energy efficiency of the lighting system without increasing the overall illumination of the building unless the increase in illumination is necessary to conform to applicable state or local building codes; (g) Energy recovery systems; and (h) Daylighting systems, and (ii) any “renewable energy improvement,” which includes “any acquisition and installation of a fixture, product, system, device, or combination thereof on publicly or privately owned property that produces energy from renewable resources, including, but not limited to photovoltaic systems, solar thermal systems, wind systems, biomass systems, or geothermal systems.”

Missouri Authorized Improvements must qualify as eligible based on criteria established by the applicable Missouri District in the applicable Missouri Program documents, and in accordance with the Missouri PACE Act (see “ELIGIBILITY CRITERIA AND UNDERWRITING PROCEDURES” in the Memorandum). To the extent required by applicable law or the applicable Missouri Program documents, Missouri Authorized Improvements are constructed or installed by licensed contractors that are properly authorized and selected by the property owners. Costs of the Missouri Authorized Improvements are negotiated directly between the property owners and the contractors. Missouri Authorized Improvements are required to be affixed permanently to the participating parcels. Prior to the payment of the contractor (or the property owner), the applicable Missouri District (through the Missouri Program Administrator) confirms that the work on the Missouri Authorized Improvements relating to such payment to the contractor is complete by obtaining a certificate of completion that is signed by the property owner and the contractor, and if the Missouri Authorized Improvements required a city or county permit, verifies the permit. The term of the Missouri PACE Assessment may be elected by the property owner (5, 10, 15, or 20 years), but such term cannot exceed 20 years pursuant to the Missouri PACE Act.

Appendix 3: Statistical breakdown of the Ygrene Energy Fund Portfolio

Efficiency type:

Improvement type	% of Unpaid Principal Balance
Wind Resistant Measures	64.06
Solar Photovoltaic	10.47
Building Envelope	8.17
HVAC	9.19
Windows, Doors, Skylights	3.40
Indoor Water Efficiency	1.46
Outdoor Water Efficiency	1.07
Alternative Energy	1.19
Seismic	0.16
High-Efficiency Lighting	0.56
High-Efficiency Water Heating	0.27
Others	0.01

Geographical location:

State	UPB (USD)	% of UPB
FL	186,485,414.39	81.02
CA	41,521,429.51	18.04
MO	2,171,025.15	0.94
Total	230,177,869.05	100

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	GoodGreen 2021-1 Trust
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	GoodGreen 2021-1 Trust Private Placement Memorandum
Review provider's name:	Sustainalytics
Completion date of this form:	April 9, 2021
Publication date of review publication:	

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 GBP:

- | | |
|--|--|
| <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 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*)

Please refer to Evaluation Summary above.

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*):

The eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the financing of home upgrades related to renewable energy, energy efficiency, water conservation, and disaster resiliency will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 6, 7, and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input 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 |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" 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 GBP | <input type="checkbox"/> Other <i>(please specify)</i> : disaster resiliency |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Ygrene Energy Fund's financing is intended to be provided only for eligible PACE projects, as defined by the PACE programs in California, Florida, and Missouri, respectively. Ygrene Energy Fund intends to reference a list of eligible product types in assessing eligibility. This is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" 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

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds of Ygrene Energy Fund's green bond issuance are intended to be deposited in a segregated account and disbursed by the Program Administrator to refinance eligible projects. This is in line with market practice.

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

4. REPORTING

Overall comment on section (if applicable):

Ygrene Energy Fund will disclose, in its Private Placement Memorandum, the total amount to be allocated. While ongoing tracking of the actual impact is not feasible due to the nature of the projects funded, Ygrene Energy Fund intends to report on the aggregated environmental benefits, based on an impact estimation model, of the financed projects on an annual basis. This is in line with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify): At the time of issuance

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify):

Frequency

- Annual Semi-annual
- Other (please specify): TBD, based on development of methodology and regulatory requirements

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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating

Other (*please specify*):

Review provider(s):

Date of publication:

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

- i. **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.
- ii. **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.
- iii. **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.
- iv. **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.

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5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified
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More information conference.climatebonds.net/awards



GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles