

Second-Party Opinion EnFin Green ABS Framework



Evaluation Summary

Sustainalytics is of the opinion that the EnFin Green ABS Framework is credible and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Renewable Energy and Energy Efficiency, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



PROJECT EVALUATION AND SELECTION EnFin's Green Finance Working Group oversees the project evaluation and selection process based on the eligibility criteria stipulated in the Framework. The Group comprises the Finance, Risk and Operations teams. EnFin has adopted policies and procedures to manage relevant environmental and social risks associated with the projects. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Green Finance Working Group will be responsible for the management and allocation of proceeds to eligible projects. EnFin will track the allocation of proceeds through an internal tracking system. The Company intends to allocate the majority of all proceeds immediately, with any remaining proceeds allocated to a pre-funding account to be used within three months of issuance to purchase eligible assets originated or refinanced up to 36 months prior to the issuance. This is in line with market practice.



REPORTING EnFin commits to publish an upfront report on the allocation and impact of proceeds on a third-party website at the time of each issuance. Sustainalytics views EnFin's upfront allocation and impact reporting as aligned with market practice.

Evaluation Date March 19, 2024

Issuer Location Irvine, CA, US

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Introduction

EnFin Corp. (“EnFin” or the “Company”) is a US-based financing platform for residential solar energy systems and energy-efficient home improvements. Headquartered in Irvine, California, US, the Company is a subsidiary of Hanwha Qcells, which is a manufacturer of residential solar panels. In 2022, EnFin scaled up from a pilot programme, and as of December 2023, the Company had financed USD 250 million in loans to serve residential solar and energy storage through a network of more than 200 approved installers.

EnFin has developed the EnFin Green ABS Framework dated March 2024 (the “Framework”), under which it intends to issue green asset backed securities (ABS) to securitize eligible solar loans (the “Smart Energy Loans”)¹ that enable customers to purchase solar energy systems and energy-efficient technologies. The Framework defines eligibility criteria in two areas:

1. Renewable Energy
2. Energy Efficiency

EnFin engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been excerpted in Appendix 1 of this document.

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with 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 Framework’s alignment with the Green Bond Principles 2021, 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 1.15, 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 EnFin’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 Framework. EnFin representatives have confirmed (1) they understand it is the sole responsibility of EnFin to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework 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 Framework is the responsibility of the Framework owner.

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

¹ The Framework clarifies that the green ABS are secured green collateral bonds per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021. For such issuances, the Framework additionally requires the collateral underlying the securitization of a secured green collateral bond to align with the criteria in the Framework. EnFin commits to ensuring no double-counting of eligible projects under the secured green collateral bond and any other EnFin outstanding green or sustainable financing.

² 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/>.

³ 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 least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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 EnFin has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the EnFin Green ABS Framework

Sustainalytics is of the opinion that the EnFin Green ABS Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Renewable Energy and Energy Efficiency, are aligned with those recognized by the GBP.
 - EnFin has established a look-back period of 36 months for the financing of eligible projects defined in the Framework.
 - EnFin has confirmed to Sustainalytics that appliances, equipment or upgrades intended for processes that are inherently carbon-intensive or primarily driven by fossil fuels will be excluded under the Framework.
 - Under the Renewable Energy category,⁴ EnFin intends to finance or refinance loans for homeowners to install solar energy systems, including: i) solar power generation system equipment, such as solar panels and photovoltaic (PV) equipment, inverters, racking, wiring and balance-of-system equipment; ii) electrical system upgrades related to the installation of solar energy systems; iii) services that are directly related to the installation of solar energy systems, trenching, foliage trimming or de-shading, and the installation of fencing to prevent rodent intrusion; iv) pre-paid operation and maintenance (O&M) contracts for solar energy system upkeep; v) roofing work for the installation of solar systems; and vi) energy storage systems paired to an installed PV system.
 - EnFin has confirmed to Sustainalytics that solar power generation includes onshore solar PV generation.
 - The Company has communicated to Sustainalytics that balance-of-system equipment includes components that are required to transfer solar energy through the conversion system to produce electricity. This includes batteries, charge controllers, power conditioning equipment, safety equipment, meters and instrumentation. Additionally, foliage trimming or de-shading will exclude tree removal. EnFin's operating and maintenance refers to the routine maintenance performed on the PV system, including inspections and occasional cleaning. The Issuer has also confirmed to Sustainalytics that O&M contracts are exclusive to the solar PV systems and that only new O&M contracts will be considered under this issuance.
 - EnFin has confirmed to Sustainalytics that all energy storage systems financed under the Framework will be dedicated exclusively to solar energy.
 - Eligible assets financed under the Framework will be installed by an EnFin-approved installer and sourced from an EnFin-approved vendor.
 - Sustainalytics views these expenditures as in line with market practice.
 - Under the Energy Efficiency category, the Company may finance the purchase and installation of: i) insulation, ii) solar thermal systems, iii) sealing or replacement of doors and windows, iv) electric vehicle (EV) charging stations, v) energy-efficient appliances, vi) energy-efficient lighting and power strips, and vii) other energy-efficient home upgrades as reviewed and approved by EnFin Risk Committee or designated on a case-by-case basis.
 - Sustainalytics notes that EnFin may install or upgrade energy-efficient mechanical cooling systems. Sustainalytics recommends EnFin to consider low-GWP refrigerants for such cooling systems and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.

⁴ Sustainalytics has reviewed only the expenditures that are specified under the Framework.

- Sustainalytics further notes that the financed upgrades may include household appliances, including washing machines and dishwashers, that may not offer energy improvement levels substantially higher than the regulatory requirements in the region of financing or are not among the top performers in terms of energy efficiency in their respective categories, indicating limited environmental impact. EnFin has communicated to Sustainalytics it will limit such investments in appliances to less than 10% of the bond proceeds from each issuance. While noting that these appliances are expected to be more energy efficient than their conventional predecessors, and that the Framework excludes investments in fossil fuel-based upgrades, Sustainalytics views this as a deviation from what it considers to be market practices for such energy efficiency upgrades.
 - For EV charging stations, EnFin has further confirmed to Sustainalytics that new construction and existing road infrastructure retrofits, parking facilities and fossil fuel-filling stations and other assets that prolong the life and/or facilitate the use of fossil fuel-powered transport will be excluded.
 - Eligible assets financed under the Framework will have invoice amounts of up to 25% of the total Smart Energy Loan amount.
 - Sustainalytics views these expenditures, apart from expenditures for home appliances, as in line with market practice and encourages EnFin to report on estimated or achieved energy efficiency gains, where feasible.
- Project Evaluation and Selection:
 - EnFin has established a Green Finance Working Group (the "Group"), which will oversee the project evaluation and selection process based on the eligibility criteria stipulated in the Framework. The Group comprises the Finance, Risk and Operations teams.
 - EnFin has adopted policies and procedures, including the Credit Policy, Installer Risk Management Policy, Servicing and Collections Policy and Customer Complaint Policy to manage relevant environmental and social risks associated with the projects.
 - Based on Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - The Green Finance Working Group will be responsible for the management and allocation of proceeds to eligible projects. EnFin will track the allocation of proceeds through an internal tracking system. The Framework confirms that if any asset becomes ineligible, EnFin's Green Finance Working Group will reallocate the proceeds in line with the eligibility criteria in the Framework.
 - The Company intends to allocate the majority of proceeds immediately, with any remaining proceeds allocated to a pre-funding account to be allocated within three months of issuance to purchase additional Smart Energy Loans. Eligible assets include Smart Energy Loans originated or refinanced up to 36 months prior to the issuance.
 - Based on effectively achieving immediate allocation upon issuance, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - EnFin commits to publish an upfront report on the allocation and estimated impacts of the underlying loans on a third-party website at the time of each issuance.
 - Allocation reporting will include metrics such as the total number of Smart Energy Loans and percentage of loans aligned with the lookback period for each issuance.
 - In addition, EnFin intends to report on the estimated environmental impacts of the use of proceeds using relevant impact metrics, such as the total capacity of residential solar energy installations financed by Smart Energy Loans backing any Secured Green Collateral Financing (in MW), total estimated renewable energy produced by such residential solar energy installations (in MWh) and total estimated carbon emissions avoided from renewable energy produced (in tCO₂e).
 - Based on the commitment to upfront allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the EnFin Green ABS Framework aligns with the four core components of the GBP.

Section 2: Sustainability Performance of EnFin

Contribution to EnFin's sustainability performance

Sustainalytics is of the opinion that EnFin demonstrates a commitment to sustainability with a focus on facilitating increased residential solar capacity in the US through affordable financing that allows homeowners to control home energy expenditures, and promotes the adoption of clean solar energy capabilities that will contribute to grid decarbonization.

EnFin's parent company Hanwha Corporation has set up a "Hanwha 2040 Net Zero" goal to minimize the negative impact of the parent's production and management activities on the environment. In line with this goal, by 2040, the parent intends to use 100% renewable energy through power purchase agreements and renewable energy certificates for consumption in its each of its business divisions and sites.⁵ Sustainalytics is of the opinion that the EnFin Green ABS Framework is aligned with the Company's overall sustainability initiatives and will further the Company's actions on its key environmental priorities. Nevertheless, Sustainalytics encourages EnFin to establish and publicly disclose quantifiable time-bound targets and report on its progress towards them.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving occupational health and safety and waste management during the installation of financed upgrades, and predatory lending practices.

Sustainalytics is of the opinion that EnFin is able to manage or mitigate potential risks through implementation of the following:

- For occupational health and safety, EnFin has confirmed to Sustainalytics that the Company requires the approved installers to comply with the Occupational and Safety Health Act 1970, which provides the main legal framework for protecting workers' health and safety in the US.⁶ The act aims to ensure that employers provide a workplace free from recognized health and safety hazards, such as toxic chemicals, excessive noise and mechanical dangers. In addition, the Occupational Safety and Health Administration (OSHA), established through the act, is responsible for setting and enforcing workplace health and safety standards and regulations. OSHA also has in place a whistleblower programme through which workers can file health and safety complaints.
- Regarding waste management, EnFin has confirmed to Sustainalytics that it requires its approved installers to adhere to all applicable environmental laws and regulations such as the US Environmental Protection Agency Resource Conservation and Recovery Act, which establishes laws and regulations for the storage and disposal of all hazardous and non-hazardous waste to address risks related to waste, emissions and effluents generated.⁷
- EnFin has in place the EnFin Consumer Credit Policy⁸ and the EnFin Servicing and Collections Policy,⁹ which require compliance with all applicable state and federal laws, such as the Fair Debt Collection Practices Act,¹⁰ Equal Credit Opportunity Act¹¹ and Truth in Lending Act.¹² These acts cover disclosure of information-sharing practices, safeguarding of consumer data and regulations on unfair, deceptive, abusive acts or practices with borrowers.

⁵ Hanwha Corporation, "Hanwha Corporation Sustainability Report 2023", at: https://www.hanwhacorp.co.kr/common/fileDownload.do?path=/upload/hanwha/sustainability/2023_Hanwha_Corporation_Sustainability_Report_eng.pdf&name=2023_Hanwha_Corporation_Sustainability_Report_eng.pdf

⁶ United States Department of Labor, "Occupational Safety and Health Administration: OSH Act of 1970", at: <https://www.osha.gov/laws-regs/oshact/completeoshact>

⁷ US Environmental Protection Agency, "Resource Conservation and Recovery Act (RCRA) Laws and Regulations", at: <https://www.epa.gov/rcra>

⁸ EnFin shared its Consumer Credit Policy with Sustainalytics confidentially.

⁹ EnFin shared its Servicing and Collections Policy with Sustainalytics confidentially.

¹⁰ The Fair Debt Collection Practices Act upholds consumer protection and establishes legal protection from abusive debt collection practices.

US Federal Trade Commission, "Fair Debt Collection Practices Act", (2010), at: <https://www.ftc.gov/legal-library/browse/rules/fair-debt-collection-practices-act-text>

¹¹ The Equal Credit Opportunity Act is a federal civil rights law that prevents lenders from discriminating against credit applicants based on factors unrelated to their ability to repay, such as race, colour, religion, national origin, sex, marital status and age.

US Federal Trade Commission, "Equal Credit Opportunity Act", at: <https://www.ftc.gov/legal-library/browse/statutes/equal-credit-opportunity-act>

¹² The Truth in Lending Act authorizes the US Federal Trade Commission to enforce compliance by most non-depository entities with a variety of statutory provisions. Among other requirements, the act requires creditors that deal with consumers to make certain written disclosures concerning finance charges and related aspects of credit transactions and comply with other mandates, and it requires advertisements to include certain disclosures. US Federal Trade Commission, "Truth in Lending Act", at: <https://www.ftc.gov/legal-library/browse/statutes/truth-lending-act>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EnFin has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

Importance of renewable energy in the US residential sector

In 2021, the US was the second largest electricity consumer in the world, accounting for 16% of global electricity consumption.¹³ Furthermore, the electricity sector in the US is the second largest source of GHG emissions, accounting for 25% of total emissions in 2019, with fossil fuels representing the majority of this generation.^{14,15} In this context, there is significant room for improvement with respect to the share of energy generation from renewable sources. According to its Annual Energy Outlook 2021, the US Energy Information Administration estimates that renewable energy sources in the US electricity generation mix will rise from 21% in 2020 to 42% in 2050.¹⁶ With respect to electricity demand, residential and commercial buildings accounted for nearly 29% of US end-use energy consumption and 40% of total US energy consumption in 2020.¹⁷ In the third quarter of 2019, the US solar market added 2.6 GWh of solar photovoltaics, raising the total US solar capacity to 71.3 GWh,¹⁸ but residential solar installations fell by 23% in the US during the second quarter of 2020¹⁹ due to supply constraints exacerbated by the COVID-19 pandemic.²⁰ Following emergency pandemic measures, residential solar experienced a significant uptick in installations due to more home improvement loans for homeowners and power outages from extreme weather events.²¹

In April 2021, the US government set a goal to reach 100% carbon-free electricity by 2035,²² which is expected to add to the renewable energy momentum in the US. Several policies at the federal, state and local levels have also helped spur the adoption of solar energy in the US, with the bulk of support coming from the federal solar investment tax credit (ITC)²³ that is available to taxpayers making investments in new solar energy systems. ITC provides an incentive for such investments by offering taxpayers a credit of up to 30% of the acquisition cost for new solar energy systems placed in service before specified deadlines. The ITC's two-year extension is expected to increase solar deployment by 17% between 2021 and 2025.²⁴

EnFin's solar loans incentivize homeowners and offer a mechanism to promote the uptake of renewable energy-generating products in the US, where customers can: i) maintain ownership of solar energy systems; and ii) apply for federal tax credits. EnFin's Smart Energy Loans and a favourable regulatory environment are expected to help reduce the country's GHG emissions while offering financial benefits to residential customers for owning solar energy systems and related products.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the EnFin Green ABS Framework are expected to advance the following SDG and targets:

¹³ US Energy Information Administration, "What is the United States' share of world energy consumption?", at:

<https://www.eia.gov/tools/faqs/faq.php?id=87&t=1>

¹⁴ US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

¹⁵ US Energy Information Administration, "Electricity explained", at: <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>

¹⁶ US Energy Information Administration, "EIA projects renewables share of U.S. electricity generation mix will double by 2050", (2021), at: www.eia.gov/todayinenergy/detail.php?id=46676

¹⁷ US Energy Information Administration, "How much energy is consumed in U.S. residential and commercial buildings?", at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

¹⁸ Ibid.

¹⁹ Misbrener, K. (2020), "U.S. solar market report shows 23% decline in residential installations in Q2", Solar Power World, at: <https://www.solarpowerworldonline.com/2020/09/us-solar-market-report-decline-in-residential-solar-installations-q2-covid/>

²⁰ Stevens, P. (2021), "The U.S. solar industry posted record growth in 2020 despite Covid, report finds", CNBC, at:

<https://www.cnbc.com/2021/03/16/the-us-solar-industry-posted-record-growth-in-2020-despite-covid-19-new-report-finds.html>

²¹ Ibid.

²² The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

²³ Solar Energy Industries Association, "Solar Investment Tax Credit (ITC)", (2018), at: <https://www.seia.org/sites/default/files/inline-files/SEIA-ITC-101-Factsheet-2018-June.pdf>

²⁴ Micek, K. (2021), "Solar industry expected to keep setting records until 2024 tax credit step-down", S&P Global, at:

<https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/electric-power/032321-solar-industry-expected-to-keep-setting-records-until-2024-tax-credit-step-down#:~:text=The%20two%20year%20extension%20of,GW%2C%20according%20to%20the%20report.>

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Resource and Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

EnFin has developed the EnFin Green ABS Framework under which it intends to issue green asset backed securities to securitize eligible solar loans that enable customers to purchase solar energy systems and energy-efficient technologies.

The Framework 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 Framework is aligned with the overall sustainability mission of EnFin, and that the use of proceeds categories will contribute to the advancement of the UN SDG 7. Additionally, Sustainalytics is of the opinion that EnFin has in place adequate measures to manage environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that EnFin is well-positioned to issue green debt financing instruments and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendix 1: EnFin Green ABS Framework (Excerpted)

ENFIN GREEN ABS FRAMEWORK

In line with our mission and strategy, EnFin has established this Green ABS Framework (the “Framework”), under which it may issue debt secured by pools of solar loans across a series of ABS trusts (each a “Green Asset-Backed Security” or “Green ABS”). The objective of this Framework is to provide investors and stakeholders with details regarding sustainable financing approaches EnFin may pursue.

The Framework was developed in alignment with the International Capital Markets Association (“ICMA”) Green Bond Principles²⁵ (“GBP”), addressing the below four core components as well as their recommendations on the use of external review and impact reporting:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

I. USE OF PROCEEDS

For each Green ABS issued under this Framework, EnFin intends to finance or refinance Smart Energy Loan receivables, aligning with the following “Eligibility Criteria”, as described in the table below. Each Green ABS issued under this Framework intends to be exclusively secured by the Smart Energy Loans and thus defined as a “Secured Green Collateral Bond” per ICMA’s GBP.²⁶

Eligible Green Projects include those having commenced operations or having been placed in service within the 36 months prior to an applicable Green ABS unless otherwise noted in the relevant financing documents.

Green Project Categories	Eligibility Criteria	Alignment with UN SDGs
EnFin-approved loans financing the purchase and installation of residential solar systems and other approved energy efficiency upgrades (“Smart Energy Loans”) that meet the following criteria:		
Renewable Energy	<ul style="list-style-type: none"> a. Fall within selected product and/or service categories: <ul style="list-style-type: none"> i. Solar power generation system equipment (including solar panels and/or other photovoltaic equipment, inverters, racking, wiring & balance-of-system equipment) ii. Electrical system upgrades related to installation of solar energy system iii. Other services directly related to installation of the solar energy system (including trenching, foliage trimming/de-shading, installation of fencing to prevent rodent intrusion) iv. Pre-paid O&M contracts covering solar energy system upkeep v. Roofing work required for installation of the solar system vi. Energy storage systems (paired to an installed PV system) b. Sourced from an EnFin Approved Vendor c. Installed by an EnFin Approved Installer 	7, 13
Energy Efficiency	<ul style="list-style-type: none"> a. Fall within selected product and/or service categories: <ul style="list-style-type: none"> i. Insulation ii. Solar thermal systems iii. Sealing or replacement of doors/windows iv. EV charging stations v. Energy-efficient appliances vi. Energy-efficient lighting and power strips vii. Other energy-efficient home upgrades as reviewed and approved by EnFin Risk Committee or designated on a case-by-case basis b. Invoiced amounts do not exceed 25% of the total Smart Energy Loan amount 	

EnFin exclusively captures projects related to the consumer financing of residential solar energy systems and their installation (i.e., Smart Energy Loans). Our parent company, Hanwha Qcells, falls under a separate green financing framework, the Hanwha Solutions Green Financing Framework²⁷, which is focused on the production and R&D of solar components, energy retail businesses, and the acquisition, construction, or operation of solar or wind power generation assets and storage systems.

²⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

²⁶ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Sustainable-Securitisation-QAs_CLEAN-and-FINAL_2022-06-24-280622.pdf

²⁷ https://www.hanwhasolutions.com/static/en/data/Hanwha_Solutions_Green_Financing_Framework_Updated_2023.pdf

II. PROJECT EVALUATION & SELECTION PROCESS

EnFin has established a Green Finance Working Group to oversee the project evaluation and selection process. The Green Finance Working Group is comprised of Finance, Risk, and Operations and will evaluate and select Eligible Projects based on the Eligibility Criteria under the Green ABS Framework. EnFin has formal risk management policies, procedures, and other processes in place (such as EnFin's Credit Policy, Installer Risk Management Policy, Servicing and Collections Policy, and Customer Complaint Policy) to identify, assess, and mitigate risks related to all expenditures.

EnFin intends to obtain a Pre-Issuance Review or equivalent transaction Second-Party Opinion for each Green ABS to confirm that collateral pools are aligned with Eligibility Criteria prior to issuance. For the avoidance of doubt, under this Green ABS Framework, EnFin intends to refinance loan pools comprised of 100% Smart Energy Loans.

The Green Finance Working Group along with the EnFin management team will monitor each Green ABS to ensure no double-counting of collateral occurs across all Green ABS issued under this Framework.²⁸

III. MANAGEMENT OF PROCEEDS

For all issuances under the Framework, EnFin may either i) immediately allocate net proceeds to the underlying trust that holds the Smart Energy Loans (Eligible Green Projects), or ii) allocate a majority of net proceeds to the underlying trust holding the Smart Energy Loans, with the remaining proceeds allocated to a pre-funding account, to be used within three months following closing of a Green ABS issuance to exclusively purchase additional Smart Energy Loans that will be pledged to secure the issuance.

EnFin has an established internal tracking system monitoring and accounting for the collateral and proceeds of any Green ABS, which will be overseen by the Green Finance Working Group. During the term of any Green ABS, if an asset no longer qualifies according to the Eligibility Criteria, the Green Finance Working Group will seek to reallocate proceeds to other Eligible Green Projects, where possible and feasible.

IV. REPORTING

Proceeds of the Green ABS issuance are expected to be fully allocated to acquire Smart Energy Loans. The verified allocation of proceeds and the estimated environmental impact of the underlying loans will be published for each Green ABS.

EnFin intends to include estimated environmental impact metrics associated with each issuance on a best-efforts basis. Example metrics could include:

- Total capacity of residential solar energy installations financed by Smart Energy Loans backing any Secured Green Collateral Financings in Megawatts
- Total estimated renewable energy produced by such residential solar energy installations (during estimated useful life) in Megawatt hours
- Total estimated carbon emissions avoided from renewable energy produced in metric tons of CO₂e

EXTERNAL REVIEW

Second-Party Opinion

EnFin has retained Sustainalytics to conduct an external review of the Framework's environmental benefits and ensure its alignment to the ICMA GBP. The Second-Party Opinion of the Framework will be made available on the Sustainalytics website.

Assurance

EnFin intends to obtain a Pre-Issuance Review or equivalent transaction Second-Party Opinion for each Green ABS, which will be published on the Second-Party Opinion provider's website and made available upon request. This limited assurance scope may include, among others, (i) a review of Green ABS to the Green ABS Framework, (ii) a review of collateral pools, and confirmation of alignment to the Eligibility Criteria.

²⁸ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Sustainable-Securitisation-QAs_CLEAN-and-FINAL_2022-06-24-280622.pdf

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