

Second-Party Opinion
FortiFi Green Bond
 2021-1 Private Placement Memorandum



Evaluation Summary

Sustainalytics is of the opinion that the FortiFi 2021-1 Private Placement Memorandum and the Green Bond Language contained in 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 FortiFi’s financing is intended to be provided only for eligible PACE projects, as defined by the PACE programs in California and Florida, respectively. FortiFi 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 FortiFi Financial’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.



REPORTING FortiFi Financial will disclose, in its Private Placement Memorandum, the total amount to be allocated. FortiFi makes disclosures on key impact parameters such as energy savings, emissions reductions, and water savings, as part of its compliance with the regulatory requirements, and is developing an approach to impact reporting. This is in line with market practice.

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Issuer Location	Los Angeles, California, U.S.

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Introduction

FortiFi Financial, Inc. (“FortiFi”, or the “Program Administrator”), formerly Energy Efficient Equity, Inc. (E3),¹ is an American financial services company focused on providing financing for renewable energy, energy efficiency, and other home upgrade projects. Since 2015, FortiFi has offered the Property Assessed Clean Energy (“PACE”) program to property owners in search of low-interest, long-term loans for energy and water-saving upgrades without any upfront costs or credit score requirements.²

FortiFi 2021-1 (the “Issuer”) is a special purpose entity established for issuing the PACE Bonds,³ that has developed the FortiFi 2021-1 Private Placement Memorandum (the “Memorandum”) in 2021, including language specific to Green Bonds (the “Green Bond Language” or “FortiFi Green Bond Framework”, see Appendix 1). As described by the Green Bond Language, the Issuer intends to issue green bonds and use the proceeds to refinance a portfolio of PACE projects financing renewable energy, energy efficiency, water conservation, seismic retrofits, and storm hardening upgrades in California and Florida. The financed PACE projects are aligned with the criteria defined under the California Statewide Communities Development Authority (“CSCDA”) PACE Program, the California Municipal Finance Authority (“CMFA”) PACE Program, and the Florida Pace Funding Agency (“FPFA”) PACE Program (the “PACE Programs” or the “Programs”).

FortiFi 2021-1 engaged Sustainalytics to review the Green Bond Language of the Memorandum,⁴ dated March 2021, and to provide a Second-Party Opinion on its environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).⁵ 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’ independent⁶ 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 FortiFi’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. FortiFi representatives have confirmed (1) they understand it is the sole responsibility of FortiFi Financial 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 disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of FortiFi’s Green Bond Language of the Memorandum and should be read in conjunction with that document.

¹ Cision report, “Energy Efficient Equity Changes Name to Become FortiFi”, at: <https://www.prnewswire.com/news-releases/energy-efficient-equity-changes-name-to-become-fortifi-300982128.html>

² FortiFi website, “About Us”, at: <https://www.fortifi.com/about>.

³ More details on PACE Bonds in the Memorandum.

⁴ The Private Placement Memorandum will be made available to investors.

⁵ 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/>.

⁶ 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.

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

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

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the FortiFi 2021-1 Private Placement Memorandum is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of FortiFi's 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 FortiFi 2021-1 Issuance).
 - FortiFi's financing activities are carried out using the Property Assessed Clean Energy (PACE) model, which incentivizes 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.⁷ Eligible projects are defined in accordance with PACE regulations in each of the states in which FortiFi will provide financing; relevant handbooks for California^{8,9} and Florida¹⁰ include a full list of eligible products. Sustainalytics considers that, on the whole, the projects carried out under FortiFi'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

⁷ Department of Energy, "Property Assessed Clean Energy Programs", at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

⁸ CMFA report, "PACE Program Report and Handbook", at: <http://www.cmfa-ca.com/wp-content/uploads/2020/05/CMFA-PACE-Handbook-5-15-20.pdf>

⁹ FortiFi website, "CSCDA Open PACE Residential Program & Procedures Handbook", at: <https://www.fortifi.com/assets/documents/fortifi-cscda-program-handbook-v782020.pdf>

¹⁰ FortiFi website, "FortiFi, A PACE Financing Program- Program Handbook- Florida", at: https://www.fortifi.com/assets/documents/fortifi-florida-program-handbook_4-23-2020.pdf

broadly accepted international decarbonization objectives.¹¹ While the percentage of proceeds being directed to fossil fuel-powered appliances is small, at approximately 3% of the portfolio, Sustainalytics nevertheless identifies this use of proceeds as a minor 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 FortiFi's green bond issuance, contributing to approximately 21.7% 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 0.5%.
- Project Evaluation and Selection:
 - FortiFi'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:
 - FortiFi'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. FortiFi intends to allocate fully at time of issuance. Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - FortiFi has disclosed to Sustainalytics, the breakdown of assets included (see Appendix 3) and will make similar information available to investors.
 - FortiFi has confirmed that it complies with the municipal and regulatory reporting requirements applicable in the respective counties, which mandate disclosures on key impact parameters such as energy savings, emissions reductions, and water savings, among others. Additionally, FortiFi is continuing to develop an impact reporting methodology, and intends to provide estimates of energy savings, renewable energy generation, and other quantitative indicators in an impact report.
 - 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 FortiFi 2021-1 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 FortiFi

Contribution to FortiFi's sustainability strategy

Sustainalytics is of the opinion that FortiFi 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 As part of the multi-stakeholder approach of the PACE Programs, FortiFi works with respective local governments to determine the cost and eligibility of home improvement products.¹³ The PACE financing model for eligible home upgrades enables FortiFi to offer 100% project financing with no upfront cost that the homeowners can repay on their property tax bill, ultimately contributing to FortiFi's commitment of "providing a transparent and affordable financing option for property

¹¹ FortiFi 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 (part of the CMFA PACE Program Report and Handbook). Sustainalytics has not assessed the standards as they apply to each eligible product type but recognizes the objective of selecting more efficient products.

¹² FortiFi website, "About Us", at: <https://www.fortifi.com/about>

¹³ FortiFi website, "FAQs- What does FortiFi do?", at: <https://www.fortifi.com/faqs>

owners”.¹⁴ Based on FortiFi’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 Company’s sustainability mandate, while noting that FortiFi 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 FortiFi 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, the CMFA Pace Program stipulates that the product specifications and installation quality must meet the applicable codes and enforces compliance with Title 24¹⁵ for a series of its product categories.¹⁶ Additionally, FortiFi works with screened and trained contractors, ensuring that on-site construction and assembly is carried out in a responsible manner.¹⁷ 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.¹⁸ 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.¹⁹
- In the case 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.²⁰

Based on the above, Sustainalytics views FortiFi 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 HVAC installments, homeowners are often disincentivized to invest due to costly upfront fees.²¹ PACE is a financing tool which serves to address the current financial barriers that exist in the residential energy efficiency and retrofit market.²² 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.²³ Since its inception in 2008, 36 states and the District of Columbia in the U.S. have passed PACE-enabling

¹⁴ FortiFi website, “About Us”, at: <https://www.fortifi.com/about>

¹⁵ 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>

¹⁶ CMFA report, “PACE Program Report and Handbook”, at: <http://www.cmfa-ca.com/wp-content/uploads/2020/05/CMFA-PACE-Handbook-5-15-20.pdf>

¹⁷ FortiFi website, “FAQs- How does FortiFi screen its contractors?”, at: <https://www.fortifi.com/faqs>

¹⁸ Occupational Safety & Health Administration website, “Safety and Health Regulations for Construction”, at: <https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.20>

¹⁹ 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>

²⁰ 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>

²¹ EnergySage report, “How much does energy efficiency cost?”, at: <https://www.energysage.com/energy-efficiency/why-conserve-energy/cost-of-ee/>

²² Energy Efficiency & Renewable Energy website, “Property Assessed Clean Energy Programs”, at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

²³ Ibid.

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 three states including California and Florida.²⁴ 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.²⁵

Sustainalytics is of the opinion that by leveraging PACE, FortiFi 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 United States

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 financed by FortiFi.

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.²⁶ The devastation, which saw over 6.5 million homes lose electricity, led to massive destruction of infrastructure and evacuation of homeowners.²⁷ 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.²⁸ 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.²⁹ Through the FPFA PACE Program, Floridian homeowners 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 CMFA PACE Program and the CSCDA PACE Program 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.³⁰ The state of California 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 2019.³¹ This was followed by a 5.5- magnitude earthquake near Ridgecrest in June 2020.³² With approximately 10,000 earthquakes affecting Southern California each year, and only 13% of California residents covered by earthquake insurance.³³ 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 FY20³⁴. In January 2021 alone, the state witnessed 143 wildfires, affecting 861 acres of land.³⁵ 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.³⁶ 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

²⁴ Ibid.

²⁵ Ibid.

²⁶ National Hurricane Center report, “Costliest U.S. tropical cyclones tables updated”, at: <https://www.nhc.noaa.gov/news/UpdatedCostliest.pdf>

²⁷ 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>

²⁸ 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/>

²⁹ Center for Climate and Energy Solutions report, “Hurricanes and Climate Change”, at: <https://www.c2es.org/content/hurricanes-and-climate-change/>

³⁰ CMFA report, “PACE Program Report and Handbook”, at: <http://www.cmfa-ca.com/wp-content/uploads/2020/05/CMFA-PACE-Handbook-5-15-20.pdf>

³¹ CNBC report, “California assessing damage after biggest earthquake in 20 years”, at: <https://www.cnbc.com/2019/07/06/powerful-southern-california-quake-second-in-two-days-causes-damage-injuries.html>

³² 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>

³³ 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.>

³⁴ California Department of Forestry and Fire Protection website, “Emergency Fund Fire Suppression Expenditures”, at: <https://www.fire.ca.gov/media/8641/suppressioncostsonepage1.pdf>

³⁵ 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/>

³⁶ CBI website, “Climate Resilience Principles”, at: <https://www.climatebonds.net/climate-resilience-principles>

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 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

Conclusion

FortiFi has developed the FortiFi 2021-1 Private Placement Memorandum under which it intends to issue green bonds and use the proceeds to refinance eligible projects associated with home upgrades that intend to deliver positive environmental outcomes.

The Green Bond Language within FortiFi 2021-1’s Private Placement 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 company 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, FortiFi 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 FortiFi is well-positioned to issue green bonds and that the Green Bond Language within FortiFi 2021-1’s Private Placement 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 FortiFi 2021-1 Private Placement Memorandum)

Under the Green Bond Principles, 2018, updated June 2018 (the “Green Bond Principles”), 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 Green Bond Principles. The ICMA does not certify bonds as “Green Bonds” and no regulatory body has made such a certification as to the Notes. However, FortiFi Financial has engaged Sustainalytics US Inc. (“Sustainalytics”), as described more fully below, to review and provide a second party opinion regarding the alignment of FortiFi Financial’s financing programs under the CSCDA PACE Program, the CMFA PACE Program and the FPFA PACE Program with the Green Bond Principles. Based on such opinion and the structure and use of proceeds of the Notes, the Issuer has determined that the financing programs of FortiFi Financial, the Class A Notes and the Class B Notes conform to the four core components of the Green Bond Principles, which are (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting.

The Green Bond Principles state that the proceeds of a Green Bond should be used to provide clear environmental benefits in eligible categories including, but not limited to, renewable energy, energy efficiency (including new and refurbished buildings and energy storage), sustainable water and waste water management, climate change adaptation and green buildings). The issuance of the Class A Notes and the Class B Notes enables the PACE Bond Issuers to fund renewable energy, energy efficiency and water conservation improvements to residential properties and commercial within their jurisdictions. Eligible projects include renewable energy, energy efficiency, water efficiency improvements, seismic-strengthening improvements, among others. For a comprehensive description of eligible project types, please refer to Appendix 2. The legislative intent behind the statutes and code sections in California and Florida that authorize PACE Assessments, were, among other things, to stimulate the financing of distributed generation renewable energy sources, energy efficiency, water conservation and natural resource conservation improvements (e.g. seismic retrofit or hurricane hardening that reduce damage and repair needs that draw on natural resources and energy usage) affixed to real property. PACE Bond issuances are authorized only to the extent the proceeds thereof are used for improvements that satisfy these goals.

The Green Bond Principles also state that the issuer of Green Bonds should clearly communicate to investors its environmental sustainability objectives; the process by which the issuer determines how the projects fit within the eligible green project categories listed in the Green Bond Principles and the related eligibility criteria. As set forth in each of the CSCDA Program and Procedures Handbook, the CMFA Program Report and Handbook and the Florida Program Handbook, the PACE Bond Issuers provide consumers, contractors and service providers detailed guidance on the funding approval process, project eligibility criteria, project completion certification requirements (conditions to disbursement of funds) and the related environmental objectives.

Under the Green Bond Principles, issuers are guided to manage the proceeds of Green Bonds by crediting them to dedicated sub-accounts and tracking their disbursement for eligible projects. Each of CSCDA, CMFA and FPFA adheres to this principle by complying with the funding mechanics set forth in the applicable PACE Bond Indentures. Because the issuance of the Class A Notes and the Class B 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 Class A Notes and Class B Notes is the type of refinancing transaction that complies with the principles and purposes behind this third core component of the Green Bond Principles.

Lastly, the Green Bond Principles state that issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The Green Bond Principles recommends the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g., energy capacity, electricity generation, reductions in greenhouse gas emissions, the number of people provided with access to clean power, any decrease in water use and a reduction in the number of cars required, etc.) with the key underlying methodology and / or assumptions used in the quantitative determination. The number and type of projects funded by the underlying PACE Assessments securing the related PACE Bonds that are collateral for the Class A Notes and the Class B Notes are detailed in this Memorandum. See “STATISTICAL INFORMATION REGARDING THE PACE ASSESSMENTS.”

Notwithstanding the foregoing, the PACE Bond Issuers, the Issuer and FortiFi Financial are not able to track the energy production, energy efficiency improvements or water or resource conservation performance of individual funded projects because the improvements are made to private residential or commercial properties whose owners are not required by law or contract to forward or share any such relevant information with any other persons. The Issuer will therefore not issue annual reports updating the statistical information set forth in this Memorandum. However, the aggregate environmental impact of the projects related to the PACE Bonds is believed to be significant given that the projects consist primarily of energy, water or other resource saving measures or measures addressing the effects of climate change. FortiFi Financial and Sustainalytics utilize a calculation model based on comparable numbers of other PACE originators to estimate the environmental impacts of the projects related to the PACE Bonds.

Appendix 2: Eligible projects as defined by the FortiFi 2021-1 Private Placement Memorandum

California Eligible Improvements

CA PACE Assessments are to be used to fund eligible energy, water, seismic and wildfire safety improvements, as well as electric vehicle charging infrastructure. Such improvements will relate to distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and wildfire safety improvements, as well as electric vehicle charging infrastructure but must involve improvements that are permanently affixed to real property and satisfy related requirements of California law. CSCDA and CMFA have adopted guidelines for types of improvements eligible to be financed under the CA PACE Programs for residential properties from among those described in material published by the United States Department of Energy and the California Energy Commission and other industry-leading institutions and standards, which include, but are not limited to: (i) renewable energy improvements which produce energy from renewable sources, including installation of solar hot water heating and solar photovoltaic panels; (ii) modifications to a property which are designed to reduce energy consumption, including air sealing, weatherization and improved ventilation, attic and wall insulation, installation or upgrades to insulated windows, doors, ducts and pipes, and installation of programmable thermostats; (iii) energy efficiency upgrades of existing interior lighting systems; (iv) installation of energy efficient gas, electric or tankless water heaters or energy efficient pool equipment; (v) installation of improved efficiency irrigation systems and bathroom fixtures; (vi) installation of or upgrades to cool roofs or walls or radiant heating and cooling systems and improved ceiling or attic fans, energy efficient air conditioning units, ground and water source heat pumps and evaporative coolers; (vii) installation of low-e films; (viii) installation of electric vehicle charging stations; and (ix) artificial turf and hardscape features. FortiFi Financial updates the CSCDA's and CMFA's list of qualifying improvements from time to time, which are subject to approval by the CSCDA and the CMFA, as applicable.

Participating property owners bear sole responsibility for selecting the specific contractor to work on any project funded through the CA PACE Programs. Although FortiFi Financial monitors contractors' licensing, insurance, and bonding pursuant to the standards for participating contractors outlined in the CSCDA Program and Procedures Handbook and the CMFA Program Report and Handbook, property owners select their contractor based on their own determination of the contractor's qualifications and merits.

For California property owners, minimum energy efficiency specifications for eligible improvements are set by reference to California Title 24 and Title 20 or other new standards as may be appropriate and as agreed upon by the CSCDA Commissioners or the CMFA Board of Directors, as applicable. Before installing eligible products, the property owner(s) or the participating contractor are required to obtain approval of proposed eligible products from FortiFi Financial. In addition, custom products may be considered eligible products if approved by FortiFi Financial and the CSCDA or CMFA, as applicable.

Eligible costs of the improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, energy audit consultations, labor, design, drafting, engineering, permit fees, and inspection charges. The cost of installation of eligible products are eligible to be financed under the applicable CA PACE Program only if such installation is completed by a contractor that is registered with such CA PACE Program.

Florida Eligible Improvements

Florida PACE Assessments are to be used to fund (i) energy conservation and efficiency improvements, (ii) renewable energy improvements, and (iii) wind resistance improvements, which are "qualifying improvements" as such defined in Section 163.08(2)(b), Florida Statutes FPFA has adopted guidelines for types of improvements eligible to be financed under the Florida PACE Program and FortiFi Financial updates the FPFA's list of qualifying improvements from time to time.

Participating property owners bear sole responsibility for selecting the specific contractor to work on any project funded through the Florida PACE Program. Although FortiFi Financial monitors contractors' licensing, insurance, and bonding pursuant to the standards for participating contractors, property owners select their contractor based on their own determination of the contractor's qualifications and merits.

Before installing Eligible Improvements, the property owner(s) or the participating contractor are required to obtain approval of proposed Eligible Improvements from FortiFi Financial. In addition, custom products may be considered Eligible Improvements if approved by FortiFi Financial.

Eligible costs of the improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, energy audit consultations, labor, design, drafting, engineering, permit fees, and

inspection charges. The cost of installation of eligible products are eligible to be financed under the Florida PACE Program only if such installation is completed by a contractor that is registered with the Florida PACE Program.

Appendix 3: Statistical breakdown of the FortiFi 2021-1 Portfolio

Efficiency type:

Efficiency type	Unpaid Principal Balance (UPB) (%)	% Project count
Energy	49.07	55.47
Wind Resistance	21.72	23.93
Renewable	20.44	9.72
Water	7.07	7.12
Other	1.21	3.49
Seismic	0.49	0.28

Geographical location:

Assessment Detail	UPB (USD)	UPB (%)
CA	71,707,488	67.29
FL	34,860,479	32.71
Total	106,567,967	100

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

Section 1. Basic Information

Issuer name:	FortiFi 2021-1
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	FortiFi 2021-1 Private Placement Memorandum
Review provider's name:	Sustainalytics
Completion date of this form:	March 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):

FortiFi's financing is intended to be provided only for eligible PACE projects, as defined by the PACE programs in California and Florida, respectively. FortiFi 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 FortiFi Financial'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):

FortiFi makes disclosures on key impact parameters such as energy savings, emissions reductions, and water savings, as part of its compliance with the regulatory requirements. 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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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

