

Solar Mosaic, Inc.

Type of Engagement: Green Bond Pre-Issuance Review

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Introduction

In 2017, Solar Mosaic, Inc. (“Mosaic”) developed the Solar Mosaic Green Use of Proceeds Securitized Bond Framework (the “Framework”) under which affiliates of Mosaic issued notes¹ under Mosaic’s Solar Loan Program. The multiple issuances consisted of solar loan-backed notes (the “Notes”) and residual interests which were issued through one or more wholly-owned subsidiaries.

In March 2021, Mosaic engaged Sustainalytics to review the issuance by Mosaic Solar Loan Trust 2021-1 (the “2021-1 Issuance”), in connection with Mosaic’s ninth securitization under Mosaic’s Solar Loan Program. The Notes reviewed were primarily secured by a pool of loans made to consumers to finance the purchase and installation of residential solar power generation systems and related items or services. Sustainalytics provided an assessment as to whether the projects and transparency requirements of the 2021-1 Issuance meet the criteria and reporting commitments outlined in Mosaic’s Framework and Second-Party Opinion provided by Sustainalytics.² This document should be read in conjunction with the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the Mosaic Solar Loan Trust 2021-1 Issuance in March 2021 for compliance based on whether:

1. The projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework;
2. The estimated environmental impact of the Mosaic Solar Loan Trust 2021-1 Issuance is reported based on the two Key Performance Indicators (“KPIs”) outlined in the Framework; and
3. The commitments to select projects and manage proceeds from the Mosaic Solar Loan Trust 2021-1 Issuance are aligned with the commitments described in the Framework.

Appendix 1 lists the Use of Proceeds and Eligibility Criteria, Appendix 2 lists the associated KPIs, Appendix 3 provides Sustainalytics’ findings, and Appendix 4 includes a summary of loans provided.

Issuing Entity’s Responsibility

Mosaic is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. Mosaic is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the 2021-1 Issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Mosaic Solar Loan Trust 2021-1’s Issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of Mosaic that the use of proceeds, processes for project selection, management of proceeds, and reporting for the upcoming green bond issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by Mosaic with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Mosaic.

¹ MSAIC 2017-1, MSAIC 2017-2, MSAIC 2018-1, MSAIC 2018-2-GS, MSAIC 2019-1, MSAIC 2019-2, MSAIC 2020-1 and MSAIC 2020-2.

² Mosaic Solar Securitized Bond Framework Second Party Opinion is available at: https://www.sustainalytics.com/wp-content/uploads/2017/10/Mosaic-Solar_Framework_Second-Opinion_Loans_10052017.pdf.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the loans financed by Solar Mosaic, Inc.'s Loan Trust 2021-1 Issuance are not aligned with the existing Solar Mosaic Green Use of Proceeds Securitized Bond Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Solar Mosaic, Inc.'s Use of Proceeds Eligibility Criteria

The proceeds from the sale of the Notes are expected to be used to make initial deposits into the Reserve Account, Distribution Account, Pre-Funded Account and Capitalized Interest Account to pay the transaction costs in connection with the issuance of the Notes and to pay the purchase price of the Solar Loans. A portion of the proceeds from the sale of the Notes will be used to repay the lenders under warehouse financings of Mosaic's special purpose subsidiaries.

To be eligible to be funded by the proceeds, the projects funded must meet the following criteria:

- a. Fall within selected renewable and alternative energy product categories, including, but not limited to:
 - i. Solar panel modules;
 - ii. Solar inverters;
 - iii. Services related to the installation of products under i. and ii.;
- b. Installed by a Mosaic approved installer; and
- c. Use Mosaic approved equipment.

Mosaic determines the eligibility of the projects financed based on "Installer Approval Policies" and "Equipment qualification criteria". Eligible projects must be undertaken by installers in accordance with Mosaic's "Installer Management Policy" and use equipment as permitted by Mosaic's "Equipment Management Policy."

Appendix 2: Impact Reporting by Eligibility Criteria

Based on the sizes reported and usage assumed by the Approved Installers, the following environmental impacts are anticipated from the Solar Energy Systems funded by the Solar Loans that collateralize the Notes. These are good faith estimates provided by the Approved Installers, but Mosaic is unable to guarantee the accuracy of these estimates, and as such, they should be considered approximate.

Environmental Impact	Closing Pool	Including Prefunded Assets
Total capacity of solar energy systems financed by solar loans backing the Notes	58.06 MW	90.32 MW
Total estimated renewable energy produced by solar energy systems (during estimated 30 years of useful life)	2,430,000 MWh	3,780,000 MWh

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2021-1 Issuance (summarized in Appendix 4) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in Mosaic's Framework (Appendix 1).	All projects reviewed complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Review of the Preliminary Offering Memorandum to determine if the commitments under processes for project selection and management of proceeds were consistent with Mosaic's Framework.	Mosaic Solar Loan Trust 2021-1's processes for project selection and management of proceeds for the 2021 issuance are consistent with the commitments described in the Framework.	None

Appendix 4: Summary of Loans Provided

State	Share of loans (by number)	Share of loans (by installed capacity)
CA	32.52%	28.60%
FL	16.17%	18.38%
TX	9.65%	11.84%
AZ	6.38%	6.69%
NJ	4.78%	4.57%
NY	3.75%	4.22%
WI	2.37%	2.21%
CO	2.21%	2.06%
NC	2.21%	1.88%
IL	2.31%	1.72%
Others	17.65%	17.85%
Total	100.00%	100.00%

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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