

# Renew Financial Group LLC

**Type of Engagement:** Green Bond Pre-Issuance Review

**Date:** 9<sup>th</sup> January 2024

**Engagement Leader:**

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## Introduction

In June 2023, Renew Financial Group LLC (“Renew Financial”) developed the Renew Green Bond Framework (the “Framework”)<sup>1</sup> under which Renew 2024-1 (the “Issuer”), a special purpose entity of Renew Financial, intends to issue green bonds aimed at securitization of the portfolio of eligible Property Assessed Clean Energy (PACE) loans to finance renewable energy, energy efficiency, water conservation, seismic retrofits and storm hardening upgrades in California<sup>2</sup> and Florida.<sup>3</sup>

In January 2024, Renew Financial engaged Sustainalytics to review the portfolio of eligible PACE projects (the “Portfolio”) funded through the Renew 2024-1 issuance of asset-backed securities notes (the “2024-1 Green Bond Issuance”) to provide an assessment as to whether the projects in the portfolio comply with the use of proceeds, project selection and management of proceeds criteria defined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the Portfolio as to whether:

1. The underlying projects are aligned with the use of proceeds eligibility criteria in the Framework.
2. The commitments to select projects and manage proceeds are aligned with the ones described in the Framework.

Appendix 2 provides a summary of the underlying projects in the Portfolio.

## Issuing Entity’s Responsibility

Renew Financial is responsible for providing accurate information and documentation relating to the details of the projects, including a description of the eligible projects. This information was provided to Sustainalytics to support its review. Renew Financial is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments 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 the 2024-1 Green Bond Issuance. The work undertaken as part of this engagement included verification of the underlying projects and confirmation from representatives of Renew Financial that the use of proceeds, processes for project selection, and management of proceeds for the 2024-1 Green Bond will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by Renew Financial with respect to the underlying projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Renew Financial.

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.

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<sup>1</sup> The Renew Green Finance Framework will be made available to investors.

<sup>2</sup> Renew Financial, “PACE financing for California”, at: <https://renewfinancial.com/californiafirst-pace-financing-california>

<sup>3</sup> Renew Financial, “PACE financing for Florida”, at: <https://renewfinancial.com/renewpace-pace-financing-florida>

**Conclusion**

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the 2024-1 Green Bond Issuance is not aligned with the Framework.

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<sup>4</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, estimated and realized costs, and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

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## Appendix 1: Renew Green Bond Framework

### **Use of Proceeds:**

The use of proceeds relates to the financing of property upgrades related to renewable energy, energy efficiency improvements, water efficiency improvements, climate adaptation and disaster resiliency upgrades and are recognized by the Green Bond Principles as eligible project categories.

Eligible projects are defined in accordance with PACE regulations in each of the states in which Renew Financial will provide financing; state and district/county-level program handbooks or guidelines for California and Florida include a full list of eligible projects. PACE programs incentivize property owners to carry out energy efficiency and other property upgrades by providing up-front financing that is repaid over time through a voluntary property tax assessment.

### **Project Evaluation and Selection:**

Renew Financial project selection process is based on including only those assets that have met the legislative requirements established by the state statutes and that are approved by cities and counties for inclusion in the PACE Programs.

Renew Financial being an administrator of the PACE Programs, addresses environmental and social risks by ensuring compliance with the local and state permitting codes, health and safety standards, and the minimum product specifications and installation quality requirements mandated by the respective PACE programmes.

### **Management of Proceeds:**

Renew Financial intends to allocate fully at the time of issuance. Renew Financial will comply with the management requirements of the PACE Programs, in which proceeds of debt obligations are held in a segregated account and disbursed to eligible projects by the Program Administrator. PACE assets are serviced through annual or semi-annual tax collection processes and payments are remitted to a trustee for the PACE bondholders.

### **Reporting:**

For each issuance, Renew Financial will disclose the breakdown of assets to investors as part of the offering documents.

Although Renew Financial is unable to track the actual performance of the individual financed projects on an ongoing basis, it intends to report on the aggregated environmental impact of each issuance on its website, a year after each issuance. This may include metrics such as the reduction in energy and water consumption, and greenhouse gas emissions. Renew Financial has also confirmed that it complies with regulatory reporting requirements applicable in the respective counties and municipalities, which mandate disclosures on key impact parameters.

## Appendix 2: Statistical breakdown of the Renew 2024-1 Portfolio<sup>5</sup>

### Project Type:

Improvement Type	UPB (USD)	Share of UPB <sup>6</sup>
Wind Resistance	62,797,731.66	55.655%
Solar Photovoltaic	19,823,460.73	17.569%
Windows and Doors	10,592,866.65	9.388%
Roofing and Siding	8,554,647.27	7.582%
HVAC	6,488,482.87	5.751%
Insulation and Air Sealing	1,924,559.49	1.706%
Lighting	728,913.34	0.646%
Drought Tolerant Landscaping	670,489.65	0.594%
Water Heating	479,508.13	0.425%
Indoor Water Efficiency	380,019.83	0.337%
Safety and Resiliency	167,331.00	0.148%
Energy Storage	136,448.11	0.121%
Appliances	55,455.94	0.049%
Solar Thermal	33,076.04	0.029%
<b>Total UPB</b>	<b>112,832,990.71</b>	<b>100%</b>

Note: UPB stands for Unpaid Principal Balance

### Geographic location:

State	UPB (USD)	Share of UPB
California	13,043,835.49	11.56%
Florida	99,789,155.22	88.44%
<b>Total UPB</b>	<b>112,832,990.71</b>	<b>100%</b>

<sup>5</sup> This data is based on the portfolio of debt obligations and bonds shared with Sustainalytics as of 22 December 2023. The final composition of the Portfolio may be adjusted prior to close.

<sup>6</sup> Sustainalytics notes that approximately 6.175% of the Portfolio may include fossil fuel-powered upgrades and related equipment. Additionally, less than 1% of the Portfolio relates to home appliances upgrades and earthquake-resilience projects. Refer to Sustainalytics' Second-Party Opinion on such proportion of deviation in the portfolio, which Renew Financial will make available to investors upon request.

## Appendix 3: Sustainalytics' Findings

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Renew 2024-1 Portfolio funded by the 2024-1 Green Bond Issuance (Appendix 2), to determine if the underlying projects aligned with the use of proceeds eligibility criteria outlined in the Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the use of proceeds eligibility criteria.	None
<b>Project Selection and Management of Proceeds Criteria</b>	Verification of the Renew 2024-1 Portfolio funded by the 2024-1 Green Bond Issuance to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	Renew has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2024-1 Issuance are consistent with the commitments described in the Framework.	None

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