

Second-Party Opinion

Renew Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Renew Green Bond Framework is credible and impactful 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 are 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, specifically SDGs 6 and 7.



PROJECT EVALUATION AND SELECTION Renew Financial's financing is intended to be provided only for eligible PACE projects, as defined by the legislative mandates for the PACE programmes in California and Florida. Renew Financial intends to reference a list of eligible product types in assessing eligibility. It 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. This is in line with market practice.



MANAGEMENT OF PROCEEDS Renew Financial intends to allocate fully at the time of each issuance. The net proceeds of Renew Financial's green bond issuances are intended to be tracked internally per the management requirements of the PACE Programmes. This is in line with market practice.



REPORTING Renew Financial has communicated to Sustainalytics that it will disclose, in the respective offering documents, the total amount to be allocated. While ongoing tracking of the actual impact is not feasible due to the nature of the projects funded, Renew Financial intends to report on the aggregated environmental benefits, based on an impact estimation model of the financed projects on its website, a year after each issuance. This is in line with market practice.

Evaluation Date July 21, 2023

Issuer Location Oakland, USA

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Introduction

Renew Financial Group, LLC (“Renew Financial” or the “Company”) is a California-based company headquartered in Oakland that operates a financing platform offering secured and unsecured financing to homeowners, contractors and local governments, particularly through Property Assessed Clean Energy (PACE) programmes in Florida and California. The Company establishes partnerships with local and regional government entities to administer and fund PACE programmes, which were established by state legislation as a mechanism to provide low-cost financing for energy-efficiency retrofits and renewable energy generation, water conservation and storm resilience upgrades for residential and commercial properties.¹

Renew Financial has developed the Renew Green Bond Framework (the “Framework”) under which it and its subsidiaries² intend to issue green bonds³ that will be securitized by a portfolio of PACE debt obligations or bonds⁴ to finance renewable energy, energy efficiency, water conservation, seismic retrofits, and storm hardening upgrades in California⁵ and Florida.⁶ The financed PACE projects will be aligned with the criteria defined by select PACE Programmes active in California and Florida (the “PACE Programmes” or the “Programmes”) as defined in the Framework.

Renew Financial engaged Sustainalytics to review the Renew Green Bond Framework, dated July 2023, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁷ The Renew Green Bond Framework will be made available to investors.

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ opinion on the alignment of the reviewed Framework 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 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 1.14, 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 Renew Financial’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. Renew Financial representatives have confirmed (1) they understand it is the sole responsibility of Renew Financial 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.

¹US Department of Energy, Office of State and Community Energy Programs, “Property Assessed Clean Energy Programs”, at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

² For bond issuances by Renew Financial’s subsidiaries under the Framework, the Company has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of the issuances with the criteria defined in the Framework.

³ For securitizations, Renew Financial has communicated to Sustainalytics that such issuances will be secured green collateral bonds per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021 and that that will be disclosed in the offering documents of the respective issuances. Renew Financial also commits to ensuring no double-counting of eligible underlying projects under the secured green standard bond, secured green collateral bond and any other outstanding green financing instruments.

⁴ Renew Financial has confirmed to Sustainalytics that “debt obligations” are essentially loans and that the securitized bonds or debt obligations will not be labelled as green or sustainable instruments.

⁵ Renew Financial, “PACE financing for California”, at: <https://renewfinancial.com/californiafirst-pace-financing-california>

⁶ Renew Financial, “PACE financing for Florida”, at: <https://renewfinancial.com/renewpace-pace-financing-florida>

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

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

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

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. Upon twenty-four (24) months following the evaluation date set stated herein, Renew Financial is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Renew Green Bond Framework

Sustainalytics is of the opinion that the Renew Green Bond Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Renew Financial's Green Bond Framework:

- Use of Proceeds:
 - Renew Financial will use the proceeds to finance property upgrades related to renewable energy, energy efficiency, water efficiency, climate adaptation and disaster resiliency, which are aligned with the eligible project categories recognized by the Green Bond Principles.
 - Eligible projects are defined in accordance with PACE regulations in each state in which Renew Financial will provide financing; state and district or county-level programme handbooks and guidelines for California and Florida include a full list of eligible projects. PACE programmes incentivize property owners to carry out energy efficiency and other property upgrades by providing upfront financing that is repaid over time through a voluntary property tax assessment.⁹ Sustainalytics considers that the projects financed under PACE Programmes can be expected to generate environmental benefits. 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.
 - Sustainalytics notes that the intention of PACE projects is to incentivize the adoption of high-efficiency models of home improvements that are expected to reduce reliance on and demand for fossil fuel-based equipment. However, in some cases, financing may be applied to fossil fuel appliances, including generators, furnaces, boilers, water heaters and others. Sustainalytics further notes that a small proportion of the portfolio might include financing to 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. Renew Financial has communicated to Sustainalytics that for each issuance, it will limit financing related to fossil fuel-based equipment and household appliances to

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

8% and 1% of the portfolio size respectively.¹⁰ While noting that these appliances are expected to be more energy efficient than their conventional predecessors, the ongoing use of fossil fuels, in particular, for new appliances which may have long lifespans, is likely to result in a fossil fuel lock-in which deviates substantially from broadly accepted international decarbonization pathways.¹¹

- In addition to projects with environmental benefits, financing may be provided for disaster resiliency projects, namely wind resistance in Florida. Sustainalytics considers hurricane resilience to be part of overall climate adaptation and encourages Renew Financial to ensure the presence of a vulnerability assessment and an adaptation plan for such upgrades. 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. Sustainalytics acknowledges Renew Financial's commitment to limit seismic upgrade projects to 1% of the portfolio size.
- Project Evaluation and Selection:
 - Renew Financial's project selection process approves only assets that have met the applicable requirements established by state law for inclusion in PACE Programmes and that are approved by cities and counties.
 - As an administrator of PACE Programmes, Renew Financial addresses environmental and social risks by ensuring compliance with the applicable local and state permitting codes, health and safety standards, and the minimum product specifications and installation quality requirements mandated by the respective PACE programmes.
 - Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Renew Financial intends to achieve full allocation at the time of issuance. The Company will comply with the management requirements of PACE Programmes, in which proceeds of debt obligations are held in a segregated account and disbursed to eligible projects by the programme administrator. PACE assets are serviced through annual or semi-annual tax collection processes and payments are remitted to a trustee for the PACE bondholders.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Renew Financial will disclose the breakdown of assets to investors as part of the offering documents for each issuance.
 - Renew Financial 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.
 - Based on the commitment to full allocation at issuance, Sustainalytics considers this level of disclosure to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Renew Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Renew Financial

Contribution of framework to Renew Financial's sustainability performance

Sustainalytics is of the opinion that Renew Financial has demonstrated a commitment to achieving positive environmental and social impacts through its core business model by providing financing for renewable energy, energy efficiency and water efficiency improvements, and climate adaptation, including

¹⁰ Portfolio size in terms of total unpaid principal balance. For fossil fuel-based appliances, Renew Financial has communicated to Sustainalytics that the estimate includes all the projects refinanced under the following efficiency labels: HVAC, the High-Efficiency Water Heating, Appliances, Pool Equipment and Custom Product. Projects with these labels will consist predominantly of electric appliances such as air conditioners.

¹¹ Renew Financial selects projects that comply with regulations and standards such as California Title 24, California Title 20, the AWEA Small Wind Turbine Performance and Safety Standard, and the ANSI/CSA America FC1 standard, among others. Sustainalytics has not assessed the standards as they apply to each eligible product type but recognizes the objective of selecting more efficient products.

disaster resiliency upgrades through innovative financing mechanisms such as PACE financing.¹² The financed improvements are based on the eligibility criteria defined in the respective programme handbooks for select state-level PACE, or the PACE programmes of specific districts, counties and cities. The PACE financing model for eligible home upgrades enables Renew Financial to offer 100% project financing with no upfront costs, which homeowners can then repay on their property tax bill.¹³

Based on Renew Financial's commitment and operations, Sustainalytics considers that investments in the eligible categories are expected to facilitate the advancement of the PACE programmes' objectives, while noting that Renew Financial has not published a formal sustainability or ESG strategy.

Sustainalytics is of the opinion that the Renew Green Bond Framework is aligned with the Company's overall sustainability initiatives.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include risks related to construction and maintenance, and occupational health and safety (OHS). Sustainalytics notes that Renew Financial has implemented appropriate risk mitigation processes and minimum eligibility requirements through its administration of PACE programmes. Specifically, the programmes stipulate that product specifications and installation quality must meet applicable local and state permitting codes and health and safety standards. For example, Renew Financial's Eligible Improvements and Guidelines for the state of California stipulate that product specifications and installation quality must meet applicable codes and enforces compliance with Title 24¹⁴ for a series of product categories. Sustainalytics is of the opinion that Renew Financial is able to manage or mitigate potential risks through implementation of the following:

- The US Occupational Safety and Health Act of 1970 addresses the OHS risks in construction, alteration and repairs by prohibiting the employment of laborers under working conditions that are unsanitary, hazardous or dangerous to their health or safety.¹⁵ 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 Construction Safety Orders, Electrical Safety Orders and General Industry Safety Orders.¹⁶
- For the state of Florida, the residential provisions of the Florida Building Code, Energy Conservation delineate specific energy efficiency requirements for the alteration, repair, addition and change of occupancy in existing residential buildings and structures.¹⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Renew Financial 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

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

The impact of PACE-financed improvements for the residential sector

PACE is a financing tool that serves to address financial barriers to residential energy efficiency and retrofits.¹⁸ Property owners who receive funds through PACE agree to pay an additional annual payment on their property tax bills over a specific timeframe, typically ranging from 10 to 30 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

¹² Renew Financial, "Learn About Home Improvement Financing", at: <https://renewfinancial.com/learn-about-home-improvement-financing>

¹³ Ibid.

¹⁴ California Energy Commission, "Building Energy Efficiency Standards – Title 24", at: <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards>

¹⁵ US Department of Labor, Occupational Safety & Health Administration, "Safety and Health Regulations for Construction", at: <https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.20>

¹⁶ State of California- Department of Industrial Relations, "Cal/OSHA Guidance for Construction Employers, at: <https://www.dir.ca.gov/dosh/Construction-guide-summary.html>

¹⁷ International Code Council, "2020 Florida Building Code - Energy Conservation, Seventh Edition", at: <https://codes.iccsafe.org/content/FLBC2020P1/chapter-13-energy-efficiency>

¹⁸ Energy Efficiency & Renewable Energy, "Property Assessed Clean Energy Programs", at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

realized by the homeowner due to the financed improvements.^{19,20} Since its inception in 2008, 38 states and the District of Columbia in the US have passed PACE-enabling legislation,²¹ although residential PACE financing programmes are available only in California, Florida and Missouri.²² As at December 2021, USD 7.7 billion funding had been provided under residential PACE programmes, enabling 323,000 home upgrades.²³

Sustainalytics is of the opinion that by facilitating PACE, Renew Financial's investments contribute to greater energy efficiency in the residential sector in California and Florida.

The importance of financing for disaster resiliency in the US

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.²⁴ In particular, structural improvements that address disaster resiliency as defined in the local context may be among the projects administered by Renew Financial.²⁵

Since 2016, Florida has been affected by multiple Category 4 and 5 hurricanes, with Hurricane Irma (2017) alone resulting in approximately USD 50 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 2021, the state got hit by Hurricane Elsa, which caused estimated damage of USD 1.2 billion across the US. This was a Category 1 hurricane and resulted in 9 offshore deaths in the Florida Straits.²⁸ Through the PACE Programme in Florida, 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.²⁹

Similarly, the PACE Programmes in California incentivize homeowners to mitigate the risks associated with the impacts of high-magnitude earthquakes through the implementation of seismic strengthening with the latter also strengthening wildfire resiliency through the financing of wildfire safety improvements at no upfront cost. The state of California is prone to disaster risk as the state is a seismically active area, which experienced its biggest natural disaster in 20 years when the city of Ridgecrest was hit by a 7.1-magnitude earthquake in July 2019.³⁰ This was followed by a 5.5-magnitude earthquake near Ridgecrest in June 2020.³¹ Approximately 10,000 earthquakes affect Southern California each year, and only 13% of California residents are covered by earthquake insurance.³² California also has a history of witnessing a large number of wildfire events, leading to estimated funding of USD 3.7 billion by the California Department of Forestry and Fire Protection in 2021-22 for fire protection, resource management and fire prevention.³³ As of August 2022, the state witnessed 5,415 fire incidents affecting an estimated area of 198,031 acres of land.³⁴ The Programmes serve as tools to incentivize homeowners to increase their disaster resiliency.

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.³⁵ Sustainalytics notes that, while hurricane strength is associated with global climate change and that investments that increase resiliency to these disasters are therefore tied to environmental objectives, earthquake is a non-

¹⁹ Ibid.

²⁰ PACENation, "What is PACE Financing?", at: <https://www.pacenation.org/what-is-pace/>

²¹ PACENation, "PACE Programs", at: <https://www.pacenation.org/pace-programs/>

²² US Department of Energy, Energy Efficiency & Renewable Energy, "Property Assessed Clean Energy Programs", at: <https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

²³ Federal Register, "Residential Property Assessed Clean Energy Financing (Regulation Z)", (2023), at:

<https://www.federalregister.gov/documents/2023/05/11/2023-09468/residential-property-assessed-clean-energy-financing-regulation-z>

²⁴ US Department of Energy, Office of State and Community Energy Programs, "Property Assessed Clean Energy Programs", at:

<https://www.energy.gov/eere/slsc/property-assessed-clean-energy-programs>

²⁵ Renew Green Bond Framework.

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

²⁷ NPR, "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 National Hurricane Center Tropical Cyclone report, "Hurricane Elsa 30 June – 9 July 2021", at:

https://www.nhc.noaa.gov/data/tcr/AL052021_Elsa.pdf

²⁹ Florida PACE Funding Agency, "About PACE", at: <https://floridapace.gov/about-pace/>

³⁰ 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>

³¹ 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>

³² 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>

³³ Legislative Analyst's Office (LAO), "The 2022-23 Budget: Wildfire and Forest Resilience Package", at: <https://lao.ca.gov/reports/2022/4495/wildfire-forest-resilience-012622.pdf>

³⁴ California Energy Markets, "Far Fewer Acres Have Burned in California Compared With Last Year", at:

https://www.newsdata.com/california_energy_markets/bottom_lines/far-fewer-acres-have-burned-in-california-compared-with-last-year/article_f57e5f3c-1ff0-11ed-ba7f-5fffa3ae78c6.html

³⁵ CBI, "Climate Resilience Principles", at: <https://www.climatebonds.net/climate-resilience-principles>

environmental class of natural disaster. While the public safety benefits of improving seismic performance are considerable, green bonds have traditionally focused on projects that provide environmental benefits or climate adaptation and/or mitigation.

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

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. The bonds issued under the Renew Financial 2023-1 Green Bond advances the following SDG 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

Conclusion

Renew Financial has developed the Renew Green Bond Framework under which it and its subsidiaries may issue green bonds that will be securitized by a portfolio of eligible PACE debt obligations and bonds to finance renewable energy, energy efficiency, water conservation, seismic retrofits and storm hardening upgrades in California and Florida. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impacts.

The Renew Green Bond Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for Renew Financial to report on allocation and impact. Sustainalytics believes that the Renew Green Bond Framework is aligned with Renew Financial's overall sustainability strategy and that use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6 and 7. Additionally, Sustainalytics considers that Renew Financial has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Renew Financial is well positioned to issue green bonds and that the Renew Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Eligible projects as defined by Renew Green Bond Framework

California Eligible Improvements

Pursuant to the CSCDA PACE Programme Documents or the WRCOG PACE Programme Documents for each CaliforniaFIRST PACE Program, PACE Assessments are to be used to fund eligible energy and water improvements as well as seismic retrofits, which are eligible in CSCDA Participating Member Jurisdictions only. Such improvements will relate to "distributed generation renewable energy sources and energy efficiency and water efficiency improvements" as well as "seismic retrofits" but must involve improvements that are permanently fixed to real property. Each PACE Bond Issuer has adopted guidelines for types of improvements eligible to be financed under their CaliforniaFIRST PACE Programmes 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. Renew Financial updates each PACE Bond Issuer'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 CaliforniaFIRST PACE Programmes. Although Renew Financial monitors contractors' licensing, insurance, and bonding pursuant to the standards for participating contractors outlined in the Programme Reports and Programme Handbooks, property owners select their contractor based on their own determination of the contractor's qualifications and merits. A complete list of eligible products can be found in Appendix C of the California Programme Handbooks.

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 CSCDA's Commission or WRCOG's Executive Committee, as applicable. Before installing Eligible Products, the Property Owner(s) or the Participating Contractor are required to obtain approval of proposed Eligible Products from Renew Financial. In addition, custom products may be considered Eligible Products if approved by Renew 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 CaliforniaFIRST PACE Programmes only if such installation is completed by a contractor that is registered with the CaliforniaFIRST PACE Programmes.

Florida Eligible Products

The Florida PACE Programme offers financing for various specified Eligible Products comprised of energy efficiency, renewable energy, and wind-resistance products. Only permanently affixed, new Eligible Products can be financed through the Florida PACE Program. Remanufactured, refurbished, or used equipment transferred from a previous location are not eligible, nor are previously installed products. Products that are not permanently affixed are not eligible, such as light bulbs and other non-fixtures. In addition, the product must stay with the property upon sale or transfer of ownership. The FGFA has adopted guidelines for types of improvements eligible to be financed under its Florida PACE Programmes for residential properties from among those described in material published by the United States Department of Energy 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 or upgrades to cool roofs or walls or radiant heating and cooling systems, improved ceiling or attic fans and energy efficient fan motors, energy efficient air conditioning units, ground and water source heat pumps and evaporative coolers; (vi) installation of low-e films; and (vii)

installation of electric vehicle charging stations. Renew Financial updates the FGFA's list of qualifying improvements from time to time. Although Renew Financial monitors contractors' licensing, insurance, and bonding pursuant to the standards for participating contractors outlined in the Florida Programme Handbook, property owners select their contractor based on their own determination of the contractor's qualifications and merits. A complete list of eligible products can be found in Appendix C of the Florida Programme Handbook.

There are minimum efficiency and/or other requirements for each Eligible Product. Before installing Eligible Products, the Property Owner(s) or the Participating Contractor are required to obtain approval of proposed Eligible Products from Renew Financial. In addition, custom products may be considered Eligible Products if approved by Renew Financial.

Eligible costs of the Eligible Products under the Florida PACE Programme include both the cost of the equipment and installation. Installation costs may include, but are not limited to, energy or wind-resistance audits, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. The installation must be completed by a contractor who has registered with the Florida PACE Program. If a property owner elects to install Eligible Products at the same time as a larger remodeling project, financing is only available for the Eligible Products used to improve the existing structure. Repairs to the existing building's envelope, systems and/or infrastructure are not eligible except where necessary to install the Eligible Products. The cost of installing the Eligible Products must be reasonable and accomplished within reasonable industry cost standards and Renew Financial has the right to finance an Eligible Product that exceeds such reasonable cost standards, and/or to request additional documentation or other information to determine the reasonableness of cost of any Eligible Product.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Renew Financial Group LLC
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Renew Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 21, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

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 (please specify): | |

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 categories for the use of proceeds are 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, specifically SDGs 6 and 7.

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>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Renew Financial’s financing is intended to be provided only for eligible PACE projects, as defined by the legislative mandates for the PACE programmes in California and Florida. Renew Financial intends to reference a list of eligible product types in assessing eligibility. It 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. This is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input 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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Renew Financial intends to allocate fully at the time of each issuance. The net proceeds of Renew Financial's green bond issuances are intended to be tracked internally per the management requirements of the PACE Programmes. 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):

Renew Financial has communicated to Sustainalytics that it will disclose, in the respective offering documents, the total amount to be allocated. While ongoing tracking of the actual impact is not feasible due to the nature of the projects funded, Renew Financial intends to report on the aggregated environmental benefits, based on an impact estimation model of the financed projects on its website, a year after each issuance. 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):

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify):
Offering documents |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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