

Solar Mosaic LLC

Type of Engagement: Green Bond Pre-Issuance Review

Date: 13 December 2022

Engagement Team:

Titus Vilches, titus.vilches@sustainalytics.com, (+31) 20 797 1563

Aakanksha Jain, aakanksha.jain@sustainalytics.com

Introduction

Since 2017, Solar Mosaic LLC (“Mosaic”, a successor in interest to Solar Mosaic, Inc.) has included language specific to green bonds or notes (the “Green Bond Language” or “Framework”) in the preliminary offering memoranda for its asset-backed securitization programme under which securitization entities initially formed by Mosaic issued notes,¹ through Mosaic’s Solar Loan Program. The multiple issuances consisted of solar loan-backed notes and residual interests which were issued through one or more securitization entities initially formed by Mosaic. In October 2017, Sustainalytics provided a Second Party Opinion² on the Framework and its alignment with the Green Bond Principles 2017.

In December 2022, Mosaic engaged Sustainalytics to review the loans and the underlying projects that will be funded through the issuance of notes by Mosaic Solar Loan Trust 2022-3 (the “2022-3 Issuance”), in connection with Mosaic’s securitization under Mosaic’s Solar Loan Program. The notes (the “2022-3 Notes”) will be primarily secured by a pool of loans made to consumers to finance the purchase and installation of residential solar power generation systems, related items or services, and battery systems (“Nominated Projects”). Sustainalytics provided an assessment as to whether the Nominated Projects comply with the use of proceeds, project selection, and management of proceeds criteria defined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2022-3 Issuance for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework;
2. The estimated environmental impact of the 2022-3 Issuance is reported based on the two Key Performance Indicators (“KPIs”) outlined in the Framework; and
3. The commitments to select projects, manage proceeds in order to ensure that these commitments are aligned with the ones described in the Framework.

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

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 Nominated 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 2022-3 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 the 2022-3 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

¹ MSAIC 2017-1, MSAIC 2017-2, MSAIC 2018-1, MSAIC 2018-2-GS, MSAIC 2019-1, MSAIC 2019-2, MSAIC 2020-1, MSAIC 2020-2, MSAIC 2021-1, MSAIC 2021-2, MSAIC 2021-3, MSAIC 2022-1 and MSAIC 2022-2.

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

proceeds, processes for project selection and management of proceeds 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.

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 Sustainalytics is of the view that the 2022-3 Issuance is partially aligned with the Framework as 99.87% of the aggregate original loan principal amount of USD 308.5 million was allocated to projects that align with the use of proceeds eligibility criteria under the 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: Mosaic’s Use of Proceeds Eligibility Criteria

The proceeds from the sale of the Notes are expected to be utilized 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.”⁴

Appendix 2: Impact Reporting

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 2022-3 Notes. These are 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	Impact Figures
Total capacity of solar energy systems financed by solar loans backing the 2022-3 Notes - MW (DC)	56.78
Total estimated renewable energy produced by solar energy systems (during estimated 30+ years of useful life) - MWh	2,160,000

⁴ Mosaic has communicated to Sustainalytics the renaming of Installer Approval Policies to Solar Equipment Approval Policy, the Equipment Qualification Criteria to Solar Qualification Criteria and the Installer Management Policy to Contractor and Merchant Management Policy.

Appendix 3: Summary of Loans Provided

Loan details:

Total number of loans	6,781
Number of loans that align with the Eligibility Criteria	6,770
Number of loans that do not align with the Eligibility Criteria	11
Percentage of loans that align with the Eligibility Criteria	99.84%
Percentage of loans based on the aggregate original loan amount that align with the Eligibility criteria	99.87%
Aggregate original loan principal (USD)	308,535,653.20
Average original loan principal (USD)	45,500.02

Geographical distribution of the loans:

State	Share of loans (by number)	Share of loans (by system size)
California	23.08%	20.11%
Florida	20.88%	24.64%
Texas	18.79%	20.42%
Virginia	5.99%	6.04%
New York	4.47%	4.77%
Arizona	4.17%	3.43%
Colorado	2.95%	2.22%
Others⁵	19.67%	18.37%
Total	100.00%	100.00%

⁵ Includes: Arkansas, Connecticut, District of Columbia, Delaware, Georgia, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Washington, Wisconsin, West Virginia and Wyoming.

Appendix 4: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects funded by the 2022-3 Issuance (summarized in Appendix 3) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework (Appendix 1).	99.84% of the projects reviewed (Appendices 2 and 3) complied with the Use of Proceeds Eligibility Criteria.	Nominated Projects financed by around 0.16% of the loans do not align with the Use of Proceeds Eligibility Criteria.
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects funded by the 2022-3 Issuance to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	Mosaic has confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2022-3 Issuance are consistent with the commitments described in the Framework.	None

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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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