

Solar Mosaic LLC

Type of Engagement: Green Bond Pre-Issuance Review

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Engagement Team:

Hrithik Sharma, hrithik.sharma@sustainalytics.com, (+1) 647 951 3309

Chetna Chauhan, chetna.chauhan@sustainalytics.com

Introduction

In 2023, Solar Mosaic LLC (“Mosaic”) developed the Mosaic Solar Green Financing Framework (the “Framework”) under which it intends to issue MSAIC 2023-4 Green Bond (the “2023-4 Green Bond”). In February 2023, Sustainalytics provided a Second-Party Opinion on the Framework. The Framework is an update to Mosaic’s previous framework developed in 2017 for which Sustainalytics provided a Second-Party Opinion.¹

In August 2023, Mosaic engaged Sustainalytics to review the projects that will be funded through the 2023-4 Green Bond and provide an assessment as to whether the projects would comply with the criteria defined in the Framework regarding the use of proceeds, project selection and management of proceeds. The 2023-4 Green Bond will be secured by a portfolio of loans made to consumers to finance the purchase and installation of residential solar power generation systems and inverters (the “2023-4 Funding Portfolio”).

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2023-4 Green Bond for compliance based on whether:

1. The 2023-4 Funding Portfolio is aligned with the use of proceeds criteria outlined in the Framework; and
2. The commitments to select projects and manage proceeds on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The projects funded by the 2023-4 Green Bond issuance is summarized in Appendix 2.

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 2023-4 Green Bond 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 2023-4 Green Bond issuance. The work undertaken as part of this engagement included verification of the loans in the 2023-4 Funding Portfolio and confirmation from relevant employees of Mosaic that the use of 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 2023-4 Funding Portfolio. 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 Sustainalytics, “Mosaic Solar Green Use of Proceeds Securitized Bond (2017-2)”, (2017), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/mosaic-solar_framework_second-opinion_loans_10052017.pdf?sfvrsn=9ab77356_3

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,² Sustainalytics is of the view that the 2023-4 Green Bond issuance is partially aligned with the Framework as 0.04% of loans in the 2023-4 Funding Portfolio do not align with the lookback period defined in the Framework. Sustainalytics, however, notes that 100% of the projects funded under the portfolio align with the use of proceeds eligibility criteria.

² 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

| Use of Proceeds Category | Eligibility Criteria |
|--------------------------|--|
| Renewable Energy | <p>Finance or refinancing of loans for homeowners to purchase and install wind and solar energy systems that adhere to the following criteria:</p> <p>a) Fall within selected renewable and alternative energy product categories:</p> <ul style="list-style-type: none"> • Solar panel modules • Solar inverters • Renewable Storage Systems (e.g. batteries) • Services related to the installation of solar panel modules and solar inverters. • Wind Energy Systems <p>b) Installed by Mosaic approved installer</p> <p>c) Use Mosaic approved equipment</p> |
| Energy Efficiency | <p>Financing the purchase and installation of energy efficiency product categories including:</p> <ul style="list-style-type: none"> • Heating, venting, air conditioning (HVAC) • Geothermal pumps and Whole House Fans • Smart home monitoring systems and LED lighting • Water efficiency, water heating and water filtration • Generators • Solar thermal pool, efficient pool and well pumps • Artificial turf, irrigation, and landscaping • Roofing and insulation, windows, doors and siding • Electric vehicle charging equipment, including wiring and panel upgrades • Electrical meter • Services related to the installation and maintenance of above products |

Appendix 2: Loan Summary and Reported Impact

Mosaic has identified loans financing solar energy projects that are originated between August 2016 and August 2023 for the 2023-4 Funding Portfolio to be effectively refinanced by the 2023-4 Green Bond issuance.

Table 1: Loans Details for the 2023-4 Funding Portfolio

| | |
|---|---------------------|
| Total Number of Loans | 4,693 |
| Number of loans that align with the eligibility criteria | 4,693 |
| Number of loans that align with the lookback criteria | 4,691 |
| Percentage of loans that align with the lookback criteria | 99.96% ³ |
| Percentage of loans that align with the use of proceeds criteria | 100% |
| Total collateral principal (USD) | 200,160,939.49 |
| Average collateral principal (USD) | 42,650.96 |
| Number of states served | 43 |

Based on the sizes reported and usage assumed by the approved installers, Mosaic has estimated the following environmental impacts from the solar energy systems funded by the eligible loans. Mosaic has communicated to Sustainalytics that these are estimates provided by the approved installers, and that it is unable to guarantee the accuracy of these estimates, and as such, they should be considered approximate.

Table 2: Mosaic's Estimated Environmental Impact of the 2023-4 Funding Portfolio

| Environmental Impact | Impact Figure |
|---|----------------------|
| Total capacity of solar energy systems financed by solar loans backing the notes MW (DC) | 23.48 MW |
| Total estimated renewable energy produced by solar energy systems (during estimated 30+ years of useful life) MWh | 9,300,000 MWh |

³ Sustainalytics notes that two loans in the 2023-4 Funding Portfolio fall outside the 36-month lookback period defined in the Framework. Sustainalytics nonetheless acknowledges that it accounts for a small proportion of the overall loan pool and that the underlying project(s) financed by the loans align with the use of proceeds criteria defined in the Framework.

Appendix 3: Sustainalytics' Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|--|---|---|--|
| Use of Proceeds Criteria | Verification of the assets funded by the 2023-4 Green Bond (Appendix 2) to determine if the assets aligned with the use of proceeds criteria outlined in the Framework (Appendix 1). | 99.96% of the loans in the 2023-4 Funding Portfolio reviewed (Appendix 2) complied with the lookback criteria defined in the Framework. 100% of the projects funded by the portfolio align with the use of proceeds eligibility criteria. | 0.04% of the loans in 2023-4 Funding Portfolio do not align with the Framework criteria. |
| Project Selection and Management of Proceeds Criteria | Verification of the assets funded by the 2023-4 Green Bond to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework. | All assets (Appendix 2) complied with the project selection and management of proceeds criteria. | None |

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