

# **MOSAIC SOLAR GREEN USE OF PROCEEDS SECURITIZED BOND**

## **MOSAIC SOLAR LOANS**

### **FRAMEWORK OVERVIEW AND OPINION BY SUSTAINALYTICS**

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## 1. INTRODUCTION

Solar Mosaic, Inc. (“Mosaic”) intends to issue multiple Green Use of Proceeds Securitized Bonds<sup>1</sup> with a series of notes (the “Notes”) under Mosaic’s Solar Loan Program. The multiple issuances will consist of Solar Loan backed notes and Residual Interests which will be issued through one or more wholly owned subsidiaries expected to be named ‘Mosaic Solar Loans [year]-[issuance] LLC’ (each such subsidiary an “Issuer”). This Framework Overview and Opinion specifically relates to each class of Notes issued by the “Issuer” named: Mosaic Solar Loans 2017-2 LLC. The Notes will be secured by pools of (Solar) Loans incurred by homeowners to finance their purchase and installation of a solar energy system on their residence. These loans will be secured by the related solar energy systems. Mosaic retained Sustainalytics to review the structure of the issuance and to provide an opinion on the alignment of the Notes with the Green Bond Principles 2017 (“GBP”) administered by the International Capital Market Association (“ICMA”).

Sustainalytics engaged with members of Mosaic’s management team to understand the sustainability impact of the issuance, reviewed the deal documentation and the allocation of the proceeds for the issuance of the Notes. Sustainalytics also reviewed the public and internal deal documentation from Solar Mosaic, Inc. specifically relevant to the Notes. This document contains two sections: Framework Overview – summary of the Solar Mosaic Green Use of Proceeds Securitized Bond framework; and Sustainalytics’ Opinion – an opinion on Solar Mosaic’s issuance.

## 2. OVERVIEW OF ISSUER AND BACKGROUND

### Overview

Mosaic operates a financial services platform that provides homeowners with loans used to finance the purchase and installation of solar energy systems on their home through a network of third party contractors. The organization’s current business strategy is to offer loan products that appeal to installers who offer Mosaic’s loans to their customers at point of sale. Mosaic relies on a network of U.S. based installers to offer Mosaic’s loans to homeowners as one option to fund the purchase of their solar energy system.

### Mosaic’s Solar Loans

Mosaic originates residential Solar Loans that enable customers to afford to purchase and own their own solar energy system. Mosaic’s Solar Loan program is specifically designed for the residential solar market. The Mosaic Solar Loans enables “approved installers” (see Appendix 1 and 2) to offer potential means of financing for the homeowner’s purchase and installation of a solar energy system. The installer surveys the home for solar resource quality, builds a preliminary system design, and models the solar energy expected for a full year. Based on the resulting model, the installer can describe (i) the solar energy system specifications and energy savings potentially offered to the customer through purchase of the solar energy system, (ii) various payment options available to the customers to fund the purchase (cash purchase, lease/power purchase agreements or loan financing).

Mosaic disburses the loan proceeds directly to the installer using a milestone schedule that corresponds to the solar energy system’s construction phases, with final disbursements made when the applicable utility serving

<sup>1</sup> A type of Green Bonds as described in the Green Bond Principles, 2017; <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

the homeowner grants permission to operate, signifying that the solar energy system is fully ready to generate and transmit energy both to the home and the utility grid.

Several policies at the federal, state, and local levels have helped to spur adoption of solar energy in the United States. The bulk of support has come from the federal solar tax credit (“ITC”) that is available to taxpayers making investments in new solar energy systems. The ITC generally provides an incentive for such investments by giving taxpayers a credit of up to 30% of the acquisition cost for new solar energy systems placed in service before specified deadlines. Mosaic’s customers may claim a credit against their federal income taxes so long as their Solar Energy System is placed in service before expiration of the ITC.

### **Securitization of Solar Loans**

The issuance of the Notes will primarily be secured by pools of loans incurred by homeowners to finance their purchase and installation of a solar energy system on their residence. These loans are secured by the related solar energy system. Mosaic has originated the pool of Solar Loans and will (on behalf of the Issuers as the servicer of the Solar Loan pool), among other things, bill and collect payments in respect of the Solar Loans, enforce the Solar Loans and monitor the performance of the Solar Loans.

Financed projects consist solely of residential Solar Loans that enable customers to afford to purchase, install and own their own solar energy systems. The Solar Loans were originated by Mosaic pursuant to referral agreements with Installers operating in Mosaic’s network that sell solar energy systems and related items and services to customers that have been approved by Mosaic for financing. Both the Installers and the equipment components used in the Solar Energy Systems have been approved by Mosaic pursuant to its policies and procedures.

### **Solar Loan Backed Notes**

Mosaic intends to issue multiple Notes across a series of discrete ABS trusts. The Notes will be secured by pools of Solar Loans. The transactions will benefit from credit enhancement in the form of overcollateralization, yield supplement overcollateralization and a liquidity reserve. The Notes will be benefiting from overcollateralization in the form of principal balance of Solar Loans that exceeds the principal balance of the issuance.

The proceeds from the issuance of the Notes will be used by the Issuer to acquire the Solar Loans and to pay certain expenses incurred in connection with the issuance of the Notes and the Residual Interests.<sup>2</sup> The Notes will be secured by all of the Solar Loans acquired by the Issuer.

<sup>2</sup> The Residual Interests are expected to represent ownership of 100% of the residual economic interest in each Mosaic Solar Loans transaction.

## 3. FRAMEWORK OVERVIEW

Mosaic's issuance of the Notes will use a framework that is aligned with the four key pillars of the Green Bond Principles ("GBP"):

- Use of Proceeds
- Selection Process
- Management of Proceeds
- Reporting

### 3.1 Use of Proceeds

The proceeds of the Notes will be allocated to Solar Loans that finance solar energy systems that meet the following eligibility criteria.

#### 3.1.1 Eligibility Criteria

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
  - i. Solar Panel Modules
  - ii. Solar inverters
  - iii. Services related to the installation of products under i. and ii.
- b. Installed by Mosaic approved installer
- 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 with Mosaic's "Approved Installers" and use equipment from the "Approved Vendor List" (as outlined in Appendix 1 and 2).

### 3.2 Project Evaluation and Selection Process

#### Application of Eligibility Criteria in Solar Loans Selection

All projects that meet the eligibility criteria as described above are selected by Mosaic. Mosaic developed detailed policies and procedures for evaluating and approving prospective customers seeking to obtain a Solar Loan. Mosaic uses an internal review process. Mosaic's Credit Committee assesses relevant criteria that allows Mosaic to make an educated informed decision on whether to approve an installer. All Solar Loans that are referred to Mosaic by its "Approved Installers" are eligible to be funded if the homeowner meets Mosaic's underwriting criteria.

#### Alignment of Solar Loans to Mosaic's Strategy

Mosaic's vision is 100% clean energy for all and its mission is to empower millions of people to prosper from clean energy. What has been missing is a way for people to access financing because the upfront costs for clean energy are prohibitive. The proceeds of the Notes will be allocated to Solar Loans that finance the purchase and installation of a solar energy system by homeowners.

### 3.3 Management of Proceeds

For the first issuance under this framework, approximately 78% of the proceeds of the Notes will be immediately directed to an underlying trust that is being used to acquire and hold the initial pool of Solar Loans on behalf of the Issuer and the holders of its Notes and Residual Interests. These initial Solar Loans are currently owned by Mosaic or its warehouse financing subsidiaries prior to their sale to the Issuer. The remaining proceeds will be deposited into a Pre-Funded Account to be used during the first three months following closing by the Issuer to purchase additional Solar Loans originated by Mosaic (and owned by itself or its financing subsidiaries) that will be pledged to secure the Notes. To the extent there are funds remaining in the Pre-Funded Account following such purchases of additional Solar Loans, these funds will be included as Available Funds in the cash flow waterfall and thereby returned to the holders of the Notes and Residual Interests. Due to the required overcollateralization, the Notes are secured by a pool of Solar Loans and cash in the Pre-Funded Account in an amount equal to or greater than the amount of the Notes issuance at all times.

Going forward for all other issuances under this framework, Mosaic will follow a similar structure for management of proceeds. A majority of proceeds will be immediately directed to an underlying trust that holds the initial pool of Solar Loans, while a minority of proceeds will be directed to a Pre-Funded Account. The exact percent breakdown of proceeds directed to an underlying trust vs. a Pre-Funded Account will vary for each issuance, and Mosaic may elect to size any particular transaction so that all proceeds are used at closing to purchase an initial pool of Solar Loans, eliminating the need for a Pre-Funded Account with respect to such transaction.

Mosaic has confirmed that all proceeds deposited in the Pre-Funded Account, to the extent applicable, will be used only for the purchase of Solar Loans that meet the eligibility criteria, and the cash flow waterfall.

### 3.4 Reporting

#### Allocation and Impact Reporting

At the issuance of Notes, Mosaic will provide in the offering memorandum verification of the allocations of proceeds to the initial Solar Loans as well as its expectation of the allocation of the funds in the Pre-Funding Account.

For each green bond issued under this framework, Mosaic commits to publishing a joint allocation and impact report in the monthly servicing reports related to the relevant transaction until proceeds of each green bond are fully allocated. The report will include:

- Amount allocated to eligible projects
- Balance of unallocated proceeds
- Estimated impact, calculated as per the methodology described below.

#### Impact Reporting Methodology

Mosaic utilizes a proprietary calculation model which estimates the renewable energy generating capacity for all installed Solar Energy Systems that are financed through its Solar Loan program.

Mosaic reports on estimated impact in the following area:

## Renewable Energy Generation

1. *Methodology*  
Total capacity of the Solar Energy Systems in an aggregated manner in Megawatts.
2. *Specific Impact Metrics*
  - Total capacity of Solar Energy Systems financed by Solar Loans Backing the Notes in Megawatts (DC, direct current).
  - Total Estimated Renewable Energy Produced by such Solar Energy Systems (during estimated useful life) in Megawatt hours.

See Appendix 3 for figures on the estimated environmental impacts from the projects funded by the Solar Loans underlying the first Green Bond that will be issued under this framework.

## 4. SUSTAINALYTICS' OPINION

### Section 1: Assessment of Mosaic's Framework

For future issuances of Notes, Mosaic has applied the same Green Use of Proceeds Securitized Bonds Framework as it used for its first issuance. The Mosaic Solar Loans 2017-1 transaction ("MSAIC 2017-1") resulted in proceeds of \$138.95 million and was the first securitization of consumer loans secured by residential rooftop solar systems.

Through the issuance of Notes, Mosaic will support investments in residential renewable energy projects by providing financing to homeowners for the installation of residential solar energy products. Mosaic will allocate the proceeds from the Notes to Solar Loans, which will be backed by the projects and products managed through Mosaic's Solar Loan program. Mosaic will use an overcollateralization strategy to secure the Notes. At Closing, 78% of the Notes will be backed by Solar Loans; over the ensuing three months, the Trust may acquire additional Solar Loans in amounts up to 24% of the Notes balance, thereby ensuring that all proceeds are matched by a portfolio of Solar Loans that meet the eligibility criteria resulting in a full allocation within three months of issuance or returned to investors. The issuance of the Notes will enable Mosaic to repay outstanding warehouse funding, which will enable Mosaic to fund new Solar Loans.

Mosaic is currently a pure-play solar energy system financier and its Solar Loans offer an effective way to promote the uptake of renewable energy-generating products in the United States. Given the alignment of Mosaic's issuance with its overall strategy and the fact that the company is not implicated in severe environmental, social or governance controversies, Sustainalytics believes that Mosaic is well positioned to issue green bonds.

Sustainalytics is of the opinion that Mosaic implements a rigorous process to ensure that the Solar Loans underlying the Notes will be disbursed directly to the installers that meet Mosaic's criteria. Furthermore, the Solar Loans will not be permitted to be used for any purpose other than the purchase and installation of a Solar Energy System or related items. Financed projects must be undertaken by Mosaic's "Approved Installers" and only use equipment on Mosaic's "approved equipment list". In order to select installers, Mosaic will use an internal review process. Mosaic's Credit Committee assesses relevant criteria that allows Mosaic to make an informed decision on whether to approve an installer. This assessment includes, among others, an evaluation of an installer's creditworthiness and solvency, and experience building residential solar systems.

**Alignment with Green Bond Principles 2017:** Sustainalytics has determined that the issuance aligns with the four pillars of the Green Bond Principles 2017. For detailed information please refer to the Green Bond/Green Bond Programme External Review Form in the Appendix.



## Section 2: Impact of Use of Proceeds

In the U.S., residential solar installations have an annual growth rate of 19% and there are more than 1 million residential solar installations nationwide<sup>3</sup>. However, with the recent expiration of the Department of Treasury's cash grant program in 2016<sup>4</sup> and the near future expiration of the Investment Tax Credit for residential properties in 2021<sup>5</sup>, there will be less financing available from traditional players such as the US government, banks, and tax equity investors that realize tax benefits from financing solar projects<sup>6</sup>. With government sources of financing diminishing, securitization of solar assets could become instrumental in meeting the increasing demand for solar financing.

The issuance of Notes backed by solar loans supports investments in residential renewable energy projects with positive environmental impacts. Mosaic's asset-backed securitization of rooftop Solar Loans fits within the four recognized types of Green Bonds as described in the Green Bond Principles, 2017. Furthermore, Mosaic reports on the aggregated renewable energy generating capacity of the solar energy systems it has funded and the total estimated renewable energy produced during the lifetime of the projects. These metrics provide investors insights on the scale of the impact of the solar systems funded by the Notes.

**Alignment with Sustainable Development Goals:** The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Mosaic's Solar Loans are particularly relevant to SDG 7, Affordable and Clean Energy, which includes targets to increase substantially the share of renewable energy in the global energy mix.

## Section 3: Conclusion

Currently, only one percent of U.S. households lease or own rooftop solar installations<sup>7</sup>. Securitization has shown early signs of success and could help scale solar in an effort to decarbonize the U.S. electricity grid. Through the issuance of the Notes, Mosaic will support investments in residential renewable energy projects by providing financing to homeowners with loans that will directly enable the sale and installation of residential solar energy systems. Sustainalytics is of the opinion that the issuance of the Notes by the Issuer identified in the first paragraph of Section 1 of this Framework Overview and Opinion will be aligned with current market standards and norms, including the four pillars of the Green Bond Principles 2017. The use of proceeds, project selection, management of proceeds, and reporting are robust and credible. The criteria that are used for the Notes are sound and the selection processes are diligent.

<sup>3</sup> <http://www.seia.org/research-resources/solar-market-insight-report-2016-year-review>

<sup>4</sup> <http://www.seia.org/policy/finance-tax/1603-treasury-program>

<sup>5</sup> <http://www.seia.org/policy/finance-tax/solar-investment-tax-credit>

<sup>6</sup> <https://www.pwc.com/us/en/technology/publications/cleantech-perspectives/pdfs/pwc-cleantech-perspectives-solar-securitization.pdf>

<sup>7</sup> <https://energy.mit.edu/wp-content/uploads/2016/07/MITEI-WP-2016-05.pdf>

## APPENDICES

### Appendix 1: Mosaic's Installer Approval Policies and Procedures

Mosaic permits an Installer to access Mosaic's advanced technology financing platform only after such Installer has been underwritten, evaluated and approved by Mosaic's Credit Committee and designated as an Approved Installer. Any Installer who seeks to become an Approved Installer must initially provide Mosaic with the following information (collectively, the "Application Documents"): evidence of a valid, active state contractor's license, a completed Installer application form ("Installer Application") and a copy of such Installer's solar installation agreement and solar warranty documentation ("Installer Agreements").

The Installer Application requires an Installer to provide detailed information regarding, among other things: annual sales volume, annual loan volume, geographic sales area, experience (number of years in business and number of Solar Energy Systems installed to date), number of employees, including those certified by the North American Board of Certified Energy Practitioners and those certified as licensed professional engineers, number of complaints registered with the applicable State licensing board for contractors, the amount and type of insurance coverage maintained, documentation regarding Installer practices, including workmanship warranty, monitoring services, types of modules, inverters and other components offered, and forms of sale and installation agreements.

Upon receipt of an Installer's Application Documents, Mosaic's staff reviews (1) the Installer Application for completeness, and to the extent necessary prepares an internal memorandum providing context for any criteria that are not in the generally acceptable range, and (2) the Installer Agreements for conformity to general standards in the solar industry and with regulatory requirements, in each case consulting legal counsel as necessary. A summary of the foregoing review is then provided to Mosaic's Credit Committee, which reviews the summary and other pertinent information it may request and will then either approve such Installer, request additional information on the Installer or reject the Installer application. As part of the Installer Agreement, Mosaic has the right to review and approve, or provide loan marketing materials to Approved Installers for use in their marketing effort.

Mosaic requires that representatives for each Approved Installer receive online compliance training on consumer lending compliance matters.

Certain of Mosaic's Approved Installers provide performance guarantees to their customers in connection with the sale of a Solar Energy System. Under a typical performance guarantee, the Installer offers to make payments to the customer to compensate for underproduction if the Solar Energy System fails to generate a specified minimum amount of energy over a specified period (a "Performance Guarantee"). The Performance Guarantees are in addition to other basic warranties provided by the applicable manufacturer with respect to solar panels or inverters used in the Solar Energy System and are typically set at a level of production that is less than that warranted by the applicable manufacturer. As of the Statistical Cut-Off Date, approximately, 35% of the initial Solar Loans (based on the aggregate outstanding principal balance) in the pool are from an Approved Installer that provides a Performance Guarantee.

Performance by Approved Installers is monitored by Mosaic on an ongoing basis and an Installer may be removed as an Approved Installer by Mosaic's management or by the Credit Committee at any time, based on a breach of the Installer's agreement with Mosaic. Through June 30, 2017, Mosaic has terminated approximately 22 previously Approved Installers for compliance or financial reasons.

## Appendix 2: Mosaic's Equipment Vendor Approval Policies and Procedures

Approved Installers are required to use solar panels and inverters manufactured by authorized vendors. Authorized vendors manufacture or distribute solar panels and/or inverters used in the Solar Energy Systems financed by Mosaic. Such vendors and their equipment must satisfy criteria adopted from time to time by Mosaic. Mosaic's current criteria have been approved by Mosaic's Credit Committee based on its review of (1) information supplied by the vendors, (2) third party reports (including independent engineer reports), (3) other analysis regarding performance of the Solar Energy System components, and (4) other relevant data.

Any solar panel or inverter equipment manufacturer ("Vendor") wishing to be considered for inclusion as an Authorized Vendor must submit responses to a list of questions and selection criteria developed by Mosaic that includes, among other things (1) an overview of the Vendor and such Vendor's Experian credit score, (2) detailed specifications regarding the product, including the product warranty to be provided, (3) key materials used in the panels or inverters, as applicable, and related risks associated with such materials, (4) performance and reliability data, (5) warranty claim history and processes, (6) ISO certifications, (7) installation history, (8) product support, (9) technology review and (10) other standard acceptance criteria.

Mosaic's staff reviews the Vendor's responses in order to confirm whether the Vendor information is complete and whether the product meets Mosaic's approval standards or, if not, whether any extraordinary circumstances exist which nonetheless justify approval of the Vendor, and presents the results of their review to the Credit Committee for approval.

## Appendix 3: Impact Statistics for first Green Bond under the Mosaic Solar Loans framework

Impact Statistics for the Issuer identified in the first paragraph of Section 1 of this Framework Overview and Opinion

Environmental Impact	Impact Metrics	Impact Figures - initial Solar Loans
Total capacity of solar energy systems financed by solar loans backing the Notes	Megawatts (DC)	approximately 70 MW
Total estimated renewable energy produced by solar energy systems (during estimated 30 years of useful life)	Megawatt hours	approximately 3,040,000 MWh

## Appendix 4: Green Bond/Green Bond Programme External Review Form

## Green Bond / Green Bond Programme External Review Form

### Section 1. Basic Information

**Issuer name:** Mosaic Solar Loans

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:** Mosaic Solar Green Use of Proceeds Securitized Bond

**Review provider's name:** Sustainalytics

**Completion date of this form:** October 2017

**Publication date of review publication:**

### Section 2. Review overview

#### SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW

Please refer to Green Bond Framework and Second Opinion Document above.

Sustainalytics is of the opinion that the issuance aligns with current market standards and norms, including the four pillars of the Green Bond Principles 2017. The use of proceeds, project selection, management of proceeds, and reporting are robust and credible.

### Section 3. Detailed review

#### 1. USE OF PROCEEDS

**Overall comment on section:**

The Use of Proceeds of this bond are clearly described in the legal documentation of the security.

Financed projects consist solely of residential Solar Loans and projects must be undertaken by Mosaic's "Approved Installers" and only use equipment on Mosaic's "approved equipment list" (i.e. Solar Panel Modules and Inverters). Renewable Energy is an eligible green project category, as it contributes to climate change mitigation and the sustainable use of natural resources.

Mosaic is a pure-play solar energy system financier and its Solar Loans offer an effective way to promote the uptake of renewable energy-generating products in the United States. Mosaic incentivizes homeowners to install solar systems and products by offering loans to homeowners. Mosaic allocates the proceeds from the Notes to Solar Loans, which are backed by the projects and products managed through Mosaic's Solar Loan program.

Based on the review of the project category, Sustainalytics is confident regarding the green credentials of the use of proceeds.

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency                                  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation                               |
| <input type="checkbox"/> Sustainable water management  | <input type="checkbox"/> Climate change adaptation                          |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes   | <input type="checkbox"/> Other ( <i>please specify</i> ):                   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs |   |

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION****Overall comment on section:**

All projects that meet the eligibility criteria as described above are selected by Mosaic. Mosaic developed detailed policies and procedures for evaluating and approving prospective customers seeking to obtain a Solar Loan. Mosaic uses an internal review process. Mosaic's Credit Committee assesses relevant criteria that allows Mosaic to make an educated informed decision on whether to approve an installer. All Solar Loans that are referred to Mosaic by its "Approved Installers" are eligible to be funded if the homeowner meets Mosaic's underwriting criteria.

Based on the review of these processes and assessment criteria used, Sustainalytics is of the opinion that the process to select eligible projects is credible.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <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 checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other:  |   |

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section:

For all issuances under this framework, Mosaic will follow the structure described below for management of proceeds. A majority of proceeds will be immediately directed to an underlying trust that holds the initial pool of Solar Loans, while a minority of proceeds will be directed to a Pre-Funded Account, to be used during the first three months following closing by the Issuer to purchase additional Solar Loans originated by Mosaic (and owned by itself or its financing subsidiaries) that will be pledged to secure the Notes.

The exact percent breakdown of proceeds directed to an underlying trust vs. a Pre-Funded Account will vary for each issuance, and Mosaic may elect to size any particular transaction so that all proceeds are used at closing to purchase an initial pool of Solar Loans, eliminating the need for a Pre-Funded Account with respect to such transaction. To the extent there are funds remaining in the Pre-Funded Account following such purchases of additional Solar Loans, these funds will be included as Available Funds in the cash flow waterfall and thereby returned to the holders of the Notes and Residual Interests.

Mosaic has confirmed that all proceeds deposited in the Pre-Funded Account, to the extent applicable, will be used only for the purchase of Solar Loans that meet the eligibility criteria, and the cash flow waterfall.

Sustainalytics is of the opinion that this is in line with market practice.

### Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other

**Additional disclosure:**

- |   |  |
|---|--|
| <input type="checkbox"/> Allocations to future investments only                             | <input type="checkbox"/> Allocations to both existing and future investments   |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                      |

#### 4. REPORTING

**Overall comment on section:**

For each green bond issued under this framework, Mosaic commits to publishing a joint allocation and impact report in the monthly servicing reports related to the relevant transaction until proceeds of each green bond are fully allocated. The report will include:

- Amount allocated to eligible projects
- Balance of unallocated proceeds
- Estimated impact, calculated as per the methodology described in the framework.

Mosaic has committed to reporting on the following two metrics:

- Total capacity of Solar Energy Systems financed by Solar Loans Backing the Notes in Megawatts (DC, direct current).
- Total Estimated Renewable Energy Produced by such Solar Energy Systems (during estimated useful life) in Megawatt hours.

Sustainalytics is of the opinion that this is in line with market practice.

**Use of proceeds 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 ( <i>please specify</i> ):        |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

- ☐ Annual ☐ Semi-annual
- ☒ Other: *Monthly*

**Impact reporting:**

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (*please specify*):

**Frequency:**

- ☐ Annual ☐ Semi-annual
- ☒ Other: *Monthly*

**Information reported (expected or ex-post):**

- ☐ GHG Emissions / Savings ☐ Energy Savings
- ☒ Other ESG indicators (*please specify*):  
*Renewable energy generating capacity and  
 Estimated Renewable Energy produced (over  
 the estimated useful life of the equipment)*

**Means of Disclosure**

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (*please specify*): Allocation and impact reporting published in monthly servicing reports related to the relevant transaction
- ☐ Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):

**USEFUL LINKS**

<https://joinmosaic.com/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- ☐ Consultancy (incl. 2<sup>nd</sup> opinion) ☐ Certification
- ☐ Verification / Audit ☐ Rating
- ☐ Other (*please specify*):

**Review provider(s):**

**Date of publication:**



## **ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP**

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