

Renovate America Pre-Issuance Review HERO Funding 2018-1

Type of Engagement: Green Use of Proceeds Securitized Bonds Pre-Issuance Review

Date: April 30, 2018

Engagement Leader: Ankita Shukla, ankita.shukla@sustainalytics.com, +1 (617) 603-3329

Introduction

In 2017, Renovate America developed the HERO Green Bond Framework under which it has issued multiple series of green notes (“HERO Green Bonds”) through its ABS platform called Home Energy Renovation Opportunity (“HERO”) Funding. In April 2018, Renovate America engaged Sustainalytics to review projects funded by its first ABS issuance in 2018 (HERO Funding 2018-1) pursuant to the HERO Green Bond Framework, and provide an assessment as to whether the projects and reporting for the issuance meet the criteria and the reporting commitments outlined in the HERO Green Bond Framework¹. This document should be read in conjunction with the HERO Green Bond Framework and the 2017 Green Bond Principles.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the HERO Funding 2018-1 issuance in May 2018 for compliance based on whether:

1. The projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework Overview section;
2. The estimated environmental impact of the HERO Funding 2018-1 issuance is reported based on one of the 12 Key Performance Indicators (KPIs) outlined in the Framework Overview section; and
3. The commitments to select projects and manage proceeds from the HERO Funding 2018-1 issuance are aligned with the commitments described in the HERO Green Bond Framework.

Appendix 1 lists the Use of Proceeds and Eligibility Criteria, while Appendix 2 lists the associated KPIs.

Issuing Entity’s Responsibility

Renovate America is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of eligible projects, the amount of PACE assessments outstanding, and project impact. This information was provided to Sustainalytics to support its review. Renovate America is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for HERO Funding 2018-1 will remain aligned with the commitments described in the HERO Green Bond Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of HERO Funding 2018-1’s Green Bond and provided an independent opinion. The work undertaken as part of this engagement included documentation from Renovate America employees and review of documentation to confirm the alignment with the HERO Green Bond Framework. 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 review.

¹ http://www.sustainalytics.com/wp-content/uploads/2017/04/RA-Framework_Second-Opinion_HERO-Green-Bond.pdf

HERO Funding 2018-1

Conclusion

In addition to financing products from the California Eligible Products List described in the HERO Green Bond Framework Overview, The HERO Funding 2018-1 Class A notes will also finance products that meet the eligibility criteria from the Missouri HERO Program Eligible Products List². Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects that will be funded through proceeds of Renovate America's HERO Funding 2018-1 notes are not in conformance with the Use of Proceeds and Reporting criteria outlined in the HERO Green Bond Framework. Renovate America has also confirmed to Sustainalytics that the proceeds of the HERO Funding 2018-1 notes will be managed in alignment with the commitments described in the HERO Green Bond Framework.

² Refer to Sustainalytics' HERO Funding 2017-3 Pre-Issuance Review for an Eligible Product Lists for California and Missouri (Appendix 3 and 4): <http://www.sustainalytics.com/wp-content/uploads/2017/11/Renovate-America-Green-Bond-Opinion-Letter-2017-3-final.pdf>

HERO Funding 2018-1

Appendix 1: Use of Proceeds Eligibility Criteria

To be eligible to be funded by the proceeds, the projects funded must fall within the following product categories:

- 1. Renewable & Alternative Energy Products**
 - a. Solar Photovoltaic Systems
 - b. Solar Thermal
 - c. Advanced Energy Storage System - Electric Vehicle Charging Station
 - d. Stationary Fuel Cell Power System
- 2. Energy Efficiency Products**
 - a. High-Efficiency Heating, Ventilation, and Air Conditioning (HVAC)
 - b. Building Envelope (Insulation, Cool Roofing, Air Sealing, etc.)
 - c. High-Efficiency Lighting
 - d. High-Efficiency Pool Equipment
 - e. High-Efficiency Water Heating
 - f. Windows, Doors, and Skylights
- 3. Water Efficiency Products**
 - a. Indoor Water Efficient Fixture & Fittings
 - b. Outdoor Water Efficient Landscaping

Improvements that are required for the installation of product types falling into one or more of the previous 3 categories are also eligible to be funded.

Appendix 2: Impact Statistics for HERO Funding 2018-1

Environmental Impact	Impact Figures
Sum of Annual Electricity Savings (kWh)	24,177,145.46
Sum of Annual Natural Gas Savings (Therms)	972,483.89
Sum of Annual Energy Savings (kWh-e)	52,680,648.66
Sum of Lifetime Energy Savings (kWh-e)	930,784,948.59
Sum of Annual Energy Bill Savings	\$ 6,669,897.32
Sum of Lifetime Energy Bill Savings	\$ 172,314,495.50
Sum of Annual Emission Reduction (Tons CO ₂)	15,464.24
Sum of Lifetime Emission Reduction (Tons CO ₂)	281,005.14
Sum of Annual Water Savings (Gal)	36,537,642.00
Sum of Lifetime Water Savings (Gal)	633,638,920.00
Sum of Annual Water Bill Savings	\$ 164,830.51
Sum of Lifetime Water Bill Savings	\$ 6,337,118.74
Sum of Solar PV Capacity Installed (W)	11,280,539.00

Disclaimer

© Sustainalytics 2018. All rights reserved. No part of this second party opinion (the “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

