

Dividend Solar Loan Backed Notes, Series 2018-2

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

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Engagement Leader: Ankita Shukla, Project Manager, ankita.shukla@sustainalytics.com, +1-617-603-3329
Mayur Mukati, Project Support, mayur.mukati@sustainalytics.com, +1-647-936-5656

Introduction

In 2017, Dividend Finance, LLC ("Dividend") developed the Dividend Solar Green Use of Proceeds Securitized Bond Framework (the "Dividend Solar Green Bond Framework") under which affiliates of Dividend issue notes (the "Dividend Solar Green Bonds") to support Dividend's EmpowerLoan Program. In November 2018, Dividend engaged Sustainalytics to review the issuance by Dividend Solar Loans 2018-2 LLC of Dividend Solar Green Bonds primarily secured by solar loans incurred by homeowners to finance the purchase and installation of solar energy systems on their residences ("Series 2018-2").

Sustainalytics has provided assessments on the Series 2018-2 issuance as to whether the projects and transparency requirements met the criteria and the reporting commitments outlined in the Dividend Solar Green Bond Framework and Second-Party Opinion¹ provided by Sustainalytics. This document should be read in conjunction with the Dividend Solar Green Bond Framework and the 2018 Green Bond Principles.²

The Series 2018-2 issuance is Dividend's third asset-backed securitization ("ABS") transaction, following the Company's inaugural ABS in October 2017 with \$128,950,000 of Dividend Solar Green Bonds and in April 2018 with \$104,664,000 of Dividend Solar Green Bonds secured by its Empower solar loans.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the Series 2018-2 issuance for compliance based on whether:

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

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

Issuing Entity's Responsibility

Dividend is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of eligible solar loans, and project impact. This information was provided to Sustainalytics to support its review. Dividend is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the Series 2018-2 issuance will remain aligned with the commitments described in the Dividend Solar Green Bond Framework.

¹ https://www.sustainalytics.com/wp-content/uploads/2017/10/Dividend-Solar_Framework_Second-Opinion_Loans_FINAL-10032017-v2.pdf and https://www.sustainalytics.com/wp-content/uploads/2018/04/Dividend-Solar_Second-Party-Opinion_Sustainalytics-04102018-FINAL.pdf

² ICMA's Green Bond Principles 2018: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

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Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Series 2018-2 issuance and provided an independent opinion. The work undertaken as part of this engagement included documentation from Dividend employees and review of documentation to confirm the alignment with the Dividend Solar 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.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that the reviewed bond projects, funded through proceeds of the Series 2018-2 Dividend Solar Green Bonds, are not in conformance in all material respects with the Use of Proceeds and Reporting Criteria outlined in the Dividend Solar Green Bond Framework. Dividend has also confirmed to Sustainalytics that the proceeds of the Notes will be managed in alignment with the commitments described in the Dividend Solar Green Bond Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including descriptions 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.

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Appendix 1: Use of Proceeds Eligibility Criteria

To be eligible for the allocation of the Green Bond proceeds, the Solar Loans should fund projects that 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 a Dividend-approved Installer
- c. Deployment of equipment approved by Dividend

Dividend determines the eligibility of the projects financed based on Installer approval policies and equipment qualification criteria. Eligible projects must be undertaken with Dividend's "Approved Installers" and use equipment from the "Approved Vendor List" (as outlined in Appendix 2 of the Dividend Solar Green Bond Framework).

Appendix 2: Impact Reporting by Eligibility Criteria

Based on the sizes reported and usage assumed by the Approved Installers, the following environmental impacts are assumed from the solar energy systems funded by the solar loans that collateralize the Dividend Solar Green Bonds issued under the Series 2018-2 ABS transaction. These are estimates provided by the Approved Installers, but Dividend cannot and does not guaranty the accuracy of these estimates.

Environmental Impact	Impact Metrics	Impact Figures
Total capacity of solar energy systems financed by solar loans backing the Notes	Megawatts (DC)	approximately 29.92 MW
Total assumed renewable energy produced by solar energy systems (during estimated 30 years of useful life)	Megawatt hours	approximately 1,299,957.36 MWh

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Sustainalytics

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