

CONNECTICUT GREEN BANK

VERIFICATION LETTER FOR THE CLIMATE BONDS STANDARD – SOLAR

Issuing entity: Connecticut Green Bank

Bond Issuances:

Solar Home Renewable Energy Credits (SHREC) Collateralized Notes, Series 2019-1 Class A

Solar Home Renewable Energy Credits (SHREC) Collateralized Notes, Series 2019-1 Class B

Type of Climate Bond: Securitization

Type of engagement: Reasonable Assurance

Period engagement was carried out: 04/12/2020 through 05/12/2020

Approved Verifier: Kestrel Verifiers

Contact address for engagement: Kestrel Verifiers, 2700 Wells Drive, Hood River, OR 97031 USA

Engagement team leader: Evan Smith, evan@kestrelverifiers.com, +1 530.919.9162

Scope and Objectives

In April 2019, the Connecticut Green Bank through the entity SHREC ABS 1 LLC (the “Issuer” or the Green Bank) issued SHREC Series 2019-1 Notes in both Class A and B offerings in order to finance the deployment of incentives, and the administration of, Connecticut’s Residential Solar Investment Program (RSIP). In April 2020, the Green Bank engaged Kestrel Verifiers to review the projects funded by the green securitized bonds and to provide an assessment as to whether the projects met the Post-Issuance Requirements of the Climate Bond Standard.

Climate Bonds Standard Criteria

Climate Bonds Standard V2.1

- Certification Scheme Sector Criteria for Solar

Compliance Evaluation Criteria Post-Issuance Requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibilities

The Connecticut Green Bank is responsible for providing detailed information and documents relating to:

- The details of the Nominated Projects and the selection process for the Nominated Projects
- Maintaining adequate records and internal controls designed to support the Climate Bond Issuance process
- The collection, preparation, and presentation of the subject matter in accordance with the criteria

The Connecticut Green Bank is not responsible for determining compliance of the Green Bonds with the Climate Bonds Standard.

Independence and Quality Control

The Green Bank's SHREC Series 2019-1 Notes were issued to finance the deployment of incentives, and the administration of, Connecticut's Residential Solar Investment Program (RSIP). Kestrel Verifiers provided an independent opinion with a Post-Issuance Report on the conformance of these Notes with the Solar criteria of the Climate Bonds Standard. Kestrel Verifiers provides green bonds advisory services for corporate and public finance teams and issuers. For over 20 years, Kestrel has been a trusted advisor to state and local governments, non-profits, and corporations. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Accredited as an Approved Verifier by the Climate Bonds Initiative, Kestrel is qualified to evaluate bonds against the Green Bond Principles, the Climate Bonds Initiative Standards and Criteria, and the Social Bond Principles.

Verifier's Responsibilities

Kestrel Verifiers' responsibilities for confirming this Green Bond's alignment with the Climate Bonds Post-Issuance Certification Requirements include:

- Assess the Issuer's internal processes and controls; including selection process for projects and assets, internal tracking of proceeds, and the allocation system for funds
- Review policies and procedures established by the Connecticut Green Bank; including reporting
- Assess the readiness of the Connecticut Green Bank and these Green Bonds to conform to the Climate Bonds Standard V2.1¹ and Certification Scheme Sector Criteria for Solar

Assurance Approach

Our assurance approach was conducted in accordance with the *International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Basis of the Opinion

Kestrel Verifiers' responsibility was to conduct a reasonable assurance engagement to determine whether the Connecticut Green Bank SHREC Series 2019-1 Notes met, in all material respects, the requirements of the Climate Bonds Standard. Our reasonable assurance was conducted in accordance with the Climate Bonds Standard V2.1.

¹ Version 3.0 of the Climate Bond Standard was released in December 2019. However, the SHREC Series 2019-1 Notes were certified under Version 2.1 before this release.

Reasonable Assurance Engagements offer a high level of scrutiny over the subject matter and allow the Verifier to be able to positively conclude whether, based on the procedures performed and evidence obtained, the subject matter, in all material respects, meets the criteria of the engagement.

Kestrel Verifiers performed the post-issuance engagement by reviewing the Connecticut Green Bank FY 2019 Comprehensive Annual Financial Report provided by the Issuer (and publicly available) and reviewing use of proceeds statements on Tranche 1 and 2 of the SHREC Series 2019-1 Notes. Kestrel followed the process and criteria established by the Climate Bonds Initiative to ensure compliance with procedures and practices. Assurance procedures are summarized in tables in Appendix 1. Upon reviewing evidence and other available information, Kestrel Verifiers is of the opinion that the uses of proceeds of the Green Bank's SHREC Series 2019-1 Notes comply with the Climate Bonds Standard requirements.

DISCLAIMER

This report aims to explain how and why the discussed financing meets Climate Bonds Standard based on the information which was available to us during the time of this engagement (May 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Climate Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Climate Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This report may not be altered without the written consent of Kestrel Verifiers.

ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com



Appendix 1: Assurance Procedures

Upon reviewing Connecticut Green Bank’s SHREC Series 2019-1 Notes one year post-issuance, Kestrel Verifiers determined that Connecticut Green Bank met Climate Bonds Standard Compliance Part A, B, and C. All projects reviewed complied with the General Requirements, all projects fall under the Solar criteria and meet the Solar requirements and the requirements of Project Holding, Settlement Period and Earmarking were met with no errors or exceptions identified.

Please see a summary of our assurance procedures and findings in the tables below:

Table 1: Assurance Procedures to meet Climate Bond Standard

| | |
|--|---|
| NOMINATED PROJECTS & ASSETS | <p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> |
| USE OF PROCEEDS | <p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and refinancing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p> |
| NON-CONTAMINATION OF PROCEEDS | <p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p> |
| CONFIDENTIALITY | <p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p> |
| REPORTING POST-ISSUANCE | <p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond were allocated</p> |
| CLIMATE BONDS TAXONOMY | <p>9.1 Nominated Projects & Assets, fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy.</p> |

| | |
|----------------------------------|--|
| <p>TECHNICAL CRITERIA</p> | <p>10.1 Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector-Specific Criteria document.</p> <p>10.2 Where the proceeds of a bond are allocated to a Nominated Projects & Assets that are covered by more than one Sector-Specific Criteria (e.g., solar and wind investments in a portfolio), then each of the Nominated Projects & Assets shall meet the specific eligibility criteria provided in the Sector-Specific Criteria relevant to that Nominated Project & Asset.</p> |
| <p>PROJECT HOLDING</p> | <p>11.1 The Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the original principal amount of the bond at the time of issuance.</p> <p>11.1.1 Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated project & Assets are eligible under Part B of the Climate Bonds Standard and the bond’s environmental objective as set out in Clause 1.1.</p> |
| <p>SETTLEMENT PERIOD</p> | <p>12.1 Issuers shall demonstrate that the Net Proceeds of the bond have been distributed to the Nominated Projects & Assets within 24 months of the issuance of the bond.</p> <p>12.2 Where full distribution of the Net Proceeds is not achieved within 24 months of the issuance of the bond, the Issuer shall demonstrate that:</p> <p>12.2.1 The surplus or undistributed funds have been invested in Eligible Projects & Assets not otherwise nominated for a specific Climate Bond.</p> <p>12.2.2 The Issuer has made temporary investments of surplus or undistributed funds in conformance with the provisions of Clause 6.</p> |
| <p>EARMARKING</p> | <p>13.1 The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets as disclosed under Clauses 2.1 and 2.1.3.</p> |

Table 2: Assurance Findings

| PROCEDURE PERFORMED | Verification of Nominated Projects & Assets | Verification of requirements specified under Use of Proceeds | Verification of requirements specified under Non-Contamination of Proceeds | Verification of requirements specified under Confidentiality | Verification of requirements specified under Reporting Post-Issuance |
|---------------------------------|---|---|--|---|---|
| FACTUAL FINDINGS | <p>4.1 The objective of the bond is to fund credits for solar home power.</p> <p>4.2 The nominated projects meet the Eligibility Criteria.</p> <p>4.3 The Issuer confirms that the Net Proceeds that were allocated to Solar projects and shall not be nominated to other Climate Bonds.</p> | <p>5.1 Net Proceeds of the bond were allocated to only SHREC projects, related to Solar.</p> <p>5.2 The Issuer has confirmed that funds were allocated immediately after issuance.</p> <p>5.3 All Net Proceeds of the bond were used for refinancing only.</p> <p>5.4 Net Proceeds of the bond were allocated immediately requiring no additional tracking.</p> <p>5.5 The Issuer has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects.</p> | <p>6.1 The Issuer confirms that the proceeds were exclusively used to refinance Nominated Projects.</p> <p>6.2 The Green Bank’s management confirms there are no unallocated proceeds.</p> <p>6.3 N/A</p> | <p>7.1 The Issuer confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard.</p> <p>7.2 The Issuer confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p> | <p>8.1 The Issuer has provided a report containing the list of Nominated Projects to which proceeds of the bond were allocated</p> |
| ERRORS OR EXCEPTIONS IDENTIFIED | None | None | None | None | None |

Table 3: Assurance Findings Continued

| PROCEDURE PERFORMED | Verification of requirements specified under Climate Bonds Taxonomy | Verification of requirements specified under Technical Criteria | Verification of requirements specified under Project Holding | Verification of requirements specified under Settlement Period | Verification of requirements specified under Earmarking |
|---------------------------------|---|--|---|---|--|
| FACTUAL FINDINGS | <p>9.1 The Nominated Projects and Assets fall under the Solar Criteria of the Climate Bonds Taxonomy</p> | <p>10.1 The Assets are greater than 80% solar meeting the requirement 10.2 Only one sector specific criteria</p> | <p>11.1 The Issuer financed the bond using RECs and the Green Bank retains these credits equal to the fair market value of the assets. 11.2 Not applicable, assets were pre-defined as Solar Credits and reimbursed by proceeds</p> | <p>12.1 Distribution of bond proceeds to assets occurred immediately following closing 12.2 Full distribution of bond proceeds was achieved</p> | <p>13.1 The proceeds were earmarked, allocated, and spent immediately following bond closure.</p> |
| ERRORS OR EXCEPTIONS IDENTIFIED | None | None | None | None | None |