

Second-Party Opinion

TerraForm Power Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that TerraForm Power’s Green Finance Framework aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy Generation and Energy Efficiency and Management – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goal, specifically SDG 7: Affordable and Clean Energy.



PROJECT EVALUATION / SELECTION The Company’s Corporate Development and Capital Markets team, in consultation with internal experts and stakeholders, will be responsible for project evaluation and selection. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS TerraForm Power will track net proceeds through a Green Finance Register on an ongoing basis, accounting for the allocation of an amount equal to the net proceeds. Pending allocation, proceeds will be managed according to the Company’s cash management policies. This is in line with market practice.



REPORTING TerraForm Power intends to report allocation of proceeds on its website or in its financial statements on an annual basis and until full allocation. Allocation reporting will include amounts allocated to Eligible Projects, and remaining balance of unallocated proceeds. In addition, the Company is committed to reporting on relevant impact indicators where feasible. Sustainalytics views TerraForm Power’s allocation and impact reporting as aligned with market practice.

Evaluation date	June 22, 2020
Issuer Location	New York, NY, U.S.

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Introduction

TerraForm Power Inc. (“TerraForm Power” or the “Company”) provides energy services and operates clean power generation primarily in North America and Western Europe. The Company, along with its subsidiaries, owns and operates a portfolio of more than 4,200 MW of solar and wind assets. With its headquarters in the State of New York, U.S., TerraForm is sponsored by Brookfield Asset Management Inc. (“Brookfield”), an asset management firm focused on real estate, infrastructure, private equity and renewable power.

TerraForm Power has developed the Green Finance Framework (the “Framework”) under which it intends to issue green debt instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects in renewable energy generation and energy efficiency that contribute to climate change mitigation. The Framework defines eligibility criteria in two areas:

1. Renewable Energy Generation:
 - a. Solar Energy
 - b. Wind Energy
2. Energy Efficiency and Management

A list of eligible projects for the 2020 green bond issuance is provided in Appendix 1.

TerraForm Power engaged Sustainalytics to review the Green Finance Framework, dated May 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (“GBP 2018”),¹ and the Green Loan Principles (“GLP 2018”).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Green Bond Principles 2018 and the LMA Green Loan Principles 2018.
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of TerraForm Power’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. TerraForm Power representatives have confirmed (1) they understand it is the sole responsibility of TerraForm Power to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”) and are available at: https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

³ The Green Finance Framework is available on TerraForm Power Inc.’s website at: <http://www.terraformpower.com/esg/highlights>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TerraForm Power.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TerraForm Power has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Finance Framework

Sustainalytics is of the opinion that the Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of TerraForm Power's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy Generation and Energy Efficiency and Management – are aligned with those recognized by the GBP 2018 and GLP 2018. The Company's investments in these categories will contribute to renewable energy development, aiding in the decarbonization of the energy sector.
 - For the "Renewable Energy Generation" category, TerraForm Power intends to allocate proceeds to the construction, maintenance and/or refurbishment and acquisition of solar and wind energy facilities. Sustainalytics considers these technologies to be in line with market practice.
 - For the "Energy Efficiency and Management" category, TerraForm Power may finance energy storage technologies and industrial energy efficiency projects. Sustainalytics recognizes that the issuer intends that these projects will involve ancillary services as part of larger renewable energy offerings and that they will comprise only a small percentage of potential eligible projects. Nevertheless, it is noted that:
 - Energy storage facilities are viewed positively and considered to be aligned with market practice.
 - The eligibility criteria for energy efficiency projects is open-ended and does not explicitly exclude carbon-intensive activities, which are not considered to be well-suited for inclusion in a green bond. However, Sustainalytics does not anticipate that these projects will be related to such activities given that they do not make up a material part of Terraform's business activities. Sustainalytics nonetheless encourages TerraForm to report on the details of projects undertaken in this category.
- Project Evaluation and Selection:
 - The Company's Corporate Development and Capital Markets team, in consultation with internal experts and stakeholders, will be responsible for determining Eligible Projects. Several criteria such as financial, technical/operating, market, legal and ESG risks will be considered, in addition to following the Company's Code of Business Conduct and Ethics,⁵ Anti-Bribery and Corruption Policy,⁶ and Health, Safety, Security and Environmental Policy.⁷

⁵ TerraForm Power, "Code of Business Conduct and Ethics", at: <https://bep.brookfield.com/bepc/corporate-governance/governance-documents>

⁶ TerraForm Power, "Anti-Bribery and Corruption Policy", at: <https://bep.brookfield.com/bepc/corporate-governance/governance-documents>

⁷ TerraForm Power, "Environmental Policy", at: <http://www.terraformpower.com/esg/highlights>

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- Based on the defined roles for internal teams Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Company has communicated to Sustainalytics that the Capital Markets team will be responsible for tracking net proceeds through the Green Finance Register on an ongoing basis, accounting for the allocation of an amount equal to the net proceeds of the Company's Green Bonds and Green Loans to Eligible Projects.
 - The Company intends to fully allocate net proceeds within a period of 24 months after issuance. Pending allocation, proceeds will be managed according to TerraForm Power's cash management policies.
 - Based on the commitments to management processes and allocation period, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Company commits to provide annual updates to investors on its website or in its financial statements and until full allocation. Allocation reporting will include amounts allocated to Eligible Projects, and remaining balance of unallocated proceeds.
 - Impact reporting will include qualitative and quantitative impact indicators, where feasible, such as installed capacity, renewable energy production, and greenhouse gas emissions reduced and/or avoided.
 - Based on its reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Green Finance Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of TerraForm Power

Contribution of framework to TerraForm Power Inc.'s sustainability strategy

Sustainalytics is of the opinion that TerraForm Power demonstrates its commitment to sustainability by following the ESG principles of its sponsor, Brookfield Asset Management,⁸ with a focus on good corporate citizenship. As per TerraForm's Environmental Policy, the Company has committed to use natural resources within its operations in an efficient and responsible manner, and to support the reduction of greenhouse gas emissions and water usage. The Company's Environmental Policy⁹ has also been formulated around local, state and national regulations, and international agreement, with senior management responsible for its development and implementation and reporting on its progress to the Board of Directors on a quarterly basis.

TerraForm's primary business activity can be considered to generate environmental benefits. The Company has reported that its projects enabled the avoidance of 4.1 million metric tons of CO₂ emissions in 2019, equivalent to the emissions produced from the annual electricity use of approximately 700,000 homes. In addition, the Company had an emissions intensity of 3.06 g CO₂ e/kWh for the same year, compared to an average of 449 g CO₂ e/kWh for the US electricity mix.¹⁰

TerraForm Power's ESG strategy aims to reduce its greenhouse emissions and operational carbon intensity, manage water consumption, minimize waste generated by its facilities and protect biodiversity through the implementation of habitat conservation at several wind sites. The Company's overarching ESG goals¹¹ include the following:

- Ensure the well-being and safety of employees
- Be good stewards in the communities in which they operate
- Mitigate the impact of their operations on the environment
- Conduct business according to the highest ethical and legal/regulatory standards

Sustainalytics is of the opinion that the Green Finance Framework is aligned with TerraForm's overall sustainability strategy and initiatives, and that it will further the Company's actions on its key environmental

⁸ Brookfield, "Responsibility", at: <https://www.brookfield.com/responsibility>

⁹ TerraForm Power, "Environmental Policy", at: <http://www.terraformpower.com/esg/highlights>

¹⁰ EIA, "How much carbon dioxide is produced per kilowatt hour of U.S. electricity generation?", at: <https://www.eia.gov/tools/faqs/faq.php?id=74&t=11>

¹¹ TerraForm Power, "ESG Update", (2020), at: <https://www.terraform.com/static-files/d7761800-b93d-4f84-addf-6684bae05b6f>

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priorities. Furthermore, Sustainalytics views the Framework to advance the Company's core business activities, which will contribute to the decarbonization of the economy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the green bonds and green loans issued under the Framework will be directed towards eligible projects that are anticipated to have a positive environmental impact, Sustainalytics is aware that such projects could also lead to certain negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, and land use change at the site of construction and related biodiversity impacts.

In this regard, the Company is committed to achieve "zero safety incidents" both in terms of people and the environment, addressing both worker health and safety, and environmental impacts. To achieve this, TerraForm has implemented a Health, Safety, Security and Environmental Management System ("HSSE") that includes a framework for oversight, compliance, compliance audits, and the sharing of best practices both within their operations and with other affiliates of Brookfield. Ultimately, the Company has an overall objective to incur zero high risk safety incidents and zero lost time injuries.

The HSSE Management System is managed by the Director of HSSE, and it covers all organizational units including employees, contractors, agents, and others involved in its operations to comply with its protocols.¹² To carry this out we can highlight the following working pillars:¹³

- Audits and Assessments – To verify compliance and risk mitigation efforts as well as identify opportunities for improvement.
- Contractor Management – To ensure all contractors and subcontractors that enter TerraForm sites and facilities share appropriate HSSE objectives.
- Organization – To ensure proper support, resources, and systems are in place to drive the HSSE efforts.
- Project Management – To take a structured approach towards the various tasks, while keeping focus on managing risk and ensure compliance to achieve zero safety incidents.
- Culture – To build up and promote compliance efforts and equip employees with the tools to be successful in their compliance endeavors.

In addition, TerraForm Power follows a risk management approach for risk identification and management to eliminate risks with special attention to energy isolation and control, environmental risk management, and security threat assessments. The risk management policies are also in alignment, to the extent possible, with that of Brookfield's Health and Safety Framework,¹⁴ and the Company is also committed to regularly engaging with relevant stakeholders on environmental concerns.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TerraForm Power has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The two use of proceeds categories are aligned with those recognized by the GBP 2018 and GLP 2018. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of increasing the share of renewable energy

According to the International Energy Agency ("IEA"), annual global energy demand rose by 2.3% in 2018, with the United States, India and China accounting for nearly 70% of this global increase.¹⁵ The Intergovernmental Panel on Climate Change ("IPCC")¹⁶ issued a report in 2018 outlining that as global energy demand rises due to population growth,¹⁷ a shift towards clean energy is vital to limiting temperature increases to well below 2°C. TerraForm Power's investments in renewable energy projects in multiple countries continues to grow and will help meet the increasing energy demand.

¹² TerraForm Power, "Form 10-K", at: <https://www.terraform.com/static-files/009e5cf8-4c05-4ea2-a2e2-dbb175a07c31>

¹³ TerraForm Power, "Environmental Policy", at: <http://www.terraformpower.com/esg/highlights>

¹⁴ Brookfield, "ESG Report" (2019), at: <https://bep.brookfield.com/~media/Files/B/Brookfield-BEP-IR-V2/sustainability/bep-2019-esg-report-vf.pdf>

¹⁵ IEA, "Global energy demand rose by 2.3% in 2018, its fastest pace in the last decade", (2019) at:

<https://www.iea.org/newsroom/news/2019/march/global-energy-demand-rose-by-23-in-2018-its-fastest-pace-in-the-last-decade.html>

¹⁶ IPCC, "Global Warming of 1.5°C", at: <https://www.ipcc.ch/sr15/>

¹⁷ OECD, "Green Growth Studies, Energy", at: <https://www.oecd.org/greengrowth/greening-energy/49157219.pdf>

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While renewable energy generation in the United States has experienced significant growth, it accounted for only 11% of the country's total energy supply mix in 2018.¹⁸ Specifically, wind energy contributed 6.5% of total electricity generation in the country, while solar energy contributed 2.3% in the same year. Furthermore, CO₂ emissions from electricity accounted for about 28% of GHG emissions in the U.S.,¹⁹ and decarbonizing the electricity sector by way of increasing investments in the renewable sector and improving efficiency to reduce energy consumption is an impactful way to meet climate goals. According to the Department of Energy's National Renewable Energy Laboratory ("NREL"), by increasing renewable electricity generation from technologies that are presently available, there is capacity for 80% of the country's electricity to be generated from renewable energy, including through wind and solar generation, by 2050.²⁰

In the EU, fossil fuels continue to dominate primary energy demand but their share has declined from 78% to 72% between 2005-2016.²¹ In 2016, the EU revised its Renewable Energy Directive, which includes targets for all EU Members, to reach a 27% share of energy from renewable sources by 2030.²² In 2011, nine members of the EU achieved 16% share of energy from renewable sources. By 2016, this number had risen to 17% with eleven members meeting their 2020. In 2014, the European Council adopted a new "2030 Framework for Climate and Energy" including EU-wide policies for the period between 2020 and 2030 through targeting a 40% cut in greenhouse gas emissions compared to 1990 levels²³ which will require the decarbonization of the electricity sector through an increasing share of renewable energy sources.

In addition, TerraForm Power has projects in operations in Latin America where a group of countries have set a collective target of achieving 70% of renewable energy use by 2030.²⁴ Despite a significant increase in the installation of wind, solar, geothermal, and bioenergy across the region, since 2011, there has been a slight decrease in the total share of renewable energy being consumed from 2010 to 2015 due to an increased consumption of natural gas.²⁵ The energy sector also remains as the largest source of GHG emissions standing at roughly 46%, and the region's energy sector is responsible for approximately 5% of global GHG emissions.²⁶

Sustainalytics is of the opinion that the projects financed by TerraForm Power will contribute to increased renewable energy capacity through the countries and regions where it operates and advance the adoption and deployment of renewable energy and a shift towards a low-carbon economy.

The impact of distributed generation solar in the United States

TerraForm Power has disclosed that it intends to finance, with its inaugural green bond issuance, a portfolio of distributed solar facilities with over 224 MW of photovoltaic power generating capacity (see Appendix 1 for further description of this portfolio). Distributed generation ("DG") solar, defined as facilities generally under 1 MW in size, often located on rooftops or private land and connected to the local utility's distribution grid, can be contrasted with "utility scale" solar, which are generally larger facilities up to hundreds of MW in size. The overriding feature of distributed generation is its location near to customer demands,²⁷ leading to key benefits including avoided transmission costs and losses and lower environmental impacts.²⁸ DG solar is one of the fastest-growing segments of the energy sector, with the U.S. Energy Information Administration ("EIA") projecting that 5.1 GW of capacity will come online in 2020 alone,²⁹ and 4 of the 11 states with over 1,000 MW of solar power installed having the majority of such capacity in the form of DG.³⁰ In this context, Sustainalytics views the financing provided by TerraForm as conducive to promoting the ongoing growth in distributed solar, and by extension the environmental benefits which it generates.

¹⁸ EIA, "U.S. renewable electricity generation has doubled since 2008", at: <https://www.eia.gov/todayinenergy/detail.php?id=38752>.

¹⁹ EPA, "Greenhouse Gas Emissions", (2020), at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

²⁰ NREL, "Renewable Electricity Futures Study", (2012), at: <https://www.nrel.gov/docs/fy13osti/52409-ES.pdf>

²¹ EEA, "What are the trends in the energy mix in gross inland energy consumption in Europe?", at: <https://www.eea.europa.eu/data-and-maps/indicators/primary-energy-consumption-by-fuel-6/assessment-2>

²² EU, "Renewable Energy 'Recast to 2030 (RED II)", at: <https://ec.europa.eu/jrc/en/jec/renewable-energy-recast-2030-red-ii>

²³ EU, "2030 Energy Strategy", at: <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/2030-energy-strategy>

²⁴ Reuters, "Latin America pledges 70% renewable energy, surpassing EU: Colombia minister", (2019), at: <https://www.reuters.com/article/us-climate-change-un-colombia/latin-america-pledges-70-renewable-energy-surpassing-eu-colombia-minister-idUSKBN1WA26Y>

²⁵ CEPAL, "Sostenibilidad energética en América Latina y el Caribe", (2019), at:

https://repositorio.cepal.org/bitstream/handle/11362/44686/1/S1900478_es.pdf

²⁶ CEPAL, "Economics of Climate Change in Latin America and the Caribbean", (2018) at:

https://repositorio.cepal.org/bitstream/handle/11362/43889/1/S1800475_en.pdf

²⁷ Solar Energy Industry Association, "Rooftop Solar", at: <https://www.seia.org/initiatives/rooftop-solar>

²⁸ APPA, "Solar Distributed Generation", at: <https://www.publicpower.org/issue/solar-distributed-generation>

²⁹ EIA, "New electric generating capacity in 2020 will come primarily from wind and solar", at: <https://www.eia.gov/todayinenergy/detail.php?id=42495>.

³⁰ ILSR, "The State(s) of Distributed Solar – 2019 Update", at: <https://ilsr.org/the-states-of-distributed-solar-2019/>

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Alignment with/contribution to SDGs

The Sustainable Development Goals (“SDGs”) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances SDG Goal 7: Affordable and Clean Energy:

Use of Proceeds Category	SDG	SDG target
Renewable Energy Generation	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency and Management	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

TerraForm Power has developed the Green Finance Framework under which it will issue green bonds and the use of proceeds to finance renewable energy projects in multiple countries. Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact.

The Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goal 7: Affordable and Clean Energy. Additionally, Sustainalytics is of the opinion that TerraForm Power has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that TerraForm Power Inc. is well-positioned to issue green bonds and that the Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: List of eligible green projects

Sustainalytics has reviewed the list of renewable energy projects to be financed by the Terraform Phoenix I, LLC Green Bond and considers them to be in line with the use of proceeds criteria outlined in Terraform Power's Green Finance Framework. Namely, that the use of proceeds is for the Acquisition of Solar Energy Facilities, and they were all acquired by TerraForm within 24 months prior to the date of issuance. The table below shows a summary of the projects that are intended to receive green bond allocations:

State	Number of Eligible Projects	Capacity (kW)	Implied Value of Projects (\$M)	Earliest Acquisition Date
AZ	1	1,051	1.8	Sep-2019
CA	13	12,219	89.9	Sep-2019
CO	6	10,950	15.9	Sep-2019
CT	13	7,044	19.7	Sep-2019
DC	4	2,441	12.5	Sep-2019
DE	1	1,579	9.3	Sep-2019
GA	53	37,800	56.6	Sep-2019
IN	3	14,256	40.4	Sep-2019
KY	1	4,700	6.1	Sep-2019
MA	1	2,989	7.2	Sep-2019
MD	18	23,758	32.4	Sep-2019
MN	18	47,510	54.3	Sep-2019
MS	1	4,219	2.7	Sep-2019
NC	5	6,578	10.3	Sep-2019
NJ	5	11,610	29.9	Sep-2019
NM	2	3,836	10.9	Sep-2019
NY	9	18,708	29.4	Sep-2019
PA	1	3,966	5.8	Sep-2019
RI	1	1,249	2.2	Sep-2019
VA	1	8,065	8.6	Sep-2019
GREEN BOND TOTAL	157	224,528	446.0	
Non-green bond projects	15	25,573		
PORTFOLIO TOTAL³¹	172	250,101		

³¹ The full portfolio includes 15 projects which are excluded from receiving green bond allocations due to the Framework's lookback period. Nevertheless, these projects are included in the overall total for the purpose of calculating portfolio capacity.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: TerraForm Power Inc.

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Green Finance Framework

Review provider's name: Sustainalytics

Completion date of this form: June 22, 2020

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the 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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

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The eligible categories for the use of proceeds – Renewable Energy Generation and Energy Efficiency and Management – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goal, specifically SDG 7: Affordable and Clean Energy

Use of proceeds categories as per GBP:

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

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Company's Corporate Development and Capital Markets team, in consultation with internal experts and stakeholders, will be responsible for project evaluation and selection. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

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Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

TerraForm Power will track net proceeds through a Green Finance Register on an ongoing basis, accounting for the allocation of an amount equal to the net proceeds. Pending allocation, proceeds will be managed according to the Company's cash management policies. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

TerraForm Power intends to report allocation of proceeds on its website or in its financial statements on an annual basis and until full allocation. Allocation reporting will include amounts allocated to Eligible Projects, and remaining balance of unallocated proceeds. In addition, the Company is committed to reporting on relevant impact indicators where feasible. Sustainalytics views TerraForm Power's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

TerraForm Power Green Finance Framework

Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Other ESG indicators (please specify): Installed capacity, renewable energy production

Frequency

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): On the Company's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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