Introduction

In November 2021, Stem, Inc. (or "Stem") issued green convertible notes (the “2021 green issuance”), the proceeds of which were used to acquire AlsoEnergy, a solar energy management software company, under the Stem Green Finance Framework ("the Framework"). In July 2023, Stem engaged Sustainalytics to review the project funded through the 2021 issuance and provide an assessment as to whether the project meets the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the project and assets funded with proceeds from the 2021 green issuance based on whether the company financed:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each use of proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria and the associated KPIs.

<table>
<thead>
<tr>
<th>Use of Proceeds</th>
<th>Eligibility Criteria</th>
<th>Key Performance Indicators</th>
</tr>
</thead>
</table>
| Renewable Energy & Energy Efficiency | Investments and/or expenditures that are designed to create a more resilient, stable and clean energy system, including software and solutions for:  
- Creating, maintaining, and expanding energy optimization and virtual power plant solutions  
- Improving and expanding the operation and efficiency of the power grid and energy storage solutions  
- Measuring and optimizing energy use and related offerings that enhance the economics and help accelerate the adoption of renewable energy solutions to support displacement of conventional energy generation assets and accelerate the clean energy transition  
- Management and optimization of distributed energy resources including analytics and diagnostic services to enhance the efficiency and profitability of renewable energy projects. | Impact reporting will focus on quantitative or qualitative assessments of sustainability impacts of Stem’s Green Eligible Projects, such as case study examples that demonstrate beneficial environmental outcomes of Stem software solutions and estimated annual GHG emissions avoided or reduced (absolute and/or intensity). |

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1 The Stem Green Finance Framework is available on Stem's website, at: https://www.stem.com/
2 Reported information on allocation and impact KPIs are available in Appendix 1.
3 Eligible Projects may include research, development, acquisitions, capital expenditures, and operational expenses in initiatives aligned with the Eligibility Criteria.
Issuing Entity’s Responsibility

Stem is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Stem’s green issuance. The work undertaken as part of this engagement included collection of documentation from Stem and review of said documentation to assess conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Stem. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings, or conclusions herein due to incorrect or incomplete data provided by Stem.

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 of the review.

Conclusion

Based on the limited assurance procedures conducted,\(^4\) nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond project does not conform with the use of proceeds criteria and reporting commitments in the Framework. Stem has disclosed to Sustainalytics that it raised a total of USD 460 million in November 2021, and the proceeds were fully allocated as of February 2022.

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\(^4\) Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, as provided by the issuing entity which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.
Detailed Findings

Table 3: Detailed Findings

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Procedure Performed</th>
<th>Factual Findings</th>
<th>Error or Exceptions Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Proceeds Criteria</td>
<td>Verification of the project funded by the 2021 green issuance to determine if the project aligned with the use of proceeds criteria outlined in the Framework.</td>
<td>The project reviewed complied with the use of proceeds criteria.</td>
<td>None</td>
</tr>
<tr>
<td>Reporting Criteria</td>
<td>Verification of the project funded by the 2021 green issuance to determine if impact of the project was reported in line with the KPIs outlined in the Framework.</td>
<td>The project reviewed reported on at least one KPI per use of proceeds category.</td>
<td>None</td>
</tr>
</tbody>
</table>
Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

<table>
<thead>
<tr>
<th>Use of Proceeds Criteria</th>
<th>Amount allocated (USD)</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy &amp; Energy Efficiency</td>
<td>460 million</td>
<td>Acquisition of AlsoEnergy, a solar monitoring and control software provider with monitoring and asset management features to reduce operating costs and improved troubleshooting and maintenance to increase uptime and revenues. Potential calculated impacts:&lt;br&gt;a) Reduction in O&amp;M costs for solar systems by 3-5%&lt;br&gt;b) Increase in total solar production uptime and revenue by 1-5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross bond proceeds raised (USD)</th>
<th>460 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total allocation (USD)</td>
<td>460 million</td>
</tr>
<tr>
<td>Allocation %</td>
<td>100%</td>
</tr>
</tbody>
</table>

5 Stem has communicated to Sustainalytics that the impacts are calculated as averages for the typical customer as the actuals data is not yet available for over 30,000 customer base of AlsoEnergy.
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