

845 Brook Street, Rocky Hill, CT 06067  
T 860.563.0015  
ctgreenbank.com



April 13, 2017

Dear Audit, Compliance and Governance (ACG) Committee Members,

We look forward to our meeting on Monday, April 24<sup>th</sup> at the Connecticut Green Bank in Rocky Hill from 2:30 p.m. to 3:30 p.m. We will discuss the following agenda items:

1. Audit Findings Report Out;
2. CT SL2 LLC Audit Recommendation;
3. EMV (approval of environment benefit methodology);
4. Information Technology Vendor Management
5. Board Membership and Recruitment Update; and
6. 2017 Legislative and Regulatory Update.

As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Brian Farnen". The signature is written in a cursive style with a long horizontal line extending to the right.

Brian Farnen  
General Counsel & Chief Legal Officer



## **AGENDA**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Monday, April 24, 2017  
2:30 – 3:30 p.m.

Staff Invited: George Bellas, Brian Farnen, Bryan Garcia, Bert Hunter, Matt Macunas and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Approve Meeting Minutes for October 21, 2016 Special Meeting\* – 5 minutes
4. Audit Findings Report Out – 10 minutes
5. CT SL2 LLC Audit Recommendation\*\* – 10 minutes
6. EMV (approval of environment benefit methodology)\*\* – 10 minutes
7. Information Technology Vendor Management\*\* - 10 minutes
8. Board Membership and Recruitment Update – 5 minutes
9. 2017 Legislative and Regulatory Update – 5 minutes
10. Adjourn

\*Denotes item requiring Committee action

\*\* Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at <https://global.gotomeeting.com/join/583733037>

Or call in using your telephone:

Dial +1 (571) 317-3122

Access Code: 583-733-037

Next Regular Meeting: Wednesday, May 24, 2017 from 8:30-9:30 a.m.  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT



## **RESOLUTIONS**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Monday, April 24, 2017  
2:30 – 3:30 p.m.

Staff Invited: George Bellas, Brian Farnen, Bryan Garcia, Bert Hunter, Matt Macunas, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Approve Meeting Minutes for October 21, 2016 Special Meeting \* – 5 minutes

### **Resolution #1**

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 21, 2016. Second. Discussion. Vote.

4. Audit Findings Report Out – 10 minutes – George to discuss.
5. CT SL2 LLC Audit Recommendation\*\* – 10 minutes – George to discuss.

### **Resolution #2**

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board for approval to its consent agenda the proposed draft CT Solar Lease 2 LLC audited financial statements the year ended December 31, 2016 contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of CT Solar Lease 2 LLC as presented.  
Second. Discussion. Vote

6. EMV (approval of environment benefit methodology)\*\* – 10 minutes – Bryan to discuss.

**Resolution #3**

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed Environment Benefit Methodology.  
Second. Discussion. Vote

7. Information Technology Vendor Management\*\* - 10 minutes – Eric to discuss.

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed draft Vendor Management Policy. Second. Discussion. Vote

8. Board Membership and Recruitment Update – 5 minutes – Brian Farnen to discuss
9. 2017 Legislative and Regulatory Update – 5 minutes – Brian Farnen to discuss
10. Adjourn

\*Denotes item requiring Committee action

\*\* Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at <https://global.gotomeeting.com/join/583733037>

Or call in using your telephone:

Dial +1 (571) 317-3122

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Next Regular Meeting: Wednesday, May 24, 2017 from 8:30-9:30 a.m.  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT



# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #1  
Call to Order

April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #2  
Public Comments

April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #3

Approval of Meeting Minutes of October 21,  
2016 (Special Meeting)

April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #4  
Audit Findings Report Out

April 24, 2017  
Special Meeting





# Connecticut Green Bank

## Audit Findings Report Out



Audit findings addressed the following areas:

1. Board approval of financing agreements  
(2011 Fuel Cell Amendment)
2. PSA with strategic partners  
(CGB will develop a policy to issue RFP's for core strategic services on a periodic basis)
3. Untimely submission of statutory reports  
(internal controls previously strengthened to ensure compliance with reporting requirements)





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #5

CT SL2 LLC Audit Recommendation

April 24, 2017  
Special Meeting



# Connecticut Green Bank

## CT SL2 LLC Audit Recommendation



April 24, 2017  
Special Meeting



# Connecticut Green Bank

## CT SL2 LLC Audit Recommendation



April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #6

EMV (approval of environment benefit  
methodology)

April 24, 2017  
Special Meeting



# Connecticut Green Bank



## EMV (approval of environment benefit methodology)

- Evaluation Framework establishes that we track the organization's societal benefits including environmental impact
- Current model is outdated (2007 ISONE Marginal Emissions Rate Analysis)
- AvERT is a US Environmental Protection Agency developed model that quantifies changes air pollutants due to proposed changes in generation/demand.
  - Specifically takes into account renewable generation profiles (both utility scale and distributed)
  - Uses generation profiles in New England
  - Can account for location in models outputs
  - Updated annually
  - Easily integrated with other EPA models for Public Health

April 24, 2017  
Special Meeting



# Connecticut Green Bank

## EMV (approval of environment benefit methodology)



Northeast, 2016

AVERT

### Output: Monthly Displacements by Selected Geography

[Click here to return to Step 4: Display Outputs](#)

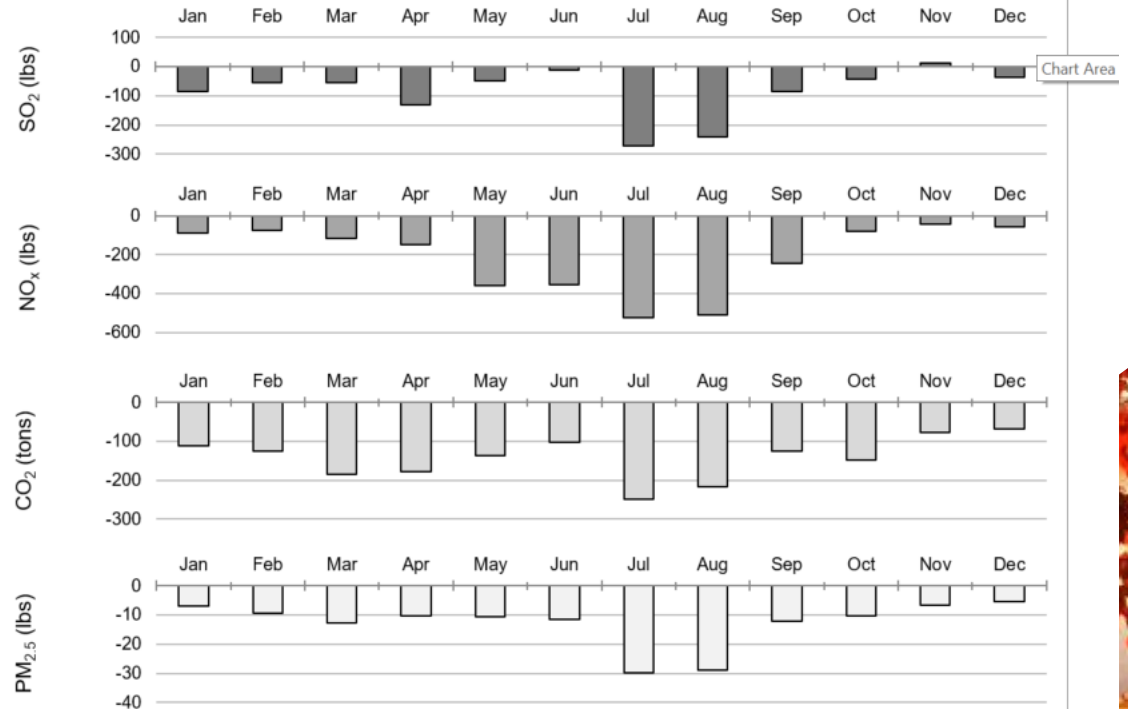
Select level of aggregation: State  
Select state: CT

### Output: Annual Displacement Data by County

[Click here to return to Step 4: Display Outputs](#)

State	County	Peak Gross Generation, Post-EERE (MW)	Annual Gross Generation, Post-EERE (MWh)	Annual Displaced Generation (MWh)
CT	Fairfield	529	3,631,580	-400
CT	Hartford	83	125,010	-120
CT	Middlesex	1,059	4,243,260	-980
CT	New Haven	1,392	3,527,480	-940
CT	New London	189	16,900	-60
CT	Windham	468	3,292,160	-540
CT	Barnstable	87	60,710	-60
MA	Berkshire	101	179,120	-210
MA	Bristol	911	2,704,180	-1,100
MA	Essex	18	6,730	-10
MA	Hampden	733	1,420,590	-990
MA	Middlesex	2,088	8,302,430	-2,550
MA	Norfolk	1,349	5,768,050	-2,280
MA	Suffolk	17	6,100	-
MA	Worcester	634	2,201,500	-1,040
ME	Cumberland	866	2,411,820	-1,710
ME	Franklin	125	173,670	-130
ME	Hancock	75	10,970	-20
ME	Oxford	222	409,940	-400
ME	Penobscot	285	333,370	-410
NH	Cool	68	533,430	-10
NH	Merrimack	429	368,290	-330
NH	Rockingham	1,409	3,930,900	-2,360
NJ	Union	1,021	6,219,200	-950
NY	Albany	839	4,057,070	-1,090
NY	Allegany	60	91,980	-110
NY	Bronx	181	140,890	-190
NY	Broome	41	30,540	-50
NY	Cattaraugus	68	119,650	-100
NY	Chautauque	38	159,280	-80
NY	Clinton	249	90,860	-130
NY	Erie	114	360,560	-200
NY	Genesee	44	45,040	-70
NY	Greene	906	3,970,150	-1,760
NY	Jefferson	47	10,550	-20

### Monthly Emission Changes, Northeast (CT)



April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #7

Information Technology Vendor Management

April 24, 2017  
Special Meeting





# Connecticut Green Bank

## Information Technology Vendor Management



- Recommendation from Marcum as part of a pre-assessment for a Service Orientation Control Report (SOC2)
- Seek to safe guard Green Bank data and systems
  - Ensure the organization is selecting vendors in a position to service their contract for its duration
  - Retain integrity of the Green Bank's data
  - Protect customer privacy
- New policy formalizes and strengthens our already existing process
  - Formal Review and sign-off of new IT vendors and others with access to Green Bank data
  - Annual re-reviews





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #8

Board Membership and Recruitment Update

April 24, 2017  
Special Meeting



# Connecticut Green Bank

## Board Membership and Recruitment Update



### Residential or Low Income Appointment

Betsy Crum replacing Pat Wrice

### Research and Development or Manufacturing

Gina McCarthy replacing Mun Choi

Other Updates on Membership and Committee Structures



# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #9  
2017 Legislative and Regulatory Update

April 24, 2017  
Special Meeting



# Connecticut Green Bank

## 2017 Legislative and Regulatory Update



### **Defense**

CPACE Technical Fix

RPACE Update

Senate Bill 106

Anaerobic Digestion  
and Agricultural

April 24, 2017  
Special Meeting





# Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #10  
Adjourn

April 24, 2017  
Special Meeting



**AUDIT, COMPLIANCE, & GOVERNANCE COMMITTEE OF THE  
CONNECTICUT GREEN BANK**

Draft Minutes – Special Meeting

Friday, October 21, 2016

8:00 – 9:00 AM

A regular meeting of the Audit, Compliance, and Governance Committee (“Audit Committee”) of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on October 21, 2016 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT in the Albert Pope Board Room.

1. **Call to order:** Mr. Ranelli, Chairperson of the Audit Committee, called the meeting to order at 8:10 a.m. Audit Committee members participating: Matthew Ranelli, John Harrity, & Patricia Wrice.

Staff Attending: Bryan Garcia, Brian Farnen, Eric Shrago, George Bellas, Jane Murphy, Cheryl Samuels, Jessica Aniskoff, Blum Shapiro, (by phone), and Ron Nossek, Blum Shapiro (by phone).

2. **Public Comments**

There were no public comments.

3. **Approve Meeting Minutes for May 25, 2016 Regular Meeting**

**Upon a motion made by John Harrity and, seconded by Pat Wrice the Meeting Minutes for the May 25, 2016 meeting were approved.**

**Resolution #1**

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for May 25, 2016. Second. Discussion. Vote

4. **Discuss proposed draft revisions to Green Bank Bylaws and Operating Procedures**

Brian Farnen provided an update on the revisions to the Green Bank Bylaws and the Operating Procedures. He stated that they want to make a change that the Committee schedules their meetings to the fiscal year rather than the calendar year and removed the requirement that the minimum number of board meetings required had to be regular meetings. He also stated that they are going to remove the section stating that the Green Bank is within Connecticut Innovations for administrative purposes. He stated that if the Committee agrees with these revisions then they will provide an opportunity for public comment, and then bring it to the Board in December for approval.

Brian Farnen discussed revisions to the operating procedures. He discussed the ability of the Green Bank to set up CDFI to enable low income financing. He stated that under Federal rules it cannot be a government controlled entity. As such, if the Green Bank were to establish a CDFI, it would likely be through an affiliate. Pat Wrice questioned how the Green Bank would use a CDFI. Brian Farnen stated that it would be another



tool to enable them to get low cost capital into the state for clean energy deployment in the low income and multifamily sector.

Brian Farnen discussed the guidance the statutory change enabling the Green Bank to establish subsidiaries and OPM's guidance on the applicability of state contracting requirements to these subsidiaries. For the Operating Procedures, the state contracting requirements were revised so that instead of listing out each statutory requirement that is subject to change, they will put in more broad language to meet all the applicable state contractor requirements. John Harrity questioned the applicability. Brian Farnen stated that the Green Bank will comply with all state contracting requirements but they are subject to change and would not apply to subsidiaries. He also stated that we use the standard OPM state contracting forms.

Brian Farnen discussed the eighty percent requirement for renewable financing, how it is potentially addressed through tax equity and whether we should go back to the legislature next session and get it changed. Lastly, Brian discussed the Operating Procedure change related to the Chief Financial Officer certification requirement only being needed during time period when funds are dispersed, not afterwards. He stated that he would like to publish these in the Connecticut Law Journal and allow for public comments. He stated that they would be voted on at the December Board Meeting after the public comment period.

**Upon a motion made by John Harrity and, seconded by Pat Wrice  
Resolution 2, amended with the change described, passed.**

#### **Resolution #2**

**RESOLVED**, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Bylaws.

**RESOLVED**, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Operating Procedures, which shall be contingent upon no material or substantive revisions pursuant to the public notice and comment period under CT Gen Stat § 1-121.

Discussion. Vote

#### **5. Discuss proposed draft Comprehensive Annual Financial Report (CAFR)**

George Bellas discussed the Comprehensive Annual Financial Report. He stated that the draft 2016 CAFR is substantially complete. He stated that there are three footnotes to be completed, program loans, notes payable, and future program commitments. He stated that there should be no material changes to financial position as presented in the draft CAFR. He stated that there are minor adjustments but, nothing material. He stated that the structure of the CAFR and disclosures contained in the document are consistent with the prior year. He stated that they have received Certificates of Achievement for 2014 and 2015 from the Government Finance Officers Association for financial reporting.



He stated that they will submit the 2016 CAFR sometime in November for Certificate of Achievement consideration.

Ron Nossek of Blum Shapiro. provided the audit presentation. He provided information on the scope of the audit engagement. He stated that there were no material internal control weaknesses found and no level of significant deficiency in these controls. He stated that there were no instances of noncompliance with financial reporting requirements. He stated that the balance sheet is in tremendous shape with current assets at two times the current liabilities. He stated that from a liquidity point of view, the balance sheet is in tremendous shape.

Mr. Nossek discussed management's responsibility for the financial statements themselves and, required communications to management by Blum Shapiro is their role as auditors of the financial statements. He advised that this information was communicated in the original engagement letter that was issued in advance of the audit engagement. He advised that they will provide a final communication to management and the Board when the financial statements are issued. Matt Ranelli requested that Mr. Nossek be available should the Committee need contact him with any further questions they may have regarding the audit.

Mr. Bellas requested the Committee recommend to the Board approval of the issuance of the CAFR barring any material changes to the financial position of the Green Bank as presented. John Harrity questioned if the document was complete. George Bellas stated as previously mention it is substantially complete with the exception of some additional footnote disclosures and minor edits. Mr. Nossek agreed. Mr. Ranelli congratulated Mr. Bellas and his team for a job well done.

Mr. Ranelli expressed concern regarding the increase in administrative costs when compared to the prior year. He asked that staff review these expenses for cost effectiveness should they be questioned. Mr. Garcia stated that staff is developing metrics on the contribution of marketing and other administrative costs with respect to deliverables being achieved.

**Upon a motion made by Pat Wrice and, seconded by John Harrity the Resolution passed.**

### **Resolution #3**

**WHEREAS**, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

**NOW**, therefore be it:

**RESOLVED**, that the Committee hereby recommends to the Board of Directors for approval the proposed draft Comprehensive Annual Financial Report (CAFR) contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of the Green Bank as presented.

Discussion. Vote

## **6. 2016 Legislative and Regulatory Update**

Brian Farnen provided an update on Legislative and Regulatory. He advised that a priority will be preserving the Green Bank's cash resources to satisfy future commitments under its Residential Solar Investment Program (RSIP). He stated that future commitments to fund programs are not reflected on the Green Bank's balance sheet but rather disclosure in the footnotes to the financial statements. He stated that they do have contractual commitments that cannot be broken. Pat Wrice questioned why these future commitments are not reflected on the balance sheet. Mr. Bellas stated that a future event, such as the generation of electricity or the installation of a PV system needs to occur before a future commitment can be considered a liability of the Green Bank, requiring disbursement of Green Bank cash resources, as of the balance sheet date from a GAAP perspective.

Brian Farnen stated that the Green Bank will continue to have a very proactive Legislative effort. He stated that they have a light Legislative agenda and their main priority is defense to protect their funding sources. John Harrity suggested that they show the jobs created section to each Legislator and allow them to see what is actually being done by the Green Bank.

## **7. Discuss FY 2016 Compliance Reporting**

Matt Ranelli advised that they are on schedule with all reports that are due.

## **8. Discuss Evaluation Framework: Societal Performance: Economic Development Metrics**

Bryan Garcia provided an update on the Evaluation Framework, Societal Performance, and Economic Development Metrics. He stated that they are working on how to report non-financial stats. He stated that they are implementing the evaluation framework since it has been approved by the Board in July. He stated that there had been an older jobs study done by the DECD, Connecticut Energy Efficiency Fund, and Connecticut Clean Energy Fund in 2009 and 2010, but that a lot has changed since then. He stated that they worked with DECD and Navigant Consulting to update the study. He stated that they will post the Evaluation Framework to the website and will link to all of the documents. He stated that the ACG Committee will be recommending that the Board approve this methodology.

Bryan Garcia stated that the next steps of the Evaluation Framework focus is on environment and data collection and analysis. He stated that they are going to work with DEEP and the EPA. Pat Wrice questioned if they are focusing on health. Bryan Garcia stated that the fourth goal is in regards to health and safety and that they hope to work with the EPA through the Co-Benefit Risk Assessment Model (COBRA) to better understand public health benefits. Bryan Garcia stated that they are proposing that the ACG Committee approve for recommendation to the Board.

**Upon a motion made by John Harrity and, seconded by Pat Wrice the motion passed.**

**Resolution #5**

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of the proposed draft Economic Development: Societal Performance documentation in the memo to the Department of Economic and Community Development of September 13, 2016 to support the Evaluation Framework. Second. Discussion. Vote

**9. Discuss Updated Banking Resolutions**

Mr. Bellas provided an update on the Banking Resolutions. Matt Ranelli explained that the resolution provides the CEO the authority to execute Board resolutions in a format required by a financial institution in order to open a bank account. He advised that the change is in an effort to avoid having a Board meeting each time the Green Bank requires a bank account be opened with a new financial institution. He explained that all the same financial controls would apply to any account that is opened. Matt Ranelli suggested additional language for the resolution to address this.

**Upon a motion made by Pat Wrice and, seconded by John Harrity, resolution passed.**

**Resolution #6**

**RESOLVED**, that Audit, Compliance and Governance Committee (the "Committee") recommend that for any FDIC insured bank requiring a particular form of resolution of the Connecticut Green Bank ("Green Bank") Board of Directors for opening a bank account or for other bank account matters, the President and CEO of the Green Bank is authorized to approve the form of such resolutions after review and approval by the General Counsel of the Green Bank,

**RESOLVED**, the Committee recommends that upon such approval, each resolution is adopted and the Secretary or Assistant Secretary as applicable is authorized to certify the adoption of all such resolutions.

**RESOLVED**, that the Committee recommends that the Board of Directors authorize the President and CEO to open such bank accounts as are necessary or desirable in the ordinary course of business for the Green Bank and any affiliates it controls that are in existence as of the date of this resolution or to be created by the Board of Directors including but not limited to:

- CEFIA Holdings LLC
- CT Solar Loan 1 LLC
- CEFIA Services Inc.
- CT Solar Lease 2 LLC
- CGB Meriden Hydro LLC

**RESOLVED**, that the Committee recommends that the Board of Directors authorize the following Green Bank employee positions to draw checks and initiate and release wire or ACH transfers from such accounts in accordance with the Green Bank's Bylaws, Operating Procedures, and its established signatory authority as stated in the Green Bank internal control procedures manual:

- President and CEO
- Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Vice President, Commercial and Industrial Programs
- Managing Director, Statutory and Infrastructure Programs
- Director of Operations

**RESOLVED**, that the Committee recommends that the Board of Directors affirm that as of the date of this resolution these positions are occupied by the following individuals:

- President and CEO - Bryan Garcia
- Vice President Finance and Administration - George Bellas
- Executive Vice President and Chief Investment Officer – Roberto Hunter
- Vice President, Commercial and Industrial Programs – Michael Dykes
- Managing Director, Statutory and Infrastructure Programs – Dale Hedman
- Director of Operations – Eric Shrago
- Secretary – Matthew Ranelli

#### **10. Adjourn**

**Upon a motion made by John Harrity, and seconded by Pat Wrice the meeting was adjourned at 9:02 a.m.**

Respectfully Submitted,

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Matthew Ranelli, Chairperson of the Audit,  
Compliance, and Governance Committee



# Memo

**To:** Audit, Compliance and Governance Committee

**From:** George Bellas, VP Finance and Administration

**Date:** April 12, 2017

**Re:** Auditors of Public Accounts – Audit Findings

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The State Auditors of Public Accounts (the “APA”) concluded their operational audit of the Green Bank for fiscal years 2014 and 2015 in March. The APA presented Bryan Garcia and I with their audit findings and requested a response for each. The three minor audit findings addressed the following areas:

1. Board approval of financing agreements
2. Professional Service Agreements with strategic partners
3. Untimely submission of statutory reports

I have included these findings along with our detailed responses in your Committee materials. We have discussed and acknowledged these findings with the APA, and have or are taking steps to correct these deficiencies. We will discuss each of these findings in further detail at the meeting.

The APA has not formally issued their report as of the date of this memo.



# Memo

**To:** Audit, Compliance and Governance Committee  
**From:** George Bellas, VP Finance and Administration  
**Date:** April 12, 2017  
**Re:** Draft CT Solar Lease 2 LLC audited financial statements for the year ending December 31, 2016

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CT Solar Lease 2 LLC engaged Marcum LLP to issue an audit report on its financial statements for the year ending December 31, 2016.

The audit is substantially complete. No material adjustment to the balance sheet, income statement or statement of cash flows is anticipated other than the allocation of the unrealized \$314,162 gain on the interest rate swap, between other income and other comprehensive income on the face of the income statement to reflect the effective and ineffective components of the gain.

The notes to the financial statements are also substantially complete. The schedule in Note 4 which discloses future rental payments to be received by the company under operating leases with its customers remains to be completed.

Marcum has not reported to us any instances of material weaknesses or deficiencies in the internal accounting control system of CT SL2 discovered during their audit engagement.

I am requesting that the Audit, Compliance and Governance Committee approve the following resolution requesting that the Board of Directors approve the issuance of the audited financial statements as presented barring any subsequent material adjustments to such presentation:

## **Resolution #2**

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board for approval the proposed draft CT Solar Lease 2 LLC audited financial statements the year ended December 31, 2016 contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of CT Solar Lease 2 LLC as presented.

# Memo

**To:** Audit, Compliance and Governance Committee

**From:** Eric Shrago, Director of Operations

**Date:** April 13, 2017

**Re:** Environmental Impact Measurement

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Describing the environmental contributions of the portfolio of projects supported by the Connecticut Green Bank helps illustrate the contributions of the organization and is a key part of the Societal Impact section of the Evaluation Framework. The organization has been using an old model to estimate the impact of these projects.

In consultation with the US Environmental Protection Agency (EPA) and the CT Department of Energy and Environmental Protection (DEEP), the organization's staff identified the EPA's AVOIDed Emissions and geneRATION Tool (AVERT) as a respected tool for gauging air quality impacts of activities that impact emissions. Further investigation of AVERT by staff has led to the development of an operational process that has been reviewed and endorsed by DEEP. Both DEEP and EPA are supportive of the Green Bank adopting AVERT as our official methodology for evaluating air quality impacts and environmental benefits that we support.

## Resolution

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed EPA AVERT Model for the Evaluation and Measurement of the environmental impact of Green Bank supported projects



# Memo

**To:** Keri Enright-Kato, Director, Office of Climate Change, Technology, & Research, Connecticut Department of Energy and Environmental Protection and Robyn DeYoung, Environmental Specialist, US Environmental Protection Agency;

**CC:** Denise Mulholland, Senior Analyst - State Climate and Energy Program, US Environmental Protection Agency

**From:** Lucy Charpentier, Manager of Evaluation, Measurement and Verification; Eric Shrago, Director of Operations

**Date:** February 6, 2017

**Re:** Connecticut Green Bank use of AVERT for Air Pollution Avoidance Measurement for Individual Projects

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## BACKGROUND

The Connecticut Green Bank (Green Bank) would like to standardize its methodology on quantifying the air emission benefits (e.g., nitrogen oxides (NO<sub>x</sub>), sulfur dioxide (SO<sub>2</sub>) and carbon dioxide (CO<sub>2</sub>)) from its energy efficiency and renewable energy investments.

The Green Bank currently calculates an expected annual and lifetime kWh savings of energy and production of clean energy<sup>1</sup> with associated CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>2</sub> emissions per project using ISO-New England information. This methodology was followed by our predecessor, the Connecticut Clean Energy Fund, which used the results of the 2007 New England Marginal Emission Rate Analysis.

The U.S. EPA created the Avoided Emissions and Generation Tool (AVERT).<sup>2</sup> In an effort to update its methodology, which both DEEP and NREL recommended we review, the Green Bank explored the use of AVERT.

Once the methodology for the use of AVERT is standardized, the Green Bank will:

- Calculate and disclose the air emissions benefits anticipated from the issuance of “green” bonds that finance clean energy projects; and

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<sup>1</sup> It should be noted that the Connecticut Green Bank collects actual clean energy production data from all renewable energy projects it has invested in.

<sup>2</sup> <https://www.epa.gov/statelocalclimate/avoided-emissions-and-generation-tool-avert>

- Publicly report the air emissions benefits resulting from its investment activity in clean energy through its Comprehensive Annual Financial Report.

## **OVERVIEW**

AVERT uses regional Air Market Program Data (AMPD) from the EPA Clean Air Markets Division (CAMD) for nearly all operating fossil-fuel energy generating units with generating capacities great then 25 MW<sup>3</sup>. Data collected in AMPD include reported gross generation (MWh), steam output (tons from CHP facilities), heat input (in MMBtu), emissions of sulfur dioxide, oxides of nitrogen (NO<sub>x</sub>), and carbon dioxide (CO<sub>2</sub>).

The current structure of AVERT requires the submission of a single project or aggregate of multiple projects into the Microsoft Excel model at a time. This takes significant time by Green Bank staff to input each project to retrieve air emission benefits. To operationalize these calculations, the Green Bank is proposing using factors derived by average projects through AVERT and then taking an average based on technology. The factors using ISO-New England 2015 emissions data are the following (see Table 1):

**Table 1. Factors**

Technology	CO <sub>2</sub> tons factor	NO <sub>x</sub> lbs factor	SO <sub>2</sub> lbs factor
Solar PV	0.5446	0.6630	0.6535
Energy Efficiency	0.5409	0.6167	0.6208
Wind	0.5456	0.6123	0.6787

To confirm these factors, the Green Bank has run indicative projects (based on average size) through the models and replicated these results and compared to results obtained from AVERT. The average of the differences is as follows (see Table 2):

**Table 2. Average differences from AVERT**

Technology	CO <sub>2</sub> tons Difference	CO <sub>2</sub> % Difference	NO <sub>x</sub> lbs Difference	NO <sub>x</sub> % Difference	SO <sub>2</sub> lbs Difference	SO <sub>2</sub> % Difference
Solar PV	-16.67	0.00	-33.33	0.00	-166.67	0.00
Energy Efficiency	0.00	0.00	0.00	0.00	0.00	0.00
Wind	0.00	0.00	-16.67	0.00	-66.67	0.00

## **RECOMMENDATION**

<sup>3</sup> The AVERT 2015 Northeast Regional Data File contains 328 fossil units. Generation is fully represented for CT, MA, ME, NH, NY, RI and VT and NJ is partially represented (23%). See the Disclaimers tab for additional details.

The Green Bank proposes to automate the calculation of these avoided emissions (multiplying the expected generation by the factors) initially manually and eventually through our data warehouse. The Green Bank will implement a process to update the factors annually, using the same methodology used to derive the above factors, once the EPA updates the model with new emissions factors based on the ISO-New England generation mix. The Green Bank will evaluate building an API to query the AVERT model once it is available online.

Factors will be used to determine actual emissions avoided for the year's factor used and for projected future avoidances. Future avoidances will be projected using the newest factor. The Green Bank will continue to use EGRID to estimate actual emissions avoided for projects completed prior to January 1, 2015.

# Memo

**To:** Bryan Garcia, President and CEO, Connecticut Green Bank

**CC:** Lucy Charpentier, Manager of Evaluation, Measurement and Verification, Connecticut Green Bank; Eric Shrago, Director of Operations, Connecticut Green Bank

**From:** Keri Enright-Kato, Director, Office of Climate Change, Technology, & Research, Connecticut Department of Energy and Environmental Protection

**Date:** March 15, 2017

**Re:** Request by the Connecticut Green Bank on February 6, 2017 for Review and Approval of the use of AVERT to Calculate Air Pollution Avoidance Measurement and Societal Perspective/Evaluation Framework Draft Fact Sheet

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## Background

At the Department of Energy and Environmental Protection's (DEEP) suggestion, the Connecticut Green Bank ("Green Bank") reviewed available tools for estimating the organization's contribution to support emissions reductions and is now seeking to adopt the Environmental Protection Agency's model AVoided Emissions and geneRation Tool (AVERT) as their official tool for measuring these impacts. The Green Bank assembled the following materials for DEEP's review and approval:

- Memo (February 6, 2017);
- AVERT Overview and Step-by-Step Instructions (July 2016);
- AVERT User Manual (March 2017);
- Evaluation Framework: Societal Perspective (Environment) – Draft Fact Sheet by the Green Bank;
- Letter from EPA (March 15, 2017).

## Review

The Green Bank wants to estimate the extent to which investments in clean energy create value from a societal perspective as it relates to the mitigation of greenhouse gas emissions and other air pollutants. For Green Bank programs this will be measured as the amount of clean energy deployed and the resulting renewable energy produced and energy saved. At DEEP's suggestion, the Green Bank examined the AVERT model from the EPA. The tool considers regional generation fleets and profiles to quantify the amounts of Carbon Dioxide (CO<sub>2</sub>), Nitrous Oxide (NO<sub>x</sub>), and Sulfur Dioxide (SO<sub>2</sub>) that will not be emitted due to generation from existing sources being offset due to, for example, Green Bank supported projects. The outputs are in tons of CO<sub>2</sub> and pounds of NO<sub>x</sub> and SO<sub>2</sub>.

The Green Bank, working with DEEP and the EPA, has developed a process to operationalize running the AVERT model and will create and update estimates for all their projects on an annual basis.

**Findings**

DEEP reviewed The Green Bank's Memos, AVERT Manual, AVERT Overview, and Draft Fact Sheet. Our view is that the AVERT is a well-developed tool that accurately describes the impacts of Green Bank projects to support the reduction of regional emissions. DEEP approves the use of AVERT for emissions benefit calculations and the summary fact sheet.

## Loyola B. French

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**From:** Rosenberg, Julie <Rosenberg.Julie@epa.gov>  
**Sent:** Friday, April 14, 2017 9:45 AM  
**To:** Bryan T. Garcia; Eric Shrager  
**Cc:** DeYoung, Robyn; Mulholland, Denise  
**Subject:** Quantification tools

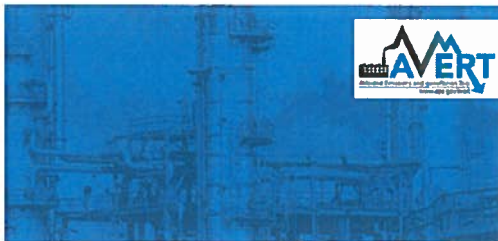
Dear Bryan,

We are glad to be working with you to use EPA's AVERT for quantifying the air emission benefits (e.g., nitrogen oxides (NOx), sulfur dioxide (SO2) and carbon dioxide (CO2)) from the CT Green Bank energy efficiency and renewable energy investments. EPA developed AVERT for entities like yours to estimate the air pollution impacts of these types of clean energy programs.

We are also pleased that you are exploring the use of EPA's Co-Benefits Risk Assessment (COBRA) health impacts screening and mapping tool to estimate the health benefits associated with any emission reductions identified through your AVERT analysis.

Please let us know if we can assist you as you operationalize your emissions quantification methodology using AVERT emission factors and explore health benefits quantification using COBRA for CT Green Bank's energy efficiency and renewable energy programs.

Best,  
Julie Rosenberg  
Branch Chief  
State and Local Climate and Energy Program  
US EPA - Office of Atmospheric Programs  
Climate Protection Partnership Division  
202-343-9154  
<https://www.epa.gov/statelocalclimate>



### Climate and Energy Resources for State, Local, and Tribal ...

[www.epa.gov](http://www.epa.gov)

EPA's State and Local Climate and Energy Program helps state, local and tribal governments develop and implement policies and programs that reduce greenhouse gas ...



# EVALUATION FRAMEWORK SOCIETAL PERFORMANCE



## Environmental Impact Overview

An important measurement of success for the Connecticut Green Bank (Green Bank) and its programs is how our investment activity improves the air quality of the state. This will be measured by the decrease in the amount of nitrogen oxides (NO<sub>x</sub>), sulfur dioxide (SO<sub>2</sub>) and carbon dioxide (CO<sub>2</sub>) emitted by the region's fossil fuel electric generation due to Green Bank projects.

The Green Bank will use the US Environmental Protection Agency's (EPA) Avoided Emissions and Generation Tool (AVERT) to calculate and report on the environmental benefits of the Green Bank's clean energy investment activity in Connecticut.

Estimated Generation/Savings for 2015 is calculated by using the Avert emissions factors in **Table 1**:

**Table 1:** AVERT Factors

Technology	CO <sub>2</sub> tons / MWh	NO <sub>x</sub> lbs / MWh	SO <sub>2</sub> lbs / MWh
Solar PV	0.5446	0.6630	0.6535
Energy Efficiency	0.5409	0.6167	0.6208
Wind	0.5456	0.6123	0.6787

Using this method, the following is an example of changes to emissions based on 1MW additions of either clean generation or improved energy efficiency:

**Table 2:** AVERT Examples

Capacity:	1 MW			
Technology	Annual expected generation change (MWh)	CO <sub>2</sub> savings (tons)	NO <sub>x</sub> savings (lbs)	SO <sub>2</sub> savings (lbs)
Solar PV	1,200	700	800	800
Energy Efficiency	900	500	600	600
Wind	1,700	900	1,000	1,200

Using the type of calculation outlined above, the Green Bank will include Societal Perspective benefits as well as the environmental impact of its programs in its Comprehensive Annual Financial Report, green bonds issuances, and other communications. Further information about AVERT is available at: <https://www.epa.gov/statelocalclimate/avoided-emissions-and-generation-tool-avert>

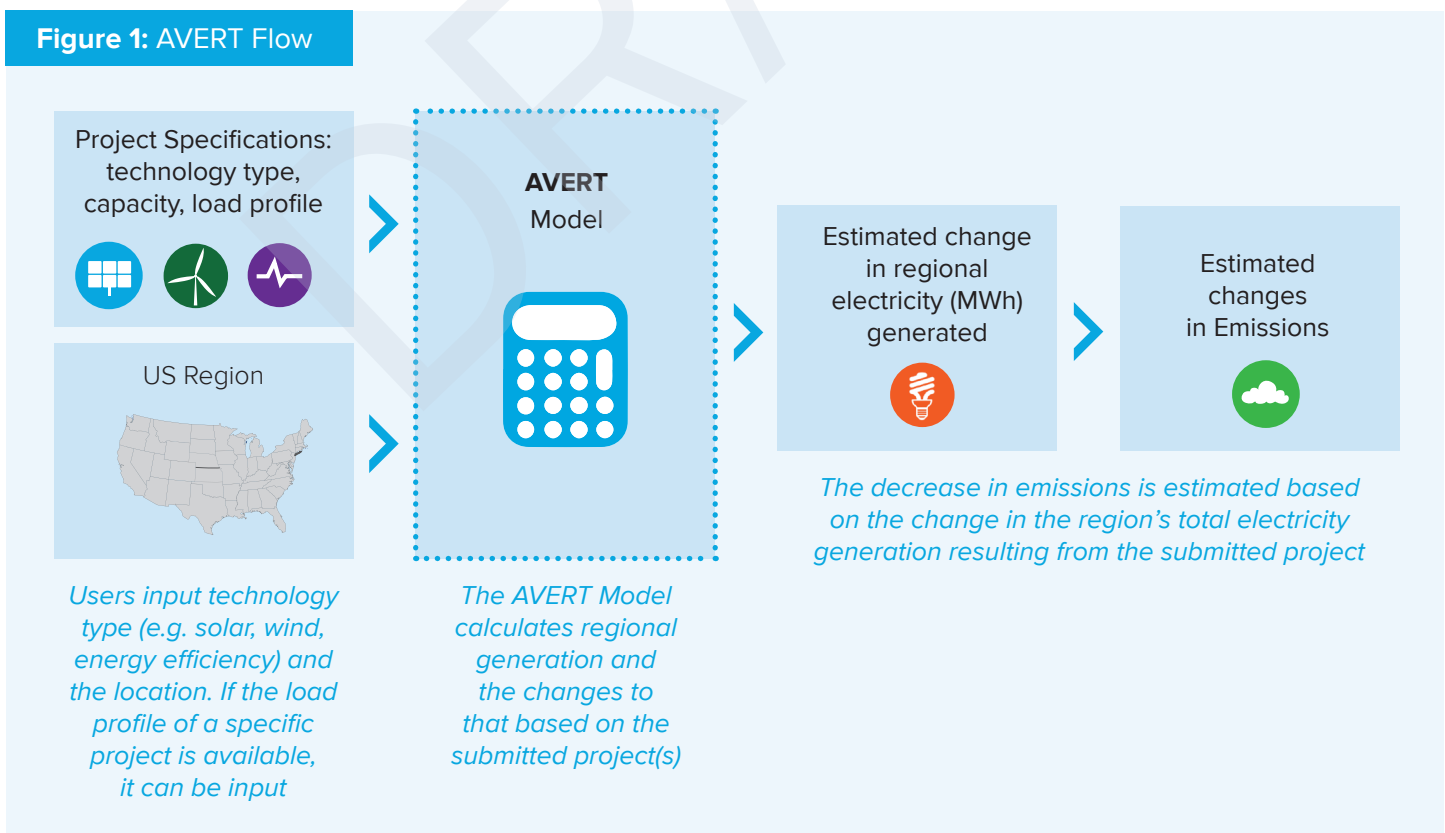
## Methodology

Previously, the Green Bank and its predecessor, the Connecticut Clean Energy Fund, estimated these impacts by using the results of the 2007 New England Marginal Emission Rate Analysis to calculate the expected annual and lifetime kWh savings of energy and production of clean energy. After working with the Connecticut Department of Energy and Environmental Protection (DEEP) and the US Environmental Protection Agency, the Green Bank has adopted the EPA's Avoided Emissions and Generation Tool (AVERT) to calculate the air quality benefits associated with Green Bank projects.

AVERT is a complex model that represents the dynamics of electricity dispatch based on the history of actual generation in a selected year for a specified region. For Green Bank purposes, the model generates the expected annual change to regional electricity generation based on a specific clean energy project or projects, then calculates the decline in emissions based on the reduction in resources required. The graphic below is a simplified representation of the model.



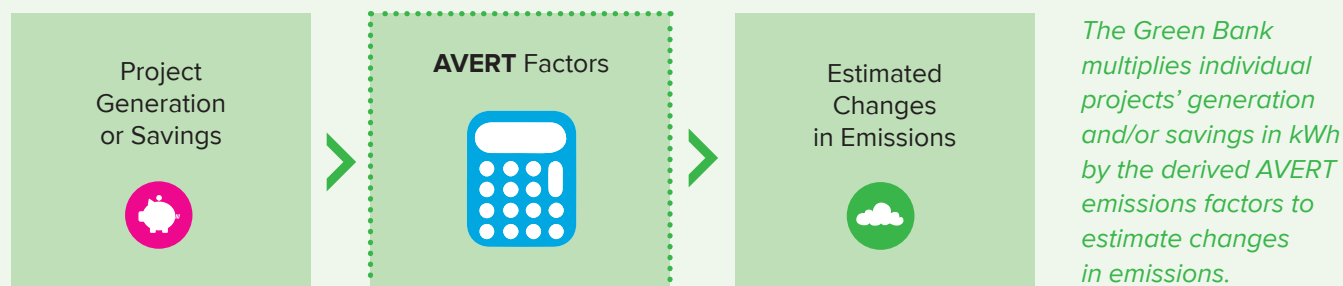
**Figure 1: AVERT Flow**



To maximize the model's accuracy, the Green Bank has derived average project emissions factors by technology (solar, wind, EE) from its completed projects. It then applies these factors to the annual projected generation for individual projects to calculate the estimates of the expected NO<sub>x</sub>, SO<sub>2</sub>, and CO<sub>2</sub> savings. The Green Bank will update these factors annually based on changes to the regional generation profile and typical project sizes, as well as any other changes EPA may make to the AVERT Model (type of emissions avoided, location, etc.).



**Figure 2: Green Bank AVERT Operationalized Flow**



## Example of Environmental Equivalencies

The Green Bank uses the EPA's AVERT tool to translate the contributions made by Green Bank projects to the region's air quality. The decreases in CO<sub>2</sub> and NO<sub>x</sub> in the example in **Table 2** above can also be demonstrated through common activities or environmental equivalencies as shown in **Table 3** below.

**Table 3: Environmental Equivalencies**

Capacity:	Equivalencies							
1 MW	Greenhouse gas emissions from:		CO <sub>2</sub> emissions from:				Carbon sequestered by:	
Technology	Miles driven by an average passenger vehicle	Tons of waste recycled instead of landfilled	Gallons of gasoline consumed	Pounds of coal burned	Homes' energy use for one year	Incandescent lamps switched to	Tree seedlings grown for 10 years	Acres of U.S. forests in one year
Solar PV	1,781,112	236	83,624	793,028	79	26,344	19,260	703
Energy Efficiency	1,281,479	170	60,166	570,570	57	18,954	13,857	506
Wind	2,280,746	302	107,082	1,015,487	100	33,734	24,663	901

Further information about the EPA equivalency Calculator is available at:

<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

In the example above, the Connecticut Green Bank would apply the Societal Perspective to report the environmental impact results in its Comprehensive Annual Financial Report in the following manner: "In FY 2015, there was a total deployment of nearly 60 MW of Residential Solar PV in Connecticut. Through the Connecticut Green Bank's support, approximately 41,100 tons of CO<sub>2</sub>, 37,300 pounds of NO<sub>x</sub>, and 34,100 pounds of SO<sub>2</sub> emissions were saved, which is equivalent to 4,762,817 gallons of gasoline consumed, 1,500,431 incandescent lamps switched to LEDs, or the carbon sequestered by 40,067 acres of U.S. forests in a year in Fiscal Year 2015<sup>1</sup>."

<sup>1</sup>It should be noted that in the example above, the Renewable Energy Credits (RECs) created as a result of the Connecticut Green Bank's Residential Solar Investment Program (RSIP), are to be purchased by the electric distribution companies for the purposes of meeting their Class I Renewable Portfolio Standard (RPS) obligations.

## About the Connecticut Green Bank

The Connecticut Green Bank was established by the Connecticut General Assembly on July 1, 2011 as a part of Public Act 11-80. As the nation's first full-scale green bank, it is leading the clean energy finance movement by leveraging public and private funds to scale-up renewable energy deployment and energy efficiency projects across Connecticut. The Green Bank's success in accelerating private investment in clean energy is helping Connecticut create jobs, increase economic prosperity, promote energy security and address climate change. For more information about the Connecticut Green Bank, please visit [www.ctgreenbank.com](http://www.ctgreenbank.com).



## About the Department of Energy and Environmental Protection

The Connecticut Department of Energy and Environmental Protection (DEEP) was established on July 1, 2011 with the consolidation of the Department of Environmental Protection, the Department of Public Utility Control, and energy policy staff from other areas of state government. It is charged with conserving, improving and protecting the natural resources and the environment of the state of Connecticut as well as making cheaper, cleaner and more reliable energy available for the people and businesses of the state. The agency is also committed to playing a positive role in rebuilding Connecticut's economy and creating jobs – and to fostering a sustainable and prosperous economic future for the state. For more information about the Connecticut Department of Energy and Environmental Protection, please visit [www.ct.gov/deep](http://www.ct.gov/deep).



## About the United States Environmental Protection Agency

The mission of the EPA is to protect human health and the environment. For more information about the United States Environmental Protection Agency, please visit [www.epa.gov](http://www.epa.gov).





# Memo

**To:** Audit, Compliance and Governance Committee

**From:** Eric Shrago, Director of Operations

**Date:** April 13, 2017

**Re:** Draft Vendor Management Policy

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In consultation with the Green Bank's information technology service provider (ADNET) and the organization's operations control consultant (Marcum), the staff of the Green Bank identified the need to establish standards and processes to govern the selection of vendors. The organization's staff partnered with Marcum to craft the Vendor Management Policy.

This Vendor Management Policy seeks to mitigate the organization's risk with regard to its reliance upon external vendors from various perspectives. The policy seeks to limit risk due to dependency on vendors in maintaining key technology systems that are often developed specifically for Green Bank use. Additionally, the policy seeks to mitigate the risks associated with external parties having access to Green Bank and customer data that is at times private and sensitive.

The Vendor Management Policy establishes requirements and a regular review process for specific vendors that puts the Green Bank in line with best practices amongst similar institutions.

## **Resolution**

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed draft Vendor Management Policy.

# Vendor Management Policy

## OVERVIEW

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The purpose of this policy is to provide guidance relative to the management of vendor relationships. Senior management and the Board of Directors recognize that the development of relationships with vendors is established as a way for the Connecticut Green Bank (the "Green Bank") to offer certain products and services without the need to develop the products and services "in house." Such "outsourced" relationships benefit the Green Bank through reduced costs, improved performance, increased business competitiveness, access to a superior knowledge base and the need for a limited in-house staff to support the Green Bank's business needs.

Senior management recognize that they are ultimately responsible for managing activities conducted by vendors, and identifying and controlling the risks arising from such relationships, to the same extent as if they were handled within the Green Bank. Senior management also recognize that vendor relationships present potential risks that must be properly managed on an ongoing basis, beginning with a sound due diligence process at the outset and continuing with annual or more frequent reviews of all vendor relationships. It is recognized that the extent of risk varies with each vendor relationship. Among the most common vendor-related risks are lack of vendor oversight by the Green Bank which could result in the Green Bank experiencing operational risks, privacy risks and reputation risks.

The Board of Directors holds senior management accountable for the review and evaluation of all new and existing vendor relationships. Management is responsible for ensuring that adequate controls are in place to protect the Green Bank and its customers from the risks associated with vendor relationships.

It is the goal of management to ensure compliance with this policy with respect to every vendor relationship. However, management recognize that certain existing contracts may not comply with all aspects of this policy. It is management's responsibility to continuously seek opportunities to renegotiate changes (e.g., at contract renewal, etc.) to existing vendor contracts to achieve full compliance with this policy.

Management will review this policy at least annually and present it to the Board of Directors for their review and approval.

# Vendor Management Policy

## VENDOR RISKS

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There are numerous risks that may arise from the Green Bank's use of vendors. Some of the risks are associated with the underlying activity itself, like the risks faced if the Green Bank conducted the activity. Other potential risks arise from or are heightened by the involvement of a vendor.

Not all of the following risks will be applicable to every vendor relationship; however, complex or significant arrangements may have definable risks in most areas. The following summary of risks is not considered all-inclusive.

### Strategic Risk

Strategic risk is the risk arising from adverse business decisions, or the failure to implement appropriate business decisions in a manner that is consistent with the Green Bank's strategic goals. The use of a vendor to perform banking functions or to offer products or services that do not help the Green Bank achieve corporate strategic goals and provide an adequate return on investment exposes the Green Bank to strategic risk.

### Reputation Risk

Reputation risk is the risk arising from negative public opinion. Vendor relationships that result in dissatisfied customers, interactions not consistent with Green Bank policies, inappropriate recommendations, security breaches resulting in the disclosure of customer information, and violations of law and regulation are all examples that could harm the reputation and standing of the Green Bank in the community. Also, any negative publicity involving the vendor, whether or not the publicity is related to the Green Bank's use of the vendor, could result in reputation risk.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Vendor relationships often integrate the internal processes of other organizations with the Green Bank's processes and can increase the overall operational complexity.

## **Vendor Management Policy**

### Transaction Risk

Transaction risk is the risk arising from problems with service or product delivery. A vendor's failure to perform as expected by customers or the Green Bank due to reasons such as inadequate capacity, technological failure, human error, or fraud, exposes the Green Bank to transaction risk. The lack of an effective business resumption plan and appropriate contingency plans increase transaction risk. Weak control over technology used in the vendor arrangement may result in threats to security and the integrity of systems and resources. These issues could result in unauthorized transactions or the inability to transact business as expected.

### Credit Risk

Credit risk is the risk that a vendor, or any other creditor necessary to the vendor relationship, is unable to meet the terms of the contractual arrangements with the Green Bank or to otherwise financially perform as agreed. The basic form of credit risk involves the financial condition of the vendor itself. Some contracts provide that the vendor ensures some measure of performance related to obligations arising from the relationship, such as loan origination programs. In these circumstances, the financial condition of the vendor is a factor in assessing credit risk. Credit risk also arises from the use of third parties that market or originate certain types of loans, solicit and refer customers, conduct underwriting analysis, or set up product programs for the Green Bank. Appropriate monitoring of the activity of the vendor is necessary to ensure that credit risk is understood and remains within board approved limits.

### Compliance Risk

Compliance risk is the risk arising from violations of laws, rules, or regulations, or from noncompliance with internal policies or procedures or with the Green Bank's business standards. This risk exists when the products or activities of a vendor are not consistent with governing laws, rules, regulations, policies, or ethical standards. Liability could potentially extend to the Green Bank when vendors violate laws, rules, regulations or other required practices. Compliance risk is exacerbated when an institution has inadequate oversight, monitoring or audit functions.

### Other Risks

The types of risk introduced by the Green Bank's decision to use a vendor cannot be fully assessed without a complete understanding of the resulting arrangement. Therefore, a comprehensive list of potential risks that could be associated with a vendor relationship is not possible. In addition to the risks described above, vendor relationships may also subject the Green Bank to liquidity, interest rate, price, foreign currency translation, and country risks.

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## **RISK MANAGEMENT PROCESS**

The key to the effective use of a vendor in any capacity is for the Green Bank's management to appropriately assess, measure, monitor, and control the risks associated with the relationship. While engaging another entity may assist management and the Board in achieving strategic goals, such an arrangement reduces management's direct control. Therefore, the use of a vendor increases the need for oversight of the process from start to finish. There are four main elements of an

## **Vendor Management Policy**

effective vendor risk management process: (1) risk assessment, (2) due diligence in selecting a vendor, (3) contract structuring and review, and (4) oversight.

While these four elements apply to any vendor activities, the precise use of this process is dependent upon the nature of the vendor relationship, the scope and magnitude of the activity, and the risks identified. This comprehensive risk management process, which includes management of any vendor relationship, enables management to ensure that capital is sufficient to support the Green Bank's underlying risk exposures and that the vendor is operating in a manner consistent with Federal and state laws, rules, and regulations, including those intended to protect consumers.

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### **RISK ASSESSMENT**

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Risk assessment is fundamental to the initial decision of whether to enter into a vendor relationship. The first step in the risk assessment process is to ensure that the proposed relationship is consistent with the Green Bank's strategic planning and overall business strategy.

Next, management must analyze the benefits, costs, legal aspects, and the potential risks associated with the vendor under consideration. Expanded analysis is warranted if the product or service is a new activity or product for the Green Bank. Management must develop a thorough understanding of what the proposed relationship will accomplish for the Green Bank, and why the use of a vendor is in the Green Bank's best interests. A risk/reward analysis must be performed for significant matters, comparing the proposed third-party relationship to other methods of performing the activity or product offering, including the use of other vendors or performing the function in-house. For such matters, the analysis must be considered integral to the Green Bank's overall strategic planning, and should thus be performed by senior management and reviewed by the Board or an appropriate committee.

Responsible Green Bank personnel must have the requisite knowledge and skills to adequately perform the analysis. Certain aspects of the risk assessment phase may include the use of internal auditors, compliance officers, technology officers, and legal counsel. This phase must also identify performance criteria, internal controls, reporting needs, and contractual requirements that would be critical to the ongoing assessment and control of specific identified risks.

After completing the general assessment of risks, particularly relative to the Green Bank's overall strategic plan, management should review its ability to provide adequate oversight and management of the proposed vendor relationship on an ongoing basis. While identifying and understanding the risks associated with the vendor are critical at the outset, the long-term management of the relationship is vital to success. For significant third-party relationships, the Board may consider appointing a senior manager (i.e., the Director of Operations) to be responsible for the relationship, including due diligence, implementation, ongoing oversight, and periodic reporting to the

## Vendor Management Policy

Board. This management official should have the requisite knowledge and skills to critically review all aspects of the relationship. The Board and management should also ensure that the Green Bank's compliance management system is adapted to effectively address the vendor relationship and appropriately respond to emerging issues and compliance deficiencies.

A final part of the initial risk assessment phase for significant relationships involves carefully estimating the long-term financial effect of the proposed vendor relationship. The Board should take into account all aspects of the long-term potential of the relationship, as well as the managerial expertise and other associated costs that would result from the decision to use a vendor, and not be unduly influenced by short-term cost savings. The long-term financial risk resulting from an initial incomplete accounting of costs and/or an overestimation of benefits can undermine appropriate decisions in other phases of the risk management process.

### DUE DILIGENCE IN SELECTING A NEW VENDOR

Following an assessment of risks and a decision to proceed with a plan to establish a vendor relationship, management must select a qualified entity to implement the activity or program. The due diligence process provides management with the information needed to address qualitative and quantitative aspects of potential vendors to determine if a relationship would help achieve the Green Bank's strategic and financial goals and mitigate identified risks.

Not only should due diligence be performed prior to selecting a third party, but it should also be performed periodically during the course of the relationship, particularly when considering a renewal of a contract. The scope and depth of due diligence is directly related to the importance and magnitude of the Green Bank's relationship with the vendor.

Comprehensive due diligence involves a review of all available information about a potential vendor, focusing on the entity's financial condition, its specific relevant experience, its knowledge of applicable laws and regulations, its reputation, and the scope and effectiveness of its operations and controls. The evaluation of a third party may include the following items:

#### Technical and Industry Expertise

Assessment the vendor's experience and ability to provide the necessary services for current and anticipated needs.

- Identification of areas where the Green Bank would have to supplement the vendor's expertise to fully manage risk.
- Evaluation of the vendor's use of third parties that would be used to support the vendor's operations.



## **Vendor Management Policy**

- Evaluation of the vendor's experience in providing services in the anticipated operating environment.
- Evaluation of the vendor's ability to respond to service disruptions.
- Evaluation of references and user group opinions for determining the vendor's reputation and performance history.
- Evaluation of the vendor's knowledge of the regulations that are relevant to the services the vendor is providing.
- Evaluation of key vendor personnel that would be assigned to support the Green Bank.

### Operations and Controls

- Determination of the adequacy of a vendor's standards, policies and procedures relating to internal controls, facilities management (access requirements, sharing of facilities, etc.), security (systems, data, equipment, etc.), privacy protections, maintenance of records, business resumption contingency planning, systems development and maintenance and employee background checks.
- When applicable, the determination of the adequacy of the vendor's security precautions with respect to the Green Bank's resources and the detection and response to intrusions.
- Evaluation of the Green Bank's ability to have complete and timely access to the information maintained by the vendor.
- Performance of on-site visits, when necessary, to better understand how the vendor operates and supports its clients.

### Financial condition

- Analysis of the vendor's most recent audited or unaudited financial statements and annual report as well as other available documents (SEC filings, etc.).
- Consideration of factors such as how long the vendor has been in business and the vendor's market share for a given service and how much it has fluctuated.
- Consideration of the significance of the Green Bank's proposed contract on the vendor's financial condition.
- Evaluation of resource expenditures to ensure that the vendor's level of investment in its resources is consistent with supporting the Green Bank's activities. The vendor should have the financial resources to invest in and support the required level of service.
- Existence of any significant complaints or litigation, or regulatory actions against the vendor.

### Contract issues

A contract review provides an effective way to identify risk with a current or prospective vendor. Contracts with vendors should adhere to the same general guidelines as other contractual

## Vendor Management Policy

relationships in which the Green Bank is involved. The contract should include clear and concise language regarding the arrangement between the Green Bank and the vendor.

When entering a contract it is management's responsibility to ensure that the following issues are addressed within the vendor contract. However, management recognize that not all vendors will agree to the terms desired by the Green Bank and that under limited circumstances the Green Bank may not be able to address each item noted below. To the extent that all items are not adequately addressed, it is responsibility of the owner of the vendor relationship to inform the Vendor Management Committee, prior to execution of a contract, of any items omitted from the recommended contractual items listed below.

- **Scope of Service:** Contracts should clearly describe the rights and responsibilities of parties involved. Considerations should include:
  - Timeframes and activities for implementation and assignment of responsibilities. Services to be performed by the vendor, including support, maintenance, training and customer service.
  - Obligations of the Green Bank in the relationship.
  - The contracting parties' rights in modifying the existing services performed under the contract.
  - Guidelines for adding new or different services and for contract renegotiation.
- **Performance Standards:** Minimum service level requirements and remedies for failure to meet standards should be included in the contract.
- **Security and Confidentiality:** The contract should address the vendor's responsibility for security and confidentiality of the Green Bank's resources. The agreement should prohibit the vendor and its agents from using or disclosing the Green Bank's information, except as necessary to or consistent with providing the contracted services, to protect against unauthorized use. If the vendor receives nonpublic financial information regarding Green Bank customers, the Green Bank must notify the vendor to fully disclose breaches in security resulting in unauthorized intrusions into the vendor that may materially affect the Green Bank or its customers. The vendor should report any material intrusions, the effect on the Green Bank and the corrective action taken to respond to the intrusion. The owner of the vendor relationship should refer to the Green Bank's Information Security Program for further guidance.
- **Internal Controls:** Consideration should be given to contract provisions addressing control over operations such as:
  - Internal controls to be maintained by the vendor.
  - Compliance with applicable regulatory requirements.
  - Records to be maintained by vendor.
  - Access to the records by the Green Bank.
  - Notification by the vendor to the Green Bank and the Green Bank's approval rights regarding material changes to services, systems, controls, key project personnel allocated to the Green Bank, and new service locations.
  - Setting and monitoring of parameters relating to any financial functions, such as payments processing and any extensions of credit on behalf of the Green Bank.
  - Insurance coverage to be maintained by the vendor.

## Vendor Management Policy

- **Audit:** The contract should include the types of audit reports the Green Bank is entitled to receive. The contract should specify audit frequency, cost to the Green Bank associated with the audits if any, as well as the rights of the Green Bank and its agencies to obtain the results of the audits in a timely manner. The contract should also specify rights to obtain documentation regarding the resolution of audit disclosed deficiencies and inspect the vendor's facilities and operating practices of the vendor. Management should consider, based on the risk assessment phase, the degree to which independent internal audits completed by the vendor audit staff can be used and the need for external audits and reviews (e.g., SSAE16 Type I and II reviews).
- **Reports:** Contractual terms should discuss the frequency and type of reports the Green Bank will receive. Guidelines and fees for obtaining custom reports should also be discussed.
- **Business Continuity Planning/Disaster Recovery Planning:** The contract should address the vendor's responsibility for backup and record protection, including equipment, program and data files, and the maintenance of disaster recovery and contingency plans. The plans must be tested periodically (at least annually) with results provided to the Green Bank. Interdependencies between vendors must be considered when determining business resumption testing requirements. The vendor should provide the Green Bank with operating procedures for the vendor and the Green Bank in the event business resumption contingency plans are implemented. Contracts should include specific provisions for business recovery timeframes that meet the Green Bank's business requirements. The contract must not contain any provisions that would excuse the vendor from implementing its contingency plans.
- **Sub-Contracting and Multiple Vendor Relationships:** Contracts with vendors should include a provision specifying that the contracting vendor is responsible for the service provided to the Green Bank regardless of which entity is actually conducting the operations and that the Green Bank must approve any changes regarding the status of sub-contractor relationships.
- **Use of Green Bank Resources:** All contracts with vendors must address ownership and allowable use by the vendor of the Green Bank's data, equipment/hardware, system documentation and other intellectual property rights including logo, trademarks, etc. The contract should not contain unnecessary limitations on the return of items owned by the Green Bank.
- **Duration:** The type of service being provided should be considered when negotiating the appropriate length of a vendor contract and its renewal periods. The length of time required for notification of intent not to renew a contract with a vendor should be specified and should be reasonable. Where possible, the "automatic renewable" clause should be removed so that both parties are responsible for the contract's extension.
- **Dispute Resolution:** Where possible and practical, vendor contracts should contain a provision for the resolution of disputes in a timely manner. The contract should also provide for the continuation of services during the dispute resolution period.

## Vendor Management Policy

- **Indemnification:** Indemnification provisions should be reviewed to reduce the likelihood of potential situations in which the Green Bank may be liable for claims arising as a result of the negligence of the vendor. While the Green Bank seeks to mitigate risk through the use of indemnification, this practice alone does not insulate the Green Bank from its ultimate responsibility to conduct banking and related activities in a safe and sound manner and in compliance with law.
- **Limitation of Liability:** Some vendor standard contracts may contain clauses limiting the amount of liability that can be incurred by the vendor. Such contracts should be examined to ensure that the damage limitation bears an adequate relationship to the amount of loss the Green Bank might reasonably experience as a result of the vendor's failure to perform its obligations.
- **Termination:** The extent and flexibility of termination rights sought can vary depending on the vendor. Termination rights may be sought for a variety of conditions. All contracts with vendors should permit the Green Bank to terminate the contract in a timely manner and without prohibitive expense. Each contract should state termination and notification requirements with time frames to allow the orderly conversion to another vendor. Contracts must provide for timely return of any data and other intellectual and physical property owned by the Green Bank. Any costs associated with transition assistance should be clearly stated.
- **Assignment:** Any contract with a vendor should contain a provision that prohibits the assignment of the contract to a vendor without the consent of the Green Bank. This includes changes to any subcontractors.

## Vendor Management Policy

### OVERSIGHT

The Green Bank must maintain adequate oversight of vendor activities and adequate quality control over those products and services provided through vendor arrangements to minimize exposure to potential significant financial loss, reputation damage, and supervisory action. The Board should initially approve, oversee, and review at least annually significant vendor arrangements, and review these arrangements and written agreements whenever there is a material change to the program. Management must periodically review the vendor's operations in order to verify that they are consistent with the terms of the written agreement and that risks are being controlled. The Green Bank's compliance management system should ensure continuing compliance with applicable federal and state laws, rules, and regulations, as well as internal policies and procedures.

Management must allocate sufficient qualified staff to monitor significant vendor relationships and provide the necessary oversight. Management must consider designating a specific officer to coordinate the oversight activities with respect to significant relationships, and involve their compliance management function and, as necessary, involve other operational areas such as audit and information technology, in the monitoring process. The extent of oversight of a particular third-party relationship will depend upon the potential risks and the scope and magnitude of the arrangement.

An oversight program will generally include monitoring of the vendor's quality of service, risk management practices, financial condition, and applicable controls and reports. Results of oversight activities for material vendor arrangements must be periodically reported to the Green Bank's Board of Directors or designated committee. Identified weaknesses should be documented and promptly addressed.

Performance monitoring should include, as appropriate, the following:

- Evaluate the overall effectiveness of the vendor relationship and the consistency of the relationship with the Green Bank's strategic goals.
- Review any licensing or registrations to ensure the vendor can legally perform its services.
- Evaluate the vendor's financial condition at least annually. Financial review should be as comprehensive as the credit risk analysis performed on the Green Bank's borrowing relationships. Audited financial statements should be required for significant third-party relationships.
- Review the adequacy of the vendor's insurance coverage.
- Ensure that the vendor's financial obligations to others are being met.
- Review audit reports or other reports of the vendor, and follow up on any needed corrective actions.
- Review the adequacy and adherence to the vendor's policies relating to internal controls and security issues.
- Monitor for compliance with applicable laws, rules, and regulations.
- Review the vendor's business resumption contingency planning and testing.

## Vendor Management Policy

- Assess the effect of any changes in key vendor personnel involved in the relationship with the Green Bank.
- Review reports relating to the vendor's performance in the context of contractual requirements and performance standards, with appropriate follow-up as needed.
- Determine the adequacy of any training provided to employees of the Green Bank and the vendor.
- Administer any testing programs for vendors with direct interaction with customers.
- Review customer complaints about the products and services provided by the vendor and the resolution of the complaints.
- Meet as needed with representatives of the vendor to discuss performance and operational issues.

Proper documentation will facilitate the monitoring and management of the risks associated with vendor relationships. Therefore, the Green Bank must maintain documents and records on all aspects of the vendor relationship, including valid contracts, business plans, risk analyses, due diligence, and oversight activities (including reports to the Board or delegated committees).

### DOCUMENTING NEW VENDOR SELECTION

For a new vendor with the who meets the one of the following criteria:

- Vendor and vendor activity could have a material effect on the Green Bank's mission;
- Vendors will perform some form of "critical function;"
- The vendor will store, access, transmit or perform transactions on sensitive customer information;
- Vendor will represent the Green Bank and its products or services directly to potential customers;

the following documentation must be completed and submitted prior to any contract being signed:

- **Vendor Risk Assessment/Risk Rating Form** (see Appendix "A") which may include the following requirements:
  - Financial Analysis (two years financial statements/tax returns)/Credit Report
  - Proof of Business (Articles of Incorporation/Association)
  - Professional References (Business references)
  - Operational Analysis including SSAE16 and the Green Bank's response to the SSAE16 User Concerns (if applicable)
  - Disaster Contingency Plans and/or testing results of DR plans (if applicable)
  - Contract Review for compliance with GLBA
  - Review of proposed Service Level Agreement
  - Evaluate the existing risks that exist with this vendor in the areas listed below and indicate whether this risks are increasing/decreasing or stable:
    - Strategic Risk

## Vendor Management Policy

- Reputation Risk
  - Compliance Risk
  - Transaction Risk
  - Credit Risk
  - Privacy / Info Security Risk
  - Other Risks
- 
- **Vendor CIP Form** (see Appendix “B”)

The completed Vendor Risk Assessment/Rating and Vendor CIP Forms are to be submitted and approved by the IT Steering Committee. Any exception to these requirements must be approved by the Chief Legal Officer.

# Vendor Management Policy

## DUE DILIGENCE OF EXISTING VENDOR

On at least an annual basis, vendors must be re-assessed. The Vendor Assessment/Risk Rating Form must be completed. The Director of Operations or its equivalent will be responsible for compliance. Please refer to Appendix "A." Included in the risk assessment, the relationship owner is asked to consider the following areas in managing the existing vendor:

1. Evaluate the existing risks that exist with this vendor in the areas listed below and indicate whether this risks are increasing/decreasing or stable:
  - Strategic Risk
  - Reputation Risk
  - Compliance Risk
  - Transaction Risk
  - Credit Risk
  - Privacy / Info Security Risk
  - Other Risk
    - Liquidity
    - Interest Rate
    - Price
    - Foreign Currency Translation
    - Country
- Evaluate the vendor's financial condition periodically.
- Review audit reports (e.g., SSAE16, etc.) as well as regulatory examination reports if available, and evaluate the adequacy of the vendor's systems and controls including resource availability, security, integrity and confidentiality. Follow up on any deficiencies noted in the audits and reviews of the vendor and respond to all issues addressed as "User Concerns."
- Perform on-site inspections in conjunction with some of the reviews performed above, where practicable and necessary.
- Review the vendor's business resumption contingency plans to ensure that any services considered mission critical for the Green Bank could be restored within an acceptable timeframe. Review the vendor's program for contingency plan testing. For mission critical services, the contingency plan must be tested at least annually.
- Periodically review the vendor's performance relative to service level agreements, determine whether other contractual terms and conditions are being met, and whether any revisions to service level expectations or other terms are needed given changes in the Green Bank's needs and technological developments.
- At meetings with vendor, ensure there are proper controls in place for protection of customer documents and information. Insure the vendors understanding of their responsibility to report intrusion or information leaks to the Green Bank on a timely basis.



## **Vendor Management Policy**

- Maintain documents and records regarding contract compliance, revision and dispute resolution.

# Vendor Management Policy

## DOCUMENTING EXISTING VENDOR ANNUAL REVIEW

The Vendor Management Program for existing vendors is comprised of four key steps:

1. Identify and classify the Green Bank's vendors into tiers based on potential risk associated with the vendor:
  - **Tier 1:** Major Vendors whose process is core to the Green Bank's daily operations (i.e. core data or item processing). These vendors can be potential operational risks for the Green Bank and the Green Bank's customers if they did not operate as expected. Tier 1 vendors include:
    - Vendor and vendor activity has a material effect on the Green Bank's revenues or expenses;
    - Vendors performs some form of "critical function;"
    - The vendor stores, accesses, transmits or performs transactions on sensitive customer information;
    - Vendor markets bank products or services;
    - Vendor poses risks that could significantly affect mission.
  - **Tier 2:** Vendors that maintain direct relationships with Green Bank customers through a referral by the Green Bank. Although these customers would not present an operational risk to the Green Bank if they did not continue since their relationship is directly with the customer, the Green Bank may still subject itself to reputation risk if the vendor ceased operation.
2. On an annual basis, the Green Bank will gather and systematically file all relative due diligence documentation for each vendor based on the tier to which they have been assigned. Although there is a coordinator of the Vendor Management program, the "owner" of the vendor relationship is responsible for gathering and reviewing the data required:
  - **Tier 1:** Major Vendors require the following documentation:
    - i. Vendor Risk Assessment/Risk Rating Form (see Risk Assessment below)
    - ii. Financial Analysis
    - iii. Operational Analysis including SSAE16 and the Green Bank's response to the SSAE16 User Concerns
    - iv. Disaster Contingency Plans and/or testing results of DR plans
    - v. Contract Review for compliance with GLBA
    - vi. Review of Service Level Agreements
    - vii. Other information deemed appropriate based on the vendor and the associated level of risk.
  - **Tier 2:** Vendor Vendors require the following documentation:

## **Vendor Management Policy**

- i. Vendor Risk Assessment/Risk Rating Form
  - ii. Contract Review for compliance with GLBA
  - iii. Other information deemed appropriate based on the vendor and the associated level of risk.
2. The Director of Operations is to review all due diligence documentation provided by the owners of the vendors. Director of Operations will insure that all documents are completed by the owners and submitted for review. The IT Steering Committee will consult the Director of Operations to insure that the Green Bank does not continue with any vendors that are considered undue risk or risk that is beyond the Green Bank's tolerance. Alternate plans will be considered if the vendor has breached contractual terms.
3. After review by the the Director of Operations, the Board of Directors or an assigned Board committee will review management's summary findings. The Risk Assessments for the Tier 1 and Tier 2 vendors will all be submitted to the Board (or assigned committee) for review.

## **Vendor Management Policy**

### **Appendix “A”**

#### **Vendor Assessment/Risk Rating Form**

# Vendor Management Policy

## VENDOR ASSESSMENT/RISK RATING FORM

### I. Project/Product/Service Information

VENDOR	
DATE PREPARED	
PREPARED	

### II. Overview

IF THIS IS A NEW PRODUCT, COMPLETE PART A.  
FOR AN ANNUAL REVIEW OF VENDOR COMPLETE PART B.

PART A – NEW VENDOR/NEW PRODUCT SUPPLIED BY VENDOR	
1. Briefly describe the purpose of this project.	
2. Describe what need will be addressed by this project, product or service. Include what the competition is doing.	
3. If this is the final vendor selected, please list the other vendors that were considered.	
4. Is this vendor an affiliate of the Green Bank? (refer to Master Affiliate List)	

PART B – EXISTING VENDOR/ANNUAL REVIEW	
1. What are the services currently supplied by the vendor?	
2. How long has the relationship with the vendor been in place?	
3. Is this vendor an affiliate of the Green Bank? (refer to Master Affiliate List)	
4. When does the current contract expire?	

## Vendor Management Policy

### III. Risk Management for Vendor Relationship - Summary

In evaluating risk, the following chart and definitions should be used in rating the risk of each of these categories. Risk levels are determined by a combination of likelihood of occurrence and impact severity.

Likelihood Of Occurrence	RISK LEVEL					
	IMPACT SEVERITY					
	INSIGNIFICANT	MINOR	SIGNIFICANT	DAMAGING	SERIOUS	CRITICAL
Negligible	Low	Low	Low	Low	Low	Low
Very Low	Low	Low	Low	Low	Moderate	Moderate
Low	Low	Low	Moderate	Moderate	High	High
Medium	Low	Low	Moderate	High	High	High
High	Low	Moderate	High	High	High	High
Very High	Low	Moderate	High	High	High	High
Extreme	Low	Moderate	High	High	High	High

LIKELIHOOD OF OCCURRENCE	
Likelihood	Description
Negligible	Unlikely to occur
Very Low	Likely to occur two/three times every five years
Low	Likely to occur once every year or less
Medium	Likely to occur once every six months or less
High	Likely to occur once per month
Very High	Likely to occur multiple times per month
Extreme	Likely to occur multiple times per day

## Vendor Management Policy

IMPACT SEVERITY LEVELS	
Impact Severity	Description
Insignificant	Almost no impact if the threat is realized and vulnerability is exploited
Minor	Minor effect that will require minimal effort to restore operation
Significant	Some negligible yet tangible harm that will require some expenditure of resources to restore operation
Damaging	Damage to the reputation of the Green Bank, and/or notable loss of confidence by Green Bank stakeholders. Will require expenditure of significant resources to repair.
Serious	Considerable business disruption and/or loss of customer/business partner confidence. May result in the compromise of services or a large amount of customer/Green Bank information.
Critical	Extended outage or permanent closure, causing operations to resume in a hot site environment. May result in complete compromise of services or confidential information.

## Vendor Management Policy

Using the Risk Rating charts above, please rate the vendor in each of the following categories:

	<b>New and Existing Vendors</b>	<b>Existing Vendors Only</b>
	<b>RATING</b> <b>(Low, Moderate, High, NA)</b>	<b>DIRECTION OF RISK</b> <b>Increasing/Decreasing/Stable</b>
<b>STRATEGIC RISK:</b> Arises when the Green Bank does not perform an adequate risk assessment or possess sufficient knowledge about a new product, business line or activity or when an activity does not meet the Green Bank's goals or expected return on investment.		
<b>REPUTATION RISK:</b> Arises when the vendor's service or products don't meet the expectations of the Green Bank's customers or if the vendor or product is subject to public scrutiny or negative publicity.		
<b>COMPLIANCE RISK:</b> Arises when the vendor's operations are not in compliance with law or the Green Bank's internal policies and procedures and when audit and control features are weak or nonexistent.		
<b>TRANSACTION RISK:</b> Arises when the vendor is unable to deliver its product or provide service due to error, fraud or technology failure.		
<b>CREDIT RISK:</b> Vendor's failure to meet the terms of its contract or perform as agreed from a financial perspective.		



## Vendor Management Policy

<b>PRIVACY RISK:</b> Risk that customer information will be compromised; confidence that vendor has installed controls and will report any intrusions to the Green Bank.		
<b>OTHER RISKS:</b> Vendor relationships may subject the Green Bank to LIQUIDITY, INTEREST RATE, PRICE, FOREIGN CURRENCY TRANSLATION OR COUNTRY RISK when dealing with a foreign-based vendor.		

## Vendor Management Policy

### IV. Risk Management for Vendor Relationship - Narrative

Please make comments in regards to the ratings above. Any risks that are considered “Moderate” or “High” should be explained. Describe the “likelihood of occurrence” and the “impact severity” using the definitions in Section III. Also, any risks that are considered increasing should be explained.

<b>STRATEGIC RISK:</b>	
<b>REPUTATION RISK:</b>	
<b>COMPLIANCE RISK:</b>	
<b>TRANSACTION RISK:</b>	
<b>CREDIT RISK:</b>	
<b>PRIVACY/INFOSEC RISK:</b>	
<b>OTHER RISK:</b>	

## Vendor Management Policy

### V. Vendor Evaluation Checklist

<b>A. FINANCIAL INFORMATION</b>	
<b>AUDITED FINANCIALS</b>	
Were audited financials on this vendor received and reviewed?	
If yes, were there any concerns about the vendor's financial situation?	
If yes, describe issues.	
<b>CREDIT CHECK</b>	
If no audited financials were available, did the Green Bank obtain a credit report?	
If a credit report was obtained, include	

## **Vendor Management Policy**

### **Appendix “B”**

#### **Vendor CIP Form**

## Vendor Management Policy

Banking regulations require financial institutions to know their vendors. As such, Green Bank requires a complete background verification of all of our major vendors. Your cooperation and understanding is very appreciated

### Company Information:

<b>Business Legal Name</b>	<b>Address:</b>	<b>Phone &amp; Fax Number:</b>
<b>Business Tax ID:</b>	<b>Contact Name / Title:</b>	<b>Phone Number / E-mail Address:</b>
<b>List Company Officers:</b>	<b>Title:</b>	<b>Type of Company:</b>  Corporation: _____ Limited Liability Company: _____ Partnership: _____ Sole Proprietorship: _____  State _____ Organized: _____
<b>Years in Business?</b>	Are you registered with FinCEN, or are you required to be registered, as a Money Service Business (MSB) for purposes of the Bank Secrecy Act?	
<b>Website Address:</b>	YES: _____ NO _____ If Yes, attach documentation	
Has the Company, or has any related company, ever been under investigation or subject to any enforcement action by the FBI, SEC, FDIC, or other Federal Agency?		Has the Company or any related company ever filed for protection under the bankruptcy laws?
YES: _____ NO _____		YES: _____ NO _____
Have any of the officers in the Company ever worked in a company that was fined, penalized or banned from conducting business by a System Network (such as, Pulse, STAR, VISA, MasterCard, etc.)?		Have any of the officers ever worked at a company that was under investigation, fined, penalized or banned from conducting business by a government agency?
YES: _____ NO _____		YES: _____ NO _____

## Vendor Management Policy

### Ownership Information (Non-Public Companies):

<b>First Name</b> 1. 2. 3. 4.	<b>Last Name</b>     	<b>% of Ownership</b>     
<b>Social Security Number</b> 1. 2. 3. 4.	<b>Home Street Address</b>     	<b>City/State/Zip</b>     
<b>Drivers License Number/State Issued</b> 1. 2. 3. 4.	<b>Date of Birth</b>     	<b>Home Telephone Number/ E-Mail Address</b>     

## Vendor Management Policy

### Acknowledgement and Agreement:

The undersigned specifically represents to Green Bank, and its agents or assigns, and agrees and acknowledges that: (i) the information provided herein is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of the information contained herein may result in civil liability and/or criminal penalties; (ii) Green Bank may continuously rely on this information and I am obligated to amend or supplement the information if any of the material facts that I have represented herein have changed; (iii) I hereby give Green Bank permission to investigate my credit history and that of the Company, and question references, and conduct a civil litigation and criminal background check; and (iv) I have read and understand this acknowledgement and agreement and sign this release voluntarily, without coercion or duress from any individual or party.

For the **COMPANY**:

\_\_\_\_\_  
Print Name / Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

For each Owner **INDIVIDUALLY**:

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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Date

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Print Name

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Date