Forbright™ Green Financing Framework 2023

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Introduction and Background

Forbright Bank ("Forbright") is a full-service bank, commercial lender and asset manager taking action to decarbonize the economy. We recognize that the need to build a more resilient and low-carbon economy is growing increasingly urgent, which is why we are dedicating capital to clean energy projects and sustainability-oriented companies, including critical investments in the energy, transportation, manufacturing, building, and healthcare sectors in an effort to build a more sustainable economy and do our part in accelerating the transition to net zero greenhouse gas (GHG) emissions. Forbright believes this approach reduces credit risk, presents enhanced lending opportunities, and prioritizes the markets of the future, serving the interests of our customers, partners, investors, and society as a whole.

As a mission-driven organization, we hold ourselves accountable to responsible business practices and employ a sustainability mindset throughout our entire business. Forbright has implemented Responsible Investment and Environmental, Social, and Governance (ESG) policies to embed its commitment to these principles and practices across its offerings and operations. In 2021, Forbright was the seventh U.S. bank to become a signatory to the U.N. Principles for Responsible Banking. Forbright has also pledged to maintain carbon neutrality in its operational footprint (Scope 1, Scope 2, and partial Scope 3 emissions, including employee commuting, business travel, and work-from-home emissions) and is providing incentives to its team members like bonuses for employees purchasing solar panels and electric vehicles, contributions for employees taking public transit or biking to work, and reimbursement for environmentally responsible subscriptions like composting or community supported agriculture.

While our team of over 350 professionals focuses on all sectors that meet our Responsible Investment policy, we have deep industry expertise in the following areas:

- Companies pursuing clean energy, low-carbon, and sustainability strategies
- Healthcare services, including senior housing, home health care, behavioral healthcare, and outpatient care
- Renewable energy, including residential, community, and corporate solar and efficiency, wind and hydro, energy storage and efficiency, and clean energy infrastructure
- Financial services, including commercial and consumer lenders and asset owners, financial technology and transaction services companies, and real estate investors
- Technology, enterprise software, and communications companies
- Business and government services
- Building products and advanced manufacturing

Forbright's Green Financing Framework was updated in February 2023 for the use of future issuances of green bonds, notes or preferred stock (Green Instruments) or green deposits (Green Deposits). Forbright reported on the use of the proceeds of our 2021 Green Bond in our Green Bond Report published in December 2022.

Uses of Proceeds

Forbright will use or allocate the proceeds from Green Instruments and Green Deposits to finance or refinance, in whole or in part, existing or future loans or investments to corporations, assets, or projects that are expected to provide positive environmental benefits as defined by the Green Financing Eligibility Criteria presented in the chart below. Eligible Projects are investments and expenditures made by Forbright or any of its subsidiaries and/or affiliates beginning with the issuance date of any Green Instrument or Green Deposit product or in the 24 months prior to any such issuance. For corporations, at least 90% of revenues must be from eligible activities under the framework and such investments would not include the purchase of common stock.

Green Bond Principle[1] - Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG[2] Alignment
Renewable Energy	• Renewable energy production and consumption through the financing of: ○ Residential and commercial solar ○ Wind (on and offshore ○ Geothermal (with less than 100 grams CO_2/kWh) ○ Waste-to-energy (biomass or biogas power, forestry and agricultural residues, animal manure) ○ Hydropower (small scale run of river under 50 gCO_2e/kWh or power density over 10 W/m^2) ○ Associated infrastructure (production of technologies / equipment that support the above, including battery storage)	SDG 7, 13 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Energy Efficiency	• The installation of non-fossil fuel based motorized and non-motorized energy-efficient building components such as: ○ High-efficiency heating, ventilation, and air conditioning (HVAC) upgrades ○ Chiller and Cooling Tower upgrades ○ High-efficiency lighting and daylighting ○ New automated building and HVAC controls ○ High efficiency boilers and furnaces ○ New variable speed drives on motors, fans and pumps	SDG 9, 11, 12, 13

[1] *Eligible Project Categories are aligned with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), 2021*
[2] *UN Sustainable Development Goals*

	o High-efficiency water heating systems including solar thermal o Whole building energy management systems o White or green roofs o Building envelope improvements o Insulation o Indoor and outdoor water efficiency products • Improving existing systems to increase efficient use of energy, including but not limited to smart grid technologies, distributed generation, peak demand management, etc. • Improving the energy efficiency of equipment, heavy industrial commercial vehicles, irrigation and other agriculture and livestock management processes. This would exclude the purchase of diesel vehicles. Additionally, the vehicles, once retrofitted, would not be involved in fossil fuel dedicated activities (e.g., transportation of fossil fuels, etc.). • Datacenters powered by 80%+ renewable energy sources or with best-in-class power-usage effectiveness, fiber / broadband infrastructure that supports domestic technology development and industrial diversification (determined by a PUE of <1.5 for data centers).	
Green Buildings	• Efficient commercial and residential buildings meeting regional, national or internationally recognized standards or certifications, including acquisition or construction of buildings, or renovation/retrofits, assuming it achieves: o (a) a minimum ENERGY STAR rating of 85, a minimum LEED Gold certification, a minimum National Green Building Standards (NGBS) Silver certification, a maximum Home Energy Rating System (HERS) index score of 40, a HERS index score between 40-60 assuming the related portfolio of residential	SDG 9, 11, 13

	properties has an average HERS score in the top 15% of the given market, or a minimum BREEAM Excellent rating ○ (b) a 30% improvement in energy performance over a baseline or local code (only expenditures related to the building retrofits will be eligible, and not the financing of the whole asset), or ○ (c) are within the top 15% of their city in terms of greenhouse gas emissions • Remediation or development on land designated or in the process of being designated by a federal, state, or local jurisdiction as a Superfund or brownfield site (evidenced by brownfield grant funding, brownfield tax credits, or local equivalent) ○ Brownfield sites would not be in need of remediation as a direct result of activities that were financed by the borrower or Forbright	
Sustainable Water, Waste & Agriculture	• Infrastructure for clean and/or drinking water, wastewater treatment (excluding treatment of wastewater from fossil fuel operations). • Projects that improve waste collection (excluding financing for chemical recycling); circularity and material recovery from waste (including sorting and processing of mixed recyclables / residual waste). For electronic waste recycling, there will be robust waste management processes in place to identify and mitigate associated risks, and for waste collection vehicles, they will meet the criteria outlined in the Sustainable Transportation category below. • Industrial wastewater recycling infrastructure (e.g., at a cement plant). • Reforestation and the managing, growing, nurturing and harvesting of trees for useful products (only species that are well-adapted for the site are used and that a certified forest	SDG 2, 6, 12, 13, 15 

<table>
<tr><td></td><td>management plan is in place for these activities).
Forest management activities that mitigate the impact of forestry. Examples include operations and management that results in increased soil carbon stocks.
Development and operation of agriculture that does not deplete or that improves existing carbon pools certified by Rainforest Alliance, USDA Organic, Global Good Agricultural Practices, Better Cotton Initiatives (BCI). Examples of projects include: reduction in water use, reduction in fertilizer use, reduction in pesticide use, organic agriculture, precision agriculture/smart greenhouses, rehabilitation of degraded lands. This will exclude:
Monoculture farms/crops
Any livestock management for industrial scale meat production/processing
Palm oil production
Manufacture or purchase of inorganic, synthetic fertilizers, pesticides or herbicides
Financing of any fossil fuel powered equipment
Projects to reduce methane or other GHG emissions from the management of livestock. Examples include manure management with bio-digesters.
Development and operation of aquaculture that is certified sustainable by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC).
Preservation and/or restoration of aquatic biodiversity and valuable aquatic natural habitats as certified by the Global Good Agricultural Practices (Global G.A.P.) or Aquaculture Stewardship Council (ASC).</td><td></td></tr>
<tr><td>Sustainable Transportation</td><td>Development, manufacturing, purchasing, financing of: electric, hybrid (with an emission</td><td>SDG 7, 9, 11</td></tr>
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	threshold to be below 75 gCO2/km or 120.7 g CO2/mile based on lab test WLTP or NEDC procedures), public, rail, or non-motorized (bicycles and pedestrian mobility) transportation. Regarding public transportation:
	    ○ For buses (with or without BRT system), a direct emissions threshold of <50 gCO2e/pkm or 80.47 gCO2/pmi
	    ○ In case of freight transport, vehicles must not be dedicated to the transport of fossil fuels or fossil fuels blended with alternative fuels.
	    ○ In case of heavy trucks, a threshold of 25 gCO2/tkm or 40.23 gCO2/tmi
	• Regarding rail transport (e.g. electrified locomotives, electric multiple units & carriages, mass rapid transit (MRT), light rail transit (LRT), freight rail, cable cars, trolleys, trams etc.):
	    ○ For passenger rail, the expectation is for them to meet a universal direct emissions threshold of <50 gCO2e/pkm or 80.47 gCO2/pmi
	    ○ For freight rail, an overall portfolio average meets threshold of <25 gCO2e/tkm or 40.23 gCO2/tmi
	• Development, manufacturing, purchasing, financing of electric vehicle charging stations.
	• Manufacture of new zero-to-low carbon ships (subject to emissions threshold in line with market practice in accordance with the International Maritime Organization) including electric, biofuel- or hydrogen-powered.
	• Retrofit of existing passenger and cargo ships involving switching to a low-carbon fuel, as mentioned above.
	• Shipping infrastructure for alternative maritime power including outlets, electrical distribution and control systems.
		

In accordance with Forbright's Responsible Investment policy, none of the proceeds from any issuances of a Green Instrument or Product will be allocated to the following industries and activities:

- Tobacco production
- Coal generated power & mining (including thermal coal)
- Oil & gas extraction
- Pornography
- Controversial military weapons (e.g., chemical / biological, nuclear, landmines, cluster munitions)
- For-profit prisons (excluding third-party healthcare services provided to prison population)
- Predatory or deceptive lending

Forbright may update the Framework and/or the Eligibility Criteria from time to time, and in consultation with Sustainalytics, to ensure continued alignment with market practice.

Process for Project Evaluation and Selection

Forbright's ESG Strategy Committee (Strategy Committee), ESG Lending Working Group (Working Group) and Officers Loan Committee together govern the process for project evaluation and selection alongside the loan underwriting teams.

The Working Group is comprised of representation from each of the Bank's lending verticals as well as representation from the ESG and Sustainable Finance groups. The Working Group oversees the Bank's ESG assessment process for all loan opportunities across each of its lending verticals. In accordance with our Responsible Investment policy, all loan opportunities are first screened against our negative screen/exclusion list and then evaluated for ESG risks and opportunities using our ESG Due Diligence Toolkit, third-party analysis, and any other information, as available. The ESG assessment is included in the loan's summary diligence memorandum along with a risk determination for each of the environmental, social, and governance dimensions, which is presented during the loan approval process. For any loan opportunities determined to have elevated risk in any of these dimensions, a dedicated ESG risk sub-committee is responsible for ensuring that risks are appropriately addressed and mitigated prior to loan approval.

The loan underwriting teams present loan opportunities for consideration as Eligible Projects using the Sustainable Finance Addendum created for each opportunity (see Appendix). The Sustainable Finance Addendum outlines the characteristics of the transaction that support its qualification as an Eligible Project under the Forbright Green Financing Framework, and include, at a minimum:

- UN SDG Alignment
- Eligible Project Category per the Green Bond Principles
- Description of project and explanation of what makes it an Eligible Project
- Impact metrics that have been collected or will be collected, as feasible

The Strategy Committee, which includes Forbright's Chairman of the Board, Chief Legal Officer, Chief Strategy Officer, Chief Sustainability Officer, Chief Risk Officer, Chief Administration Officer, Presidents of certain business units, and Internal Audit (non-voting member), provides oversight to the Working Group. The Officers Loan Committee reviews the proposed Eligible Projects in conjunction with their review of the fulsome loan documentation and responds with an approval or rejection. A standardized form has been created to document proposals, and approvals and rejections are maintained by the Chief Sustainability Officer.

Green Deposits

Forbright's Green Deposit account(s) will allow depositors to direct their deposit balance to finance environmentally focused projects which meet our Green Financing Eligibility Criteria - with the benefit of FDIC insurance and daily liquidity.

Forbright will use the aggregate committed amount of its Eligible Green Financing Portfolio (Green Portfolio) after allocation to other Green Instruments to determine the maximum amount of its Green Deposit Capacity. A 10% buffer (i.e. the Green Deposit Capacity will be net of a 10% haircut of the Green Portfolio) will ensure the aggregate Green Deposit balance does not exceed the Green Portfolio. If, for any reason, an Eligible Loan within the Green Portfolio no longer aligns with the Eligibility Criteria, it will be removed from the Green Portfolio within 5 business days of such determination.

Forbright will attest to the allocation of a depositors' Green Deposit balance to the Green Portfolio in an at least quarterly report made available to its depositors.

Both the Green Portfolio and Green Deposit Capacity will be monitored on an ongoing basis, and Sustainalytics will conduct a joint annual review of our Green Financing impact reporting in alignment with the External Review section below.

Management of Proceeds

A Sustainable Asset Tracking (SAT) group was created to track the actual amount of net proceeds from issuances of Green Instruments or Green Deposits allocated to Eligible Projects. The Bank will allocate proceeds of Green Instruments (which have a pre-determined amount and term) within 24 months of issuance of such instruments. Pending allocation, an amount equal to the net proceeds from such funds will be held in accordance with internal liquidity policies and may be temporarily invested in cash or cash equivalents. Regarding Green Deposits (which have fluctuating balances), the Bank will maintain a Green Portfolio greater than or equal to its collective Green Deposit balance as detailed in the Green Deposits section of this framework.

In the case of divestment or if a project no longer meets the eligibility criteria listed above, Forbright intends to reallocate the funds to other Eligible Projects. The Forbright SAT group will also track any unallocated Green Instrument proceeds, if applicable. Unallocated funds will be held in cash and cash equivalents.

Reporting

Forbright understands the importance of timely and transparent reporting and remains committed to reporting at least annually on its progress in deploying future Green Instrument and Green Deposit funds until all net proceeds have been fully allocated. Forbright will publish a report on its website, which includes:

- Amount allocated by Eligible Project Category
- Description of specific projects financed
- Impact metrics (achieved or expected), as feasible
- Unallocated balances, if any

Impact metrics achieved or expected, as feasible, may include:

Green Bond Principle - Eligible Project Category	Possible Impact Metrics
Renewable Energy	• Annual GHG emissions reduced/avoided in tons of CO2 equivalent/year • Annual renewable energy generation in MWh/GWh • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	• Annual GHG emissions reduced/avoided in tons of CO2 equivalent per year • Annual energy savings in MWh/GWh and GJ/TJ per year • CO2 emissions per unit of value added (tCO2e/unit) • Length of transmission lines added (km)
Green Buildings	• Annual GHG emissions reduced/avoided in tons of CO2 equivalent per year • Annual energy savings in MWh/GWh and GJ/TJ per year
Sustainable Water, Waste & Agriculture	• Annual GHG emissions reduced / avoided (tCO2e/year) • Water use efficiency in USD/m3 • Level of water stress in m3/per capita • Waste prevented / minimized / reused / recycled (% of total waste and/or in absolute amount of tonnes/year) in tonnes • Energy generation from non-recyclable waste materials - heat / electricity / fuel (MWh, GWh, KJ /year) • Annual water savings (m3/year or % water use reduction) • Annual volume of wastewater treated, reused or avoided before and after a project (m3/year and as %)

	• Area covered by sustainable land and water management practices (ha and % of acreage farmed) • Farmland/area under soil conservation / regenerative agricultural practices / certified organic or sustainable agriculture (ha and % of acreage farmed) • Sustainable forestry management (ha, tCO2e sequestered) • Amount of recyclable materials used in a product (glass, paper, metal, plastic, textiles, and electronics)
Sustainable Transportation	• Annual GHG emissions reduced / avoided (tCO2e/year) • Change in passenger & freight volumes by mode (%) • Proportion of population that has convenient access to public transport (%) • Amount of sustainable transport infrastructure constructed/extended/improved (km) • Annual gross emissions (tCO2/year) • Reduction of air pollutants (tCO2e/year) • Number of clean vehicles deployed (#) • Estimated reduction of fuel consumption (m3)

External Review

Forbright has engaged Sustainalytics to provide an opinion update on this Green Financing Framework. Going forward, Forbright’s reporting of the Eligible Green Financing Portfolio and associated allocation to Green Instruments and Deposits will be reviewed by Sustainalytics on an annual basis, and their comments will be published in a publicly available report on our website.

Disclaimer

The information contained in this Green Financing Framework is provided as of the original date of this document (or the date of its most recent update, if applicable) and Forbright, Inc. and its wholly owned subsidiary Forbright Bank *("Forbright") does not assume any duty to update the information.*

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This Green Financing Framework contains statements regarding Forbright's plans with respect to its Green Instrument & Deposit issuances. Such statements are, by their nature, forward-looking, and accordingly are subject to numerous assumptions, risks and uncertainties, which may change over time. In particular, future events or circumstances may change Forbright's approach to Green Instrument & Deposit issuances or result in changes to the terms of Forbright's Green Financing Framework. Thus, there can be no assurance that the financing for any Eligible Projects will be implemented in the manner set forth in this Green Financing Framework or achieve the results or outcome (environmental or otherwise) originally expected or anticipated by Forbright or as contemplated by this Green Financing Framework. Applicable Offering Documents may describe other or more specific risks to accomplishment of Forbright's plans as set forth in this Green Financing Framework. Forbright's activities in general, which may affect any Green Instruments or Deposits, are also subject to certain risks and uncertainties that are described in the Offering Documents.

APPENDIX: Sustainable Finance Addendum

Sustainable Development Goal(s) and Underlying Target(s)	SDG: Underlying SDG Targets:
Eligible Project Category per the Green Bond Principles	•
Description of project and explanation of what makes it an Eligible Project	•
Impact metrics that have been collected or will be collected, as feasible	•