

ForbrightTM Green Bond Report 2022



Please consider the environment before printing this document.



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Introduction

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, sustainable, and low-carbon economy is growing increasingly urgent. By financing the visionary companies, investors, operators, and innovators working to build a clean energy economy, we are accelerating the transition to net zero greenhouse gas (GHG) emissions. At Forbright, we allocate capital and provide financing for critical investments in the energy, transportation, manufacturing, building, and healthcare sectors in an effort to build a greener and more equitable economy. Forbright believes this approach reduces credit risk, presents enhanced lending opportunities, and prioritizes the markets of the future, serving the interests of 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, skilled nursing, home health care, behavioral health care, 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

Forbrite's Green Bond issuance is a strong fit with our bank-wide decarbonization mission. This issuance supports Forbrite's efforts to accelerate the transition to a more sustainable economy by financing the industries and activities most directly contributing to these goals – including renewable energy projects and energy efficiency upgrades at the residential and commercial scale. The deployment of these proceeds is strategically aligned with our goal to dedicate half of our portfolio to clean energy and sustainability-oriented projects.

As outlined in the Green Bond Principles, this document reports on how the proceeds of our 2021 Green Bond have been allocated. All proceeds from Forbrite's Green Bond issuance were allocated in accordance with our Green Financing Framework (included herein).

To learn more about our approach, visit [our website](#) and read our 2021 ESG Report.

Inaugural Green Bond Issuance

ISSUANCE DETAILS

On December 22, 2021, Forbright, Inc. (the parent company of Forbright Bank) issued its inaugural Green Bond in the amount of \$125 million. Key issuance metrics are as follows:

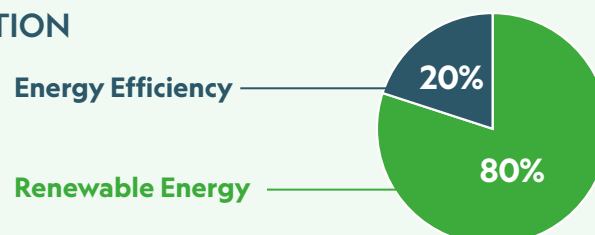
KEY ISSUANCE METRICS

Issuer	Forbright, Inc.
Principal Amount	\$125,000,000
Coupon	4.00% (Fixed-to-Floating Rate)
Tenor	10-year
CUSIP	20727PAG9
ISIN	US20727PAG90

USE OF PROCEEDS AND IMPACT METRICS

As of September 30, 2022, the net proceeds of Forbright's 2021 Green Bond were entirely allocated to renewable energy and energy efficiency projects in alignment with the criteria for Eligible Green Projects set forth in our Green Financing Framework, included herein. Our total Green Financing portfolio comprises approximately \$380 million of assets as of September 30, 2022. For purposes of this report, we will present the impact of the \$125 million Green Bond proceeds allocated to eligible projects during the period from January 1, 2021 and September 30, 2022 (based on the eligibility period for our Green Bond issuance in December 2021, which includes the 12 months prior to such issuance).

ASSET ALLOCATION





The tables in the sections below outline the Eligible Green Projects to which those proceeds were allocated and the expected impact metrics relating to those projects. We used a pro-rata allocation of the estimated annualized impact across renewable energy and energy efficiency assets in the Green Bond portfolio which were originated during the period from January 1, 2021 through September 30, 2022. The impact metrics are presented in accordance with the recommendations set forth in the International Capital Markets Association's [Harmonised Framework for Impact Reporting \(June 2022\)](#). All impact metrics presented in the table below are based on available actual data or estimated data.

RENEWABLE ENERGY

Forbight allocated \$100 million of Green Bond proceeds to eligible projects in the renewable energy category. As shown in the chart below, this activity represents total estimated annual renewable energy generation of 30,477 megawatt hours (MWh), which translates into avoiding an estimated 10,680 metric tons of CO2 equivalent emissions per year. Projects in this category seek to reduce greenhouse gas (GHG) emissions and reduce consumption of fossil fuels by increasing renewable energy production and consumption through the financing of residential solar.

SUMMARY OF RENEWABLE ENERGY PROJECTS

Project Type	Funded Amount Allocated to Bond	Capacity/ System Size (MW)	Estimated Annual Renewable Energy Generation (MWh/year) ¹	Estimated Annual GHG Emissions Avoided (Metric Tons of CO2 equivalent/year) ²
Residential Solar	\$100,000,000	21	30,477	10,680

Note: Forbight's share of impacts are equivalent to total project impacts for the reported Renewable Energy projects.

¹ Estimated annual renewable energy generation in MWh is based on the installed capacity of a renewable energy project.

² Avoided emissions are calculated using the estimated annual renewable energy generation in megawatt hours of the project financed. Estimated energy generation is converted to CO2 equivalent emissions using the U.S. Environmental Protection Agency (U.S. EPA) Emissions Rates for the state in which the project is located.



ENERGY EFFICIENCY

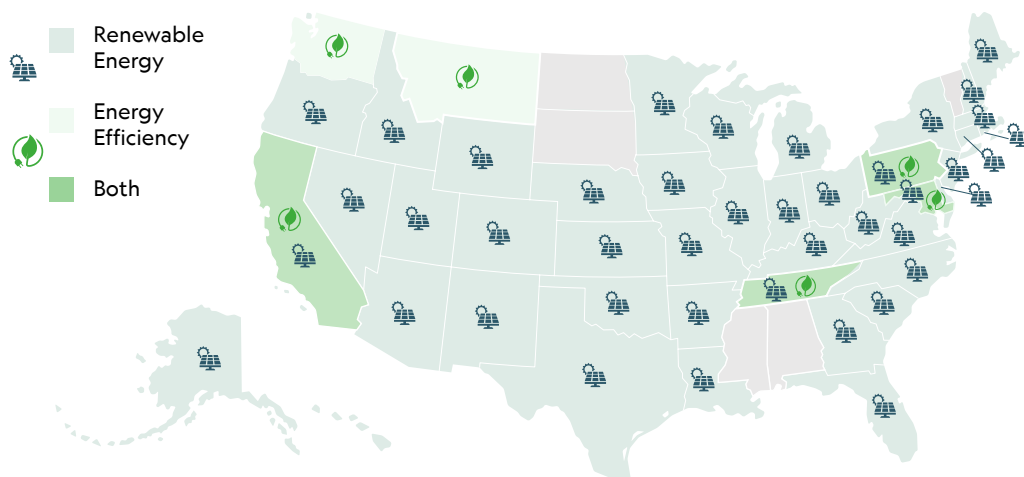
Forbriht allocated \$25 million of Green Bond proceeds to eligible projects in the energy efficiency category. As shown in the chart below, this activity represents total estimated annual energy savings of 5,883 megawatt hours, which translates into avoiding an estimated 1,161 metric tons of CO2 equivalent emissions per year. Projects in this category include financing to hotels, senior living facilities, and other commercial buildings that sought to reduce GHG emissions through the installation of energy-efficient building components such as high-efficiency heating, ventilation, and air conditioning (HVAC) upgrades, high-efficiency lighting and daylighting, high-efficiency boilers and furnaces, and solar panels among other energy efficient upgrades.

SUMMARY OF ENERGY EFFICIENCY PROJECTS

Project Type	Funded Amount Allocated to Bond	Estimated Annual Energy Savings (MWh/year) ³	Estimated Annual GHG Emissions Avoided (Metric Tons of CO2 equivalent/year) ⁴
Commercial Energy Efficiency	\$25,000,000	5,883	1,161

Note: Forbriht's share of impacts are equivalent to total project impacts for the reported Energy Efficiency projects.

GEOGRAPHIC BREAKDOWN OF SELECTED GREEN PROJECTS



³ Estimated annual energy savings in MWh is based on calculated annual energy savings data on each of the underlying energy efficiency projects. In the case of one project, energy savings data was not available and was estimated based on the [average MWh saved](#) per dollar invested for projects installed in California and Florida over a 23-year period.

⁴ Avoided emissions are calculated using the estimated annual renewable energy generation in megawatt hours of the project financed. Estimated energy savings are converted to CO2 equivalent emissions using the U.S. Environmental Protection Agency (U.S. EPA) Emissions Rates for the state in which the project is located.

GREEN PROJECT HIGHLIGHTS

Helping People Switch to Solar at Home

In April 2021, Forbright began funding its first residential solar and energy-efficient home improvement projects. Forbright's loans accelerate the adoption of clean energy in homes across the U.S. by making solar energy accessible and affordable, with no-money-down loans with fixed interest rates and multiple term options. Forbright has funded nearly 7,000 residential solar loans, representing ~\$290 million in financing as of September 30, 2022.

Making Clean Energy Easy to Implement in Commercial Buildings

During 2021, Forbright launched a Commercial Property-Assessed Clean Energy (C-PACE) program. This is a financing option for renewable energy such as solar, energy efficiency upgrades like new windows or upgraded HVAC units, conservation projects like green roofs, and much more. Through this financing approach, commercial property owners can obtain low-cost upfront capital for clean energy and other qualifying improvement projects that is later repaid through a long-term assessment on the owner's property taxes. As of September 30, 2022, Forbright has funded 17 C-PACE eligible projects, representing ~\$44 million in financing.

ELIGIBLE C-PACE MEASURES



HVAC



Renewable
Energy



Building
Envelope



Lighting and
Electricity



Water
Efficiency



Resiliency

BENEFITS OF C-PACE

Fixed-rate
financing

Non-recourse

Up to 100%
financing

Low-cost
alternative to
mezzanine debt

Off-balance sheet
financing and
transferrable

Reserves
working capital



First payment
deferral and
interest-only
options

Costs can be
shared with
tenants

Green Financing Framework


USES OF PROCEEDS

Eligible Green Projects presented in the chart below are investments and expenditures made by Forbright or any of its subsidiaries and/or affiliates beginning with the issuance date of any Green Bond or in the 12 months prior to any such issuance.

Green Bond Principle ⁵ - Eligible Project Category	Eligibility Criteria and Example Projects	UN SDG ⁶ Alignment
Renewable Energy	Project(s) seek to reduce GHG emissions and reduce consumption of fossil fuels by increasing renewable energy production and consumption through the financing of residential and commercial solar photovoltaic (PV) and associated infrastructure.	SDG 7 
Energy Efficiency	<p>Project(s) seek to reduce GHG emissions and reduce consumption of fossil fuels through the installation of non-fossil fuel based motorized and non-motorized energy-efficient building components such as:</p> <ul style="list-style-type: none"> • 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 • High-efficiency water heating systems including solar thermal • Whole building energy management systems • White or green roofs • Building envelope improvements • Insulation 	SDG 7 

⁵ Eligible Project Categories are aligned with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), 2021.

⁶ [UN Sustainable Development Goals](#).



In accordance with Forbright's Responsible Investment policy, none of the proceeds from any issuances of a Green Bond were allocated to the following industries and activities:


- ✱ Gaming/gambling
- ✱ Tobacco production
- ✱ Coal generated power & mining (including thermal coal)
- ✱ Oil & gas extraction
- ✱ Pornography or other adult entertainment
- ✱ For-profit prisons (excluding third-party healthcare services provided to prison population)
- ✱ Predatory or deceptive lending

Forbright reserves the right to update its Eligible Projects criteria for future Green Bond issuances so long as the criteria align with the Green Bond Principles.

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 ESG 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 ESG Officer.

MANAGEMENT OF PROCEEDS

A Sustainable Asset Tracking (SAT) group was created to track the actual amount of net proceeds from the issuance of the Green Bond spent on Eligible Projects. Pending allocation, an amount equal to the net proceeds from the issuance of the Green Bond will be held in accordance with internal liquidity policies and may be temporarily invested in cash or cash equivalents.

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 Bond funds. 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 the Green Bond funds until all net proceeds have been fully allocated. In accordance with this commitment, Forbright will publish this 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

In alignment with our Green Financing Framework published at the time of the Green Bond issuance, impact metrics achieved or expected, as feasible, include:

Green Bond Principle - Eligible Project Category

Impact Metrics

Renewable Energy	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Annual GHG emissions reduced/avoided in tons of CO2 equivalent per year• Annual energy savings in MWh/GWh and Gigajoule/Terajoule per year

EXTERNAL REVIEW

Forbright engaged Sustainalytics to provide a second party opinion on the alignment of our Green Financing Framework with the Green Bond Principles. The opinion provided by Sustainalytics is available on our [website](#).



Management Assertion

Forbright's management asserts that, as of September 30, 2022, the proceeds of \$125,000,000 from the December 22, 2021 issuance of Forbright's Green Bond were allocated to finance Eligible Green Projects in alignment with the Green Financing Framework. Forbright is responsible for the completeness, accuracy, and validity of this management assertion.




Disclaimer

The information contained in this Green Bond Report 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 Bond Report contains statements regarding Forbright's plans with respect to its Green Bond 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 Bond 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 its Green Financing Framework or achieve the results or outcome (environmental or otherwise) originally expected or anticipated by Forbright or as contemplated by its 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 Bond Report. Forbright's activities in general, which may affect any Green Bonds that it issues, are also subject to certain risks and uncertainties that are described in the Offering Documents.

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