Green Funding Framework

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Introduction

Rationale for Green Funding

Borgo AB (publ) (“**Borgo**” or the “**Issuer**”) has established its inaugural Green Funding Framework (the “**Framework**”) under which the Issuer intends to issue green bonds to finance and/or refinance loans with a positive environmental benefit. The Framework is intended to support Borgo’s long-term sustainability strategy by linking it directly to the Issuer’s funding activities and by providing increased transparency to investors regarding Borgo’s commitment to the sustainable finance market.

Alignment with Market Principles

The Framework is aligned with the 2025 edition of the International Capital Markets Association (“**ICMA**”) Green Bond Principles (“**GBP**”)[1] and their four core components including key recommendation.

The four core components of ICMA GBP:

- Use of Proceeds
- Process for Loan Evaluation and Selection
- Management of Proceeds
- Reporting

Key recommendation:

- External Review

The Framework is applicable for issuance of green bonds under various formats such as senior preferred bonds, senior non-preferred bonds, and covered bonds (“**Green Bonds**”).

Borgo will review this Framework from time to time, including its alignment with updated versions of the ICMA GBP. Accordingly, the Issuer may, from time to time, deem it appropriate to further update the Framework in order to maintain or enhance the level of transparency and reporting disclosures. Any material revision of the Framework will be subject to a new Second Party Opinion.

Swedbank acted as Sustainability Coordinator to Borgo in the establishment of this Framework.

[1] The Green Bond Principles (GBP) 2025

Borgo in Short

Borgo is an independent mortgage provider offering residential mortgage loans through its network of distribution partners: ICA Banken, Ikano Bank, Sparbanken Syd, Söderberg & Partners, Ålandsbanken and Lån & Spar Bank. As of 31 December 2025, Borgo has total assets of approximately SEK 46 billion and a loan portfolio of approximately SEK 39 billion, serving around 23 000 customers. The latest financial reporting is available on Borgo's website[2]. In addition to mortgage lending, Borgo offers savings accounts for individuals and businesses.

Borgo is jointly owned by ICA Banken, Ikano Bank, Lån & Spar Bank, Sparbanken Syd, Söderberg & Partners, and Ålandsbanken. Additional shareholders in Borgo include Persson Invest, Proventus, Real Alliance, and Neptunia Invest.

Borgo is characterized by a flat organisational structure and a short decision-making chain. Supported by a modern data infrastructure, Borgo is building a scalable and efficient mortgage operation. While distribution partners manage sales and customer relationships, the Issuer focuses on its core activities: (i) loan origination; (ii) retail and wholesale funding; (iii) capital structure management; and (iv) risk management. Mortgage lending is distributed via partners, with all credit decisions made in-house. Deposits are sourced both via distribution partners and under the Borgo brand.

Sustainability Strategy

Sustainability is an integral part of all of the Issuer's activities. Borgo's **Environmental Policy** forms the foundation of its environmental work and sets out the Issuer's environmental principles, objectives, organisational responsibilities, and actions. The policy states that Borgo adheres to the environmental principles of the **UN Global Compact** and the **Rio Declaration**, including considerations of potential negative environmental impacts in decision-making processes.

The Environmental Policy also defines Borgo's procedures for identifying, measuring, and monitoring its environmental impact, thereby supporting continuous efforts to reduce resource consumption and greenhouse gas emissions.

Borgo's most significant emissions arise from its mortgage portfolio (Scope 3). Currently Borgo does not offer green mortgages, but that may be relevant going forward in an attempt to encourage green and energy efficient housing.

Climate targets

Borgo has established a comprehensive **climate roadmap** to guide its emissions-reduction efforts. This roadmap serves as a living framework, updated regularly to reflect evolving regulatory requirements and stakeholder expectations.

<u>Climate targets by 2030 (base year 2022)</u>

- Scope 1: Maintain zero CO_2e emissions, consistent with 2022 levels
- Scope 2: Maintain 2022 emission levels by continuing to source 100% renewable electricity for own operations

[2] https://www.borgohypotek.se/finansiella-rapporter

- Scope 3:
    - Achieve a 40% reduction in Scope 3 emissions per employee across the value chain[3] by 2030
    - Achieve a 40% reduction in Scope 3 emissions per square meter associated with the mortgage portfolio[4] by 2030

These targets, formally approved by the Board of Directors, reflect the Borgo's commitment to aligning its business operations and products with a low-carbon future while supporting the broader transition to sustainable housing and finance.

In addition, Borgo conducts a climate risk analysis in line with the Task Force on Climate-related Financial Disclosures ("**TCFD**") and has carried out a **double materiality assessment** in accordance with the European Sustainability Reporting Standards ("**ESRS**").

Sustainability governance

The **Board of Directors** has the ultimate responsibility for Borgo's sustainability-related impacts, risks, and opportunities, and ensures that these matters are monitored and taken into account in key strategic decisions of the Issuer. Sustainability is a standing item at every board meeting, which are held at least quarterly, ensuring that the Board is continuously informed on developments related to sustainability. In addition, the Board establishes Borgo's governing documents and is responsible for the Issuer's reporting, including the sustainability report.

<u>Policy and governing documents</u>

- Code of Conduct
- Environmental Policy
- Ethics Policy
- Occupational Health and Safety Policy
- Professional Development Policy
- AML/CFT Policy
- Recruitment Policy
- Supplier Code of Conduct
- Whistle-blower function

[3] Emissions from the value chain correspond to the following Scope 3 categories: 3.1 - Purchased goods and services (Maintenance and major purchases), 3.3 - Fuel- and energy-related activities, 3.5 - Waste generated in operations, 3.6 - Business travel by private car/air, 3.7 - Employee commuting.
[4] Emissions from mortgages correspond to Scope 3 category 3.15 – Investments.

The Four Pillars of ICMA GBP

Use of Proceeds

Allocation of net proceeds

An amount equivalent to the net proceeds from Borgo's Green Bonds will be used to finance and/or refinance, in whole or in part, mortgages with environmental benefits ("**Green Loans**"). As Green Loans are used to finance and refinance fixed assets, no look-back period is applicable. New financing refers to Green Loans disbursed during the relevant reporting year, while refinancing refers to Green Loans disbursed prior to the reporting year.

For the avoidance of doubt, an amount equivalent to the net proceeds will only be allocated exclusively to the financing or refinancing of mortgages granted to retail customers, single-family homes, tenant-owner associations (Sw. bostadsrättsförening) and tenant-owner rights (Sw. bostadsrätter), in accordance with the Eligibility Criteria set out on the following page.

EU Taxonomy

The Framework seeks, on a best-effort basis, to consider the most recent market practices, in particular the EU Taxonomy Delegated Act on Climate Change to the extent possible. Hence, the eligible Green Loan category has been mapped to applicable EU Environmental Objectives, and the applicable Eligibility Criteria have been developed to comply with the technical screening criteria set out in the EU Taxonomy Delegated Act on Climate Change at the time of publication of this Framework.

Exclusion criteria

The net proceeds of Borgo's Green Bonds will not be used to finance or refinance activities related to nuclear energy generation, weapons, and defence industries, environmentally harmful resource extraction, gambling, or tobacco. In addition, fossil fuel-related equipment will be excluded. Furthermore, Borgo's Green Bonds adhere to the EU Paris Aligned Benchmark ("PAB") exclusions as of the time of this Framework publication.

Green Buildings

EU Taxonomy objective: Climate change mitigation
UN SDGs: 7 – Clean Energy, 11 – Sustainable Cities and Communities

Eligibility Criteria

New residential buildings[5]

Eligible EU Taxonomy activity: 7.1. Construction of new buildings

- Primary Energy Demand[6] ("PED") at least 10% lower than the threshold set for Nearly Zero Energy Building ("NZEB") according to national building regulations[7]

Existing residential buildings[8]

Eligible EU Taxonomy activity: 7.7. Acquisition and ownership of buildings

- Energy Performance Certificate ("EPC") A or within top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence[9]

Major renovations

Eligible EU Taxonomy activity: 7.2. Renovation of existing buildings

- Renovations leading to primary energy savings of at least 30% within maximum of three years and validated through an Energy Performance Certificate ("EPC") upon completion of the renovation, or
- The building renovation complies with the applicable minimum energy requirements of the national building regulation for major renovations

[5] Year of construction after 31 December 2020.
[6] Or equivalent energy performance metric.
[7] In Sweden, thresholds set for NZEB is implemented through Boverkets Byggregler, BBR. The energy performance is or will be certified using an Energy Performance Certificate ("EPC"). The Issuer can also seek guidance from other appropriate external benchmarks or use model estimates for PED where EPCs are missing to determine NZEB -10% if such report is issued by a national government or industry specialist.
[8] Year of construction before 31 December 2020.
[9] The report by the Swedish Property Federation (Fastighetsägarna in Sw.), CIT Energy Management will be used for determining top 15%. The Issuer can also seek guidance from other appropriate external benchmarks or use model estimates for PED where EPCs are missing to determine the top 15% if estimates are used, the underlying methodology will be presented in the annual investor report.

Process for Loan Evaluation and Selection

The credit process

All loans, including Green Loans, are subject to the credit process, including a Know-Your-Customer (“**KYC**”) procedure which intends to ensure compliance with applicable national and international regulations, as well as the Issuer’s internal policies and governing documents, related to Anti-Money Laundering, Counter-Terrorist Financing and Sanctions policies.

As all lending exposure is within Sweden, high environmental and labour, health and safety standards are ensured by the relevant national legislation and the European Union’s mandatory environmental and social standards. Sweden also adheres to the International Labour Organization’s (“ILO”) core conventions. Only loans approved in the regular credit process can be eligible for green funding, and the qualification for green criteria cannot override credit risk.

The Green Bond Committee

The Green Bond Committee (“**GBC**”) is responsible for overseeing the evaluation and selection of Green Loans. The GBC is composed of representatives from the CFO Office, Treasury and Credit functions. Other internal representatives with relevant expertise may be invited to participate when deemed appropriate. The GBC meets at least annually.

The GBC’s responsibilities include the following elements:

- Reviewing, selecting and validating Green Loans
    - The CFO Office screens mortgages against the national data base from the Swedish National Board of Housing, Building and Planning (Boverket Sw.), to determine if they meet the Eligibility Criteria set out in the Framework;
    - The GBC confirms that proposed Green Loans adhere to the Eligibility Criteria set out in the Framework. The approved Green Loans will be included in the Issuer’s internal tracking model (“**Green Register**”);
    - The GBC is also responsible for excluding Green Loans that no longer comply with the Eligibility Criteria, in such case, when required, replacing them
    - A decision to allocate proceeds will require a consensus decision by the GBC. The decisions made by the GBC will be documented and filed
- Overseeing, approving, and publishing the annual investor report.
- Reviewing and approving any future updates of the Framework.
- Updating external documents such as the Second Party Opinion (“SPO”) and related documents from external consultants and accountants in connection with material updates to this Framework.

Management of Proceeds

Tracking of net proceeds

An amount equivalent to the net proceeds from Borgo's Green Bonds will be tracked by using the Green Register. All Green Bonds issued by Borgo will be managed on a portfolio level. This means that a Green Bond will not be linked directly to one (or more) pre-determined Green Loans. The Green Register is monitored on a regular basis (at least annually) by Borgo's CFO Office, on behalf of the GBC, to ensure there is sufficient volume of eligible Green Loans in the Green Register.

Green Loans can, whenever needed, be removed, or added to/from the Green Register. For the sake of clarity, if for any reason an eligible Green Loan ceases to comply with the requirements set out in the Framework, such loan will be removed from the Green Register.

Allocation period

Borgo will commit to, on a best-effort basis, allocate an amount equivalent to the net proceeds from the Green Bonds to Green Loans within 12 months from the issuance date of the Green Bond(s).

Temporary holdings

Pending full allocation, proceeds not yet allocated towards Green Loans will be placed in the liquidity reserves that consist of for example, supranational, sovereign, agency, municipality and government bonds, covered bonds, money market securities/and or cash, and managed as such. For the avoidance of doubt, temporary holdings will comply with the exclusion criteria of this Framework.

Reporting

Borgo commits to provide investors with reporting on the allocation and impact of proceeds from Green Bonds to the Green Loans on a yearly basis, until full allocation or in the event of any material developments. The report will be available on Borgo's website[10].

Allocation reporting

The allocation report will include the following information:

- Total amount of Green Bonds outstanding
- Allocated amounts including breakdown by Green Loan sub-category
- Distribution of new financing and refinancing
- If applicable, share of unallocated proceeds

Impact reporting

Borgo aims to report on quantitative impact indicators where feasible and relevant data is available. The information may be provided on an aggregated portfolio basis because of confidentiality agreements, or numerous Green Loans limiting the amount of detail that can be made available. Examples of impact indicators include:

ICMA GBP category	Example of impact reporting metrics
Green Buildings	• Estimated financed GHG emissions (tCO2e) • Estimated annual GHG emissions reduced and/or avoided (tCO2e) • Estimated annual energy savings (MWh or GWh) • Distribution of EPC label

[10] https://www.borgohypotek.se/investor-relations

External Review

Pre-issuance Review (Second Party Opinion)

The Framework has been reviewed by Moody's who was asked to confirm the alignment with ICMA GBP. The Second Party Opinion will be available on Borgo's website[11], together with this Framework.

Post-issuance Review (External verification)

The allocation reporting will be externally verified, by an auditor or another independent third party, to verify whether an amount equal to the net proceeds from Borgo's Green Bonds have been allocated to Green Loans. This verification will take place annually until full allocation and in the event of any material developments. The verification report will be published on Borgo's website[12] together with the investor report.

[11] https://www.borgohypotek.se/investor-relations
[12]https://www.borgohypotek.se/investor-relations