ASSESSMENT
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Borgo AB

Second Party Opinion – Green Funding Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to Borgo AB's (Borgo) green funding framework dated August 2026. Borgo has established its use-of-proceeds framework to finance one eligible green category - green buildings. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS5 Weak | SQS4 Intermediate | SQS3 Good | SQS2 Very good | SQS1 Excellent

SQS2

Alignment with principles
USE OF PROCEEDS

Overall alignment

Not aligned | Partially aligned | Aligned | Best practices

FACTORS	ALIGNMENT
Use of proceeds	Aligned
Evaluation and selection	Best practices
Management of proceeds	Best practices
Reporting	Aligned

Contribution to sustainability

Final contribution to sustainability

Poor | Limited | Moderate | Significant | High

Preliminary contribution to sustainability
Relevance and magnitude

Additional considerations **No adjustment**

POINT-IN-TIME ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Borgo's green funding framework, including the framework's alignment with the ICMA's GBP 2025. Under the framework, the issuer plans to finance projects in one green category - green buildings, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 26th August 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

Borgo is a Swedish mortgage credit institution established in 2018 and headquartered in Stockholm. Borgo is supervised by the Swedish Financial Supervisory Authority and has held a license to issue covered bonds since March 2021. The bank is jointly owned by ICA Banken, Ikano Bank, Lån & Spar Bank, Sparbanken Syd, Söderberg & Partners, and Ålandsbanken, together with other financial investors, and its industrial owners are well established within the Swedish financial sector. Borgo operates without a retail branch network and originates mortgage loans that are distributed by its partners under their own brands, while credit decisions are made in house. Large parts of business process operations and the IT platform are outsourced to Ålandsbanken and its subsidiary, Crosskey, allowing Borgo to focus on core activities including loan origination, funding, capital structure, and risk management. In addition to mortgages, Borgo offers retail savings accounts through its website and partners, with deposits covered by the Swedish deposit insurance scheme. As of December 2025, Borgo has total assets of SEK 46.2bn, a loan portfolio of SEK 39.3bn, and serves approximately 23,000 customers.

Borgo faces low environmental risks, primarily reflecting the residential mortgage based nature of its loan portfolio, which limits exposure to carbon transition risks. Social risks mainly relate to regulatory compliance, customer relations, and data protection, given the handling of large volumes of sensitive personal data. The bank is also exposed to potential fines and reputational risks arising from product misselling, misrepresentation, or other misconduct. These risks are mitigated through continued investments in technology, a strong track record in data handling, and appropriate governance, compliance, and risk management frameworks.

Strengths

» The eligible category targets key sustainability challenges for the real estate investment sector by increasing energy efficiency and decreasing carbon emissions.

» Operational energy thresholds used as eligibility criteria are considered ambitious.

Challenges

» By concentrating only on the financing of acquisition and construction activities, the financing falls short of fully addressing the sustainability objective of climate change mitigation, considering that renovation activities for the ageing building stock have become a local priority.

» There is no independent verification of the impact reporting on environmental benefits associated with the financed projects.

Alignment with principles

Borgo's green funding framework is aligned with the four core components of the ICMA's GBP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

- [x] Green Bond Principles (GBP)
- [ ] Green Loan Principles (GLP)
- [ ] Social Bond Principles (SBP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned ▼	Best practices

Clarity of the eligible categories – BEST PRACTICES

Borgo has clearly communicated the nature of the expenditure and the eligibility and exclusion criteria for the eligible category. The eligibility criteria for project category has been defined in the framework. 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 green loans. The issuer has identified the location of eligible projects to be within Sweden.

Clarity of the environmental or social objectives – BEST PRACTICES

Borgo has clearly defined the relevant environmental objective associated with eligible category aimed at climate change mitigation. The issuer has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objective of the eligible category, and the objective is coherent with these recognized international standards.

Clarity of expected benefits – ALIGNED

The issuer has identified relevant expected environmental benefits for the eligible category. The benefits identified are measurable and will be quantified in the impact reporting. Borgo will disclose the actual share of refinancing as part of its post-issuance reporting, however the estimated share of refinancing will not be disclosed prior to issuance. Green loans under the framework will not be subject to a look-back period.

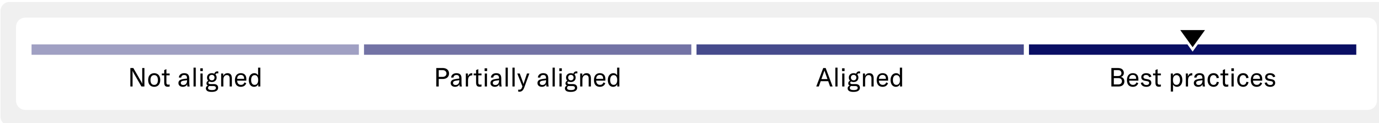
Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

Borgo's decision-making process for the selection and evaluation of green loans is clearly structured and outlined in its framework, which will be publicly available. The Green Bond Committee is responsible for overseeing the evaluation and selection of green loans. The committee is composed of representatives from the CFO Office, Treasury and Credit functions. The issuer will monitor the compliance of green loans with both eligibility and exclusion criteria at least annually. In the event a green loan no longer fulfills the eligibility criteria throughout the lifetime of the bond, it will be removed from the Green Register. Details of the company's environmental and social (E&S) risk management process is disclosed in the framework and annual report, which will be made publicly available.

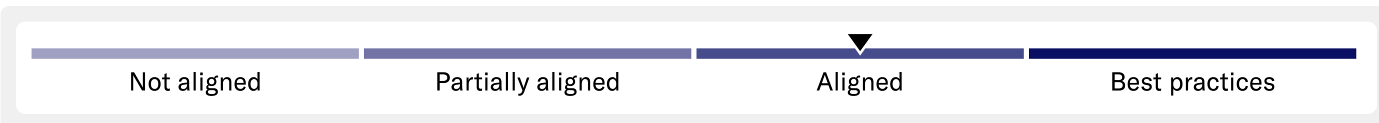
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The issuer has defined a clear process for the management and allocation of proceeds in its framework, which will be publicly available. Net proceeds from green bonds will be managed according to a portfolio approach, placed in their general treasury and tracked through a green register. This register is monitored at least annually to ensure there is sufficient volume of eligible green loans in the green register. Proceeds from green bonds will be allocated green loans within 12 months from issuance of green bonds. Temporarily unallocated proceeds will be placed in the liquidity reserve that consists of supranational, sovereign, agency, municipality and government bonds, covered bonds, money market securities and or cash and managed by the issuer, complying with the exclusion criteria of the framework.

Reporting



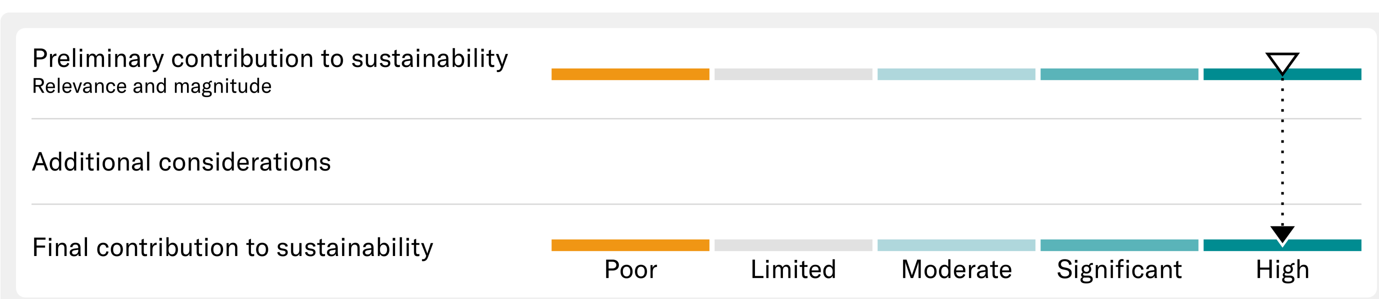
Reporting transparency – ALIGNED

Borgo will publish both allocation and impact reports annually until full allocation or in the event of any material developments. The report will be publicly available on Borgo's website. The allocation and impact reporting will be exhaustive and will include relevant information, such as sum of the aggregated green bonds outstanding, total amount allocated including breakdown by green loan sub-category, the balance of unallocated proceeds, the share of proceeds used for financing and refinancing, and the expected or realized environmental impacts of the eligible green loans.

The issuer has identified and disclosed clear and relevant environmental reporting indicators for the eligible category within its framework, and cover the expected environmental benefits for the eligible category. The calculation methodologies and assumptions used to report on environmental impacts will be disclosed as part of the impact reporting. Additionally, Borgo will also obtain independent verification on allocation reporting. However, the impact assessment of environmental benefits will not be externally verified.

Contribution to sustainability

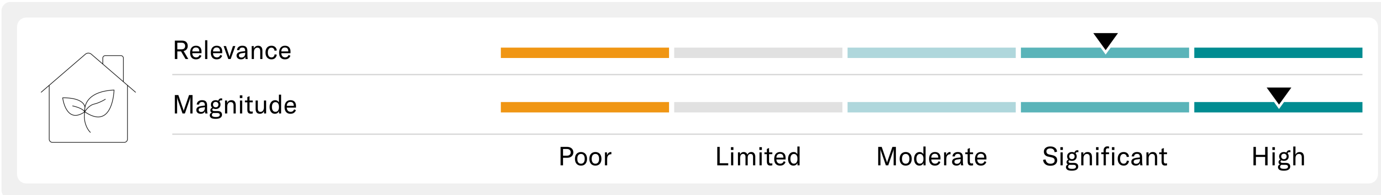
The framework demonstrates a high overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of high, based on the relevance and magnitude of the eligible project categories. We have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is high, based on the relevance and magnitude of the eligible project category. Based on information provided by the issuer, we expect the vast majority of proceeds from forthcoming issuances to be allocated to the single green buildings category. As this is the only eligible category under the framework, the full weighting has been assigned to it in our assessment of the framework's overall contribution to sustainability. A detailed assessment by eligible category is provided below.

Green buildings



The relevance is considered significant. By investing in acquisition and construction of green building assets, the issuer addresses the objective of climate change mitigation by enhancing energy efficiency in the real estate sector. The building sector accounts for around 20% of Sweden's domestic GHG emissions and approximately 40% of the country's total energy use, highlighting the sector's substantial environmental footprint. [2,3] Sweden has set ambitious decarbonization targets, including a reduction of GHG emissions by 63% by 2030 compared to 1990 levels, with the buildings sector identified as a cornerstone for achieving these targets.[4]By focusing on the exclusive financing of acquisition activities in existing and future allocation, the issuer responds partially to the climate change mitigation challenge for the real estate sector in Sweden. A large potential for reducing energy use is only possible through renovations of the existing building stock. As estimated by the Swedish Energy Agency, about 35% of heat loss typically occurs through windows, 20% through walls, and 15% through ventilation, roofs and floors. Renovation activities therefore will be key to achieving national climate targets in the real estate sector.

Eligible projects falling in this category will highly contribute to climate change mitigation. Under the framework, the allocation is expected to be directed toward the acquisition of existing residential buildings, with no allocation foreseen for construction and renovation activities.

For the acquisition of buildings, which drives the score, the eligibility criterion requires assets to fall within the top 15% of the most energy efficient buildings. In Sweden, this criterion is considered highly ambitious and aligned with market best practice, corresponding to a long-term 1.5 degree pathway. The residential asset classes, consisting of single family houses (Småhus) and multifamily residential buildings (Flerbostadshus) have a maximum of 78 kWh/m2/yr and 81 kWh/m2/yr respectively in primary energy demand (PED) to be in the top 15%. The best practice maximum limit according to the CREEM tool is 70 kWh/m2/yr (single family) and 65 kWh/m2/yr (multifamily) in final energy in Sweden. These thresholds are considered aligned with a 1.5 degree pathway, following the conversion of primary energy into final energy. For new construction, eligible buildings must demonstrate a primary energy demand that is at least 10% better than the threshold set for Nearly Zero Energy Building ("NZEB") according to national building regulations, which is considered ambitious. In practice, residential assets would be typically subject to a baseline maximum primary energy demand of wither 67.5 or 81 kWh/m²/year. This is considered highly efficient in the long term and compatible with a 1.5C scenario. With respect to embodied carbon, the issuer will perform life-cycle assessments in line with Sweden's climate declaration requirements for buildings. While this approach ensures measurement and transparency of embodied emissions, it does not currently impose quantitative reduction thresholds on embodied carbon. Although the framework sets eligibility criteria for renovation projects, including a minimum 30% reduction in primary energy demand, no allocation is currently foreseen. Where applied, this threshold represents a good market standard but not the most ambitious on the market.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

The company has a robust ESG risk management system in place, covering the entire value chain. The company's sustainability efforts are directed by its double materiality analysis, pinpointing areas where the company has the greatest impact and encounters the most substantial sustainability-related opportunities and risks. Borgo continuously assess suppliers and partners for non-financial risks, working with issues related to corruption, money laundering and terrorism, as well as our customers' privacy and security. Furthermore, Borgo conducts climate risk analysis in line with the Task Force on Climate-related Financial Disclosures ("TCFD").

With regards to coherence, Borgo has a detailed plan regarding climate change mitigation. The company plans to not exceed emission levels from 2022 for scopes 1 & 2 and continue the use of 100% renewable energy [5]. For scope 3, two relative targets have been set. The first of which is to reduce Scope 3 emissions per employee from the value chain by 40 percent by 2030. The second is to reduce Scope 3 emissions per square meter from mortgages by 40 percent by 2030. [6]

Appendix 1 - Alignment with principles scorecard for Borgo's green funding framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	Aligned
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Aligned	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	No		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	Best practices
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Aligned	Aligned
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	No		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	No		
Overall alignment with principles score:					**Aligned**

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The one eligible category included in Borgo's framework are likely to contribute to two of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	*Green buildings*	7.3: Double the global rate of improvement in energy efficiency
GOAL 13: Climate Action		Measures to reduce GHG emissions contribute to climate action under SDG 13.

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in Borgo's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Green Buildings	**New residential buildings** Eligible EU Taxonomy activity: 7.1. Construction of new buildings - Primary Energy Demand ("PED") at least 10% lower than the threshold set for Nearly Zero Energy Building ("NZEB") according to national building regulations **Existing residential buildings** 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 **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	Climate change mitigation	- 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

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 Fossilfritt Sverige, Roadmap for fossil-free competitiveness: Construction, 2024.

3 Blomqvist et al. (2022), "Understanding energy efficiency decisions in the building sector – A survey of barriers and drivers in Sweden", Cleaner Engineering and Technology.

4 European Parliament, Sweden's climate action strategy, December 2024.

5 Borgo, Annual Report, 2024

6 IBID

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