

Second-Party Opinion

Berkshire Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Berkshire Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Electricity Generation, Green Buildings, Renewable Energy Technology, Storage and Manufacturing, Energy Efficiency, Affordable Housing, Workforce Housing, and Financial Inclusion and Access – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to contribute to the transition to a low-carbon economy and help support the socio-economic development of the United States and advance the UN Sustainable Development Goals, specifically SDGs 7, 8 and 11.



PROJECT EVALUATION / SELECTION Berkshire Bank's Environmental, Social, Governance Committee (ESGC) is responsible for evaluating and selecting eligible projects. The Bank has adopted an Enterprise Risk Management programme which is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Berkshire Bank's ESG Committee will be responsible for the allocation in an amount equal to the net proceeds by using the Berkshire Sustainable Bond Asset Tracking Report. Berkshire Bank intends to fully allocate an amount equal to the net proceeds within 24 months following the issuance date. Pending allocation, net proceeds will be temporarily invested in cash, cash equivalents, high-quality liquid assets or used to repay debt that has no association with carbon-intensive activities. This is in line with market practice.



REPORTING Berkshire Bank intends to report on allocation of proceeds in a Sustainable Financing report on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects, a list of eligible projects by category, and the outstanding amount of unallocated net proceeds. In addition, Berkshire Bank is also committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Berkshire Bank's allocation and impact reporting as aligned with market practice.

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Issuer Location	Boston, MA, US

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Introduction

Berkshire Bank (“Berkshire”, or the “Bank”) is a commercial bank headquartered in Pittsfield, US. It is a subsidiary of the bank’s holding company, Berkshire Hills Bancorp, headquartered in Boston, US. Berkshire Bank provides business and consumer banking, mortgages, wealth management, and investment services. Founded in 1846, the Bank has over USD 11.6 billion of assets.¹

Berkshire Bank has developed the Berkshire Sustainable Financing Framework (the “Framework”) under which it intends to issue green, social, and sustainable senior notes, subordinated notes, and preferred stock (the “Berkshire Sustainable Financing instruments”). The proceeds will be used to finance or refinance, in whole or in part, existing and future projects that are expected to contribute to the transition to a low-carbon economy and help support the socio-economic development of the United States.

The Framework defines eligibility criteria in the following four green categories:

1. Renewable Electricity Generation
2. Green Buildings
3. Renewable Energy Technology, Storage and Manufacturing
4. Energy Efficiency

The Framework defines eligibility criteria in the following three social categories:

1. Affordable Housing
2. Workforce Housing
3. Financial Inclusion and Access

Berkshire engaged Sustainalytics to review the Berkshire Sustainable Financing Framework, dated June 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP)². This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Berkshire Bank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Berkshire Bank representatives have confirmed (1) they understand it is the sole responsibility of Berkshire Bank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

¹ Berkshire Bank, “2021 Summary Annual Report”, (2022), at: https://s27.q4cdn.com/998829972/files/doc_financials/2022/ar/2021-Annual-Report-Berkshire-Hills-Bancorp-BHLB-irweb.pdf

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association (ICMA) and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Berkshire Sustainable Financing Framework is available on Berkshire Bank’s website at: www.berkshirebank.com/sustainable-finance

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Berkshire Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Berkshire Bank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Berkshire Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Berkshire Sustainable Financing Framework

Sustainalytics is of the opinion that the Berkshire Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Electricity Generation, Green Buildings, Renewable Energy Technology, Storage and Manufacturing, Energy Efficiency, Affordable Housing, Workforce Housing, and Financial Inclusion and Access – are aligned with those recognized by the GBP, and SBP. Sustainalytics notes that the proceeds of the Framework are expected to contribute to the transition to a low-carbon economy and help support the socio-economic development of the low- and moderate-income communities in the US.
 - Berkshire Bank has established a two-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Renewable Electricity Generation category, Berkshire Bank may finance or refinance the acquisition, development, operation and maintenance of commercial and residential rooftop solar projects, commercial large-scale solar installations, commercial on or offshore wind projects, commercial geothermal projects, commercial waste to energy projects, hydropower projects and ocean power projects. Sustainalytics considers the criteria for financing renewable energy projects to be aligned with market practice and notes the following:
 - Direct emissions for commercial geothermal projects will be less than 100 gCO₂/kWh
 - Waste for commercial waste to energy projects will come from agricultural and forestry biomass residue.
 - Berkshire Bank confirms that hydropower projects will be run-of-river without a reservoir, or have an emission intensity below 50 gCO₂e/kWh for new projects, or below 100 gCO₂e/kWh for refinancing of existing ones in operation before 2019.
 - Under the Green Buildings category, Berkshire may finance the development or acquisition of commercial, public and residential buildings that are among the top 15% energy-performing buildings in their municipal boundaries based on a third-party assessment of the buildings'

- emissions intensity performance or that have or are expected to achieve LEED Gold or Platinum or BREEAM Excellent or above certification. Sustainalytics views these certification schemes to be credible and impactful and the selected levels as aligned with market practice.
- In the Renewable Energy Technology, Storage and Manufacturing category, the Bank intends to finance the manufacture or development of technologies or equipment for renewable energy generation and energy storage. Sustainalytics considers the criteria for financing renewable energy technologies to be aligned with market practice and notes the following:
 - The Bank may finance research and development of battery technologies that store energy, including technologies that recycle used batteries.
 - The Bank may finance the manufacturing of mechanical energy storage solutions such as pumped hydro, flywheels and compressed air energy storage, and renewable energy components or technologies such as solar panels, inverters, racking, battery storage, and air and wind turbines including rotors, towers and gears. For pumped hydro projects, the Bank will require an environmental and social impact assessment by a credible body and is also committed to ensuring the absence of significant risks and controversies associated with the projects financed.
 - In the Energy Efficiency category, the Bank may finance energy efficient lighting, building appliances, building materials, and the retrofit of buildings. Sustainalytics notes that the Framework excludes financing of fossil fuel equipment which is aligned with market practice and notes the following eligible projects or components:
 - Building equipment that is Energy Star certified, including air-source heat pumps, central air conditioner, ductless and light commercial heating and cooling, geothermal heat pumps, smart thermostats, and heat pump and solar water heaters.
 - Building materials that are Energy Star certified including windows, doors, skylights, roof products, and insulation materials, as well as white roofing, and individual solar or wind powered devices, such as solar public lighting. Sustainalytics encourages the Bank to choose the installations of building material with the lowest U-value possible and to report on the estimated or achieved energy efficiency gains, where feasible.
 - Energy efficient heating or cooling electrical systems.
 - Buildings retrofits that will place the respective building in the top 15% energy-performing within their municipal boundaries based on emissions intensity performance and evaluated by a third-party assessment, or that have achieved or are expected to achieve LEED Gold or Platinum, and BREEAM Excellent or above. Sustainalytics considers these investments to be aligned with market practice.
 - Under the Affordable Housing category, Berkshire Bank intends to finance the acquisition, construction, rehabilitation or preservation of multi and single-family residential properties that qualify under nationally recognized affordable housing programmes and that target low and moderate-income (LMI)⁵ families or individuals. Low-income households are defined as those whose incomes are below 60% of the Area Median Income (AMI) in the US.⁶ Federal programs include:
 - Eligible projects under the Low-Income Housing Tax Credits (LIHTCs)⁷ under Section 42 of the Internal Revenue Code⁸ which maintains that affordable units are those where tenants spend 30% or less of their monthly adjusted gross income.

⁵ US Department of Housing and Urban Development, FY 2021 ACS 5-Year 2011-2015 Low- and Moderate-Income Summary FAQs, at: <https://www.huduser.gov/portal/sites/default/files/pdf/LMISD-AlternativeData.pdf>

⁶ US Department of Housing and Urban Development, "Income Limits", at: <https://www.huduser.gov/portal/datasets/il.html>

⁷ US Department of Housing and Urban Development, Office of Policy Development and Research, "Low-income Housing Tax Credit (LIHTC)" at: <https://www.huduser.gov/portal/datasets/lihtc.html?msclid=56397045ae0211ec8e0c6e82f87716b9>

⁸ United States Code, "26 U.S.C. 42 - Low-income housing credit" at:

<https://www.govinfo.gov/app/details/USCODE-2011-title26/USCODE-2011-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec42?msclid=7461e170ae0611ec841cb234f1cf19d4>

- The federal Housing Assistance Payment contracts⁹ or Housing Choice Voucher Programs¹⁰ targeting families whose income does not exceed 50% of the AMI for the county or metropolitan area in which the family chooses to live. Sustainalytics notes that Housing Assistance Payments contracts under the US Department of Housing and Urban Development's (HUD)'s Section 8 Program, cap the amount of rent payable at 30% of the monthly adjusted income of the household, while Housing Choice Voucher Programs limits rent to a maximum of 40% of the monthly unit income. Sustainalytics considers it to be good practice to limit rent to a maximum of 30% of monthly unit income in order to ensure affordability. Sustainalytics recognizes the expected benefits of these federal schemes and notes that the Framework commits to reporting on the impacts on beneficiaries, where feasible.
 - The federal Public Housing Program¹¹ targeting families and individuals with lower income limit at 80% and very low-income limit at 50% of the AMI for the county or metropolitan area in which the family or individual chooses to live. Sustainalytics notes that the federal scheme ensures affordability by limiting monthly rent on these units to less than 30% of the monthly unit income. Sustainalytics considers these projects to be aligned with market practice.
 - Sustainalytics notes that financing of residential projects may include both affordable and market-rate units. The Bank has communicated to Sustainalytics that in the case where not all units are affordable, financing will be limited to the proportional component that meets the eligibility criteria as defined above.
 - Under the Workforce Housing category, Berkshire Bank intends to finance the acquisition, construction, rehabilitation or preservation of multi-family and single-family residential properties that qualify under nationally recognized affordable housing programmes. The Workforce Housing category under the Framework targets low-income households whose incomes are 60-80% of the AMI and up to 120% of AMI for high-cost metropolitan markets.¹² Although social finance related to affordable housing typically focuses on income earners at 80% of AMI or lower, Sustainalytics recognizes that, given the very high cost of housing in identified metropolitan areas, many people in the workforce category are unable to afford market-rate units in key areas. In this context, Sustainalytics finds the Bank's targeting to be credible and impactful. Eligible investments include:
 - Eligible projects under the LIHTCs¹³ under Section 42 of the Internal Revenue Code¹⁴ which maintains that affordable unit are those where tenants spend 30% or less of their monthly adjusted gross income.
 - The federal Housing Assistance Payment contracts¹⁵ or Housing Choice Voucher Programs¹⁶ targeting families whose income does not exceed 50% of the AMI for the county or metropolitan area in which the family chooses to live. Sustainalytics notes that Housing Assistance Payments contracts under HUD's Section 8 Program, cap the amount of rent payable at 30% of the monthly adjusted income of the household, while

⁹ US Department of Housing and Urban Development, "Housing Assistance Payment contracts", at: https://www.hud.gov/sites/documents/doc_11737.pdf

¹⁰ US Department of Housing and Urban Development, "Housing Choice Voucher program" at: https://www.hud.gov/topics/housing_choice_voucher_program_section_8

¹¹ US Department of Housing and Urban Development, "Public Housing program" at: https://www.hud.gov/topics/rental_assistance/phprog

¹² US Department of Housing and Urban Development, "Income Limits", at: <https://www.huduser.gov/portal/datasets/il.html>

¹³ The LIHTC programme was created by the Tax Reform Act of 1986 with the aim of creating affordable housing in the United States. It gives the State and local LIHTC-allocating agencies the authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. Office of Policy Development and Research (PD&R), "Low-income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html?msclid=56397045ae0211ec8e0c6e82f87716b9>

¹⁴ Section 42 of the Internal Revenue Code sets out provisions on tax credits to investors who build affordable housing. Govinfo, "26 U.S.C. 42 - Low-income housing credit", at:

<https://www.govinfo.gov/app/details/USCODE-2011-title26/USCODE-2011-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec42?msclid=7461e170ae0611ec841cb234f1cf19d4>

¹⁵ The U.S. Department of Housing and Urban Development (HUD) website, "Housing Assistance Payment contracts", https://www.hud.gov/sites/documents/doc_11737.pdf

¹⁶ The U.S. Department of Housing and Urban Development (HUD) website, "Housing Choice Voucher program", at: https://www.hud.gov/topics/housing_choice_voucher_program_section_8

Housing Choice Voucher Programs limits rent to maximum of 40% of the monthly unit income. Sustainalytics notes to limit rent to a maximum of 30% of monthly unit income to ensure affordability is in line what Sustainalytics views as a good practice. Sustainalytics acknowledges the expected benefits of these federal schemes and notes that the Framework commits to reporting on the impacts on beneficiaries, where feasible.

- The federal Public Housing Program¹⁷ targeting families and individuals with lower income limit at 80% and very low-income limit at 50% of the AMI for the county or metropolitan area in which the family or individual chooses to live. Sustainalytics notes that the federal scheme ensures affordability by limiting monthly rent on these units to less than 30% of the monthly unit income. Sustainalytics considers these projects to be aligned with market practice.
 - Housing programs or projects targeting households whose incomes fall between 80% and 120% of AMI in high-cost metropolitan markets and which cap rents to less than 40% of monthly income. Sustainalytics notes to limit rent to a maximum of 30% of monthly unit income to ensure affordability is in line what Sustainalytics views as a good practice. Sustainalytics acknowledges the expected benefits of addressing affordability for people in the workforce category that are unable to afford market-rate units and notes that the Framework commits to reporting on the impacts on beneficiaries, where feasible.
 - Sustainalytics notes that when financing residential projects that these may include both affordable units and market-rate units. The Bank has communicated to Sustainalytics that in the case where not all units are affordable, financing will be limited to the proportional component that meets the eligibility criteria as defined above. This is in line with market practice.
- In the Financial Inclusion and Access category, the Bank may provide loans and investments, such as tax-credit or Small Business Investment Company (SBIC) in the following programmes:
- SMEs (small and medium-sized enterprises) as defined by the U.S. Small Business Administration (SBA).¹⁸ The financing of small businesses is restricted to LMI areas or majority minority census tract¹⁹ or small businesses owned by minority groups such as Black or African American, American Indian or Alaska Native, Asian, and Native Hawaiian or Other Pacific Islander.
 - The Bank intends to invest in activities for community development, revitalization and stabilization of LMI neighbourhoods that currently lack access to basic infrastructure. Sustainalytics considers enhancing access to basic infrastructure for underserved communities as providing positive societal benefits. In addition, Sustainalytics notes the Banks commitment to provide impact reporting as it relates to job creation in these communities. Eligible projects include:
 - The adaptive reuse of distressed properties, such as, renovation of old or abandoned or underused mills into housing or commercial space. The Bank has communicated those homes will meet the affordable criteria set in the Framework. Although Berkshire intends to prioritize small businesses in the case of revitalization of commercial spaces, the Bank has confirmed that this might involve larger business that do not meet the definition of the SBA. Sustainalytics recognizes that larger business located in LMI communities can serve as economic drivers, however Sustainalytics note that financing larger business is a deviation of market practice. The Bank has committed to report on the direct impact to local communities, when feasible, if large

¹⁷ The U.S. Department of Housing and Urban Development (HUD) website, “Public Housing program”, at: https://www.hud.gov/topics/rental_assistance/phprog

¹⁸ According to the SBA, a small business must be a for-profit enterprise, independently owned and operated, not nationally dominant within its industry and located within the U.S. More information available at: <https://www.sba.gov/blog/does-your-small-business-qualify>

¹⁹ According to the Federal Financial Institutions Examination Council, a majority-minority census tract has a population that is at least 50% minorities, which means that more than half of individuals in the census tract are minorities, i.e. Black, Asian, Hispanic, Asian-Pacific Islander, and/or Native American. More information available at: <https://www.ffiec.gov/whatsnew.htm>

businesses are included in any funded revitalization work to help ensure its financing activities are having the intended positive societal impacts.

- Infrastructure upgrades, such as, providing access to broadband in communities lacking access, investing in pedestrian and bike ways and upgrading water pipes to remove lead from existing pipes.
- Projects for public parks and other green spaces, including loans to non-profits that build and maintain community gardens.
- Public transportation infrastructure such as new bus or tram stops in LMI communities to enhance connectivity.
- Financing to grocery stores and non-profits in “food deserts”. Berkshire will follow the definition of food deserts developed by the USDA’s Food Access Research Atlas.²⁰ Berkshire has confirmed to Sustainalytics that the expenditure is limited to the initial capitalized expense for establishing a new store located in a food desert and that participates in the Supplemental Nutrition Assistance Program (SNAP).²¹ Sustainalytics notes that financing may include large retail stores, which is viewed as a deviation from market practice. Sustainalytics considers that stores participating in SNAP provide a key service in the provision of groceries to low-income individuals and recognizes that some of these grocers are large retailers.
- The Bank may provide loans to small and “anchor businesses”²² in LMI areas that employ or serve those areas with the intention to retain and employ local residents. The Bank has confirmed to Sustainalytics that financing will be prioritized to small business and that large companies may be financed only when they are a critical component to a redevelopment project and that the expenditures are limited to establishing and opening or expanding a business in an LMI area. Further, the Bank has communicated to Sustainalytics that the Framework excludes ongoing financing of already established businesses. Sustainalytics considers it appropriate to finance SMEs located in economically disadvantaged areas and finds financing of large companies to be a deviation from market practice. Nonetheless, Sustainalytics recognizes Berkshire’s commitment to provide related impact metrics on job creation in these communities should any large businesses receive financing through the Framework.
- The Bank may provide loans to non-profit organizations that are located in, and primarily serve, LMI communities focusing on housing support, education, healthcare, daycare, workforce training, job creation or access to technology. Berkshire has confirmed that these services will be accessible to all regardless of their ability to pay. Furthermore, the Bank may provide loans to non-profits organizations that are located in, and primarily serve small businesses in LMI neighbourhoods in the form of access to capital, technical assistance or access to technology. Berkshire has communicated to Sustainalytics that these loans are sometimes accompanied by providing financial services at no charge or at reduced costs for these organizations, depending on the specific needs of the organization.
- The Bank may finance the construction or rehabilitation of community facilities, such as public or non-profit schools, hospitals, libraries and childcare, managed by non-profits and government entities primarily serving LMI individuals or in LMI neighborhoods. Further, the Bank has confirmed that all services will be accessible to all regardless of their ability to pay. This is in line with market practice.

²⁰ US Department of Agriculture, Economic Research Service, “Food Access Research Atlas”, at: <https://www.ers.usda.gov/amber-waves/2011/december/data-feature-mapping-food-deserts-in-the-us/>

²¹ US Department of Agriculture, “Supplemental Nutrition Assistance Program (SNAP)”, at: <https://www.fns.usda.gov/snap/supplemental-nutrition-assistance-program#:~:text=SNAP%20provides%20nutrition%20benefits%20to,and%20move%20towards%20self%2Dsufficiency.>

²² The Bank has communicated to Sustainalytics that “anchor businesses” may include large enterprises that serve as a critical component to a redevelopment project or create jobs for local residents and pay living wages.

- The Bank may finance community-wide infrastructure projects in LMI neighborhoods that currently lack access, including: (i) improved public transportation such as infrastructure for public buses, light rail, subway and commuter trains, (ii) improved lighting, crosswalks and pedestrian pathways, and (iii) internet connectivity. Sustainalytics considers enhancing access to basic infrastructure for underserved communities as providing positive societal benefits and to be in line with market practice.
- The Bank may also finance redevelopment of industrial sites, such as redevelopment of a former brownfield site in a LMI neighborhood for job creation or housing. The Bank has communicated to Sustainalytics that financing will be prioritized to SMEs and affordable housing as defined under the Framework, though not exclusively. While Sustainalytics notes that there might be risks associated with gentrification when redevelopment projects are not appropriately targeted and considers this to be a limitation of the Framework, it recognizes that efforts will be made to mitigate these risks. Berkshire will leverage several measures to ensure it is appropriately managing social and environmental risks. Please refer to Section 2 for further information on the Bank's risk mitigation practices.
- The Bank may provide loans for first or second mortgages to minority borrowers defined as individuals that are Black or African American, American Indian or Alaska Native, Asian, and Native Hawaiian or Other Pacific Islander. Sustainalytics notes that that one of the main components to ensure affordability lies on the provision of lower interest rates, and the rates initially offered will be comparable to market rates. Berkshire has communicated to Sustainalytics that the provision of mortgages under the Framework will be done in partnership with state and federal agencies²³ such as Fannie Mae or Mass Housing Partnership or through Berkshire's own product offerings that provide additional benefits to LMI individual including lower down payment requirements and additional financial assistance for eligible buyers. In addition, the Bank partners with non-profit organizations that provide free first-time homebuyer counseling services, foreclosure prevention services and more to individuals with a specific focus to those in LMI or underrepresented neighborhoods. This is in line with market practice.
- The Bank may also finance investments, expenditures and procurement in small businesses which have at least 51% of their shares belonging to minority, women, veteran, service-disabled veteran, or LGBTQIA+. The Framework includes an allocation cap to no more than 10% of total bond proceeds for this category. Although, Sustainalytics recognizes the social benefits of supporting business that are owned by historically disadvantaged groups through procurement, Sustainalytics recognizes that the green and social bond market favours expenditures directly associated with an issuer's green or socially beneficial assets or activities and that allocation toward procurement costs based on the identity of suppliers rather than the nature of the products or services being supplied is not fully aligned with market practice.
- The Framework excludes the financing of projects associated with fossil fuels, nuclear power generation, mining, private prisons, alcohol, tobacco, marijuana, ammunition, firearms, weapons, gambling, adult entertainment, shell corporations, petroleum and coal products manufacturing, chemical manufacturing and projects impacting critical habitats. The Framework also excludes production of bioenergy from palm oil or waste on land with high biodiversity or that competes with food sources or that does not achieve substantial reduction in life-cycle emissions relative to fossil fuel baseline. Sustainalytics considers these exclusions to strengthen the Framework.

²³ Programmes may include but are not limited to the Federal Home Loan Bank of Boston Home Equity Builder Program, USDA Residential Program, VA Mortgages and the Federal Housing Administration Loan Program, along with several other state and local programs aimed at assisting low- and moderate-income borrowers by offering lower minimum down payments than conventional loans, and for applicants that may have lower credit scores than usually required. At: <https://www.berkshirebank.com/BerkshireBank/media/Documents/PDFs/2021-CSR-for-web.pdf>

- Project Evaluation and Selection:
 - Berkshire Bank has established an Environmental, Social, Governance Committee (ESGC) which comprises representatives from Executive Management, Finance, Corporate Treasury, Retail and Commercial Banking, Corporate Responsibility, Compliance, Legal, CRA, and Diversity functions. The ESGC is responsible for reviewing, selecting, and providing final approval of eligible projects in line with the Framework’s eligibility criteria.
 - The Bank has adopted an Enterprise Risk Management program that focuses on managing and mitigating environmental and social risks of the projects financed and are applicable to all allocation decisions made under the Framework. For additional detail see Section 2.
 - Based on the clear delegation of responsibility and presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Bank’s ESG Committee will be responsible for the management and allocation of proceeds. The Corporate Internal Reporting Team will track the allocation of net proceeds by using the Berkshire Sustainable Bond Asset Tracking Report.
 - The Bank intends to allocate an amount equal to all net proceeds within 24 months following the issuance date. Pending allocation, unallocated proceeds will be temporarily invested in cash, cash equivalents, high quality liquid assets or used to repay debt that has no association with carbon-intensive activities.
 - Based on the presence of an internal tracking system and the disclosure of temporary and full allocation timeframe commitment, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Berkshire Bank intends to report on the allocation of the eligible projects in its Sustainable Financing report on an annual basis which will be publicly available on the CSR section of the Bank’s website until full allocation.
 - Allocation reporting will include the list of eligible projects, amount of net proceeds allocated to eligible projects, and the outstanding amount of unallocated net proceeds.
 - In addition, Berkshire Bank is committed to reporting on relevant impact metrics, where feasible, such as, annual GHG emissions reduced/avoided in tons of CO₂ equivalent per year, number of certified green buildings, square footage of green buildings financed, number of housing units developed or purchased for LMI communities, and loans provided to small businesses in LMI census tracts. A detailed list of impact metrics can be found in Appendix 1.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Berkshire Sustainable Financing Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of Berkshire Bank

Contribution of Framework to Berkshire Bank’s Sustainability Strategy

Sustainalytics is of the opinion that Berkshire Bank demonstrates a commitment to sustainability by implementing the Berkshire Hills Bancorp Responsible & Sustainable Business Policy which applies to all direct and indirect subsidiaries. This Policy highlights thirteen commitments integrated into all aspects of the Bank’s business: (i) respect for human rights, (ii) high ethical standards, (iii) regulatory compliance, (iv) diversity, equity and inclusion prohibition of any form of discrimination, (v) workplace and culture focused on employees development, (vi) health, wellness and safety, (vii) environmental sustainability including safe water, sanitation, respect for biodiversity and critical habitats, (viii) data privacy, information and cybersecurity, (ix) stakeholder relations management, (x) community investment, (xi) economic inclusion

offering financial solutions to vulnerable, marginalized, underrepresented and under-resourced groups, (xii) consumer financial protection, and (xiii) transparent marketing.²⁴

Based on the above-mentioned policy, Berkshire Hills Bancorp launched its Berkshire's Exciting Strategic Transformation (BEST) in 2021 with the aim of optimizing and digitizing operations and enhancing its socially responsible financial solutions across its business units.²⁵ In September 2021, Berkshire Hills Bancorp launched its BEST Community Comeback, a multi-year commitment that set targets for its financing activities to be achieved by 2024. Among them, Berkshire plans to allocate USD 1.5 billion to small business lending, USD 2.5 billion to mortgage lending, USD 2.5 billion to lending for low and moderate-income neighborhoods, USD 200 million to lending for minority mortgage borrowers, and USD 300 million to lending for low-carbon projects.²⁶

Berkshire reported the following progress on the BEST goals. From July to December 2021, small businesses received loans totaling USD 186 million. Furthermore, Berkshire has partnered with some institutions to provide assistance and coaching to small businesses such as the partnership with Valley Venture Mentors and Reevx Labs in Springfield, Massachusetts, and the partnership with the Black Economic Council of Massachusetts and the Massachusetts LGBT Chamber of Commerce to offer low-interest credit lines up to USD 50,000 to support BIPOC- and LGBTQIA+-owned businesses. Regarding mortgage lending, from July to December 2021, Berkshire loaned USD 127 million, through the Federal Home Loan Bank of Boston Home Equity Builder Program, USDA Residential Program, VA Mortgages and the FHA Loan Program, among other programs aimed at assisting low- and moderate-income borrowers. Finally, Berkshire has allocated USD 30 million to low-carbon projects from July to December 2021, which represents 10% of its total commitment.²⁷

While Sustainalytics recognizes the sustainability-focused efforts of Berkshire Bank, Sustainalytics encourages the Bank to set and communicate short, medium and long-term, timebound, quantitative targets for future sustainable financing, such as, GHG emission reduction targets for financed and operational emissions. Sustainalytics is of the opinion that the Berkshire Sustainable Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Berkshire's action on its key environmental and social priorities.

Well-positioned to address common environmental and social risks associated with the projects

Although Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents, and waste generated in construction projects financed by the Bank; and stakeholder participation. While Berkshire plays a limited role in the development of the specific projects to be financed under the Framework, it is exposed to environmental and social risks associated with the securities that it may finance.

Sustainalytics is of the opinion that Berkshire is able to manage or mitigate potential risks through implementation of the following:

- Berkshire Hills Bancorp has established its Environmental Sustainability Principles under its Responsible & Sustainable Business Policy. The Principles apply to the Bank's financing activities as well as its processes and highlight the need to conserve natural resources, reduce reliance on fossil fuels, develop products and services that address environmental challenges, and engage employees and suppliers in environmental issues.²⁸
- Berkshire Hills Bancorp has set an Enterprise Risk Management programme that integrates social and environmental factors into its processes. The programme includes social responsibility, climate change, culture and reputation risk assessments, emerging risk briefings provided to front line teams

²⁴ Berkshire Bank, "Berkshire Hills Bancorp Responsible & Sustainable Business Policy", (2021), at: https://www.berkshirebank.com/BerkshireBank/media/Documents/PDFs/BHL_SustainableBusinessPolicy_101421.pdf#:~:text=The%20Responsible%20%26%20Sustainable%20Business%20Policy%20provides%20guidance,social%20and%20environmental%20business%20practices%2C%20codes%20and%20commitments

²⁵ Berkshire Bank, "Press Release - Berkshire Hills Announces Transformation Plan, (2021), at: <https://ir.berkshirebank.com/news-events/press-releases-news/news-details/2021/Berkshire-Hills-Announces-Transformation-Plan/default.aspx>

²⁶ Berkshire Bank, "Berkshire Hills Bancorp - 2021 Corporate Responsibility Report", (2022), at: <https://www.berkshirebank.com/BerkshireBank/media/Documents/PDFs/2021-CSR-for-web.pdf>

²⁷ Ibid.

²⁸ Berkshire Bank, "Berkshire Hills Bancorp Responsible & Sustainable Business Policy", (2021), at: https://www.berkshirebank.com/BerkshireBank/media/Documents/PDFs/BHL_SustainableBusinessPolicy_101421.pdf#:~:text=The%20Responsible%20%26%20Sustainable%20Business%20Policy%20provides%20guidance,social%20and%20environmental%20business%20practices%2C%20codes%20and%20commitments

such as credit and lending teams, Federal Deposit Insurance Corporation diversity and inclusion self-assessment, and social and environmental credit risk due diligence. To guide its due diligence processes, the Bank has implemented responsible and sustainable business sections in its loan, deposit and investment policies.²⁹

- Furthermore, it has a list of prohibited businesses including the manufacture of ammunition, firearms, small arms and ordnance accessories.³⁰
- Regarding stakeholder participation, the Bank conducts a materiality analysis whenever there are significant changes in the scope, size and complexity of its operations or operating environment to identify and monitor its progress on topics that are most significant to investors, employees, regulators, communities, suppliers, non-profit organizations and customers. The material topics are identified through research, media audits, surveys and regular engagement with all stakeholders.³¹
- Berkshire Hills Bancorp has implemented its Code of Business Conduct which guides the activities of all direct and indirect subsidiaries, and forms the basis of internal and external relations. The code relates to business ethics, regulatory compliance and overall social responsibility, and applies to all employees, officers and directors.³²
- Berkshire Bank carries out its operations in the US, which is recognized as Designated Country under the Equator Principles, ensuring the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate the environmental and social risk associated with projects financed under the Framework.³³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Berkshire Bank has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP and SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of increasing the share of green buildings and renewable energy in the US

The US is the second-largest electricity consumer in the world, accounting for 16.8% of global electricity consumption in 2021.³⁴ The electricity sector is the second-largest source of GHG emissions in the US, accounting for 25% of the total GHG emissions in the US in 2020.^{35,36} As of 2021, 60% of the US electricity generation comes from fossil fuels, such as natural gas, coal and petroleum, and 20% comes from nuclear energy.³⁷ Progress on this issue has been made in recent decades, with GHG emissions from electricity generation decreasing by 21% as a result of the increase in renewable energy generation and energy efficiency improvements between 1990 and 2020.³⁸ Although renewable energy generation in the US has experienced significant growth since 2008, it only accounted for 20.1% of the country's total electricity generated in 2021.^{39,40} The US Energy Information Administration estimates that renewable energy sources in the US electricity generation mix will rise from 21% to 42% in 2050.⁴¹ In 2021, the US Government established targets to reduce GHG emissions by 50-52% in comparison to the 2005 levels and achieve 100% carbon-free electricity

²⁹ Berkshire Bank, "Stakeholders, Governance & Risk", at: <https://www.berkshirebank.com/About/Who-We-Are/Corporate-Responsibility/Social-Environmental-Engagement-Governance#Social%20&%20Environmental%20Governance>

³⁰ Berkshire Bank, "Stakeholders, Governance & Risk", at: <https://www.berkshirebank.com/About/Who-We-Are/Corporate-Responsibility/Social-Environmental-Engagement-Governance#Social%20&%20Environmental%20Governance>

³¹ Ibid.

³² Berkshire Bank, "Code of Business Conduct", (2022), at: https://s27.q4cdn.com/998829972/files/doc_downloads/2022/05/Code-of-Business-Conduct-04.28.22-ir.pdf

³³ Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

³⁴ International Energy Agency, "IEA Atlas of Energy", at: <http://energyatlas.iea.org/#!/tellmap/-1118783123/1>

³⁵ US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

³⁶ US Energy Information Administration, "Electricity Explained", at: <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>

³⁷ International Energy Agency, "IEA Atlas of Energy", at: <http://energyatlas.iea.org/#!/tellmap/-1118783123/1>

³⁸ US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

³⁹ US Energy Information Administration, "U.S. primary energy consumption by energy source", (2020), at: <https://www.eia.gov/energyexplained/us-energy-facts/>

⁴⁰ US Energy Information Administration, "What is U.S. electricity generation by source", at: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

⁴¹ US Energy Information Administration, "EIA projects renewables share of U.S. electricity generation mix will double by 2050", (2021), at: www.eia.gov/todayinenergy/detail.php?id=46676

by 2035.⁴² In the same year, the White House also announced its commitment to expand and modernize the American electricity grid to reliably transmit renewable energy and support the country's 2030 emission reduction targets submitted to the United Nations Framework Convention on Climate Convention.⁴³

In 2021, buildings were responsible for 39% of the US's primary energy consumption, with the residential and commercial building sectors responsible for 18% and 21%, respectively.⁴⁴ According to the Global Alliance for Buildings and Construction, spending on energy efficient buildings increased in 2020 to USD 184 billion from USD 152 billion in 2019, but still is a small proportion of the USD 6 trillion spent in the building and construction sector that same year.⁴⁵ Furthermore, green buildings with reputable third-party certification schemes, such as LEED in the US, have shown 25% less energy consumption than non-green buildings.⁴⁶ In order to expand the implementation of energy reduction strategies in the building sector, the US Department of Energy (DOE) has designed the Better Buildings Initiative to lead public and private organizations to improve the energy efficiency of their portfolios through a series of programmes and partnerships.⁴⁷ In 2021, the DOE awarded USD 83 million in funding for 44 projects, while in the beginning of 2022, it awarded USD 32 million for seven projects in the building sector.^{48,49} Furthermore, in 2021, the White House announced the first ever implementation of building performance standards for federally owned and leased buildings, as well as the launch of the Better Buildings Low Carbon Pilot programme to put into practice pathways to low and zero emission buildings.^{50,51}

Given the above context, Sustainalytics is of the opinion that Berkshire's financing of green building and renewable energy projects under the Framework is expected to contribute to decarbonizing the electricity sector and support the US's climate goals.

Importance of increasing access to affordable housing in the US

In 2020, the US Department of Housing and Urban Development estimated that the US had 580,000 homeless people, up for the fourth consecutive year.⁵² In 2021, more than 326,000 people in the US were experiencing sheltered homelessness.⁵³ The lack of affordable housing is a key contributor to homelessness, particularly for low-income renters who are often one financial shock away from homelessness.⁵⁴ Approximately 11 million renter households in the US have extremely low incomes while only 7 million affordable homes are available to them.⁵⁵ According to the National Low Income Housing Coalition, approximately 7.6 million low-income households spend more than 50% of their income on housing costs.⁵⁶ The lack of affordable housing further leads to negative social outcomes across multiple other dimensions of daily life, as families and individuals are compelled to make trade-offs between spending on rent and other essentials, such as food, healthcare and transport. The economic impact of the COVID-19 pandemic has further exacerbated these

⁴² The White House, "Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁴³ The White House, "Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁴⁴ US Energy Information Administration, "How much energy is consumed in U.S. buildings?", at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

⁴⁵ Global Alliance for Buildings and Construction, "2021 Global Status Report for Buildings and Construction", (2020), at: https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

⁴⁶ World Green Building Council, About Green Building, at: <https://www.worldgbc.org/benefits-green-buildings>

⁴⁷ US Department of Energy, "Better Buildings Programs & Partners", at: <https://betterbuildingsolutioncenter.energy.gov/partnerships>

⁴⁸ US Department of Energy, at: <https://www.energy.gov/articles/doe-announces-nearly-83-million-increase-building-energy-efficiency-and-cut-consumers>

⁴⁹ US Department of Energy, at: <https://www.energy.gov/articles/doe-awards-32-million-accelerate-next-generation-building-upgrades>

⁵⁰ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁵¹ US Department of Energy, "Low Carbon Pilot Factsheet", at:

<https://betterbuildingsolutioncenter.energy.gov/sites/default/files/attachments/Low%20Carbon%20Pilot%20Factsheet.pdf>

⁵² US Department of Housing and Urban Development, "The 2020 Annual Homeless Assessment Report (AHAR) to Congress", (2021), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

⁵³ US Department of Housing and Urban Development, "The 2021 Annual Homeless Assessment Report (AHAR) to Congress", (2022), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2021-AHAR-Part-1.pdf>

⁵⁴ US Department of Housing and Urban Development, "Worst Case Housing Needs 2021 Report to Congress", (2021), at: <https://www.huduser.gov/PORTAL/sites/default/files/pdf/Worst-Case-Housing-Needs-2021.pdf>

⁵⁵ National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes", (2022), at: https://nlihc.org/sites/default/files/gap/Gap-Report_2022.pdf

⁵⁶ Ibid.

issues resulting in more than 50% of all renter households and nearly 40% of homeowners to lose some source of income in 2020. As a result, millions of households fell behind on their housing payments, many on the brink of eviction or foreclosure.⁵⁷

Access to financial services plays a key role in assisting people to access housing. However, low-income borrowers tend to have lower credit scores that prevents them from receiving standard mortgage loan approvals.⁵⁸ In 2021, the US federal government announced the allocation of USD 711 million towards the National Housing Trust Fund, an annual grant to states for the creation, preservation or rehabilitation of rental housing for extremely low-income renters.⁵⁹ The LIHTC also provides a tax incentive to construct or rehabilitate affordable housing for low-income households.⁶⁰ The US federal government's American Rescue Plan commits to reducing housing insecurity post-COVID-19 with the allocation of USD 5 billion towards various programmes to create affordable housing and services to support communities across the country.^{61,62}

Based on the above, Sustainalytics believes that the provision of affordable housing under the Framework is expected to contribute to reducing financing barriers to the target population in the US.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Berkshire Sustainable Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Electricity Generation	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy Technology, Storage and Manufacturing	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Workforce Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Financial Inclusion and Access	8. Decent work and economic growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

⁵⁷ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2021", at: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

⁵⁸ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2021", at: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

⁵⁹ National Low Income Housing Coalition, "FHFA Announces \$711 Million for National Housing Trust Fund", (2021), at: <https://nlihc.org/resource/fhfa-announces-711-million-national-housing-trust-fund>

⁶⁰ US Department of Housing and Urban Development, "Low-Income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html>

⁶¹ The White House, "American Rescue Plan", (2021), at: <https://www.whitehouse.gov/wp-content/uploads/2021/03/American-Rescue-Plan-Fact-Sheet.pdf>

⁶² The White House, "President Biden Announces New Actions to Ease the Burden of Housing Costs US Department of Housing and Urban Development", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

Conclusion

Berkshire Bank has developed the Berkshire Sustainable Financing Framework under which it may issue Berkshire Sustainable Financing instruments and use the proceeds to finance and refinance a range of sustainable projects and expenditures, including those related to renewable electricity generation, green buildings, renewable energy technology, storage and manufacturing, energy efficiency, affordable housing, workforce housing, and financial inclusion and access. Sustainalytics considers that the projects funded by the Framework are expected to contribute to the transition to a low-carbon economy and help support the socio-economic development of the US.

The Framework outlines a process by which the proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN SDGs 7, 8 and 11. Additionally, Sustainalytics is of the opinion that Berkshire Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Berkshire Bank is well-positioned to issue Berkshire Sustainable Financing instruments and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and the Social Bond Principles 2021.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Berkshire Bank
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Berkshire Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 10, 2022
Publication date of review publication: Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds –Renewable Electricity Generation, Green Buildings, Renewable Energy Technology, Storage and Manufacturing, Energy Efficiency, Affordable Housing, Workforce Housing, and Financial Inclusion and Access – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to contribute to the transition to a low-carbon economy and help support the socio-economic development of the United States of America and advance the UN Sustainable Development Goals, specifically SDGs 7, 8 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Berkshire Bank's Environmental, Social, Governance Committee (ESGC) is responsible for evaluating and selecting eligible projects. The Bank has adopted an Enterprise Risk Management program which is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Berkshire Bank's ESG Committee will be responsible for the allocation in an amount equal to the net proceeds by using Berkshire Sustainable Bond Asset Tracking Report. Berkshire Bank intends to fully allocate an amount equal to the net proceeds within 24 months following the issuance date. Pending allocation, net proceeds will be temporarily invested in cash, cash equivalent, high-quality liquid assets or used to repay debt. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Berkshire Bank intends to report on allocation of proceeds in a Sustainable Financing report on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects, a list of eligible projects by category, and the outstanding amount of unallocated net proceeds. In addition, Berkshire Bank is also committed to reporting on relevant impact metrics. Sustainalytics views Berkshire Bank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): a list of eligible projects by category and the outstanding amount of unallocated net proceeds. | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations

Other ESG indicators (please specify): Annual renewable energy generation in MWh/GWh, square footage of green buildings financed, certification status of green buildings financed, amount spent on specific renewable energy technologies financed, number of housing units developed/purchased that for LMI communities and loans provided to small businesses in LMI census tracts.

Frequency:

Annual

Semi-annual

Other (please specify):

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify): Sustainable Financing Report published on the Bank's website CSR section

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Consultancy (incl. 2nd opinion)

Certification

Verification / Audit

Rating

Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

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- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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