



Berkshire Sustainable Financing Framework

June 2022



 **BerkshireBank.**

berkshirebank.com

Introduction

Berkshire Bank seeks to be a high-performing, leading socially responsible community bank in New England and beyond. With over 175 years of expertise, it provides business and consumer banking, mortgage, wealth management, and investment services. Berkshire has approximately \$12.1 billion in assets and operates 105 branch offices in New England and New York. Headquartered in Boston, Berkshire Hills Bancorp (NYSE: BHLB) is the parent company of Berkshire Bank.

Berkshire sets itself apart from its peers through a focus on exceptional customer experience that's driven by its DigiTouchSM commitment to combining extraordinary personal service with convenient, user-friendly technology enabled through leading fintech partnerships, as well as its dedication to outstanding performance on Environmental, Social and Governance (ESG) matters.

The company is governed by its **Be FIRST Values**:



Belonging

fosters an environment where all relationships matter

Focusing

on a positive attitude and everything else will follow

Inclusion

invites openness and builds belonging

Respect

cultivates an unyielding commitment to integrity and responsibility

Service

quality should be delivered regardless of income or wealth

Teamwork

empowers collaboration and cooperation

Berkshire is committed to purpose-driven, community-centered banking that enhances value for all stakeholders. The Company provides an ecosystem of socially responsible financial solutions, actively engages with its communities, and harnesses the power of its entire business to fuel the economy, create thriving neighborhoods, empower financial access and success, and invest in a low-carbon future. As part of that commitment, Berkshire launched its **BEST Community Comeback**, a multibillion-dollar initiative to reinvest in its communities and power their financial potential by fueling small businesses, providing community financing and philanthropy, offering financial access and empowerment and advancing environmental sustainability.

The Company knows that where you bank matters and building stronger communities requires a better approach to banking. As such, Environmental, Social and Governance (ESG) factors are central to Berkshire's vision, mission, risk management practices, and **Berkshire's Exciting Strategic Transformation (BEST)**. Because the Company's vision is to be a high-performing, leading socially responsible community bank in New England and beyond, Berkshire was one of the first banks in the country to establish a dedicated committee of its Board of Directors to oversee ESG matters and the only community bank in the United States that has thoroughly integrated ESG standards into its business strategy and operations.

Berkshire regularly engages with its stakeholders to share information about the progress it's made in its ESG performance, including through its [Corporate Responsibility website](#), corporate annual report, and proxy statement. Additionally, its annual [Corporate Responsibility Report](#), which is aligned with Sustainability Accounting Standards Board ("SASB") commercial bank disclosure topics, details the Company's ESG efforts and programs.



Framework Overview

The Berkshire Sustainable Financing Framework will guide future issuances of green, social, and sustainable senior notes, subordinated notes, and preferred stock (each a "Berkshire Sustainable Financing") by Berkshire Hills Bancorp, Inc. (BHLB) and any of its subsidiaries, including Berkshire Bank (together, the "Entities").

The Berkshire Sustainable Financing Framework was developed to be aligned with the International Capital Markets Association (ICMA) Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, as applicable and specifically addresses the four components of the principles.

I. Use Of Proceeds

II. Project Selection And Evaluation Process

III. Management Of Proceeds

IV. Reporting




I. Use Of Proceeds

An amount equal to the net proceeds of each Berkshire Sustainable Financing will be used to finance or re-finance, in part or in full, new and/or existing green and/or social assets that meet the Eligibility Criteria defined below ("Eligible Assets"). Green assets compose the "Eligible Green Portfolio" and social assets form the "Eligible Social Portfolio".

Green Financings are securities where the proceeds are allocated to green assets, Social Financings are securities where the proceeds are allocated to social assets, and Sustainability Financings are securities where the proceeds are allocated to both green and social assets. Each of the Eligibility Criteria is aligned to one or more UN Sustainable Development Goals (SDGs).

Eligible Assets include existing green/social assets held by Berkshire Entities 24 months prior to the Berkshire Sustainable Financing issuance date and new green/social assets acquired post issuance. Berkshire intends to allocate an amount equal to the net proceeds of a Berkshire Sustainable Financing within 24 months of its issuance.

Eligibility Criteria

Eligible Category per ICMA Green Bond Principles and UN Sustainable Development Goals	Green Assets Eligibility Criteria
Renewable Electricity Generation  	Acquisition, development, operation and maintenance of renewable energy projects including: <ul style="list-style-type: none">> Commercial rooftop solar> Residential rooftop solar> Commercial large-scale solar installations, not rooftop> Commercial on and/or offshore wind> Commercial geothermal when direct emissions < 100 gCO₂/kWh> Commercial waste to energy from biomass, biogas, forestry and agricultural residues, and/or> Hydropower when Run-of-river without reservoir, and/or new hydro < 50 gCO₂e/kWh. Refinancing of existing hydro (operational before 2019) can follow < 100gCO₂e/kWh> Ocean power
Green Buildings: Commercial, Public and Residential Buildings 	Development or acquisition of buildings that are expected to achieve LEED Gold or Platinum, BREEM Excellent or above and/or achieve or expected to achieve, based on third-party assessment, greenhouse gas emissions performance in the top 15% of their municipal boundaries.

Renewable Energy Technology: Storage and Manufacturing



Manufacture and/or development of renewable energy technologies, including equipment for renewable energy generation and energy storage. Examples include solar panels, air source heat pumps and wind and water turbines.

- > Research & Development, manufacturing and other expenses required to bring new, more efficient and longer-lasting battery technology to the market that are intended to be used to store renewable energy or reduce fossil fuel consumption, including technologies that recycle used batteries.
- > Manufacture of mechanical energy storage solutions such as pumped hydro, flywheels, compressed air energy storage, etc.
- > Manufacture of components used for renewable energy technology such as: solar panels (panels, inverters, racking, battery storage) and air & wind turbines (rotors, tower, gears), etc.

Energy Efficiency in Commercial, Residential and Public Buildings



Non-fossil fuel energy efficiency improvements including:

> Lighting

ENERGY STAR rated appliances limited to the following:

- >> Air-Source Heat Pumps
- >> Central Air Conditioner
- >> Ductless Heating & Cooling
- >> Geothermal Heat Pumps
- >> Light Commercial Heating & Cooling
- >> Smart Thermostats
- >> Heat Pump Water Heaters
- >> Solar Water Heaters

ENERGY STAR rated building materials including:

- >> Windows
- >> Doors
- >> Skylights
- >> Roof Products



Other building materials including:

- > Insulation resulting in a reduction of carbon emissions or energy use
- > White roofing when replacing non-white roofing and achieving a reduction in carbon emissions or energy use.
- > Individual solar and/or wind powered devices, such as solar lighting.

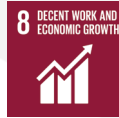
Substitution of existing heating/cooling systems with more efficient electric systems.

Retrofit of existing buildings that are expected to achieve LEED Gold or Platinum, BREEM Excellent or above and/or achieve or expected to achieve, based on third-party assessment, greenhouse gas emissions performance in the top 15% of their municipal boundaries.

Eligibility Criteria

Eligible Category per ICMA Social Bond Principles and UN Sustainable Development Goals	Social Assets Eligibility Criteria
<p>Affordable Housing</p> 	<p>Acquisition, construction, rehabilitation or preservation of multi-family, single-family, commercial or residential properties that are expected to provide housing at a rate below the prevailing market rate to individuals and families at or below 60% of the Area Median Income (AMI), including:</p> <ul style="list-style-type: none"> > Housing that specifically ensures the availability of units affordable to LMI families or individuals (i.e., federal, state, municipal, or project-based set-asides) > Projects eligible for Low-Income Housing Tax Credits > Projects that accept Housing Assistance Payment contracts and/or housing choice voucher programs > Projects that participate in the US Department of Housing and Urban Development's Public Housing Program.
<p>Workforce Housing</p> 	<p>Acquisition, construction, rehabilitation or preservation of multi-family, single-family, commercial or residential properties that are expected to provide housing at a rate below the prevailing market rate to individuals and families between 60%-80% of the Area Median Income (AMI) and up to 120% of AMI for high cost metropolitan markets including:</p> <ul style="list-style-type: none"> > Housing that specifically ensures the availability of units affordable to families or individuals up to 80% AMI (i.e., federal, state, municipal, or project-based set-asides) > Projects eligible for Low-Income Housing Tax Credits > Projects that accept Housing Assistance Payment contracts and/or housing choice voucher programs > Projects that participate in the US Department of Housing and Urban Development's Public Housing Program.

Financial Inclusion & Access¹



¹Berkshire Bank recognizes that current market practices would encourage business categories focus on small-to medium-sized enterprises (SME) rather than businesses of any size. A vast majority of the loans and investments Berkshire Bank will make in these categories will be focused on SMEs, however, it is Berkshire's belief that in order to truly lift-up its communities, create jobs, housing and enhance the viability of some revitalization projects, large enterprises may be an important component to achieving those outcomes. As such, the Bank believes that its robust list of financing exclusions, as identified in "Exclusions" section of this framework, coupled with its comprehensive system of policies, such as its Responsible & Sustainable Business Policy and associated lending and investment policies, along with its strong social and environmental risk due diligence processes for evaluating the environmental and social risks of specific investments and loans, provide Berkshire with the unique opportunity to fund loans and investments in larger businesses that will also be economic drivers of employment and prosperity in LMI communities while limiting negative social and environmental externalities. Berkshire expects to provide related impact metrics on job creation in these communities should any large businesses receive financing through the framework.

Loans and investments, such as tax-credit or SBIC for/in:

- > Small businesses, as defined by the U.S. Small Business Administration (SBA) located in a low-moderate income (LMI) and/or majority minority (MMCT) census tract as defined by the Federal Financial Institutions Examination Council (FFIEC) or small businesses owned by minority groups.
- > Low-moderate income (LMI) census tracts as defined by the Federal Financial Institutions Examination Council (FFIEC) that are for the purposes of community development, revitalization or stabilization of LMI neighborhoods. This includes:
 - >> Activities that revitalize or stabilize neighborhoods which attract new or retain existing businesses or residents
 - >> Qualified activities could include, but are not limited to:
 - Adaptive reuse of distressed properties
 - Infrastructure upgrades
 - Greenspace development
 - Access to transportation
 - Access to fresh food in an area determined to be low-income and low-access according to the USDA's Food Access Research Atlas.
 - >> Anchor businesses in an LMI area that employ or serve area residents
 - >> Businesses that help retain and employ local residents including LMI individuals
 - >> Nonprofit organizations primarily serving LMI families, regardless of ability to pay, including support for housing, education, healthcare, daycare, workforce training, job creation and/or access to technology.
 - >> Nonprofit organizations primarily serving small businesses in LMI communities that support:
 - Small business access to capital, small business technical assistance and/or access to technology.
 - >> Construction or rehabilitation of community facilities that are located in LMI geographies or that primarily serve LMI individuals.
 - >> Essential community-wide infrastructure projects in a LMI neighborhood. Qualified activities could include, but are not limited to:
 - Improved public transportation
 - Improved lighting, crosswalks, and pedestrian pathways
 - Improved utilities to service LMI communities lacking safe and reliable services, such as internet.
 - >> Redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Loans for first and/or second mortgages provided 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.

Investments or expenditures, which will be capped at 10% of total bond proceeds, in products and/or services from diverse suppliers including:

- > Small and Mid-size enterprises, as defined by the U.S. Small Business Administration (SBA) that are 51% or more minority, woman, veteran, service-disabled veteran, or LGBTQIA+ owned.

Exclusions

Berkshire commits to not intentionally include or allocate proceeds to any of the following projects or activities in the Eligible Green Portfolio or Eligible Social Portfolio from any Sustainable Bond Financing:

Exclusion Category	Exclusion Criteria
Electricity Generation	<p>Energy generation from fossil fuels and nuclear power generation</p> <p>Production of bioenergy from waste with any of the following characteristics:</p> <ul style="list-style-type: none">> Takes place on land with high biodiversity;> Competes with food sources;> Does not achieve substantial reduction in life-cycle emissions relative to fossil fuel baseline; palm oil, feedstocks
Financial Inclusion & Access	<ul style="list-style-type: none">> Fossil Fuels> Mining> Private prisons> Alcohol, Tobacco, Marijuana> Ammunition, Firearms, Weapons> Gambling> Adult entertainment> Shell corporations> Petroleum and Coal Products Manufacturing> Chemical Manufacturing> Projects impacting critical habitats

Additionally, all projects and activities must comply with all other Company policies governing business activities including the Company's Responsible & Sustainable Business Policy.

II. Project selection and evaluation process

Berkshire has an established Environmental, Social, Governance (ESG) Committee which includes members of the Executive Management, Finance, Corporate Treasury, Retail and Commercial Banking, Corporate Responsibility, Compliance, Legal, CRA, and Diversity functions. One of the responsibilities of this management committee is to help govern the process for project evaluation and selection. The ESG Committee (ESGC) is responsible for defining Berkshire sustainable finance commitments and influencing strategies to ensure Berkshire meets its sustainable finance and broader ESG objectives.

The ESGC will be responsible for the ultimate review and selection of assets that will qualify as Eligible Assets in accordance with the Eligibility Criteria defined in the Berkshire Sustainable Financing Framework. Line of business representatives will present potential eligible assets to the ESGC for consideration as an Eligible Asset for a Berkshire Bank Sustainable Financing Bond under this Framework. Prior to presenting an asset for potential inclusion, Line of business representatives complete a formal due diligence process consistent with its Enterprise Risk Management Program to ensure the asset is consistent with all applicable Company policies as well as Berkshire's community bank and socially responsible mission.

The ESGC will review the proposed Eligible Asset in accordance with both the criteria outlined in the Framework and within Berkshire others applicable Policies and Procedures, including its Responsible & Sustainable Business Policy and respond with an approval or rejection. A standardized form has been created to document proposals, approvals and rejections.

III. Management of proceeds

Berkshire has established a formal process to track assets allocated against Green, Social or Sustainable Bond issuances that are part of Berkshire's Sustainable Financing Framework. A "Berkshire Sustainable Bond Asset Tracking Report" is produced by designated corporate internal reporting teams for the purpose of recording the Eligible Assets. Prior to full allocation in an amount equal to the net proceeds from a Sustainable Financing event, should Berkshire divest from an Eligible Asset, or should the Eligible Asset no longer meet eligible criteria defined above, Berkshire will reallocate said proceeds to another Eligible Asset. Any portion in an amount equal to the net proceeds of Berkshire Sustainable Financings that have not been allocated to Eligible Assets in the Berkshire Sustainable Bond Asset Tracking Report will be invested temporarily in cash, cash equivalents and/or other high quality liquid assets, or used to repay debt that has no association with carbon-intensive activities.

Payment of principal and interest on any Berkshire Sustainable Financing will be made from Berkshire's general funds and will not be directly linked to the performance of any Eligible Asset.

IV. Reporting

Allocation and Impact Report

Within one year of the issuance of each Berkshire Sustainable Financing, Berkshire will publish a report on the CSR section of the Berkshire website. The Berkshire Sustainable Financing report will be updated every year until complete allocation. The report will include a summary of outstanding Berkshire Sustainable Financing issuances. The Company may also include this information as part of its annual Corporate Responsibility Report.

The Berkshire Sustainable Financing Report will include the following:

1. Management's assertion that an amount equal to the net proceeds of any Berkshire Sustainable Financings complies with this Berkshire Sustainable Financing Framework.
2. The amount of proceeds allocated to each Eligible Asset Category
3. The balance of any unallocated net proceeds
4. Description of select assets financed

Berkshire will publish information, where feasible, including qualitative and quantitative measures of the expected environmental or social impact resulting from Eligible Assets consistent with Berkshire's current publicly available ESG reporting processes.

Eligible Assets Category	Possible Impact Measures
Renewable Electricity Generation	> Annual GHG emissions reduced/avoided in tons of CO ² equivalent/year > Annual renewable energy generation in MWh/GWh
Green Buildings: Commercial, Public and Residential Buildings	> Square Footage of Green Buildings financed. > Certification Status of Green Buildings Financed
Renewable Energy Technology: Storage and Manufacturing	> Dollar amount of specific technologies financed
Energy Efficiencies in Commercial: Residential and Public Buildings	> Annual GHG emissions reduced/avoided in tons of CO ² equivalent/year > Annual energy savings in MWh/GWh
Affordable Housing/Workforce Housing	> Number of units developed/purchased that will provide stable long-term housing for LMI communities
Financial Inclusion & Access	> Dollar amount of loans provided to small businesses in LMI census tracts > Number of mortgages provided to racial minorities purchasers > Number of jobs created

External Review

Berkshire has engaged Sustainalytics to provide an independent Second Party Opinion on its Sustainable Financing Framework. The external opinion and attestation will be published on the CSR section of the Berkshire website.

Disclaimer

The information contained in this Framework is provided as of the original date of this document (or the date of its most recent update, if applicable) and Berkshire Hills Bancorp, Inc. and any of its subsidiaries, including Berkshire Bank does not assume any duty to update the information.

This Framework is provided for general informational purposes only and does not constitute or form a part of any offer, or an invitation on our behalf or on behalf of any underwriters, to subscribe for or purchase any securities of BHLB, and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus supplement, an accompanying prospectus or other equivalent document and a related pricing term sheet (collectively, the "Offering Documents"). Any decision to subscribe for or purchase any securities of BHLB pursuant to such offer or invitation should be made only after carefully reviewing such Offering Documents, including any documents incorporated by reference therein, and consulting with any legal, tax, financial and other advisors, as appropriate. No decision to subscribe for or purchase any securities of BHLB should be made on the basis of the information contained in this Framework.

You should not assume that the information appearing in this Framework is accurate as of any date other than the date hereof, as BHLB business and prospects may have changed since that date. This Framework is not intended to provide the basis for any third-party evaluation of any BHLB securities, and should not be considered as a recommendation that any investor should subscribe for or purchase any BHLB securities, or as an assessment of the economic performance and creditworthiness of any BHLB securities.

This Framework contains statements regarding BHLB plans with respect to its Sustainable Bonds. Such statements are, by their nature, forward-looking, and accordingly are subject to numerous assumptions, risks and uncertainties, which may change over time. In particular, future events or circumstances may change BHLB's approach to bond issuances or result in changes to the terms of this Framework. Thus, there can be no assurance that the financing for any Eligible Projects will be implemented in the manner set forth in this Framework or achieve the results or outcome (environmental, social or otherwise) originally expected or anticipated by BHLB or as contemplated by this Framework. Applicable Offering Documents may describe other or more specific risks to accomplishment of BHLB plans as set forth in this Framework. BHLB's activities in general, which may affect any Sustainable Bonds that it issues, are also subject to certain risks and uncertainties that are described in BHLB's most recent Annual Report on Form 10-K and its subsequent Quarterly Reports on Form 10-Q.