



Eesti Energia

Eesti Energia Green Finance Framework

June 2024

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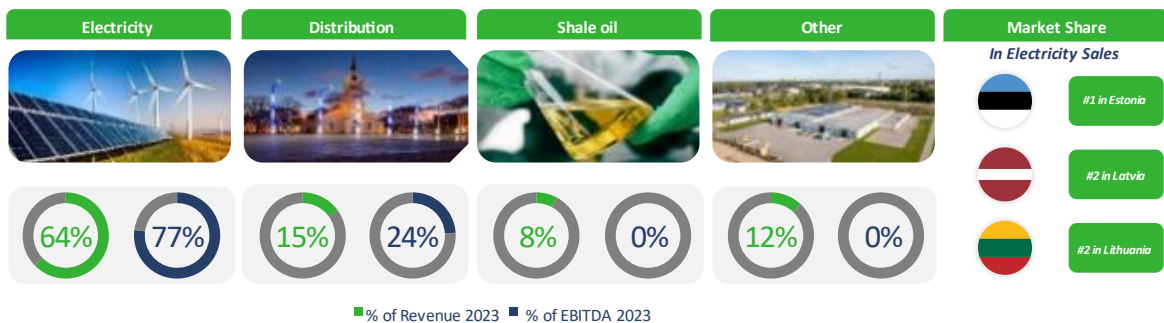
1. Introduction

1.1 About Eesti Energia

Eesti Energia (“the Group” or “Eesti”) is a leading, vertically-integrated energy company operating in the Baltic Sea region, including in Estonia (“the Country”), which is a key market, that produces and distributed electricity, as well as providing a complete range of energy solutions, in an increasingly environmentally friendly way.

Initially named Elektrikeskus in 1939, when Estonian president Konstantin Päts signed the document marking the beginning of the Group’s history, the company followed the objective of electrifying the Country, thus creating an energy system and connecting consumers to newly built power plants.

As of end 2023, Eesti Energia counts 5,268 employees and has expanded its operations outside of Estonia, reaching the energy markets of Latvia, Lithuania, Poland and Finland, and redirecting its energy mix towards renewable energy sources. Production is mainly sourced from wind and solar farms, hydroelectric, thermal, CHP and liquid fuels plants.



The Group extends over 4 business lines:

- Electricity:** comprises various subsidiaries involved in the production and sale of electricity, including the production of electricity from renewable sources and oil shale, and the retail sale of electricity. This segment has the higher contribution towards Revenues and EBITDA across the business (64% and 77%, respectively) last year. In 2023, 10,236 GWh of electricity were sold and 3,614 GWh were produced, supported by an asset base of 2050 MW. Renewable power generation amounted to 1,627 GWh, of which 1,103 GWh from wind farms.
- Distribution:** entails regulated electricity distribution and development of open market services in Estonia. The diffused network enables to reach 95% of Estonian population and 533,000 electricity network service customers, with approximately 61,000 km of 0.4-35 kV underground and overhead lines and more than 24,300 substations at 6-35 kV. The distribution segment generates 15% and 24% of the Group’s revenues and EBITDA, respectively. Electricity distribution companies operate as natural monopolies, therefore, the Group is not subject to direct competition from other market participants.
- Shale oil:** electricity and heat generation from oil shale is the Group’s oldest business, the contribution of which on the activities as a whole is constantly decreasing to make room for more sustainable energy

sources. In 2023, this segment contributed to 8% of revenues, having no contribution to the Group's EBITDA. Last year, the Group produced 475 thousand tonnes and sold 468 thousand tonnes of shale oil.

4. **Natural gas and other products and services**¹: together, these segments accounted for 12% of the Group's revenues with minimal contribution to the Group's EBITDA in 2023, related to the sale of natural gas, heat, industrial equipment and ancillary services. Main ancillary services include charging, lighting, solar and flexibility services, as well as services related to heating and cooling equipment.

Eesti Energia's subsidiary Enefit Green has been listed on the Tallinn Stock Exchange since October 2021 and its activities relate to the production of energy from renewable sources. At the end of 2023, Enefit Green had 419 MW of wind farms in operation in the Baltics and 75 MW of solar farms in operation in Estonia and Poland. Enefit Green's efforts to expand its asset base, paired with the decline in non-renewable generation, largely contribute to the increasing share of renewable electricity sources of the Group that accounted for 45% of total production at the end of 2023. Borrowings at the Enefit Green level are arranged on a standalone basis, are unsecured and have no guarantees from the Group.

Enefit Green is one of the key pillars of Eesti Energia's green journey – its solar and wind farms can be seen from afar. As the largest provider of renewable energy in the region, Enefit Green is making clean energy accessible to all.

Enefit Power is undergoing transformation and increasing its efficiency – instead of generating electricity from oil shale, Enefit Power is looking to add value to the resource in a smarter and greener way by making raw materials for the chemical industry. In addition, in the future Enefit Power will make raw materials for the chemical industry from wood, plastic and tyre waste. With the chemical industry, Enefit Power will also turn CO₂ into a new raw material. Eesti Energia via its subsidiary Enefit Power is a major driver of the circular economy in the region and the ultimate guarantor of Estonia's security of supply.

1.2 Eesti Energia Social and Governance Principles

Eesti Energia's sole owner is the Republic of Estonia, being represented by the Ministry of Finance. The Group has 3 main governing bodies to make sure that the structure is aligned with the organization's goals and needs, and that changes in the business environment are swiftly taken into account. These are the general meeting, the supervisory board and the management board, supported in strategic matters by the Group's strategic leadership team.

Eesti Energia's strategic goals are set for a period of five years and updated annually. In addition to these, key performance indicators have been adopted to measure the achievement of such goals and to evaluate the effectiveness of the strategic plan.

¹ For the purposes of this Framework, the Natural Gas business is included in "Natural gas and other products and services" category and not presented as a separate business line.

Employees are at the heart of the Group that empowers and encourages them to adhere to organization-wide values and government principles. Goals and achievements are duly communicated, and Eesti Energia makes sure that people have a safe work environment and are paid a competitive salary.

The rules of ethical behavior revolve around honesty and truthfulness, courtesy and respect. The aim is to use resources prudently and in a conserving manner, while refraining from relations with stakeholders that could affect the Group's impartiality.

The purpose of the Group's strategic leadership team is to focus on discussing strategic matters, including those related to ESG, implementing the strategy and analysing related topics. In 2023, the strategic leadership team consisted of the members of the management board of Eesti Energia, the chairman of the management board of Enefit Green, the chairman of the management board of Enefit Power, the chairman of the management board of Enefit Solutions, the chairman of the management board of Elektrilevi, the chairman of the management board of Enefit Connect, the head of communication and marketing, the head of employee experience, the head of energy trading, the environmental manager, the head of business and information technology and, as observers, the heads of the risk management and internal audit department, the legal department and the procurement department.

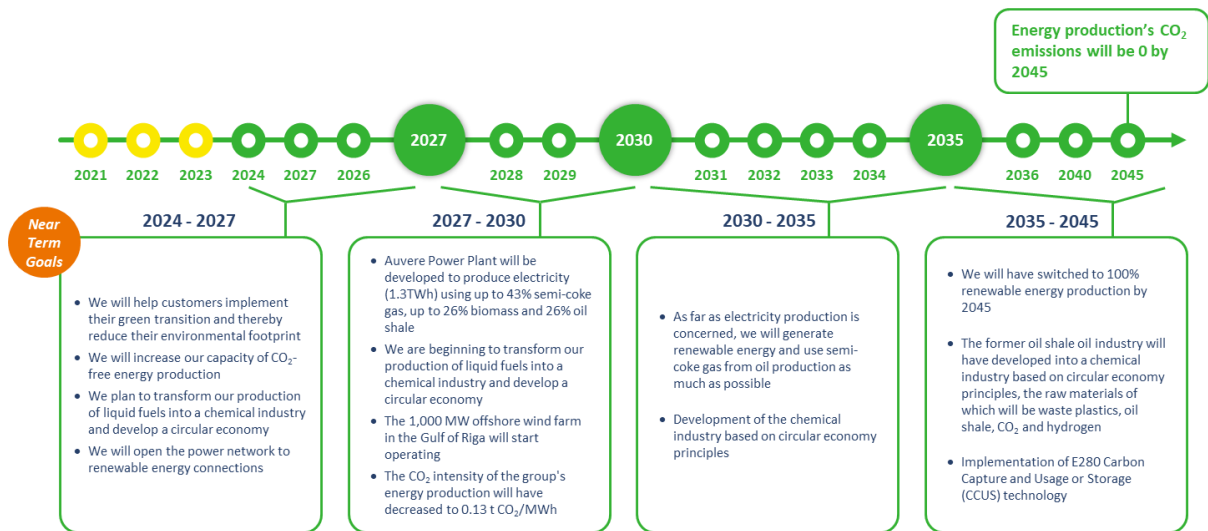
1.3 Eesti Energia Carbon Neutrality Strategy

Overview of Eesti Energia Carbon Neutrality Strategy

Based on the European Climate Law, Estonia has outlined detailed long-term climate goals to ensure a positioning as a competitive climate-neutral country by 2050. In line with this, Eesti Energia must ensure a competitive and diverse electricity production portfolio which enables successful operation as an electricity producer and seller. Following circular economy principles in the valorization of oil shale, the Group will gradually move from electricity production to the co-production of fuels, chemical products and electricity, and aim to have the proportion of electricity production from renewable energy sources at the level of at least 40% by 2030. This would, in turn, reduce CO₂ intensity of emissions to less than 400 kg CO₂/MWh.

Eesti Energia has developed a Carbon Neutrality Roadmap, with clear short-to-medium goals that can be summarized as follows:

- 1. Increasing renewable energy production four times to 1,900 MW by 2025;**
- 2. Ceasing electricity production from oil shale by 2035;**
- 3. Achieving carbon-neutral electricity production by 2045;**
- 4. Transforming the production of liquid fuels into a chemical industry based on the circular economy;**
- 5. Becoming industrially carbon-neutral by 2045.**



Eesti Energia's environmental policy and carbon neutrality strategy define the Group's ambitions related to climate change mitigation. Based on these, Eesti Energia will continue to reduce the carbon intensity of the energy production while helping customers to plan a green transition and implement it by providing a full range of energy production. Reduction of the Group's climate impact is targeted from two perspectives, through the reduction of net greenhouse gas emissions and through the greenhouse gas intensity of energy production.

Eesti Energia aims to achieve climate-neutral production by 2045, meaning that the Group will have no net emissions of greenhouse gases. Although greenhouse gases will still be emitted to a certain extent in the course of production, they will be compensated at least to the same extent.

To prevent environmental damage in energy production, the Group strives to optimize the use of existing facilities through the implementation of technological solution. An environmental management system is also in place to control and reduce environmental impact, compliant with ISO 14001 and the EU Eco-Management and Audit Scheme (EMAS).

Eesti Energia's environmental policy and carbon neutrality strategy has been put together by the Group's Environmental Strategy Team. The Team is responsible for the management of Group level strategic decisions, which are subsequently signed off by the Group's Management Board and CEO.

Research and Development at the Forefront of ESG Transformation

Eesti Energia's research and development (R&D) activities are focused on supporting the implementation of the Group's business strategy, which aims to achieve carbon neutrality and provide customers with environmentally sustainable, convenient, and useful energy solutions. During the year of 2023, for example, the company invested EUR 12.8mn in R&D, looking for innovative solutions to reduce the environmental footprint of energy production, aimed at further building a chemical industry based on the circular economy, developing more valuable products, and providing more useful services to customers. Eesti Energia's long-term strategy sets the goals of moving away from oil shale-based electricity and liquid fuels production towards a chemical industry based on the circular economy. The most important R&D projects in 2023 were related to the development of the chemical industry.

Timeline for Implementation

Achieving climate neutrality is divided into four periods, where intermediate goals for emissions and the main strategic development directions or activities to achieve them are determined for each period.

Period 2024 – 2027

The goals for the first period mainly revolve around the intensity of CO₂ emissions. In detail:

- The Group's CO₂ emissions will be no more than 3.6 million t, 84% less than in 1990;
- The share of the Group's renewable energy output in electricity production will be 67% vs. 45% in 2023;
- The CO₂ intensity of the Group's energy production will be 0.20 t/MWh and that of electricity production 0.23 t/MWh
 - o CO₂ intensity of electricity and energy production for Enefit Power, in particular, will be 0.29 t/MWh and 0.58 t/MWh, respectively;

Period 2027 – 2030

Based on Estonia's sustainability goals for this period, Eesti Energia aim at achieving 5 main objectives.

- The Auvere Power Plant will be developed to produce electricity using 43% semi-coke gas, 26% biomass and 26% oil shale, and analyses for replacing oil shale with another fluidized bed generator, such as waste rock, will be carried out;
- Starting the production of raw materials for the chemical industry in the light fraction refining plant;
- The 1,000 MW offshore wind farm in the Gulf of Riga will start operating, raising the share of the Group's renewable electricity output to 87%;
- The need for oil shale will be 5.2 million tons and 2.6 million t/a of oil shale ash will be generated;
- The Group's CO₂ emissions will be 2.6 million t/a and the CO₂ intensity of the Group's energy production will have decreased to 0.12 t CO₂/MWh; the biogenic emission of biomass will be 350,000 tons of CO₂.

Period 2031 – 2035

During the third period, Eesti Energia will aim to generate renewable energy and use semi-coke gas from oil production as much as possible, while focusing on developing the chemical industry and implementing E280 CCUS technology. The detailed objectives are the following:

- Start operations in the offshore wind farm in Northwest Estonia, with capacity of 1,100 MW;
- The annual need for oil shale will be 3.2 million tons per year;
- The share of renewable energy in electricity production will be 96%;

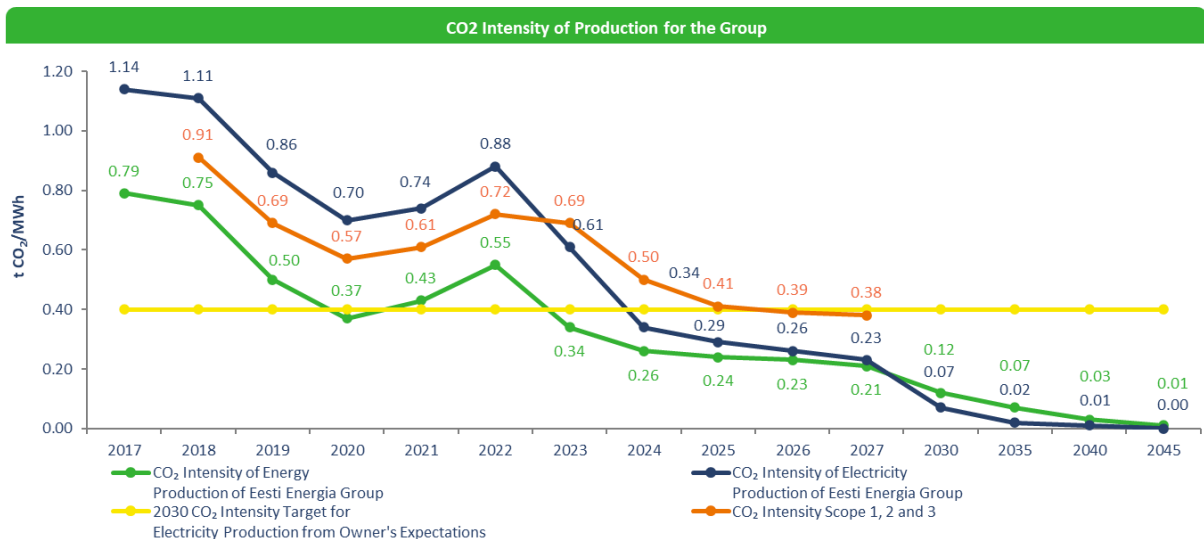
- The Group's CO₂ emissions will have decreased to 1.7 million tons per year, and the CO₂ intensity to 0.07 t CO₂/MWh, while the biogenic emission of biomass use will be 450,000 tons of CO₂;
- Oil shale will no longer be used in electricity production;
- Elering's hydrogen infrastructure will start operating;
- CCUS (Carbon Capture and Usage or Storage) technology will be implemented.

Period 2035 – 2045

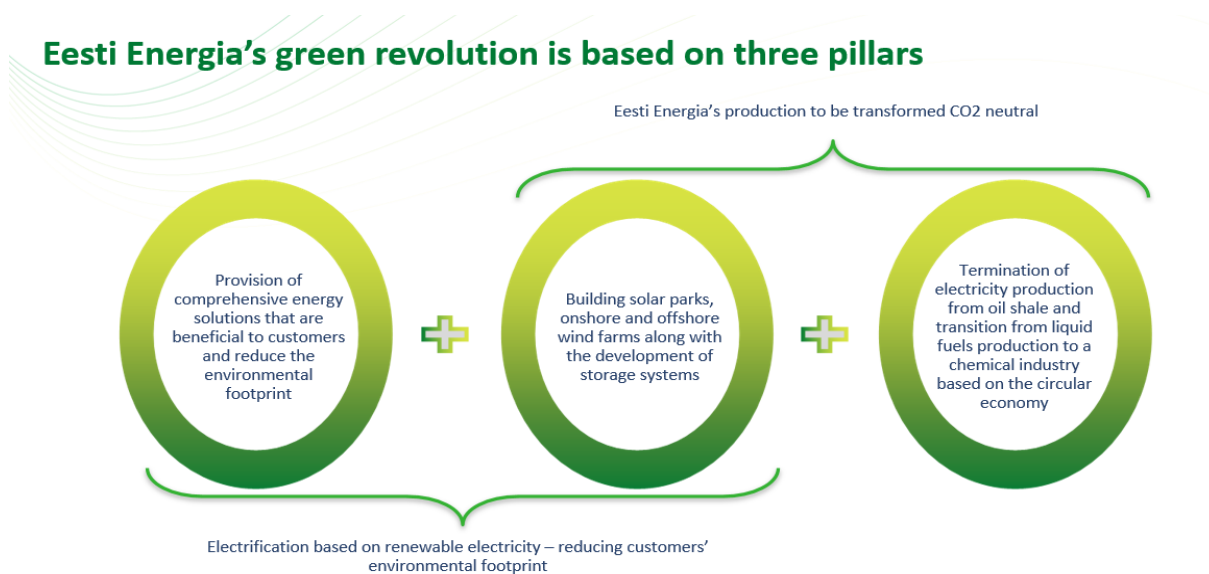
In the long-term, Eesti Energia will:

- Start capturing CO₂ in the E280-1 and E280-2 facilities, and at Iru PP; alternatively, the production will be reorganized in a way that significantly reduces the latter facility's greenhouse gas emissions;
- The annual outputs of the facilities that continue to operate during the period will not increase compared to the 2027 production plans;
- The use of CO₂ in the chemical industry as a raw material for the production of various products (such as methanol, dimethyl carbonate, urea, polyols, polycarbonates, etc.) will begin.

The chart below shows the CO₂ intensity of production of the Group for Scope 1, 2 and 3, and emissions covered by the European Trading System. Eesti Energia has been significantly decreasing the intensity of energy production from 0.88 to 0.61, equivalent to a 35% reduction in the period from 2022 to 2023.



Actions to Achieve Targets

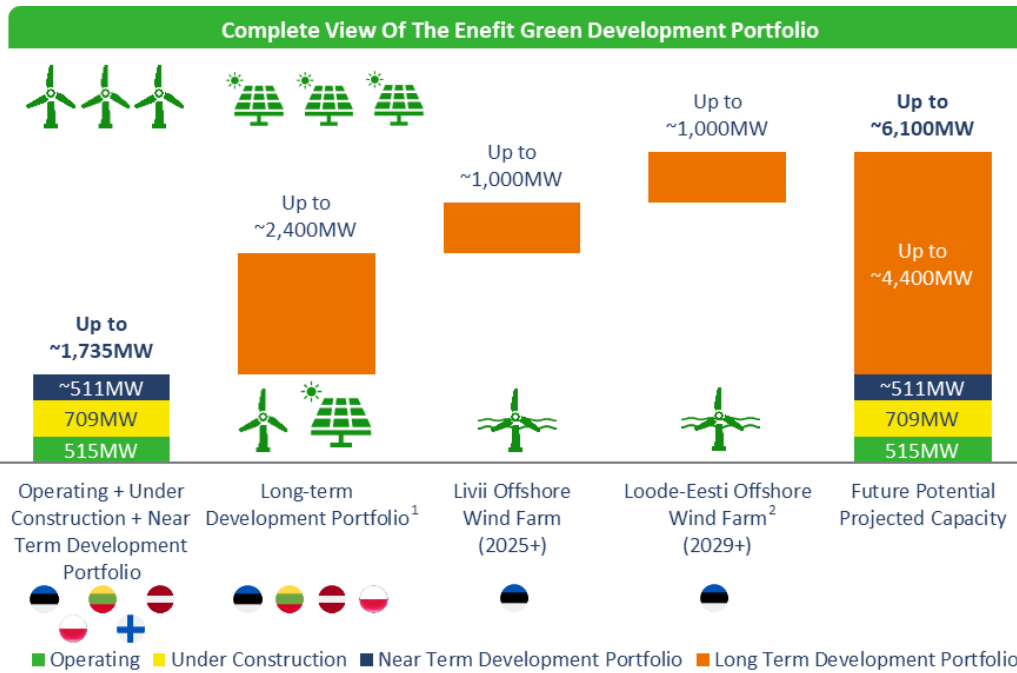


To bring to reality Eesti Energia's sustainability targets, the Group plans to act in accordance with the abovementioned timeline to adapt its activities and realize an increasingly more sustainable platform.

The following set of actions will be implemented by the Group to meet the targets:

- Help customers implement their green transition, thereby reducing their environmental footprint;
- Increase capacity of CO2-free energy production through the development of new, sustainable energy production facilities;
- Transform production of liquid fuels into a chemical industry to develop a circular economy;
- Open the power network to renewable energy connection from third parties.

In addition to guiding customers towards greener practices, Eesti Energia will provide them with storage solutions to optimize the energy usage and will develop electromobility solutions to enable wider access to using electric cars. To this end, the Group plans to offer EV charging solutions for private and business customers. To further reduce customers' CO2 emissions, the Group could opt to provide the renewal of indoor and street lighting management services, saving an estimated 1,550 tons of CO2 by 2027.

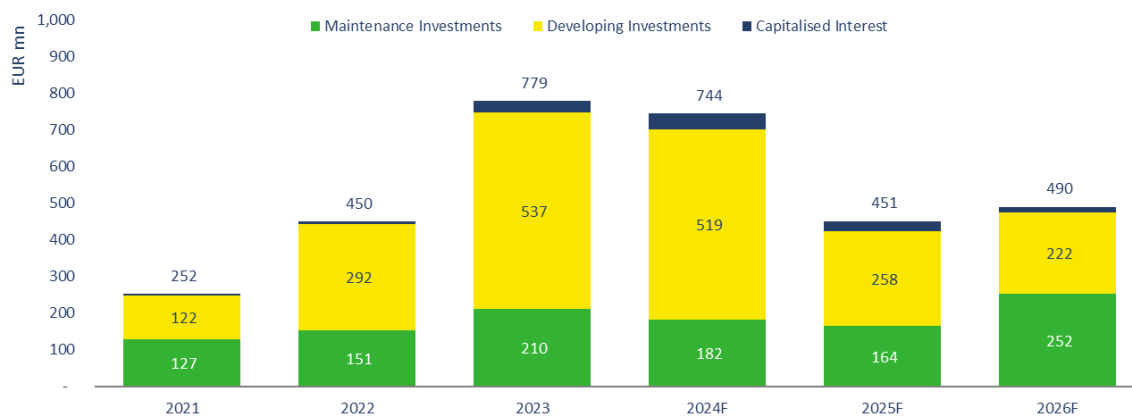


1) Various onshore wind and solar farm developments that are not expected to get final investment decision before 2025. The actual timing of FID depends of PPA demand, availability of other instruments for revenue security (state auctions, possible support mechanisms etc), pricing of equipment for electricity production, construction prices and financing.

2) Also known as Hiiumaa Offshore Wind Farm.

Increasing the output of solar and wind energy plays an important role in increasing CO₂-free energy production. In the first period, this will increase from 1,102 GWh to 3,630 GWh for wind, and from 64 GWh to 772 GWh for solar. New wind and solar parks will be built in countries from Finland to Poland to more than quadruple renewable electricity production capacity in less than two years. In addition to this, the creation of a storage solutions will prevent the generation of 12,255 tons of CO₂ emissions per year from 2025.

Eesti Energia's historical and projected CAPEX is closely driven by the Group's ESG Strategy. While Group's maintenance investments are aimed at retaining full and undisrupted operations of the existing generation / transmission facilities, development investments mainly are targeted at adding new green generation capacity at the Enefit level as well as improving efficiency and expanding transmission network of the Group to ensure appropriate infrastructure for the renewables energy flow distribution through the target geographies. Development Investments are estimated to account for ~60% of Total CAPEX in 2021-2026 to ensure, among others, Eesti Energia's ESG Transition. The Group already went through the period of increased investments in the last few years, with EUR ~1bn of spent for development purposes.



To further reduce the environmental footprint and increase profitability, the current liquid fuels industry will be transformed into a modern chemical industry following the circular economy principles. Enefit Power will, indeed, use oil shale and plastics as raw materials for the production of chemicals. The goal is to recycle 0.1 million tons of oil shale ash per year to process it into mineral construction materials, construction pellet, agriculture and road construction products and in the production of geopolymers.

Captured CO₂ can also be utilized for the production of new types of raw materials (such as e-methanol) for the plastics industry. Use of the captured CO₂ for an intermediate raw material for plastic chemistry requires a significant amount of green hydrogen, therefore the production of the latter is also part of the sustainability strategy. Storing the captured CO₂ in products with long-term use (mineral materials, chemical intermediates) that are not burned, allows to reduce the amount of CO₂ entering the atmosphere and at the same time to avoid the extraction of crude oil or other fossil raw materials for the production of these products.

Achieving carbon neutrality comes through the development of the Group's power network as well, to allow small renewable energy producers to more conveniently connect to the grid. In particular, Eesti Energia will create the technical capacity and simplify the connection procedure for third parties to be able to contribute. Network capacity will be increased through the reconstruction of overhead lines of the medium voltage network, increasing production-oriented free capacity.

2. Eesti Energia Green Finance Framework

2.1 Rationale for the Green Finance Framework

With this Green Finance Framework (“Framework”), Eesti Energia aims to further underline its commitment to sustainability and to engage with a broad set of stakeholders of the Group on the topic of climate change.

In early 2023, Eesti Energia firmly committed to ambitious group decarbonization targets through the implementation of a new sustainability-linked loan, the KPIs and annual SPTs under which have been publicly reviewed by ISS. Eesti Energia has established this Green Finance Framework as an overarching platform under which the company intends to issue Green Finance Instruments, which may include bonds (including private placements), loans, guarantees, hybrids, and any other financial instrument where the proceeds will be exclusively allocated to finance and/or refinance Eligible Green Projects as defined in this Framework.

The Framework will apply to any Green Finance Instruments issued by Eesti Energia and / or its subsidiaries and will be applied as long as any such financing instruments are outstanding.

This Framework may be updated from time to time to ensure continued alignment with voluntary market principles, emerging standards and classification systems. Any updated version of this Framework will either maintain or improve the current levels of transparency and reporting disclosures. Any Framework updated will be accompanied with an updated Second Party Opinion.

The Green Finance Framework is aligned with market best practices outlined by the International Capital Market Association ("ICMA 2021 Green Bond Principles and the Loan Market Association ("LMA") 2023 Green Loan Principles), updated from time to time, and includes the following four core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of proceeds
- Reporting

The Framework also follows the recommendations of the Green Bond Principles and Green Loan Principles regarding External Review.




2.2 Use of Proceeds



Under the current Framework, an amount equivalent to the net proceeds of the Green Finance Instrument(s) will be used to finance, or refinance in whole or in part, new or existing, eligible green investments or assets as defined in the table below as "Eligible Green Projects".

The financing of such Eligible Green Projects is expected to create substantial environmental benefits by improving the connectivity and distribution of renewable electricity across Estonia and other Baltic countries.

In the case of refinancing existing Eligible Green Projects only investments made within a three-year period preceding and including the year of issuance of a Green Finance Instrument shall be considered.

To the extent feasible, Eesti Energia will communicate the proceeds to be allocated under the project categories in advance of any issuance.

Relevant Eligible Green Project categories (ICMA GBP / LMA GLP)	Eligibility Criteria	Relevant Eesti Energia Business Unit	Relevant Sustainability Development Goals	Relevant EU Taxonomy Technical Screening Criteria / Economic Activity
Renewable Energy Investments in the Grid Transmission Network	Assets, Investments, Capex and Opex relating to electricity distribution infrastructure and equipment in an electricity system in Estonia (over the period Jan 2021-Jan 2024, 40% of the electricity transmitted in Estonia was generated by	Elektrilevi (DSO)	  	4.9 Transmission and distribution of Electricity The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: <ul style="list-style-type: none"> The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in

	renewable sources)			<p>accordance with electricity generation criteria, over a rolling five-year period.</p> <ul style="list-style-type: none"> The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. <p>(NACE: 35.1.2 – Transmission of electricity, 35.1.3 – Distribution of electricity)</p>
<p>Clean Transportation</p> <p>Investments in Electric Transport Services</p>	Installation of charging stations for electric vehicles connected with the Estonian national grid	Enefit Connect / Enefit AS	 	<p>7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</p> <p>Installation, maintenance or repair of charging stations for electric vehicles.</p> <p>(The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28)</p>

With respect to the allocation of proceeds under the category “Investments in the Grid Transmission Network”, we envisage two primary allocation methodologies;

- 1) Certain investments we expect to recognize as 100% green. These would be, for example, connections directly between the grid and new sources of renewable energy.
- 2) The remainder of investments made in the grid we would expect to recognize by applying the applicable ratio of renewable energy transmitted through the grid to our overall investments.
 - a. The renewable electricity production ratio is defined as the share of renewable electricity produced in Estonia. Over the period Jan 2021-Jan 2024, 40% of the electricity transmitted in Estonia was generated by renewable sources. The Transmission operator of Estonia publishes the share of electricity generated from renewable sources regularly
Source: <https://dashboard.elering.ee/en/balance/total>
 - b. Eesti currently takes a conservative approach to define the electricity grid eligible amount under the Technical Screening Criteria of the EU Taxonomy. Eesti note that given the Estonian grid is part of the broader European interconnected control areas, 100% of grid expenditures would be considered eligible under the Taxonomy. In order to assure alignment, Eesti also seeks to ensure that there is no financing of connections to electricity production facilities over the threshold of 100 gCO₂e/kWh. Noting that under the GHG Protocol, renewable energy can be considered carbon neutral, the application of the grids renewable load factor to our total expenditure is taken as a conservative approach to meeting this threshold.
- 3) For the avoidance of doubt, in future allocation reports, Eesti expect to set out the total amount of expenditure made in relation to the category “Investments in the Grid Transmission Network” within the relevant look-back period at the time of the report. From this, the expenditures outlined in point (1) above will be deducted, and the renewable energy factor as outlined in point (2) will be applied to the remaining expenditure.
- 4) Whilst Eesti will apply the EU Taxonomy’s Technical Screening Criteria (“TSC”) for Substantial Contribution (“SC”) to Climate Change Mitigation for the eligibility of projects, the Do No Significant Harm (“DNSH”) and Minimum Safeguards (“MS”) requirements are applied on a best-effort basis.

Exclusion Criteria

We would note that no funds raised under our Green Bond Framework would go towards our fossil fuel energy business. All existing fossil fuel exposure sits under the Enefit Power entity and is effectively ringfenced from the entities referenced within our Green Eligibility Criteria.

Renewable Energy power generation has not been included in the Eesti Energia Green Finance Framework primarily due to the fact that this activity would fall under Enefit Green within the broader Eesti Energia Group.

2.3 Process for Project Evaluation and Selection

Eesti Energia has established a decision-making process to determine the eligibility of the Eligible Green Projects, in accordance with the Eligibility Criteria outlined in the “Use of Proceeds” section of this Framework. The use-

of-proceeds of this Framework are aligned with Eesti Energia business and climate change strategy and will meaningfully contribute to achieving the carbon neutrality goals set by Eesti Energia.

The corresponding Eligible Assets are required to comply with local laws and regulations, including any applicable regulatory environmental and social requirements, as well as Eesti Energia's internal risk policies. Eligible Green Projects will be identified, and selected for eligibility, by a dedicated Green Finance Working Group which has been established within Eesti Energia. While Eesti Energia on the Group level defines the overall medium- and long-term ESG Strategy as well as steps required to ensure adherence to it, Eesti's subsidiaries involved in electricity transmission network and electricity generation businesses, among others, are responsible for operational implementation. All subsidiaries report to the Management Board and CEO of Eesti Energia as far as adherence to the ESG goals of the Group is concerned. ESG Strategy Team of Eesti Energia is responsible for the Group-wide reporting.

The Eesti Energia Green Finance Working Group will be responsible to:

- Identify potential Green Projects and verify eligibility in accordance with the Green Finance Framework;
- Monitor the Eligible Green Asset Portfolio;
- Exclude assets that no longer comply with the Eligibility Criteria;
- As Green Finance Instruments mature, remove the oldest assets from the Eligible Green Asset Portfolio for an equivalent amount, to ensure that Green Finance Instruments continue to fund new assets where CAPEX and/or OPEX had been used for allocation purposes for term-based liabilities;
- Maintain the Green Finance Framework up to date in order to reflect any changes with regards to the evolution of Eesti Energia's sustainability strategy and targets and continued alignment of project categories with appropriate national and international sustainability taxonomies and legislation;
- Manage potential environmental and social risks in association with the eligible green assets;
- Preparation of ongoing reporting, such as preparation of allocation and impact reports associated with the Green Finance Framework

Eesti Energia have a robust internal Risk Management Policy in place. In order to ensure a coherent approach to risk management, the Group describes the risk areas for which the group as a whole, or parts thereof, are responsible for managing the relevant risk. Developing principles and methods, informing related parties and supporting the implementation of the principles is the responsibility of the head of the risk management entity.

The Eesti risk management process consists of:

- i) Setting Goals
- ii) Identifying Risks

- iii) Risk Assessment
- iv) Handling / Reacting to Risks
- v) Monitoring risks
- vi) Reporting

The Group's Board retains all final responsibility for risk management in the group. With individual group companies and business units identified as the owner of key risks present impacting daily activities. The council / audit committee then continuously monitor the effectiveness of these procedures.

Environmental risks include a) the activities of the Group cause damage to the environment to the extent or to the extent that they do not comply with the agreed objectives; b) failure to comply with the requirements of the environmental protection permit of the undertaking will result in the suspension or revocation of the environmental protection permit and the undertaking's main activities will be suspended in part or in full.

Environmental risk management and assessment are the responsibility of the environmental manager. The implementation and operation are the responsibility of the manager of the entity causing the environmental impact. These key stakeholders will be working closely with the Green Finance Working Group to ensure these standards are followed for all eligible green projects, as they would be for any of Eesti's operations.

In 2022, the Group's management board approved the Code of Ethics for Partners. The purpose of the document is to inform our partners about the ethical requirements that are a prerequisite for cooperation. In drafting the Group's ethical requirements, we were guided by the principles that our partners also play an important role in ensuring Eesti Energia's sustainability, and that the Eesti Energia Group has a higher-than-average duty of care due to its impact on society. We expect our partners to adhere to the principles set out in the Code and to fully comply with all applicable laws and regulations. Based on internationally recognised standards for promoting social and environmental responsibility, the Code requires more than just legal compliance. The topics covered in the Code are consistent with the Ten Principles of the UN Global Compact.

Our strategic goal is to limit our environmental footprint and to be a leader in the green transition. Environmental risk arises when the Group's action or inaction causes environmental damage that is not in line with agreed objectives. We prevent environmental damage in energy production by optimising the use of existing facilities, implementing new technological solutions and increasing efficiency through the application of circular economy principles. To control, manage and reduce our environmental impact, we have implemented an environmental management system that meets the requirements of ISO 14001 and the EU Eco-Management and Audit Scheme (EMAS), and comply with the requirements of environmental permits.

2.4 Management of Proceeds

Eesti Energia intends to allocate the net proceeds from its Green Finance Instruments to an Eligible Green Asset Portfolio on a portfolio basis. This portfolio, selected in accordance with the Eligibility Criteria and project evaluation and selection process presented above, consists of new and / or existing assets, and each individual Green Finance instrument tranche will be listed with proceeds tracked in accordance with this framework.

Over time, Eesti Energia will strive to maintain a level of allocation for the Eligible Green Asset Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments.

Additional Eligible Green Assets will be added to the Issuer's Eligible Green Asset Portfolio to the extent required, in accordance with the Eligibility Criteria.

Eesti Energia intends to allocate all the proceeds of the Green Finance Instruments to Eligible Green Projects within two years of issuance of each Green Finance Instrument. In case Eesti Energia would select Eligible green capital expenditures or operating expenditures, they shall qualify for refinancing with a maximum three-year look-back period before the issuance year of the Green Finance Instrument.

The allocation of the net proceeds of issued Green Finance Instruments to the portfolio of Eligible Assets will be reviewed by Eesti Energia [Green Finance Working Group], until full allocation of the net proceeds of issued Green Finance Instruments.

Pending full allocation, any unallocated Green Finance net proceeds will be invested, managed or held by Eesti Energia Treasury on a temporary basis, at its own discretion, in cash, cash equivalents, and/or other short-term liquid instruments.

2.5 Reporting

Eesti Energia will publish an annual report on its website until full allocation of the Green Finance Instrument net proceeds, detailing the allocation of the net proceeds of the Green Finance Instruments to Eligible Green Assets, on a portfolio basis. This report will also contain information on the environmental impact of the Eligible Green Projects. Impact reporting may continue post the full allocation of the Green Finance Instruments.

Allocation Reporting:

- Allocation of net proceeds to Eligible Green Portfolio and per Eligible Green Project Category
- Balance amount of unallocated net proceeds, if any
- Portion of financing and refinancing
- Examples of Green Projects that have been funded by the Green Finance Instrument

Impact Reporting:

Eesti Energia will provide impact reporting at the level of each Eligible Project Category, which may include the following estimated Impact Reporting Metrics:

- Capacity of renewable energy production connected in the grid (in MW)
- Maintenance and reduction of grid losses through energy efficiency gains and maintenance (in MWh)
- Number of EV charging stations connected to the grid

2.6 Second Party Opinion

Eesti Energia has appointed ISS Corporate to provide a Second Party Opinion on the Green Finance Framework, its transparency, governance and alignment with the Green Bond Principles and Green Loan Principles.

This Second Party Opinion document will be made publicly available on Eesti Energia's website.

2.7 Post Issuance External Verification on Reporting

An external verification on the allocation of the Green Finance Instruments will be provided by an external auditor, on annual basis and until the complete allocation of proceeds.

The external auditor will verify that the proceeds of the Green Finance Instruments are either allocated to Eligible Green Projects as defined in this Framework or invested in approved temporary investments. This will be published on Eesti Energia's website.

3. Disclaimer

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