ISS-CORPORATE

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Eesti Energia

4 June 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Green Financing Instruments
Relevant standards	▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1) ▪ Green Loan Principles (GLP) as administered by the Loan Market Association (LMA) (as of February 2023) ▪ EU Taxonomy Climate Delegated Act, Annex I (as of June 2023)
Scope of verification	▪ Eesti Energia Green Finance Framework (as of June 4, 2024) ▪ Eesti Energia Selection Criteria (as of June 4, 2024)
Lifecycle	▪ Pre-issuance verification
Validity	▪ Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK

Eesti Energia ("the Issuer" or "the Company") commissioned ISS-Corporate to assist with its Green Financing Instruments by assessing four core elements to determine the sustainability quality of the instruments:

- Eesti Energia's Green Finance Framework (as of June 4, 2024), benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) (June 2021 with June 2022 Appendix 1) and the Loan Management Association's (LMA) Green Loan Principles (GLPs) (February 2023).
- The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
- The eligibility of the project categories against the EU Taxonomy on a best-efforts basis[1] – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation.
- Consistency of Green Financing Instruments with Eesti Energia's Sustainability Strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

[1] Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

EESTI ENERGIA OVERVIEW

Eesti Energia AS produces, sells and transmits electric and thermal power. It offers energy solutions from electricity, heat and fuel production to sales and customer service and many other energy services. The company was founded on May 8, 1939, and is headquartered in Tallinn, Estonia.

ESG risks associated with the Issuer Industry

Eesti Energia is classified in the Multi-Utilities industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies[2] in this industry are promotion of a sustainable energy system and resource efficiency, accessibility and reliability of energy and water supply, worker safety and accident prevention, environmentally safe operation of plants and infrastructure, protection of human rights and community outreach.

This report focuses on the sustainability credentials of the issuance. Part IV of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

[2] Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[3]
Part I: **Alignment with GBP/GLP**	The Issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP and GLP.	**Aligned**
Part II: **Sustainability quality of the Selection Criteria**	The Green Financing Instruments will (re)finance the following eligible green categories: Renewable Energy and Clean Transportation. Product and/or service-related use of proceeds categories[4] individually contribute to the following SDG:  The environmental and social risks associated with the use of proceeds categories are managed.	**Positive**
Part III: Eligibility against the EU Taxonomy	Eesti Energia's project characteristics, due diligence processes and policies have been assessed against the EU Taxonomy's (Climate Delegated Act of June 2023) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation on a best-efforts basis.[5] The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering that the Issuer currently cannot demonstrate full compliance.	**Eligible** for assessing alignment at a later date
Part IV:	The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly	**Consistent with Issuer's**

[3] The evaluation is based on the Eesti Energia's Green Finance Framework (June 4, 2024 version), on the analysed Selection Criteria as received on June 4, 2024.
[4] Renewable Energy and Clean Transportation
[5] Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

Consistency of Green Financing Instruments with Eesti Energia's Sustainability Strategy	described by the Issuer. All the project categories considered are in line with the Issuer's sustainability objectives. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	**sustainability strategy**

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GBP and GLP

This section evaluates the alignment of the Eesti Energia's Green Finance Framework (as of June 4, 2024) with the Green Bond Principles and the Green Loan Principles.

GBP, GLP	ALIGNMENT	OPINION
1. **Use of Proceeds**	✓	The Use of Proceeds description provided by Eesti Energia's Green Finance Framework is **aligned** with the GBP and GLP. The Issuer's green categories align with the project categories as proposed by the GBP and GLP, and criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described. The Issuer defines exclusion criteria for harmful projects categories. The Issuer defines a look-back period of three years, in line with best market practice.
2. **Process for Project Evaluation and Selection**	✓	The Process for Project Evaluation and Selection description provided by Eesti Energia's Green Finance Framework is **aligned** with the GBP and GLP. The project selection process is clearly defined. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer's sustainability strategy. The Issuer identifies alignment of their Green Finance Framework and their green projects with the EU Taxonomy for Sustainable Activities, in line with best market practice.
3. **Management of Proceeds**	✓	The Management of Proceeds provided by Eesti Energia's Green Finance Framework is **aligned** with the GBP and GLP.

		The net proceeds collected will be equal to or less than the amount allocated to an Eligible Green Asset Portfolio, with no exceptions. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.
4. Reporting	✓	The allocation and impact reporting provided by Eesti Energia's Green Finance Framework is **aligned** with the GBP and GLP. The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer's website. Eesti Energia has disclosed the type of information that will be reported and explains that the level of expected reporting will be at portfolio level and per eligible green project category. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated. The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting, in line with best market practice. The Issuer commits to have the allocation report audited by an external party, in line with best market practices.

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE U.N. SDGs[6]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing/investing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the U.N. SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing/investing in specific products and services is displayed on a three-point scale:

Obstruction	No Net Impact	Contribution

Each of the Green Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy *Investments in the Grid Transmission Network, in compliance with the EU Taxonomy Substantial Contribution criteria for activity 4.9.* *This category includes assets, investments, CapEx and OpEx relating to electricity distribution infrastructure and equipment for an electricity system in Estonia (over the period from January 2021 to January 2024, 40% of the electricity transmitted in Estonia was generated by renewable sources).*	**Contribution**	

[6] The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

Clean Transportation *Investments in Electric Transport Services in compliance with the EU Taxonomy Substantial Contribution criteria for activity 7.4.* *This category includes installation of charging stations for electric vehicles connected with the Estonian national grid.*	**Contribution**	

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the Selection Criteria against issuance-specific KPIs and covers the project categories that have not been assessed against the Do No Significant Harm Criteria and the Minimum Safeguards of the EU Taxonomy. Under the "Renewable Energy – Investments in the grid transmission network" project category, the assets are/will be located in Estonia. Under the "Clean Transportation – Charging Stations – Investments in electric transport services" project category, the assets are/will be located in Estonia, Latvia, Lithuania and Poland.

ASSESSMENT AGAINST KPIs	
Renewable Energy	
Labor, Health, and Safety	
✓	The assets financed under the Green Finance Framework will be located in Estonia, an EU member state, where high labor, health and safety standards are in place. Estonia's labor standards comply with the International Labor Organization's core conventions. Furthermore, Elektrilevi OÜ (Elektrilevi), the subsidiary of Eesti Energia that carries out electricity distribution, has policies and procedures in place, applicable to all its assets and inspired by the principles of the ISO 45001 standard, to prevent and mitigate workplace hazards, including rules for workplace risk assessment, workplace inspections and incident reporting. Moreover, the company monitors its employees' health, carrying out regular medical examinations focused on an employee's specific role and the relevant hazards.
On-site Safety	
✓	Eesti Energia has measures and policies in place, applicable to the whole group, ensuring high operational safety standards are in place for the sites where assets financed under the Green Finance Framework are located. The overall elements for ensuring on-site safety are regulated at the national level via designated standard EVS-EN 50110-1:2013:[7] all electrical installations comply with the standard, which sets out the requirements for the safe operation of and work activity with electrical installations. To ensure compliance with the standard, Elektrilevi has drafted and enforced its own safety manual that applies to all employees and subcontractors. The manual covers the following topics: definitions, overall rules, specific rules for different work orders (e.g., inspection, repair, maintenance) and rules for working in the

[7] EVS-EN 50110-1:2013, more details available here: https://www.evs.ee/en/evs-en-50110-1-2013

	line corridor safety zones. Elektrilevi ensures via its procedures that only personnel with sufficient knowledge and certifications are allowed to work in and around the network.
Environmental aspects of construction (or production) and operation	
✓	Elektrilevi has policies in place to ensure that all metal and wooden materials used for construction, reconstruction, maintenance and repairing of the network infrastructure are deconstructed and taken into recycling collection centers (which are selected through public procurements). Out-of-use smart meters and other electrical equipment are returned to their producers for reuse and recycling, but they are not required to have specific policies in place regarding waste electronic and electrical equipment recycling. However, Estonian national legislation provides for environmental assessment to be carried out when planning and designing new networks,[8] and rules and procedures for waste handling and recycling management.[9]
✓	Upon purchasing new assets, Elektrilevi ensures that they comply with all the regional, national and company standards to ensure assets financed under this category meet high environmental standards and requirements during the construction phase (e.g., noise mitigation, minimization of environmental impact during construction work).[10] The relevant mitigation measures are agreed upon during the planning and design phase, which is carried out with local municipalities and other relevant authorities.[11] For a majority of the asset groups, a pre-approval qualification procedure is in place that involves various tests and onsite inspections to ensure that they are compliant with the EU requirements (e.g., Regulation 2019/1783 for transformers).[12] Elektrilevi´s partners must comply with the company's procurement requirements that include the Group Code of Conduct, reporting rules and health and safety obligations.[13]
✓	The Issuer confirmed that the methods used in construction are discussed and agreed upon during the planning phase with local municipalities, and low-impact methods are preferred to reduce the environmental impact during the cable laying process. For instance, among the three main methods for cable

[8] Environmental Impact Assessment and Environmental Management System Act, available here: https://www.riigiteataja.ee/en/eli/506102023008/consolide and Planning Act, available here: https://www.riigiteataja.ee/en/eli/ee/504072023008/consolide/current

[9] Waste Management Act, available here: https://www.riigiteataja.ee/akt/12894710

[10] For instance, in case of planned maintenance and construction the Law Enforcement Act applies, which provides for such activities to be carried out during quiet hours. The Act is available here: https://www.riigiteataja.ee/en/eli/503122020002/

[11] For example, in case of building or refurbishing a substation in a dense population residential area, operational noise level measurements are carried out and where applicable, extra soundproofing measures are added into the project.

[12] Commission Regulation 2019/1783 amending Regulation (EU) No 548/2014 on implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to small, medium and large power transformers, available here: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R1783

[13] Available here: https://www.enefit.com/en/hankedokumendid

laying — open trenching, ploughing and drilling — the Company prioritizes ploughing whenever possible, as this technique moves the soil minimally and is the most cost-effective. Furthermore, the company tries to minimize the use of plastic.

Community dialogue

✓ The assets financed under the Green Finance Framework will be located in Estonia, Latvia, Lithuania and Poland, which are Equator Principles designated countries, where high community dialogue standards are implemented. Furthermore, the Issuer has implemented a development plan, involving various stakeholders (including local communities) in consultations, which facilitates broader participation in the decision-making process. The results of the consultations are regularly shared with the regulatory authority.

Conservation and biodiversity management

The Issuer does not have measures and policies in place to systematically ensure conservation and biodiversity management of assets financed under the Green Finance Framework.

○ Nevertheless, the Issuer´s distribution network covers the majority of the Estonian territory, and the Issuer has planning principles in place ensuring that existing line corridors shall be preferred to minimize the environmental impact. In addition, when carrying out vegetation management within the line corridors, the Issuer complies with the national legislation that sets out the allowance framework. When building new or reconstructing networks, the Issuer complies with the mandatory aspects of the technical guidance of the European Commission (Technical guidance on the climate proofing of infrastructure in the period 2021-2027)[14] and other related national regulations.[15]

Energy efficiency

✓ The Issuer has measures in place to systematically monitor the optimization of energy losses, which is a key indicator when planning and designing new networks. In particular, through its Network Planning Principles, the Issuer sets out the requirements and limits for cable cross-sections, ensures the desired energy-loss levels in the network and implements digital solutions (e.g., automated switching, predictive maintenance, using light detection and ranging data for planning purposes) that enable the reduction of onsite

[14] Available on the European Commission's website, here: https://ec.europa.eu/newsroom/cipr/items/722278/
[15] Environmental Impact Assessment and Environmental Management System Act, available here: https://www.riigiteataja.ee/en/eli/506102023008/consolide and Planning Act, available here: https://www.riigiteataja.ee/en/eli/ee/504072023008/consolide/current

activities and inspections, avoiding CO_2 emissions caused by transports. Whenever possible, electric vehicles are used to carry out operations.

Clean Transportation	
Labor, Health, and Safety	
✓	The assets financed under the Green Finance Framework will be located in Estonia, Latvia, Lithuania and Poland, which are EU member states, where high labor, health and safety standards are in place. Labor standards in all countries comply with the International Labor Organization's core conventions. Furthermore, Enefit AS, the Estonian subsidiary of Eesti Energia, is certified under ISO45001, ensuring that high health and safety management is in place for the assets financed under the Green Finance Framework.
Data protection and information security	
✓	The Issuer confirmed that it collects personal information of private customers. The personal data is collected with the customers' input and consent and processed on an outsourced platform used for public charging services. Customers have the option to delete their account and personal data. The data processing by the outsourced platform is regulated by a Data Processing Agreement that is compliant with the EU General Data Protection Regulation and national legislation.[16]
Environment	
○	The Issuer does not have systematically implemented life-cycle management practices, which include unified spare-part management across the public charging infrastructure and electronic waste management.

[16] Electronic Communication Act, available here: https://www.riigiteataja.ee/en/eli/ee/518032022002/consolide/current

PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

Eesti Energia's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation requirements of the EU Taxonomy Climate Delegated Act[17] (June 2023), based on information provided by Eesti Energia. Where Eesti Energia's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Do No Significant Harm Criteria and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering that the Issuer cannot demonstrate full compliance.

Eesti Energia's project selection criteria overlap with the following economic activities in the EU Taxonomy:

4.9 Transmission and Distribution of Electricity
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

Renewable Energy projects (Investments in the grid transmission network) financed under the Green Finance Framework are and will be located in Estonia. Clean Transportation projects (investments in installation, maintenance and repair of charging stations) are and will be located in Estonia, Latvia, Lithuania and Poland.

This analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following link.

[17] Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

a) Assessment of the project categories against the EU Taxonomy's Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

GREEN FINANCE FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES[18]	ASSESSMENT AGAINST THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
Renewable Energy	4.9 Transmission and distribution of Electricity	The project category consists of assets, investments, CapEx and OpEx relating to electricity distribution infrastructure and equipment in Estonia whereas:[19] ▪ The electricity system of Estonia is part of the interconnected European system (i.e., the interconnected control areas of member states, Norway, Switzerland and the U.K., and its subordinate systems). ▪ More than 67% of newly enabled generation capacity in the system is below the generation 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. ▪ 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.	✓

[18] This column is based on input provided by the Issuer.
[19] Eesti Energia confirms that the activity complies with all three criteria.

		Additionally, the project category does not consist of: ▪ Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO_2e/kWh, measured on a life cycle basis. ▪ Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944.	
Clean Transportation	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	The project category consists of installation, maintenance or repair of charging stations for electric vehicles. Thus, it aligns with the EU Taxonomy TSC for a Substantial Contribution to Climate Change Mitigation of category 7.4 "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)."	✓

b) Do No Significant Harm Criteria and Minimum Safeguards

Since the Issuer currently cannot demonstrate full compliance, there is no information as to whether the project categories fulfill the Do No Significant Harm Criteria and/or the Minimum Safeguards requirements of the EU Taxonomy. The Issuer states that some aspects of the Do No Significant Harm Criteria are managed with the environmental impact assessments conducted for the project categories. Additionally, the Issuer is considering adding the Do No Significant Harm Criteria and/or the Minimum Safeguards requirements to its Framework in the future.

PART IV: CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH EESTI ENERGIA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	The Issuer focuses on three main topics:[20] ▪ Mitigating global warming and reducing the negative environmental footprint of energy production (reducing its environmental footprint, increasing its renewable energy production capacity and reducing the carbon intensity of its energy production operations). ▪ People-first green journey (ensuring a safe working environment and improving its management quality). ▪ Having transparent and ethical corporate governance.
ESG goals/targets	To achieve its strategic ESG topics, the Issuer has set the following goals. The goals are not verified by SBTi/SBTN, but they are public[21] and monitored annually. The short-to-medium environmental goals for Eesti Energia can be summarized as follows: ▪ Increasing renewable energy production fourfold to 1,900 MW by 2026 (compared to baseline year 2022). ▪ Ceasing electricity production from oil shale by 2035. ▪ Achieving carbon-neutral electricity production by 2045. ▪ Transforming the production of liquid fuels into a chemical industry based on the circular economy.

[20] Eesti Energia Annual Report 2023, Eesti Energia, https://public-docs.enefit.ee/ettevottest/investorile/2024/2023-annual-report-ENG.pdf
[21] Eesti Energia Annual Report 2023, Eesti Energia, https://public-docs.enefit.ee/ettevottest/investorile/2024/2023-annual-report-ENG.pdf

	▪ Achieving carbon neutrality in terms of Scope 1 emissions from facilities owned by 2045. To achieve a people-first green journey, Eesti Energia aims to: ▪ Reduce the lost time injury frequency rate to equal or less than 1.0 (compared to 2.55 in 2022). ▪ Increase its management quality to at least 86 (compared to 80 in 2022).[22] Regarding the ethical corporate governance, Eesti Energia is committed to reduce the percentage of employees that have experienced unethical behavior from 18% in 2022 to 5% by 2026.[23]
Action plan	The Issuer is implementing the following actions to meet the environmental targets: ▪ Help customers implement their green transition, thereby reducing their environmental footprint. ▪ Increase capacity of CO_2-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. ▪ Implement storage solutions. In addition to guiding customers towards greener practices, Eesti Energia will provide storage solutions to optimize energy usage and develop electromobility solutions to enable wider access to electric cars. The Issuer plans to offer EV charging solutions for private and business customers. To further reduce customers' CO_2 emissions, the Issuer is considering providing the renewal of indoor and street lighting management

[22] Measured through Eesti Energia's annual employee engagement and management quality survey.
[23] Employees give feedback on a 5-point scale during the employee engagement and management quality survey. Respondents are asked to specify the forms of unethical behavior they have experienced during the year. Based on feedback obtained, departmental action plans are produced and in the case of critical issues guidance is provided by the ethics committee.

	services, saving an estimated 1,550 metric tons of CO_2 by 2027. For its people-first green journey and ethical corporate governance targets, Eesti Energia does not have a specific action plan, but is relying on its ethical rules, including a code of ethics for all its employees and separate ethics rules for partners in contractual relationships.
Climate Transition Strategy	The Issuer has divided its climate transition strategy, leading to carbon neutrality in 2045, into four periods, with intermediate goals for emissions and main strategic development directions for each period: ▪ The first period is 2024-2027, during which the Issuer aims to reduce its carbon intensity (e.g., the Issuer's CO_2 emissions will be no more than 3.6 million metric tons, 84% less than in 1990, and the share of renewable energy output in electricity production will increase from 45% in 2023 to 67%). ▪ The second period is 2027-2030, during which research and development of technologies to move away from oil shale will be fostered. The Issuer will prepare a hydrogen-ready plant, which will start production in 2029, additional onshore wind farms and an offshore wind farm. ▪ The third period is 2031-2035, during which the Issuer will invest in the development of chemical industry, based on circular economy principles, and implement Carbon Capture and Usage or Storage technology. ▪ The fourth period is 2035-2045, during which the Issuer will start capturing CO_2, reducing its emissions by 90%, and add other carbon sequestration options, such as growing forests, to reach carbon neutrality.
ESG Risk and Sustainability Strategy Management	The Issuer has a strategic leadership team in place to implement the ESG strategy and oversee ESG topics. The strategic leadership team is comprised of members of the management board of several companies of the group and representatives from various departments, including communication and

	marketing, business and information technology, and observers from the risk management and internal audit departments. Furthermore, in June 2024 the company will hire a dedicated Head of ESG.
Top three areas of breaches of international norms and ESG controversies in the industry[24]	Anti-competitive behavior, failure to prevent water pollution and failure to mitigate climate change impacts.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives in its annual report, available on its website.[25] The report is structured according to the Global Reporting Initiative reporting standards.
Industry associations, Collective commitments	The Issuer is a member of the European Clean Hydrogen Alliance since 2020.[26]
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	Eesti Energia issued a sustainability-linked loan in 2023, which was externally verified by ISS-Corporate.[27]

Rationale for issuance

With the Green Finance Framework, Eesti Energia aims to increase 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 committed to group decarbonization targets through the implementation of a new sustainability-linked loan and its related KPIs and sustainability performance targets (SPTs). Eesti Energia is issuing the Green Finance Framework as an overarching platform, under which the company intends to issue Green Financing 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 the Green Finance Framework.

[24] Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Multi-Utilities industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.
[25] Eesti Energia Annual Report 2023, Eesti Energia, https://www.energia.ee/en/ettevottest/investorile?tabgroup_1=2022
[26] European Clean Hydrogen Alliance members, European Commission, https://ec.europa.eu/docsroom/documents/57534
[27] Second Party Opinion (SPO) of Sustainability Quality of the Borrower and Sustainability-Linked Loan of Eesti Energia, 24 January 2023, ISS-Corporate, https://www.iss-corporate.com/file/documents/spo/spo-20230124-Eesti%20Energia.pdf

Opinion: *The key sustainability objectives and the rationale for issuing Green Financing Instruments are described by the Issuer. All the project categories financed are in line with the Issuer's sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if Eesti Energia's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Eesti Energia (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Eesti Energia commissioned ISS-Corporate to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBP and GLP and assessing the sustainability credentials of its Green Financing Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA Green Bond Principles, as of June 2021 with June 2022 Appendix 1
- LMA Green Loan Principles, as of February 2023
- EU Taxonomy Climate Delegated Act, Annex I, as of June 2023

ISSUER'S RESPONSIBILITY

Eesti Energia's responsibility was to provide information and documentation on:

- Green Finance Framework
- Selection criteria
- Documentation of ESG risks management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by Eesti Energia has been conducted based on a proprietary methodology and in line with the GBP and GLP.

The engagement with Eesti Energia took place from April to June 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g., the ICMA Green/Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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