

AKB Green Investment Products

Framework

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Sustainability at Aargauische Kantonalbank

As a sustainable, regional and responsible financial services provider, AKB accepts responsibility for what it does and what it does not do. It can use its influence to ensure that money is directed towards meaningful uses and to reduce negative effects on sustainable development. The Bank aims to set an example for clients and for society. This means, in particular, that it:

- is always secure and reliable for its clients.
- proactively performs its role as a pioneer of sustainable transformation.
- successfully directs financial flows over the long term in an environmentally friendly and socially responsible manner, acting in accordance with responsible governance processes, while also earning a profit.
- consciously develops products and services with reference to sustainability aspects.
- endeavours to achieve a socially and economically strong, attractive and resilient canton of Aargau.
- offers its employees an inspiring environment with which they can identify and acts as an attractive, trustworthy and reliable employer.

Sustainability is firmly established within the corporate culture at all levels of the Bank's organisation as the core mission within the overall banking strategy for 2021–24. This is based on the service mandate set out in the Cantonal Banking Act to promote economic and social development in the canton of Aargau with regard to the three ESG goals (E = environment, S = social, G = governance).

Primary focus is placed on the core business, where AKB has the biggest impact. This involves rigorous development of AKB's products and services. In particular, the comprehensive, expert advice provided by AKB client advisors has been systematically expanded so that sustainability considerations can be addressed in discussions with clients (see the annual sustainability report at report.akb.ch for further details).

AKB recognises that climate change is one of the biggest global challenges of our time, accepting its responsibility as a financial services provider and a component within the economic system. AKB is proactive in addressing the challenges and risks associated with climate change.

Climate change and its effects have a direct impact on AKB's business activities as well as its clients. This is already in evidence – and will become even more so in the medium to long term. Our mortgage lending and investment activities are particularly affected, as are our general banking operations. Through our products and services, coupled with targeted client advice, we can help to combat climate change and minimise climate-related risks for both AKB and its clients.

Within this context, AKB has been devising a climate strategy that is consistent with the climate strategies of the federal government and the canton of Aargau. The Bank published the Climate Position Paper (akb.ch/positionspapier) in September 2023, providing the foundations and the strategic superstructure for the climate strategy due to be published in 2024.

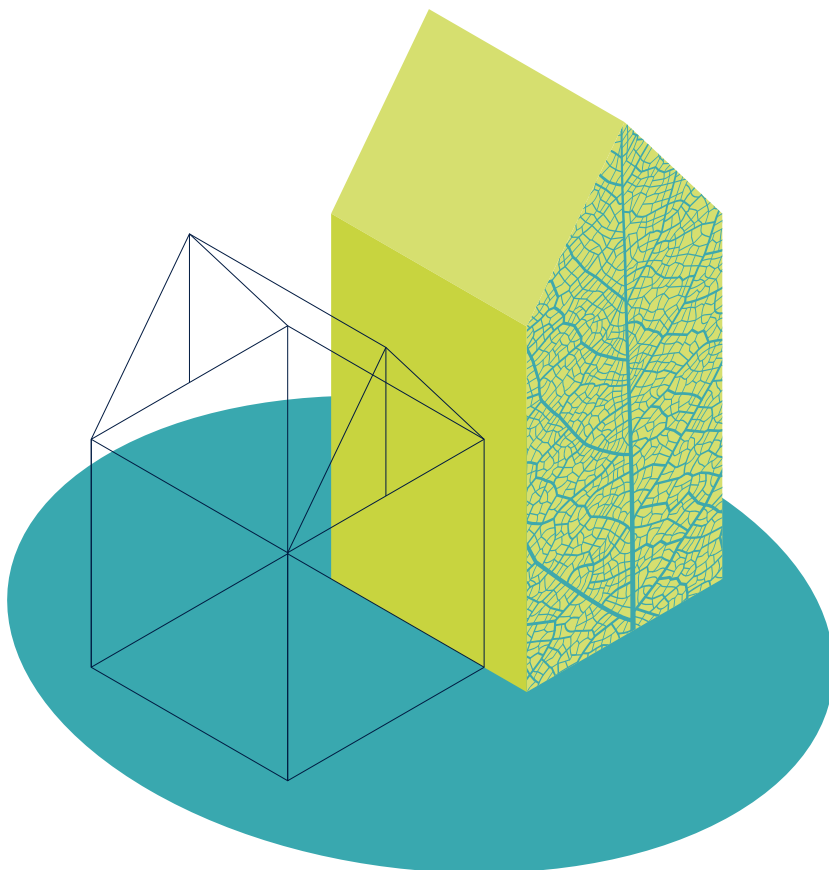
As a member of the Swiss Business Council for Sustainable Development (öbu) and Swiss Sustainable Finance SSF, AKB contributes to the sustainable development of the Swiss economy. AKB has signed up to the global investors' initiative set out in the United Nations Principles for Responsible Investments (UNPRI). It also joined the Partnership for Carbon Accounting Financials (PCAF) in 2023. These commitments help AKB to keep a close tab on ongoing developments and to continually enhance its products and services, e.g. the AKB green mortgage.

AKB is aware of the important function of a financial service provider to channel capital into sustainable usages. Therefore, within the asset management mandates and investment universes for stocks and bonds, it excludes business models and practices associated with high sustainability and reputational risks. The exclusion criteria are periodically reviewed:

- Gambling
- High climate risks
- Oils sands/arctic oil
- Tobacco
- Nuclear energy
- Genetically modified organisms
- Weapons
- Pornography
- UN Global Compact violation

For further information, please visit the AKB website:

Mehr Anliegen beim Anlegen | Aargauische Kantonalbank (akb.ch)



Project goals of the Aargauische Kantonalbank green bond issue and green time deposits

The purpose of issuing green bonds is to refinance existing and/or future mortgage financing, and this is the link between the assets and liabilities side of the Bank's balance sheet. At the same time, expanding the investor base will help to diversify Aargauische Kantonalbank's sources of refinancing. Investors are given the opportunity to invest in sustainable bonds and support the Bank's contribution to sustainable and responsible business. The Bank also offers sustainable time deposits («green time deposits»), with investment available on a daily basis in freely selectable denominations of CHF 1000 or more. Investments have a fixed term of between two and 10 years as well as a fixed rate of interest set upon execution.

The Green Investment Products Framework transparently sets out the refinancing concept for investors. It guarantees uniform handling of all green bond issues and green time deposits. If conditions change, there is no right to repayment of the bond or green time deposit.

The AKB green mortgage finances projects with ecological benefits. Aargauische Kantonalbank uses it to promote the environmentally compatible development of construction activity and create added value for society. The AKB green mortgage is about environmentally friendly construction and renovation and helps save resources, minimise emissions and reduce environmental risks.

Green Bond Principles according to the ICMA

Aargauische Kantonalbank's Green Investment Products Framework complies with the Green Bond Principles (GBP) of the International Capital Market Association (ICMA), which were set out in 2021. From here on, the framework conditions described apply to all green bonds and green time deposits issued by Aargauische Kantonalbank.

Aargauische Kantonalbank's Green Investment Products Framework is explained in more detail below, based on the four core components of the GBP:

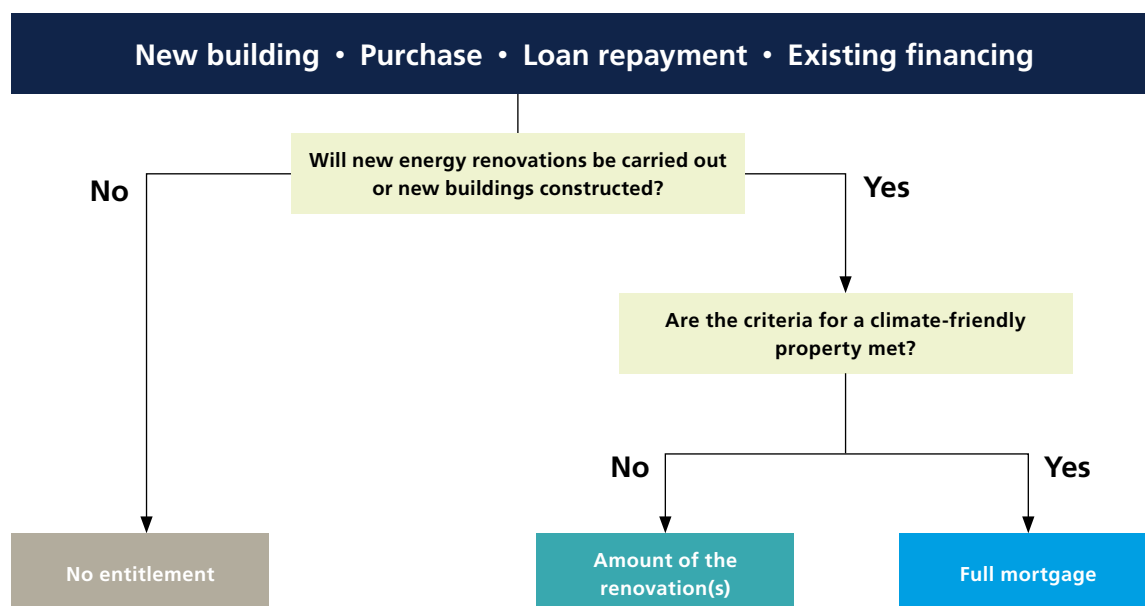
- GBP 1:** Use of proceeds
- GBP 2:** Process for project evaluation and selection
- GBP 3:** Management of proceeds
- GBP 4:** Reporting

Green Bond Principle 1 (GBP1): Use of proceeds

According to the GBP, the use of proceeds includes financing for energy efficiency projects and «green buildings» that meet recognised energy efficiency certifications. Aargauische Kantonalbank offers its own financing product, the AKB green mortgage, for this purpose. Eligible properties are divided into three categories: owner-occupied homes, residential properties and business/commercial properties. All proceeds will be used exclusively for eligible projects (the management of proceeds in accordance with GBP 3 remains reserved if the volume of outstanding green bonds exceeds the total outstanding volume of AKB green mortgages at any time). The allocation criteria are reviewed at least once a year. More frequent reviews may be carried out in the event of any significant changes in the law or any adjustments to market standards (e.g. ICMA GBP). Any adverse material, social or environmental risks are assessed with reference to legal requirements.

General conditions and allocation criteria for all three eligible categories

1. Suitable projects include financing of:
 - a) new buildings
 - b) individual energy measures (renovations)
 - c) extensive energy interventions in the case of existing property owners or following the acquisition of a new property
2. The permissible property location covers the whole of Switzerland for all financing transactions.
3. The following decision tree shows the amount of refinancing of the AKB green mortgage via AKB green bonds or green time deposits:



4. The following set of criteria as a points table shows the allocation criteria for new buildings, individual energy measures and comprehensive overall renovations, and serves as a basis for classifying a climate-friendly property. The following allocation criteria are used uniformly for all categories:

Allocation criterion	Score	Any details						
New building	1 2 3 4 5	<ul style="list-style-type: none"> • Compliance with cantonal building regulations and energy ordinances • Excluded if fossil fuel-based energy source (crude oil/gas) • Excluded if the specifications of electrical charging infrastructures are not met (see allocation criterion «Electrical (charging) infrastructure») • First occupancy of the defined property categories generally falls under this category (especially condominiums) • Buildings with first occupancy and year of construction within the last two years from the time of application are classified as new buildings 						
Renewal of energy sources	1 2 3 4 5	<ul style="list-style-type: none"> • Installation of new climate-friendly heating system based on solar energy • Installation of new climate-friendly heating system based on heat pumps¹ • Installation of new climate-friendly heating system based on wood-fired heating • Installation of new climate-friendly heating system based on district heating • Fuel-based energy sources (crude oil/gas) are excluded 						
Optimisation of insulation /outer shell	1 2 3 4 5	<ul style="list-style-type: none"> • Reinforcement/extension of insulation of façade, outer wall, roof, basement or building ground 						
Window renovation	1 2 3 4 5	<ul style="list-style-type: none"> • Improvement of building emissions through the replacement of all windows with maximum Ug value of $\leq 0.9 \text{ W}/(\text{m}^2\cdot\text{K})$ 						
Optimisation of building services engineering	1 2 3 4 5	<ul style="list-style-type: none"> • Renewal of ventilation, air-conditioning or hot water heating with highly efficient technologies (energy label B or better) • Installation of a heating or power storage system based on renewable energy • Installation of low water and energy using kitchen and sanitary water fittings (max. water flow of 6l/min, showers with a max water flow of 8l/min) • Installation of smart heat regulation systems (various types of smart thermostats) and sensor technology such as lighting controls through motion detectors in each case for domestic use) • Installation of a building management system focusing on energy management 						
Renewable energy sources	1 2 3 4 5	<ul style="list-style-type: none"> • Installation of photovoltaic systems • Installation of solar panels to produce hot water • Installation of wind turbines • Installation of heat-generating solar collectors/façades 						
Electric charging infrastructure for electromobility	1 2 3 4 5	<table border="1"> <thead> <tr> <th>Type of property</th> <th>Criteria</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Multi-family home • Residential and business properties (mainly residential or business properties) • Business property • Shopping centre and specialist retailer </td> <td> Application for new buildings and renovations (individual measure or comprehensive): <ul style="list-style-type: none"> • The dimensioning of the connecting lines must allow electrification for a proportion of 25% of the parking spaces (= expansion stage B «power to building» according to SIA 2060). This must be done immediately but no charging stations installed yet or <ul style="list-style-type: none"> • Installation of a fast charging station («electric recharging point») for the entire building </td> </tr> <tr> <td> All other property types including owner-occupied homes </td> <td> Application only for renovations (individual measure or comprehensive): <ul style="list-style-type: none"> • Installation of at least one electric charging infrastructure There is no specification for these property types for new buildings. </td> </tr> </tbody> </table>	Type of property	Criteria	<ul style="list-style-type: none"> • Multi-family home • Residential and business properties (mainly residential or business properties) • Business property • Shopping centre and specialist retailer 	Application for new buildings and renovations (individual measure or comprehensive): <ul style="list-style-type: none"> • The dimensioning of the connecting lines must allow electrification for a proportion of 25% of the parking spaces (= expansion stage B «power to building» according to SIA 2060). This must be done immediately but no charging stations installed yet or <ul style="list-style-type: none"> • Installation of a fast charging station («electric recharging point») for the entire building 	All other property types including owner-occupied homes	Application only for renovations (individual measure or comprehensive): <ul style="list-style-type: none"> • Installation of at least one electric charging infrastructure There is no specification for these property types for new buildings.
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Certificate for entire property	1 2 3 4 5	<ul style="list-style-type: none"> • Cantonal building energy certificate (GEAK) with overall efficiency: <ul style="list-style-type: none"> – for new buildings in at least class B – for existing buildings in at least class B • Minergie: Minergie, Minergie P, Minergie A, Minergie ECO • Certification by the Standard for Sustainable Building Switzerland (SNBS) 						

¹ This category includes air-water heat pumps, brine-water heat pumps, air-air heat pumps and water-water heat pumps

Key principles

- A property in category 1 «Owner-occupied home» is considered to be climate-friendly (energy-efficient) on the whole if at least a total score of 4 is achieved.
- A property in category 2 «Residential properties» and 3 «Business/commercial properties» is considered to be climate-friendly (energy-efficient) overall if at least a total score of 5 is achieved.

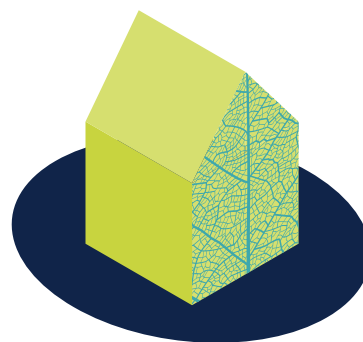
Other conditions

- Evidence must be provided by means of appropriate quotations, invoices or certificates from a specialist planner (architect/specialist). The measures and certificates must not be older than two years.
- Points are awarded per allocation criterion regardless of the size of the investment.
- Individual energy measures or renovations that meet one or more of the above criteria can be financed via the AKB green mortgage, regardless of the overall score achieved.
- If a building has a fossil-fuel energy source (oil or gas) or does not meet the electric charging infrastructure requirements, the entire property is classified as not being climate-friendly. In this case, only individual energy measures or renovations can be financed, even if the total score required is achieved through comprehensive interventions.
- All non-heated or cooled properties (not thermo-controllable) are excluded.
- The framework conditions in force when the mortgage is approved will apply at all times. If changes are made to future framework conditions, the mortgage will be continued as an AKB green mortgage until expiry.
- AKB's credit guidelines and sustainable lending criteria are part of these framework conditions. The sustainable lending criteria are available on the AKB homepage:
akb.ch/nachhaltige-kreditvergabe



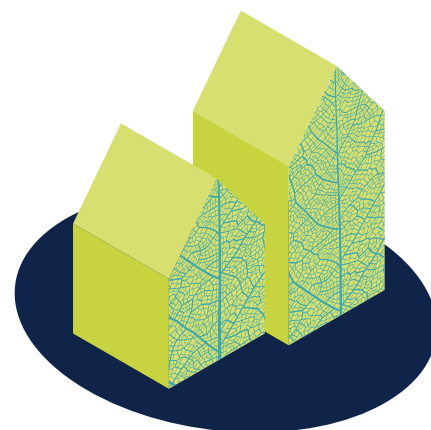
Eligible category 1: Owner-occupied home

- The issue funds from AKB green bonds and the proceeds from green time deposits are used to finance owner-occupied residential property (owner-occupied homes) of private customers (natural persons).
- The following owner-occupied property categories are considered owner-occupied homes:
 - Single-family homes
 - Terraced houses
 - Condominium
 - Two-family homes (at least one unit is owner-occupied)



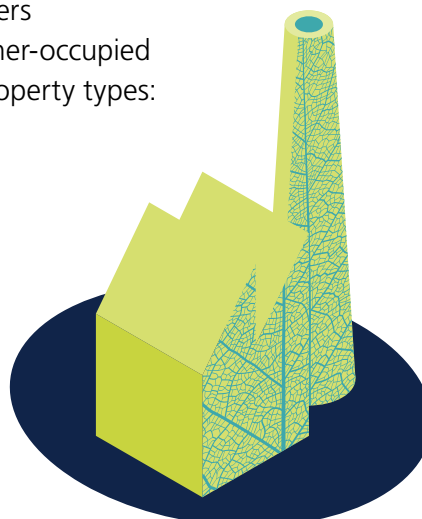
Eligible category 2: Residential properties

- The issue funds from AKB green bonds and the proceeds from green time deposits are used to finance properties used by private customers (natural persons) or corporate customers (legal entities) for owner-occupied or third-party use.
- The product is approved for the following property types:
 - Single-family homes (excl. owner-occupied homes)
 - Terraced houses (excl. owner-occupied homes)
 - Residential condominium (excl. owner-occupied homes)
 - Two-family houses (excl. owner-occupied homes)
 - Holiday home
 - Holiday apartment
 - Agriculture
 - Multi-family homes
 - Residential and business property (mainly residential)



Eligible category 3: Business/commercial properties

- The issue funds from AKB green bonds and the proceeds from green time deposits are used to finance properties used by private customers (natural persons) or corporate customers (legal entities) for owner-occupied or third-party use. The product is approved for the following property types:
 - Business property
 - Business condominium
 - Residential and business property (mainly residential)
 - Shopping centre and specialist retailer
 - Commercial and industrial property
 - Commercial property with residential
 - Commercial condominium
 - Restaurants and hotels
 - Retirement/care home and hospital
 - Various special properties



Gebäudeenergieausweis der Kantone (GEAK®) (cantonal energy performance certificate for buildings)

The cantonal building energy certificate – known as GEAK® for short – is a nationwide assessment and advisory tool for buildings. The trilingual GEAK® is recognised by all cantons and can only be issued by certified experts. It shows how energy-efficient the building envelope is and how much energy a building requires during standard use.

The calculated energy requirement is shown in classes from A (very energy-efficient) to G (less energy-efficient) on the energy label. This provides property owners with an objective assessment of their building's energy status and efficiency.

GEAK®: The entry-level product GEAK® is the official energy label for the current status of a given building. GEAK® assesses the quality of the building envelope, the overall energy efficiency, and direct CO2 emissions from the building in question.

GEAK® Plus: GEAK® Plus supplements the energy label with an advisory report offering two to three options for energy modernisation tailored to the building in question.

GEAK® Neubau (new building) indicates the target values for energy efficiency based on planning values which has a positive effect on the operation and use of the new building.

The benefits can be summarised as follows:

- When deciding whether to buy or rent, the GEAK® offers property owners transparency on the expected energy costs and thermal living comfort (professional building analysis).
- The GEAK® is the same throughout Switzerland: All GEAK®-certified buildings can be compared at a glance.
- The GEAK® can (depending on the canton) be used as a basis for obtaining subsidies and cheaper mortgages.
- During a building inspection, the GEAK® expert identifies weak points in the building. These are put in a report and help homeowners avoid the use of inefficient measures when carrying out a home modernisation.
- Investment decisions are simplified thanks to transparent cost and benefit statements. This means measures can be staggered to meet the person's individual budget.
- GEAK® and Minergie® products are optimally coordinated with each other. The GEAK® classes thus form the basis for the simplified Minergie® certification process for system renewal.

Further information on the GEAK® can found at www.geak.ch

Spotlight

MINERGIE®

Minergie® is a Swiss quality label that recognises both new buildings and modernisation projects that meet strict criteria in relation to comfort, efficiency and environmental friendliness. The brand is supported by business, the cantons and the federal government and is protected against abuse. Its focus is on a construction method that optimally combines environmental compatibility, economic efficiency and living/working comfort. This comfort is made possible by a high-quality building envelope and systematic air renovation.

Minergie® buildings are also noted for their very low energy requirements and the highest possible proportion of renewable energy. The building standard is voluntary.

The Minergie® building standard is broadly accepted. There are many reasons, with the most important one being that building contractors, architects and planners are completely free to choose the design, materials and the internal and external structure of a building. This means it is also possible to improve the quality of life, ensure competitiveness and reduce environmental pollution at the same time.

If the Minergie® certification criteria are changed, Aargauische Kantonalbank reserves the right to also amend the conditions for granting AKB green mortgages. However, existing AKB green mortgages and those marked as eligible assets will not lose their status should they fail to meet the new eligibility criteria.

Spotlight

Standard for Sustainable Building Switzerland (SNBS®)

With the SNBS® Hochbau (building construction), an overarching concept for sustainable building in Switzerland was created. It covers the building itself and the site in the context of its surroundings. It enables the needs of society, the economy and the environment to be considered equally and as comprehensively as possible in planning, construction and operations. For this, an overview of the entire life cycle of a property is needed.

The standard was developed on the initiative of business and the public sector. Its development was funded by the Swiss Federal Office of Energy through the EnergieSchweiz programme. It is supported and updated by the NNBS (Sustainable Construction Network Switzerland). This broad support gives it credibility.

In the work on the standard, tried-and-tested and existing elements were used wherever possible. New elements were added where necessary. The first version of the SNBS® was published in 2013 and tested on 28 buildings. Since then, it has been revised and streamlined based on the experiences gained. The aim has always been to create an easy-to-use tool that provides added value for the construction, planning and real estate industry and can be applied voluntarily.

Green Bond Principle 2 (GBP 2): Process for project evaluation and selection

Aargauische Kantonalbank's green bonds and green time deposits are not project bonds. It is therefore not necessary to allocate the green bonds and green time deposits to one or more specific projects. The focus is on refinancing existing and future AKB green mortgages. The allocation is subject to the allocation criteria as per GBP 1.

Double-checking helps to ensure procedural and organisational compliance with the allocation criteria as well as adequate documentation: the Private Clients & Private Banking Division and the Corporate Clients & Institutional Banking Division (sales units) perform the initial audit. The subsequent second audit and controls are performed in the Credit & Finance Division. Documentation is provided by attaching the relevant evidence to the credit file (created per mortgage). Product Management Credits acts in an advisory capacity and is the end point of escalation.

In the event of a (e.g. legal) dispute in connection with the issuance of the AKB green bond, green time deposits or the application of the Green Bond Principles, Aargauische Kantonalbank will make this transparent in the annual report, provided that it is both a systemic and a material incident involving the majority of the asset pool.

Green Bond Principle 3 (GBP 3): Management of proceeds

Aargauische Kantonalbank undertakes to use the proceeds from the issue of the green bonds as well as the proceeds from green time deposits to refinance existing and future AKB green mortgages. The AKB green mortgages are allocated once a year in accordance with the eligible categories in GBP 1. In order to ensure that the funds are used for the intended purpose, the proceeds from the green bond or green time deposits are monitored on an ongoing basis using an internal control system. In addition, new green bonds will only be issued if, after a planned new issue on the Bank's balance sheet, the total outstanding volume of AKB green mortgages exceeds the issue volume of green bonds, including green time deposits, by at least 10 per cent. The issue of green time deposits may be suspended if the volume of all green mortgages exceeds the volume of green bonds and green time deposits by at least 10 per cent.

If the volume of outstanding green bonds and green time deposits exceeds the total outstanding volume of AKB green mortgages at any time, the excess proceeds from green bond issues will be used as follows:

- Hold the proceeds in cash and/or
- Invest in green bonds of other issuers.

The following criteria are applied to investments in green bonds of other issuers:

- Currency/rank: CHF, EUR, or USD/senior unsecured
- Issuer rating: investment grade range
- At least one independent test: second-party opinion or green bond rating

The described use of the surplus proceeds is applied until sufficient AKB green mortgages exist again or green bonds and green time deposits are repaid. Aargauische Kantonalbank is also entitled to repurchase any number of green bonds at any time for its own investment or redemption purposes or to suspend the offer of green time deposits.

Green Bond Principle 4 (GBP 4): Reporting

Aargauische Kantonalbank will regularly (at least once a year) provide up-to-date information on the use of proceeds and the environmental impact of the green bonds and aggregated green time deposits.

The Bank will provide the following information on the green bonds and green time deposits on its homepage (akb.ch):

- Green Investment Products Framework
- Green Investment Products annual reporting
 - Overview and use of allocated proceeds
 - Overview and use of allocated proceeds per product category
 - Presentation of the surplus proceeds not yet used
- Second party opinion from ISS ESG

Reporting will be conducted during the term of the green bond or green time deposits (i.e. at least until final maturity of the last green bond or last green time deposit). Reporting includes all proceeds from the asset pool or the proceeds.

External audit

Second party opinion

Aargauische Kantonalbank has obtained a second-party opinion from ISS Corporate to confirm the transparency and reliability of AKB Green Investment Products. The second-party opinion is published on Aargauische Kantonalbank's homepage.

New audit every year

Aargauische Kantonalbank will prepare an annual report on the distribution of proceeds of all bonds issued. As an independent external auditor, PricewaterhouseCoopers AG (pwc) has been commissioned to review each year the allocation of AKB green mortgages and to publish compliance with the criteria set out in these framework conditions. The report and the external review are published on Aargauische Kantonalbank's homepage.

Disclaimer

Aargauische Kantonalbank provides no warranty that the green bonds or green time deposits are suitable for meeting the environmental, social and/or sustainable investment objectives of potential investors or their expectations of Aargauische Kantonalbank's corporate governance. It is the sole responsibility of potential investors to evaluate the relevance and effectiveness of the described intended use in respect of their own investment objectives. This means that investors purchase the bonds or execute time deposits based on own independent assessment and on the individual investment that are deemed necessary. ISS ESG has issued assessments of the conformity of the bonds with regard to certain criteria. These assessments do not form an integral part of this Green Investment Products Framework and do not address the potential impact of structural and market risks or other factors that may affect the value of the bonds. The assessments do not constitute advice or a recommendation to buy, sell or hold bonds or time deposits and describe the situation only at the time of issue or execution. Aargauische Kantonalbank has undertaken to comply with certain principles regarding the management of the proceeds of the issue and transparency. However, failure to comply with these principles does not result in early redemption under the terms of the bonds and time deposits. Potential investors who value the environmental characteristics of the bonds and time deposits recognise that the refinanced business activities will not necessarily produce the expected environmental, social and sustainable results or impact on the corporate governance of Aargauische Kantonalbank.