

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Investment Products Framework

Aargauische Kantonalbank

23 August 2024

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated

- Green investment products

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- Aargauische Kantonalbank's Green Investment Products Framework (as of Aug. 22, 2024)
- Aargauische Kantonalbank's eligibility criteria (as of Aug. 22, 2024)

Lifecycle

- Fourth update of SPO as of May 25, 2021

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Aargauische Kantonalbank (“the Issuer” or “AKB”) commissioned ISS-Corporate to assist with its green investment products by assessing three core elements to determine the sustainability quality of the instrument:

1. AKB’s Green Investment Products Framework (as of Aug. 22, 2024), benchmarked against the GBP.
2. The eligibility 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).
3. Consistency of green investment products with AKB’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

## AKB OVERVIEW

Aargauische Kantonalbank provides banking services for private individuals, companies and communities. It comprises five divisions: corporate governance, private clients and private banking, corporate clients and institutional banking, client solutions and loans, finance and BI. The company was founded in 1854 and is headquartered in Aarau, Switzerland.

### *ESG risks associated with the Issuer's industry*





AKB is classified in the public and regional banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies<sup>1</sup> in this industry are business ethics, labor standards and working conditions, sustainable investment criteria, customer and product responsibility, and sustainability impacts of lending and other financial services/products.

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

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<sup>1</sup> Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG's Corporate Rating methodology.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<p><b>Part I:</b></p> <p><b>Alignment with GBP</b></p>	<p>The Issuer has defined a formal concept for its green investment products regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP.</p> <p><i>* As per ISS-Corporate’s methodology, certain criteria of renewal of energy sources<sup>3</sup> are assessed as providing no clear environmental benefit according to our methodology (see Part II of this report). However, as there are currently several national and international initiatives and the definition of green might vary depending on sector and geography, this category might be considered an eligible green category by investors.</i></p>	<p><b>Aligned*</b></p>
<p><b>Part II:</b></p> <p><b>Sustainability quality of the eligibility criteria</b></p>	<p>The green investment products will (re)finance eligible asset categories which include:</p> <p>green categories: new building, renewal of energy sources, optimization of insulation/outer shell, window renovation, optimization of building services engineering, renewable energy sources, electric charging infrastructure for electromobility, certificate for entire property.</p> <p>Product and/or service-related use of proceeds categories<sup>4</sup> individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> </div>	<p><b>Positive</b></p>

<sup>2</sup> The evaluation is based on AKB’s Green Investment Products Framework (Aug. 22, 2024, version), on the analyzed selection criteria as received on Aug. 22, 2024.

<sup>3</sup> Installation of new climate-friendly heating system based on wood-fired heating, installation of new climate-friendly heating system based on district heating.

<sup>4</sup> New building, renewal of energy sources, optimization of insulation/outer shell, window renovation, optimization of building services engineering, renewable energy sources, electric charging infrastructure for electromobility, certificate for entire property.

	<p>For certain criteria of renewal of energy sources<sup>5</sup> there is no evidence of an environmental contribution or of an improvement on the Issuer’s and/or end users’ potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories and the financial institution are managed.</p>	
<p><b>Part III:</b></p> <p><b>Consistency of Green Investment Products with AKB’s sustainability strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing green investment products are clearly described by the Issuer. The majority of the project categories considered are in line with the Issuer’s sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p><b>Consistent with Issuer’s sustainability strategy</b></p>

<sup>5</sup> Installation of new climate-friendly heating system based on wood-fired heating, installation of new climate-friendly heating system based on district heating.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of AKB's Green Investment Products Framework (as of Aug. 22, 2024) with the GBP.

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓ *</p>	<p>The Use of Proceeds description provided by AKB's Green Investment Products Framework is <b>aligned*</b> with the GBP.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP. Criteria are defined clearly and transparently. Disclosure of distribution of proceeds by project category is committed and environmental benefits are described.</p> <p>The Issuer defines the percentage of assets that are refinanced or financed, and specified which projects will be refinanced, in line with best market practice.</p> <p><i>* As per ISS-Corporate's methodology certain criteria of renewal of energy sources<sup>6</sup> are assessed as providing no clear environmental benefit according to our methodology (see Part II of this report). However, as there are currently several national and international initiatives and the definition of green might vary depending on sector and geography, this category might be considered an eligible green category by investors.</i></p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by AKB's Green Investment Products Framework is <b>aligned</b> with the GBP.</p> <p>The project selection process is defined and structured in a three-step approach. ESG risks associated with the project categories are identified and managed by the legal department.</p>

<sup>6</sup> Installation of new climate-friendly heating system based on wood-fired heating, installation of new climate-friendly heating system based on district heating.

		<p>Moreover, the projects selected show alignment with the Issuer’s sustainability strategy. The Issuer defines exclusion criteria for asset management and sensitive business areas for lending processes.<sup>7</sup></p> <p>AKB clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, in line with best market practice. The process involves the private clients and private banking division, the corporate clients and institutional banking division, the credit and finance division, and the product management credits.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by AKB’s Green Investment Products Framework is <b>aligned</b> with the GBP.</p> <p>The net proceeds collected equal the amount allocated to eligible projects. Proceeds from the green investment products are tagged separately in the internal accounting system. The net proceeds are managed on an ongoing basis using an internal control system and on an aggregated basis for multiple green investment products (portfolio approach). Additionally, the Issuer discloses the temporary investment instruments used for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by AKB’s Green Investment Products Framework is <b>aligned</b> with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds and environmental impacts transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s <a href="#">website</a>. AKB has disclosed the</p>

<sup>7</sup> AKB’s list of exclusion criteria applies to asset management mandates and investment universes for stocks and bonds (subject to periodic review): gambling, high climate risk activities, oil sands/Arctic oil, tobacco, nuclear energy, genetically modified organisms, weapons, pornography and violation of the U.N. Global Compact. For lending processes, AKB established ESG guidelines in which it defines sensitive business areas, which are assessed by the highest credit approval authority with the involvement of internal sustainability experts.



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		<p>type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually, at least until the bond and deposit mature.</p> <p>The Issuer discloses roles and responsibilities in the monitoring and reporting process. In addition, AKB is transparent on the level of impact reporting and further defines the duration, scope and frequency of the impact reporting. It also commits to have the allocation and impact report audited by an external party, in line with best market practices.</p>
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## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN INVESTMENT PRODUCTS TO THE U.N. SDGs<sup>8</sup>



Companies can contribute to the achievement of the SDGs by providing specific services/products that 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 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 Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

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



Each of the green investment products' use of proceeds categories have been assessed for their contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Construction of new buildings<sup>9 10 11</sup></b></p> <ul style="list-style-type: none"> <li><i>Residential and non-residential buildings belonging to the top 15% of the Swiss building stock in terms of primary energy demand<sup>12</sup></i></li> </ul>	<p><b>Contribution</b></p>	 













<sup>8</sup> The impact of the UoP categories on U.N. Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

<sup>9</sup> Compliance with cantonal building regulations and energy ordinances.

<sup>10</sup> The Issuer excludes buildings using fossil fuel-based energy sources (crude oil/gas) and buildings not complying with the specifications of electrical charging infrastructures.

<sup>11</sup> 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.

<sup>12</sup> This assessment is based on an internal study conducted by IAZI AG.

<p><b>Renewal of energy sources</b></p> <ul style="list-style-type: none"> <li>Installation of new climate-friendly heating system based on solar energy</li> <li>Installation of new climate-friendly heating system based on heat pumps<sup>13</sup></li> </ul>	<p><b>Contribution</b></p>	 
<p><b>Renewal of energy sources</b></p> <ul style="list-style-type: none"> <li>Installation of new climate-friendly heating system based on wood-fired heating</li> <li>Installation of new climate-friendly heating system based on district heating</li> </ul>	<p><b>No Net Impact</b></p>	
<p><b>Optimization of insulation/ outer shell</b></p> <ul style="list-style-type: none"> <li>Reinforcement/extension of insulation of facade, outer wall, roof, basement or building ground</li> </ul>	<p><b>Contribution</b></p>	 
<p><b>Window renovation</b></p> <ul style="list-style-type: none"> <li>Improvement of building emissions through the replacement of all windows with maximum Ug value of <math>\leq 0.9 \text{ W}/(\text{m}^2\cdot\text{K})</math></li> </ul>	<p><b>Contribution</b></p>	 
<p><b>Optimization of building services engineering</b></p> <ul style="list-style-type: none"> <li>Installation of low water and energy using kitchen and sanitary water fittings (max. water flow of 6 L/min, showers with a max water flow of 8 L/min)</li> </ul>	<p><b>Contribution</b></p>	
<p><b>Optimization of building services engineering</b></p> <ul style="list-style-type: none"> <li>Installation of a heating or power storage system based on renewable energy</li> </ul>	<p><b>Contribution</b></p>	 
<p><b>Optimization of building services engineering</b></p> <ul style="list-style-type: none"> <li>Renewal of ventilation, air-conditioning or hot water heating with highly efficient technologies (energy label B or better)</li> </ul>	<p><b>Contribution</b></p>	  

<sup>13</sup> This category includes air-water heat pumps, brine-water heat pumps, air-air heat pumps and water-water heat pumps.

**Optimization of building services engineering**

- *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**

- *Installation of photovoltaic systems*
- *Installation of solar panels to produce hot water*
- *Installation of wind turbines*
- *Installation of heat-generating solar collectors/facades*

**Electric charging infrastructure for electromobility**

*Application for new buildings and renovations (individual measure or comprehensive):*

- *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*

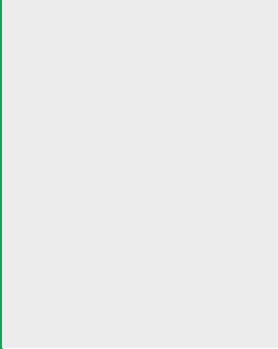
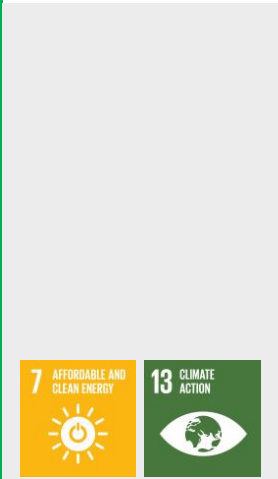
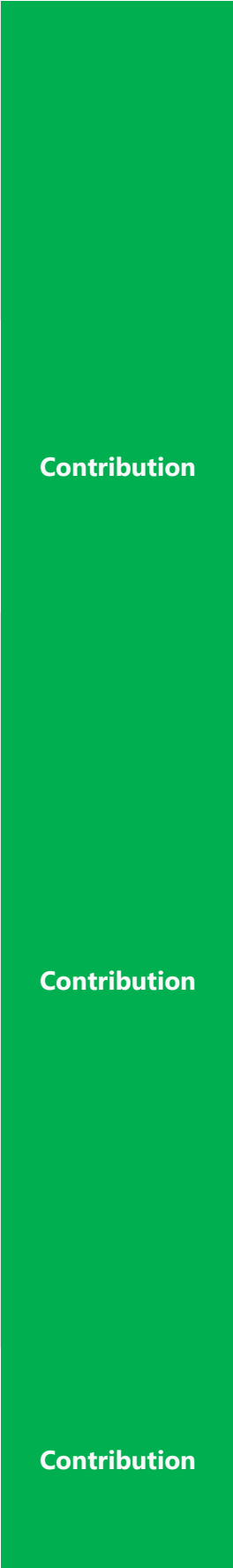
- *Installation of a fast-charging station (“electric recharging point”) for the entire building*

*Application only for renovations including owner-occupied homes (individual measure or comprehensive)<sup>14</sup>:*

- *Installation of at least one electric charging infrastructure*

**Certificate for entire property**

- *Cantonal building energy certificate with overall efficiency: for new buildings in at least Class B, for existing buildings in at least Class B*
- *Minergie: Minergie, Minergie P, Minergie A, Minergie ECO*



<sup>14</sup> There is no specification for these property types for new buildings.

**Certificate for entire property**

- *Certification by the Standard for Sustainable Building Switzerland*

**Contribution**



## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Switzerland.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into lending process

AKB discloses the application of environmental and social criteria in relation to lending in its [Sustainability Report](#).

The Issuer reviews borrowers based on their ESG sensitivity and allocates them to one of the following two categories: borrowers without ESG sensitivity and borrowers with ESG sensitivity. Borrowers without ESG sensitivity, which means that they don't operate in a sensitive business area, qualify for normal credit conditions. Borrowers with ESG sensitivity are assessed based on the following:

if ethical values or principles relating to the protection of the environment, people or animals are not complied with or if any breaches of applicable law are being committed, no credit is provided. Examples include child labor, forced labor or animal cruelty, and other ethically unacceptable practices as well as violations of the principles of environmental protection.

Credit applications made by companies with any of the business models below are assessed by the highest credit approval authority with the involvement of internal sustainability experts:

- Production of or trade in alcoholic beverages<sup>15</sup>
- Production of or trade in tobacco products
- Operation of gambling and casinos
- Production of or trade in weapons, accessories for weapons and munitions
- Operation of nuclear power stations and fossil fuel power stations

ESG risks are assessed before granting a credit, meaning that if risks are identified, the credit will not be classified as green mortgage. If ESG risks are identified at a later stage (e.g., in the quarterly random sample control), the client will have a short period to mitigate the risks. If the client doesn't succeed, the green mortgage is terminated and excluded from the Green Investment Products Framework. The process applies to all credit customers.

<sup>15</sup> Beer, wine and regional specialties are not affected by this.

### Labor, health and safety



As all assets financed are and will be located in Switzerland, high health, safety and labor standards are ensured by the relevant national legislation such as the [Arbeitsgesetz](#). Switzerland has also ratified all ILO core conventions.

### Biodiversity and community dialogue



The Issuer confirms that all assets are and will be located in Switzerland, an Equator Principles Designated Country, meaning it is deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect its people and the natural environment. Relevant national legislation protecting biodiversity include, but are not limited to [Raumplanungsgesetz](#) Article 1; [Umweltschutzgesetz](#) Article 1; [Gewässerschutzgesetz](#) Articles 1, 17, 18 and 27 and Chapter 3; [Gewässerschutzverordnung](#) Article 1; and [Chemikaliengesetz](#) Article 1. The legislation covers water protection, water engineering, spatial planning, forestry, chemicals, environmental protection and agriculture.

### Inclusion



The Issuer states that borrowers are not discriminated based on age, disability, ethnic origin, family status, race, religion, gender, sexual orientation, nationality and social origin in the access to credit. The policy in place is the [AKB Code of Conduct and Ethics](#). The code covers core values (trust, focus, responsibility, passion) and leadership principles (be a role model, involve employees, focus on success and live a culture of learning).

### Data protection and information security



The Issuer follows the minimum requirements on information security management according to ISO/IEC 27001:2022. Data protection and information security are part of AKB's risk management, including regular risk and security assessments, vulnerability scans, penetration tests, and internal and external audits. IT security standards are structured according to ISO Standards 27002, 27017 and 27701. A data leakage prevention tool monitors outgoing emails, web uploads and devices for potential data leaks. Relevant national legislation include the [Bundesgesetz über den Datenschutz](#) and the [Informationssicherheitsgesetz](#).

According to FINMA, the Swiss financial market supervisory authority, measures and regulations for surveillance of outsourcing must be in place. AKB has set up a Cloud Risk Framework and legal templates for outsourcing partners. Relevant national legislation include [Circular 2018/3](#) and [Circular 2023/1](#). Additionally, all major IT partners and outsourcing service providers are ISO

27001 certified and have an ISAE 3402 control framework, including reporting and monitoring of compliance with controls. This control framework is audited annually by an independent, accredited auditor.

### Responsible treatment of customers with debt repayment problems



The Issuer has implemented various measures to responsibly deal with borrowers having debt repayment problems. The client has a process in place to proactively approach customers potentially at risk. AKB offers internal debt counseling through its client advisors, who are assisted by the internal credit specialist and analyst departments. Furthermore, borrowers with debt repayment problems can be granted deferral of loan repayment and offered adjusted repayment plans for outstanding debts. AKB only uses foreclosure as a last resort and is regulated how to perform foreclosure by [Swiss law](#).

### Sales practices



The Issuer refrains from paying commissions and individual sales targets. Ethical considerations are included in the calculation of bonus payments. AKB offers training on responsible sales practices, including coaching and leadership checks. The Issuer monitors its sales practices by defining clear responsibilities, evaluating agents' competences and sales practices, performing random sample checks, conducting customer surveys and managing complaints.

### Responsible marketing



The Issuer is committed to transparency in its marketing activities. It has guidelines in place on clear and correct pricing, and the provision of complete and understandable information. Sales personnel should be able to provide borrowers with information on product risks and inform customers about the reasons leading to rejection. AKB tries to use small print as little as possible, though no policy is in place.

### Exclusion criteria

Within asset management mandates and investment universes for stocks and bonds, AKB excludes business models and practices associated with high sustainability and reputational risks. The Issuer has defined the following exclusion criteria, which are reviewed annually:

- Gambling
- High climate risks: companies in oil and gas production, producers of electricity based on fossil fuels and companies with high reserves of fossil fuels with an MSCI ESG rating lower than A
- Oil sands/Arctic oil
- Tobacco



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ISS-CORPORATE 

- Nuclear energy
- Genetically modified plants and seeds
- Weapons
- Pornography
- Violation of the U.N. Global Compact

## PART III: CONSISTENCY OF GREEN INVESTMENT PRODUCTS WITH AKB'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
<b>Strategic ESG topics</b>	<p>The Issuer focuses on three topics: environment, social and governance. These sustainability pillars were defined through a material topics review and are undergoing a review for the upcoming strategy period 2025-28.</p>
<b>ESG goals/targets</b>	<p>To achieve its strategic ESG topics, the Issuer has set targets for 2024 on digital responsibility training for employees, engagement on whistleblowing policy, targeted investments in innovative start-ups with sustainable development contribution, at least CHF 100 million in new green mortgages, support and develop employees' skills, at least 45% of women in newly created positions, 10% employee participation in the corporate volunteering day, and 25% female participation in events with over 250 participants.</p> <p>The Issuer has not set any verified science-based targets.</p> <p>The targets are public and monitored annually. They are approved by the board of directors, incorporated into the Issuer's strategic metrics and relevant within the bonus regulations applicable to AKB's executive board.</p> <p>Assessment of climate-related targets is detailed in the Climate Transition Strategy section below.</p>
<b>Action plan</b>	<p>To achieve its sustainability targets, the Issuer will expand its <a href="#">Sustainable Investment Policy</a><sup>16</sup> to include real estate and complement it by training investment teams on sustainable real estate practices. For green mortgages, AKB will launch targeted marketing</p>

<sup>16</sup> The Sustainable Investment Policy involves exclusion and ESG criteria that align with U.N. Global Compact principles and use MSCI ESG rating of BBB as thresholds. Around 20% of issuers from the global bond universe and 40% of companies from the global equity universe have been excluded. The assessments are reviewed monthly. Any stocks that are no longer sustainable are sold within a defined timeframe (asset management business) or their sale is recommended (advisory business).

	<p>campaigns and offer attractive terms to increase uptake. AKB plans to collaborate more closely with energy advisory units and update building data to support client advisory on energy saving. Moreover, the Issuer will support start-ups within the Canton of Aargau or the Olten-Gösgen-Gäu region through its direct investment mechanism.</p> <p>To enhance the effectiveness of its whistleblowing policy, the Issuer will undertake various actions to raise awareness and build confidence in the system's anonymity guarantees. Additionally, the Issuer aims to increase the proportion of women in its workforce by expanding its candidate pool and will mandate all employees to complete training on responsible and secure use of equipment and data.</p> <p>AKB doesn't disclose the relevant financial budget to achieve the specific ESG targets.</p>
<p><b>Climate Transition Strategy</b></p>	<p>The Issuer is committed to the Switzerland Federal Council's 2050 net-zero target.</p> <p>To that end, AKB published its <a href="#">Climate Position Paper</a> in 2023, which laid the groundwork for formulating a climate strategy based on the strategy of the federal government and the Canton of Aargau. It will involve a transition plan with specific short-, medium- and long-term measurable goals that cover the greenhouse gas emissions of AKB's business activities (Scope 1 to 3), supporting measures in the development and offering of sustainable products and services, particularly in the areas of mortgage loans, corporate loans and investment business, as well as specific measures to further build up competencies in advising and supporting customers, among other content.</p> <p>A working group was established to draw up the climate strategy. The devised strategy will be discussed and finalized with AKB stakeholders, such as the Sustainability Sounding Board, executive board, board of directors and Executive Council. In parallel, training will be provided to the relevant actors, including client advisors.</p>

	In addition, the Investment Centre will draw up a climate policy for portfolio funds and asset management mandates accordingly. The Bank plans to publish both the climate strategy and policy in 2024.
<b>Top three areas of breaches of international norms and ESG controversies in the industry<sup>17</sup></b>	Sexual harassment in the workplace, financial market irregularities, and embezzlement.
<b>Breaches of international norms and ESG controversies by the Issuer</b>	At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.
<b>Sustainability reporting</b>	The Issuer reports on its ESG performance and initiatives annually. The report is prepared in line with GRI Standards 2021. The Issuer commits to report in accordance with the same standard from the 2024 financial year onwards.
<b>Industry associations, collective commitments</b>	The Issuer is a signatory to the United Nations Principles for Responsible Investment (U.N. PRI) and a member of <a href="#">öbu</a> , <a href="#">Swiss Sustainable Finance</a> and the <a href="#">Partnership for Carbon Accounting Financials</a> .
<b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b>	A total of three green bonds were issued by AKB in 2020, 2021 and 2023, each valued at CHF 100 million. All four frameworks published in 2020, 2021, 2022 and 2023 received second-party opinions from ISS-Corporate.

*Rationale for issuance*

The purpose of issuing green investment products is to refinance existing and/or future mortgage financing, and this is the link between the assets and liabilities side of the Issuer’s balance sheet. At the same time, expanding the investor base will help diversify the Issuer’s sources of refinancing. Investors are given the opportunity to invest in sustainable bonds and support the Issuer’s contribution to sustainable and responsible business. The Issuer also offers sustainable time deposits (“green time deposits”), with investment available daily in freely selectable denominations of CHF 1,000 or more. Investments have a fixed term of between two and 10 years and a fixed rate of interest set upon execution.

<sup>17</sup> Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the public and regional banks industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

## SECOND PARTY OPINION

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and Green Investment Products Framework

ISS-CORPORATE 

**Opinion:** *The key sustainability objectives and the rationale for issuing green investment products are clearly described by the Issuer. Most of the project categories financed are in line with the Issuer's sustainability objectives.*

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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

AKB commissioned ISS-Corporate to compile a green investment products SPO. The second-party opinion process includes verifying whether the Green Investment Products Framework aligns with the Green Bond Principles and assessing the sustainability credentials of its green investment products, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles

### ISSUER'S RESPONSIBILITY

AKB's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risk management at the asset level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, 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 investment products to be issued by AKB has been conducted based on proprietary methodology and in line with the GBP.

The engagement with AKB took place in July and August 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.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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](mailto:SPOsales@iss-corporate.com).

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