



AKB Green and Social Investment Products Framework

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Aargauische
Kantonalbank

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Sustainability at Aargauische Kantonalbank

As a sustainable, regional and responsible financial service provider, Aargauische Kantonalbank (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 assumes 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 remaining economically successful.
- consciously further develops products and services with reference to sustainability aspects.
- is committed to a socially and economically strong, attractive and resilient Canton of Aargau.
- offers its employees an inspiring, identity-shaping environment and acts as an attractive, trustworthy and reliable employer.

Sustainability is firmly established within the Bank's corporate culture as a cornerstone of its vision within the overall banking strategy. This is based on the mandate defined in the Cantonal Banking Act which requires the promotion of economic and social development in the Canton of Aargau, with reference to the three ESG goals (E = Environment, S = Social, G = Governance).

The primary focus is placed on the core business, where AKB has the biggest impact. AKB therefore continues to develop its products and services. In particular, the comprehensive and 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 climate change as one of the largest global challenges of our times and accepts its responsibility as a financial service provider and part of the economic system. AKB proactively addresses the challenges and risks of climate change. Climate change and its effects have a direct impact on the business operations of AKB and on its clients. This is already noticeable today and will continue to intensify further over the medium to long term. In particular, the lending and investment business, as well as the Bank's own operations, are affected by this. Through its products and services, coupled with targeted client advice, AKB can help protect the environment and minimise climate-related risks for both AKB and for clients. AKB has committed itself to achieving the target of net zero by 2050. In 2024, AKB drew up and published a Climate Strategy. In addition to CO₂ emissions from its own operations, AKB also calculates and publishes financed emissions from the mortgage business, corporate lending and the investment business. Science-based targets for achieving the target of net zero by 2050 will be set over the coming years.

AKB is aware of its important role as a financial services provider in directing capital towards sustainable uses. It therefore excludes from its asset management mandates and its equity and bond investment universes the business models and practices of companies and issuers that are subject to high sustainability and reputational risks. These exclusion criteria are periodically reviewed: gambling, high climate risks, oil sands/Arctic oil, tobacco, nuclear energy, genetically modified plants and seeds, weapons, pornography, and violations of the UN Global Compact. Further information: **Sustainable investing**

Motivation and objectives

The issue of green and social bonds, as well as green and social time deposits, serves to refinance existing and/or future financing and represents the link between the asset and liability sides of the Bank's balance sheet. At the same time, expanding the investor base will help to diversify AKB's sources of refinancing. Investors are given the opportunity to invest in sustainable bonds and thereby support the Bank's contribution to sustainable and responsible business activities. In addition, AKB can offer sustainable time deposits (green time deposits and social time deposits), with investments possible on a daily basis in freely selectable denominations from CHF 1,000. The investments have a fixed term of between two and ten years as well as a fixed rate of interest determined at the time of conclusion.

As a cantonal bank, AKB bears responsibility for the region and promotes investments that generate long-term benefits – for the environment, society and future generations. The refinancing concept is presented transparently to investors in the AKB Green and Social Investment Products Framework. This guarantees consistent treatment of all green and social bond issues and green and social time deposits. If framework terms and conditions change, there is no entitlement to repayment of the bond or of time deposits.

Objectives of the AKB green bond issue and green time deposits

Energy-efficient properties are a key building block for a sustainable future. They lower energy consumption, reduce CO₂ emissions and help protect the environment. At the same time, residents also benefit from lower ancillary costs and a pleasant living environment. This becomes particularly clear in the case of new buildings and refurbishments: investments in modern, energy-efficient construction methods pay off in the long term – both ecologically and financially.

With green bonds and green time deposits, AKB specifically supports projects that focus on energy efficiency in the building sector. This enables the Bank to contribute to the energy transition and allows investors to invest capital sustainably and with a forward-looking approach.

Objectives of the AKB social bond issue and social time deposits

Housing is a basic need. However, affordable housing can no longer be taken for granted. The free market cannot meet this demand on its own, which is why non-profit developers such as cooperatives, foundations or associations are needed. These entities do not focus on short-term profits, but create long-term affordable housing and thus make an important contribution to basic services.

AKB specifically supports such projects with social bonds and social time deposits. In doing so, it not only promotes affordable housing in its market area but also gives investors the opportunity to invest their capital in a meaningful and socially responsible manner.

Green and Social Bond Principles according to ICMA

The AKB Green and Social Investment Products Framework complies with the Green Bond Principles (GBP) 2025 and the Social Bond Principles (SBP) 2025 of the International Capital Market Association (ICMA). From now on, they apply to all green and social bonds issued as well as to green and social time deposits of AKB. The AKB Green and Social Investment Products Framework is explained below, based on the four core components of the GBP/SBP:

- **Use of proceeds**
- **Process for project evaluation and selection**
- **Management of proceeds**
- **Ongoing reporting**

AKB has defined sustainable lending criteria that apply to its entire lending business and therefore also cover all transactions, hence the transactions refinanced from the proceeds from green and social bonds as well as green and social time deposits are covered as well. The sustainable lending criteria can be found on the AKB website: **Sustainable lending**. Loans to companies with ESG sensitivity are excluded from this framework.

Green bonds and green time deposits

GBP 1: Use of proceeds

According to the GBP, eligible use of proceeds includes, among other things, the financing of projects in the field of building energy efficiency. AKB focuses on the Green Buildings category. The proceeds from the green bond issues and green time deposits are used to fully or partially finance an eligible portfolio of ecological financing (green asset pool). The green asset pool consists of the Minergie-certified Properties category.

Green asset pool

The green asset pool is comprised of all receivables from properties with a Minergie certificate. The Minergie certificate must be issued for the entire property. Eligible property locations are situated throughout Switzerland. If the Green Asset Pool is expanded to include additional assets with demonstrable environmental benefits, AKB will take due account of the new asset class by updating the framework.

All proceeds are used exclusively for eligible projects. If the portfolio of outstanding green bonds and green time deposits exceeds the sum total of receivables from Minergie-certified properties at any given time, the capital raised is managed in accordance with GBP 3. A review of the framework may be carried out in the event of a material change in the law or adjustment to market standards (e.g. ICMA GBP).

Spotlight: Minergie

Minergie is a Swiss building standard for comfort, efficiency and climate protection – both for new buildings and refurbishments. The brand is jointly supported by business, the cantons and the federal government and is protected against misuse. At its core is a construction method that optimally combines environmental compatibility, cost efficiency and residential/working comfort. This comfort is made possible by a high-quality building envelope and systematic air renewal. Minergie buildings are also noted for their very low energy requirements and the highest possible proportion of renewable energy. The building standard is voluntary and enjoys widespread acceptance. The main reason for this is that building contractors, architects and planners are completely free in the design, choice of materials and the internal and external structure of a building. This means it is also possible to take account of the need to improve the quality of life, ensure competitiveness and reduce environmental pollution at the same time.

GBP2: Process for project evaluation and selection

AKB's green bonds and green time deposits are not project bonds or project time deposits. The issue proceeds are allocated in full to the selected projects according to a portfolio approach. No individual allocation occurs, as all selected projects qualify for the use of proceeds. The focus is on refinancing existing and future receivables relating to Minergie-certified properties. Only properties located in Switzerland are taken into account.

Each year, the real estate service provider IAZI provides AKB with the Minergie building standard and the issue date of the respective certificate. To this end, IAZI compares the addresses of the properties financed by AKB against the official Minergie database. The Minergie flag is reviewed quarterly by IAZI and updated as necessary. The flag is verified annually by AKB on a sample basis. If the receivables no longer comply with the list of criteria, they are removed from the green asset pool.

In the event of a legal or other dispute in connection with the issue of green bonds, green time deposits or the application of the Green Bond Principles, AKB 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.

GBP3: Management of proceeds

AKB undertakes to use the proceeds from the issue of green bonds and green time deposits to refinance existing and future receivables relating to Minergie-certified properties. AKB allocates the proceeds from green bond issuance in full immediately after the bond is issued, but no later than one year after the issuance. The net proceeds are managed per bond (bond-by-bond approach). The receivables are allocated to the green asset pool once per year. In order to ensure that the funds are used for the intended purpose, the proceeds from green bonds and 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, the total outstanding volume of receivables relating to Minergie-certified properties on the Bank's balance sheet exceeds the total issue volume of green bonds, including green time deposits by at least 10 %. The issuance of green time deposits may be suspended if the total outstanding volume of green bonds and green time deposits exceeds the portfolio of receivables from Minergie-certified properties by at least 10 %.

If, at any time, the volume of outstanding green bonds and green time deposits exceeds the total amount of receivables from Minergie-certified properties, the surplus 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 review: second-party opinion from an established provider

The described use of surplus proceeds applies until sufficient receivables relating to Minergie-certified properties are available again or until green bonds or green time deposits are repaid. AKB is also entitled to repurchase green bonds at any time in any quantity for its own investment or redemption purposes, or to suspend the offering of green time deposits.

GBP4: Ongoing reporting

AKB regularly, at least once a year, provides up-to-date information on the use of proceeds from green bonds and green time deposits. The reporting will be provided at portfolio level for the Green Buildings Category. AKB will make this information available on its website akb.ch:

- AKB Green and Social Investment Products Framework
- Green Investment Products Reporting, including an externally audited report providing an overview of how proceeds have been used (allocation) as well as any surplus funds not yet allocated
- Second-party opinion from ISS Corporate
- Reporting is ensured throughout the term of the green bonds and green time deposits (i.e. at least until the final maturity of the last green bond or green time deposit). Reporting includes all proceeds from the asset pool or the proceeds.



Social bonds and social time deposits

SBP 1: Use of proceeds

According to the SBP, eligible use of proceeds includes, among other things, the financing of social housing projects. AKB focuses on the Affordable Housing category. The proceeds from social bond issues and social time deposits are used to finance all or part of a portfolio of social financing (social asset pool). The social asset pool is composed of projects in the Non-profit Housing category.

Social asset pool

The social asset pool covers all receivables from non-profit housing developers. Only non-profit housing developers based in Switzerland are taken into account. If the Social Asset Pool is expanded to include additional assets with demonstrable social benefits, AKB will take due account of the new asset class by updating the framework.

All proceeds are used exclusively for eligible projects. If, at any time, the volume of outstanding social bonds and social time deposits exceeds the total receivables from non-profit housing developers, the capital raised will be managed in accordance with SBP 3. A more frequent review may be carried out in the event of a material change in the law or an adjustment to market standards (e.g. ICMA GBP). The evaluation of negative material, social or environmental risks is carried out at the level of legal requirements.

Spotlight: Non-profit housing developers

Residential properties that are owned by non-profit housing developers or are subject to a government-regulated cost-rental model are exempt from profit maximisation in the real estate market. These counterparties commit to the Charter of Non-Profit Housing Developers and are members of a federal government-recognised umbrella organisation for non-profit housing. The umbrella organisations recognised by the federal government are: **Wohnbaugenossenschaften Schweiz** (Swiss Housing Cooperatives) and **Wohnen Schweiz** (Housing Switzerland). Non-profit housing developers provide housing for all segments of the population, with a focus on families, households with low incomes and people with disabilities and the elderly. Non-profit housing developers aim to provide the population with affordable housing while promoting social diversity. They stand for long-term, community-oriented housing solutions that integrate different income groups, lifestyles, and vulnerable populations.

SBP2: Process for project evaluation and selection

AKB's social bonds and social time deposits are not project bonds or project time deposits. The issue proceeds are allocated in full to the selected projects according to a portfolio approach. No individual allocation occurs, as all selected projects qualify for the use of proceeds.

Loan clients of AKB who belong to an umbrella organisation for non-profit housing recognised by the federal government are flagged in the core banking system. The portfolio is reviewed annually by AKB. Receivables from the properties of non-profit housing developers constitute the social asset pool. If the receivables no longer comply with the list of criteria, they are removed from the social asset pool.

In the event of a legal or other dispute in connection with the issue of social bonds, social time deposits or the application of the Social Bond Principles, AKB 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.

SBP3: Management of proceeds

AKB undertakes to use the proceeds from the issuance of social bonds and social time deposits to refinance existing and future receivables from non-profit housing developers. AKB allocates the proceeds from social bond issuance in full immediately after the bond is issued, but no later than one year after the issuance. The net proceeds are managed per bond (bond-by-bond approach). The allocation of receivables takes place once per year. In order to ensure that the funds are used for the intended purpose, the proceeds from social bonds and social time deposits are monitored on an ongoing basis using an internal control system. In addition, new social bonds will only be issued if, after a planned new issue, the outstanding receivables from non-profit housing developers on the Bank's balance sheet exceed the total issuance volume of the social bonds, including social time deposits by at least 10 %. The issuance of social time deposits may be suspended if the total outstanding volume of social bonds and social time deposits exceeds the volume of receivables from non-profit housing developers by at least 10 %.

If, at any time, the volume of outstanding social bonds and social time deposits exceeds the total receivables from non-profit housing developers, any proceeds from social bond issuances will be used as follows:

- Hold the proceeds in cash and/or
- Invest in social bonds of other issuers
- The following criteria are applied to investments in social bonds of other issuers:
 - Currency/rank: CHF, EUR or USD/senior unsecured
 - Issuer rating: investment-grade range
 - At least one independent review: second-party opinion from an established provider

The described use of surplus proceeds applies until sufficient receivables from non-profit housing developers are available again or until social bonds or social time deposits are repaid. AKB is also entitled to repurchase social bonds at any time in any quantity for its own investment or redemption purposes, or to suspend the offering of social time deposits.

SBP4: Ongoing reporting

AKB regularly, at least once a year, provides up-to-date information on the use of proceeds from social bonds and social time deposits. The reporting will be provided at portfolio level for the affordable housing category. AKB will make this information available on its website akb.ch:

- AKB Green and Social Investment Products Framework
- Social Investment Products Reporting, including an externally audited report providing an overview of how proceeds have been used (allocation) as well as any surplus funds not yet allocated
- Second-party opinion from ISS Corporate
- Reporting is ensured throughout the term of the social bonds and social time deposits (i.e. at least until the final maturity of the last social bond or social time deposit). Reporting includes all proceeds from the asset pool or the proceeds.



External review

Second Party Opinion

AKB has obtained a second-party opinion (SPO) from ISS Corporate to ensure the transparency and reliability of AKB Green and Social Investment Products Framework. The SPO assesses the framework's compliance with the ICMA Green and Social Bond Principles.

Reporting

AKB prepares an annual report on the allocation of proceeds from all bonds issued. An independent external auditor is commissioned annually to review the allocation and to publish a statement on compliance with the criteria documented in these framework conditions. The report and the external review are published on AKB's website.

Disclaimer

Aargauische Kantonalbank (AKB) makes no representation or warranty that its green bonds, social bonds or green and social time deposits are suitable for meeting the environmental, social and/or sustainable investment objectives of potential investors or for fulfilling their expectations regarding AKB's corporate governance. It is the sole responsibility of potential investors to assess the relevance and effectiveness of the described intended use of proceeds in respect of their own investment objectives. Accordingly, the purchase of bonds or the conclusion of time deposits is made on the basis of investors' own independent assessment and any due diligence they individually consider necessary. ISS Corporate has issued assessments of the conformity of the bonds with regard to certain criteria. These assessments are not an integral part of this AKB Green and Social Investment Products Framework and do not take into account the potential impact of structural or 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 reflect conditions only at the time of issue or conclusion. AKB has undertaken to comply with certain principles regarding the management of issue proceeds 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 place value on the environmental or social characteristics of the bonds and time deposits acknowledge that the refinanced business activities will not necessarily achieve the expected environmental, social and sustainable outcomes, nor produce the anticipated effects on AKB's corporate governance.